Addressing the Economic and Political Rise of the BRICS Countries

Through Neoliberal International Relations Theory

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ABSTRACT

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The global system in the 21st century is facing new challenges from globalization and increasing economic and political interconnectedness. The international institutions tasked with coordinating the global economic and political systems have not changed with the shifting of global power dynamics. The emergence of the BRICS (Brazil, Russia, India, China, and South Africa) as a growing economic and political grouping is challenging the Western prominence of these institutions. This thesis utilizes neoliberal theories and methodologies in international relations to evaluate the unique rise and cohesion of the BRICS as an economic and political grouping and the implications they have on the global system. The findings will advocate the need for further study and scholarship on the BRICS themselves, but also on the future roles of institutions in the global system. Policy development in addressing future global challenges cooperatively through institutions will be needed by both the West and the BRICS.
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Introduction

The Rise of the BRICS and the Importance of International Institutions

A metamorphosis is currently taking place in the international system as the international leadership of the United States (U.S.), and its allies in Europe, and Japan are undergoing a devaluation of their economic capacity on the international level as a result of the recent global recession in 2008-2009. The perceived weakness of the US in decline\(^1\) is providing nations, like the BRICS (Brazil, Russia, India, China, and South Africa), an opportunity to become more prominent participants in world affairs. This can be exemplified by the creation of the G20, which sought the inclusion of all the BRICS members and other significant countries from the global South. The G20 was deemed superior than the G8 for systemic problem solving.\(^2\) The newly emerged importance of the BRICS and other economies of the global South to aid in pulling the developed world out of recession is also contributing to the call for greater representation in international institutions like the International Monetary Fund (IMF) and the United Nations Security Council (UNSC).\(^3\) The BRICS are beginning to establish themselves as the de facto voice of the developing world and a group that seeks to reform the major economic and political international institutions in order to make them more representative and reflect

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\(^2\) Cooper, Andrew F. "The G20 as an Improvised Crisis Committee And/or a “contested Steering” Committee for the World." *International Affairs (Royal Institute of International Affairs)* 86.3 (2010): 741-57. Blackwell Publishing Ltd. Web. Pg. 743

the growing weight that the BRICS and other developing countries carry as laid out in their most recent joint declaration.⁴

Utilizing neoliberal theories on international relations, the goal of this thesis will explain the effects of the emergence of the BRICS in the global system and the importance of international institutions in maintaining stability and prosperity in the global system. Demonstrating how the growing cohesiveness of the BRICS is a significant development in the international system more academic attention to best interpret their rise, and the need for policy development for both the West and the BRICS moving forward is needed. The growing cohesiveness of the BRICS is based on acting as a balance to Western power in international institutions. This action by the BRICS is a result of growing frustration of a lack of reforms in international institutions. These institutions are becoming more of a focal point of conflict between the BRICS and the West on how to best address global issues instead of facilitating cooperation between nations. Neoliberal methodology places an emphasis on the role of institutions in obtaining collective outcomes in the international system. The institutions that were established after World War II have largely been successful in achieving their goals of raising the status of formerly poor and undemocratic states. Now a lack of reform from these institutions to better reflect growing power and importance in the developing world is becoming a source of greater division between the West and the BRICS. The emergence of competing institutions being created by the BRICS out of frustration at the slow pace of reform, and a desire to maintain control over their own economic and political interests could jeopardize the global community’s ability to collectively act on

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issues of mutual importance, resulting in increasing global instability. The BRICS feel that the current international institutions have disenfranchised them by not reforming to reflect the growing financial and political role that they play in the global system.

The neoliberal approach to international relations, emphasizing the importance of international institutions and cooperation between states will be used to highlight the importance of facilitating cooperation within global institutions like the IMF and the United Nations (UN). The current growth and stability of the international system has been beneficial to both the West and the BRICS. The economic success and growing influence of emerging states is tied to the liberal internationalist organization of world politics and all members have a valuable stake in the successful continuance of this current condition. The Bretton Woods Institutions and the UN are important components for fostering cooperation between the BRICS and the West to establish cohesive, beneficial goals for all members. However, the BRICS view these institutions as being Western driven and do not reflect the vision and goals of the developing world. As a result these institutions are highlighting conflicting interests between the BRICS and the West, and are diminishing the prospects of current and future cooperation to properly fulfill the institution’s goals. The growing fractures between the West and the “rest,” based on competing interests and past grievances would be a devastating and unnecessary outcome for the international community.

A lack of unified international cooperation could increase the possibility of political instability and economic stagnation.

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Since the end of World War II, the political and economic institutions that coordinate global interactions between state governments, financial institutions, and non-government actors have been headed by the victorious Western Allies: the U.S., the United Kingdom, and France. The UN and the Bretton Woods Institutions, the World Bank and the IMF, have been the multilateral organizations that have provided a forum for all nations of the world to meet, engage in dialogue, and provide aid for developing successful economies and modern states. While the Western Allies were needed to head this task during their infancy the makeup of the world political and economic hierarchy has changed dramatically with the economic growth and success of the BRICS members in the past 70 years. Despite the changing economic size and political influence of different states in the international system these institutions have remained stagnant with rising economic and political powers like the BRICS seeking more decision-making power. Without Western dominated economic and political institutions, one of the foundations of BRICS cooperation, there would be no BRICS.7 As a result, the nations of Brazil, Russia, India, China, and South Africa have sought to combine their economic and political power in a cohesive grouping. Their cooperation is being used to challenge and transform the current makeup of these institutions in a way that more accurately reflects the global community and makes a more equitable world order.8

To this point, the BRICS have carried out five annual summits with each member acting as host once. They have increased coordination through a variety of agreements and conferences ranging in topic from finance to health to security, which continue to

take place on a more regular and frequent basis. These meetings are opportunities for the BRICS members to exchange information, reach common consensus on global issues, and further integrate to increase cooperation within the group. Most importantly, they have agreed in principle and set in motion the establishment of a development bank that will rival the Western backed IMF and World Bank. The goal of the BRICS is to provide a voice for the states that have been voiceless in these global institutions through South-South cooperation and North-South dialogue. Rather than trying to implement these goals individually, the BRICS are using their collective economic and political power to initiate changes to international institutions that will not only benefit themselves but other developing nations as well.

The goals of the BRICS in reforming the current make up of the international system do not involve a dramatic restructuring or an end to relations with their Western counterparts. The BRICS leaders do not want and are not necessarily capable of a more ambitious transformative agenda. The BRICS have benefited immensely from the neoliberal trade and economic policies implemented by the West, and the international stability that the U.S. military has provided to create a security framework necessary to facilitate free markets, free trade, and capital mobility. These nations rely heavily on the unmatched consumer power Western markets provide for their natural resources,

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commodities, and manufactured products. While continuation of the status quo is in the best interest of the BRICS, it is also known that because of their increased economic and political contributions to the international system these nations feel that they deserve a larger say in the process. This dilemma of keeping the status quo but in a way that provides the BRICS greater say in the system is what makes their rise as a political grouping and their possible trajectory so unique. They are pursing a path toward greater synergy and cooperation separate from the West, and are even establishing separate institutions like a development bank. At the same time they continue to wait on reforms from the West, like quota adjustments in the IMF, so they can continue to operate in better standing in already established Western institutions.

In order to demonstrate the impact of the grievances being made by the BRICS, I will establish two points. The first point is the motive for the BRICS discontent and desire for reformation. The BRICS want the IMF to reallocate their voting quotas to provide the BRICS nations greater say in their policy and lending goals. The global economic recession that occurred during 2008-2009 initiated serious problems within the U.S. and other Western nations, affecting their ability to continue with large aid to developing states. Investment and loans to developing nations, that governments rely on, are not being given as readily or in the large quantities that they were used to receiving them; either from organizations like the IMF and World Bank or directly from western governments. In the absence of IMF and Western investment, emerging economic states have begun to provide funds and investments to developing states. As countries like

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China, India, Russia and Brazil have stepped up to fill the foreign investment gap, their political standing within the IMF has not reflected their increased influence.¹⁴

The second point is the validity of the BRICS as an economic and political grouping to collectively enact their desired changes. The BRICS are in the process of developing a more cohesive and collaborative grouping that is proactively calling for change and challenging Western control of international institutions through the establishment and future implementation of competing institutions. Following their fifth annual Summit, the BRICS have instituted measures to increase integration and promote cooperation; issued joint declarations and statements identifying their common interests and goals, as well as addressing current issues affecting the global community; and agreed to a deal to create a development bank of their own. The BRICS development bank will be used to aid in their own infrastructure and development but also to aid other developing nations, especially in Africa. The BRICS view Africa as an important player in future growth, both for themselves and for Africa.¹⁵ Africa’s real GDP from 2000 to 2010 has doubled from the rate in the 1980s and 1990s; the percentage of the population that lives in cities is now comparable to China; and its growing middle class is helping support economies so they do not have to rely on the wealth from oil and metal production.¹⁶ Investment in Africa through a BRICS development bank will help increase

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¹⁴ Works highlighting these actions include:
Kumar, BRICS Pushes IMF to Reform- Analysis; 2012


the BRICS’ presence and influence in Africa and the developing world. The BRICS are creating institutions that will allow developing countries the option to choose who can best serve their economic and/or security needs.

The rising economic and political power of the BRICS and other nations like the BRICS are being accompanied with desires for greater roles in international institutions for these countries. Now that these non-Western states are in a position that their economies are some of the largest in the world and politically are leaders and maintainers of stability in their regions, should be a testament to the success of the post-World War II institutions. The goal of raising the economic and political status and stability of former colonies, to be self-reliant and influential members of the world community, has started to come to fruition. It has validated the means used in their mission to create international stability and prosperity. However, Western reluctance to incorporate non-Western states into more prominent roles has contributed to growing frustration in the developing world. The formation and cohesion of the BRICS is based on this frustration and desire to garner more influence in international institutions.

Of even greater concern is the potential alienation of emerging states that have political and economic ties to the West based on similar domestic institutions. The U.S. and West are neglecting relationships with valuable allies and trading partners like Brazil and India within the BRICS grouping as well as other emerging democratic powers like Indonesia. The BRICS are a very unique grouping in that its composition is not based on economic or political similarities or even regional proximity, its synergy comes from a

collective frustration of exclusion from the decision making process that directs the international system. The resulting action of the BRICS formation is that developing democracies like Brazil, India, and South Africa, in searching for a greater role in international institutions are compromising their political convictions and desires for alliances with states like China and Russia whose approaches and views in addressing international issues are very different from the West’s. These actions give more validity to the political regimes ruling in China and Russia and their ability to counter Western positions on issues of global significance.

**Literatures Review**

The emergence of the BRICS as a new political grouping in the international system in the last five years provides an opportunity to examine their impact on international relations through the prism of neoliberalism, which emphasizes the importance of institutions in the international system. The BRICS represent the first significant challenge to U.S. and Western supremacy in the international system since the end of the Cold War. The globalization of the world and the interdependence of states have made international institutions like the IMF and UN more important for their role as a forum to produce coordinated international responses to global issues. Neoliberalism focuses on the role played by international institutions in achieving collective outcomes in an anarchic environment. This perspective argues that international cooperation is possible with the creation and maintenance of international institutions, with the goal of understanding how international institutions foster, maintain, and deepen this
Using a neoliberal methodology, I seek to highlight the importance of a global system in which international economic and political institutions remain the primary coordinating agents of the global system. The economic and political rise of the BRICS is presenting unique challenges to the leadership of these institutions. Divergent interests between the West and the BRICS are already contributing to and will continue to hamper the potential for cooperation to address global problems.

Krasner’s edited collection, *International Regimes* (1983) explores the concept of regimes and their significance to the international system. To Krasner, regimes matter because of their ability to influence and direct behavior. This work is cited as an important part of the literature seeking to further understand regimes and cooperation of states. It is a challenge to realist views that limit the significance of international regimes and acknowledges that regimes have a significant impact in an anarchic world.

One of the foremost neoliberal scholars in international relations theory is Robert Keohane. Many of his works look at institutions and the different attributes and elements of institutions like interdependence, cooperation, and reciprocity. In *After Hegemony: Cooperation and Discord in the World Political Economy* (1984), Keohane addresses the role that institutions have on global politics and how states can maintain institutional norms to produce cooperation. The regimes created following World War II established a more favorable institutional environment for cooperation than would otherwise exist.

The need for the West and the BRICS to cooperate, reform, and strengthen current

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institutions will be a more sustainable approach to maintaining the global system.

Keohane and Nye describe what makes a regime in *Power and Interdependence* (1977) as networks of rules, norms, and procedures that recognize behavior and control its effects.\(^2^2\) This is done when sovereign states, to achieve collective gains, find cooperation because they seek to reduce uncertainty and the costs of making and enforcing agreements as described in *International Institutions: Can Interdependence Work* (1998).\(^2^3\)

The BRICS are not capable, nor do they have the desire, to lead the system but they do want a say in how the system is run. Improvements to the global system are more likely if the existing institutional arrangements are modified rather than being replaced with new institutions.\(^2^4\) *International Institutions: Two Approaches* (1988) addresses why states would leave institutions. The rules and norms that bring states together are based on the relative power that each member brings to the group. Institutions thus need to make sure that the rules and norms of institutions continue to bring all members to common converging interests, as institutions will persist only as long as “their members have incentives to maintain them.”\(^2^5\) Contributing to the idea of bringing converging interests together in *Cooperation Under Anarchy* (1985) with Robert Axelrod, they again proclaim the importance of institutions in world politics, but they also delve deeper into what cooperation means in an institution. Cooperation is different from harmony.

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\(^2^4\) Keohane, Robert O. *After Hegemony: Cooperation and Discord in the World Political Economy*. Pg. 244

Cooperation occurs in institutions when an actor’s behavior or preferences are adjusted to fit the anticipation of others. Realistically, the BRICS and the West will not always be in harmony on every situation, but cooperation is vital for members of each group to better understand the behavior and intentions of the other within current institutions.

In addition to evaluating the importance of institutions, Keohane also analyzes the specific components needed for institutions to successfully function and prevent states from leaving. Keohane wrote about the role that regimes could play in providing order to international governance. In *Two Cheers for Multilateralism* (1985) Keohane and Nye write in support of the importance of international cooperation and regimes that define the rules of the international system. Based on their stance that regimes as institutions can provide order to the international system Keohane and Nye cite four functions that successful regimes carry out to effectively manage collective problems. In addition to Keohane’s four functions in his work *Reciprocity in International Relations* (1986), Keohane introduces the idea of diffuse reciprocity, which is described as “an ongoing series of sequential actions which may continue indefinitely, never balancing but continuing to entail mutual concessions within the context of shared commitments and values.”

Ruggie also incorporates Keohane’s ideas on diffuse reciprocity in *Multilateralism: The Anatomy of an Institution* (1993). Ruggie explains that multiple states will choose to ally in an institution if the members are committed to achieving a goal in concert, and if they are able to achieve a benefit from sacrifices to sovereignty, trade,

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etc., in the immediate and over the time of the existence of the alliance.\textsuperscript{29} In \textit{The Promise of Institutionalist Theory} (1995) Martin and Keohane explain that successful institutions rely heavily on institutionalized reciprocity because of the need for reliable sources of information if states are to achieve gains from cooperation.\textsuperscript{30} The role that institutions play in providing a forum for information exchange is important because of the growing divide in interests between the BRICS and the West. Institutional structures will be important for their potential in bringing both sides closer to finding common beneficial interests.

Snidal in \textit{The Limits of Hegemonic Stability Theory} (1985) works to offer a better analysis and argues that the range of the theory is only limited to very special conditions and that cooperation can occur outside or in the face of declining hegemony.\textsuperscript{31} The decline of U.S. and Western power does not necessarily equate to the decline of cooperation in the international system. The BRICS are just as vested in ensuring the continuance of the international system, so Snidal’s emphasis on negotiation, strategic rationality, and cooperation through collective action will help explain how the BRICS and the West can work together for increasing cooperation. In Snidal’s work with Koremenos and Lipson, \textit{The Rational Design of International Institutions} (2001) their assumption is that states use institutions to further their own goals, and they design


institutions accordingly.\textsuperscript{32} Institutions are useful in helping states achieve their goals, but the BRICS are becoming more insistent that the current institutions do more to meet their goals, which are different from those of the West.

Grieco provides a realist counter to the neoliberal stance that international institutions can help states cooperate in an anarchic world. In \textit{Anarchy and the Limits of Cooperation} (1988), Grieco rebukes the liberal institutionalist emphasis on the power of institutions to produce cooperation in the international system. For realists there is no overarching authority that can prevent violence. The incentive to cheat is the most powerful factor that dooms international institutions.\textsuperscript{33} In addition to cheating and relative gains the other reason why states will not commit to cooperation is that states prefer to perform functions on their own, which Grieco describes in \textit{Realist Theory and the Study of World Politics} (1997).\textsuperscript{34} Naazneen Barma, Ely Ratner, and Steven Weber discount the usefulness of current institutions based off of their inability to better incorporate the BRICS into more prominent leadership positions in \textit{The Mythical Liberal Order} (2013).\textsuperscript{35}

John Ikenberry is another scholar who emphasizes the role of institutions. Ikenberry also looks at the role of institutions in providing stability in the international system after conflict. This concept helps to explain the importance of institutions in continuing systems like international trade and security cooperation that help to maintain

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global stability despite a divergence in interests between the BRICS and the West. Ikenberry’s work, *After Victory* (2001) uses democratic states and institutions as the base of his argument to show that the most successful and enduring powerful states are ones that work with and through institutions. The U.S. following World War II established global institutions that directed the global economic and political systems. The role of the U.S. and the West in their current state are what the BRICS countries are contesting and as a result, impacting the effectiveness and direction of the institutions goals.

In addition to Ikenberry’s theoretical analysis of hegemony and cooperation, he also lays out prospects for what the U.S. can do in order to modify institutions to accommodate the changes occurring from growing BRICS prominence in: *The Future of the Liberal World Order* (2011), and specific strategies for the U.S. incorporating rising states in *Strategic Reactions to American Preeminence* (2003). Currently, rising states are finding incentives and opportunities to prosper in the liberal world order and these countries want to renegotiate their place in that order. The West needs to integrate rising powers and address problems cooperatively. In order to do this the U.S. can operate through mutually agreed upon rules and institutions so countries will choose to engage with, rather than resist the U.S. Hegemonic strategy serves the interest of the U.S. if it is done in a way that makes the U.S. a predictable and cooperative hegemon. Both of these works are helpful in describing the challenges associated with the rise of the BRICS and the importance of U.S. leadership in a globalizing world.

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The emergence of the BRICS and their calls for reformation of current international institutions has implications for the possible consequences of a global order with competing institutions. One of these possibilities is that of a bipolar system. Binnendijk presents the idea that a bipolar global system is unstable in Back to Bipolarity? (1999). He states that the West needs to improve on including and incorporating rising states to make sure they are “on the right side of globalization and democratization trends.”39 It also provides guidance for how the US can keep the BRICS on the “right side” of globalization to prevent this from occurring. Ian Bremmer in Every Nation for Itself (2012) predicts a world comprised of multiple blocs and a reliance on bilateral agreements and treaties between states, he calls this the G-Zero world. In this world no state or group of states is powerful enough to lead the international system, but states are strong enough to prevent others from doing so. It paints a dismal future in explaining the impact of the “rise of the rest” and the lack of influence that institutions will have in trying to avoid this path.

Alliance Literature

To help explain the impact that the West is having by excluding the BRICS from more prominent roles in institutions I utilize literature in alliance building. This will help to frame why the BRICS are taking this type of approach in trying to balance against the West. These works used in the third chapter describe the approach being taken by the BRICS. The BRICS are trying to grow group cohesion to confront the West through an alliance of states. Rather than individually challenging the West or trying to work through

institutions they see the importance of alliance building and group cohesion in challenging the West.

An early and influential writing on alliances comes from Morgenthau in his work *Politics Among Nations* (1948). The reason why states align with one another is to protect themselves and preserve the balance of power in the international system.40 Friedman adds to Morgenthau’s work in his edited volume on alliances *Alliance in International Politics* (1970), that as long as there are nations seeking power or those willing to preserve the status quo, there will be rivalries in the world that lead to the formation of alliances.41 Walt in *The Origin of Alliances* (1987) writes to address what the origins of alliances are.42 He describes the inclination of states to ally in order to balance against the powerful state rather than bandwagon with the powerful state. The BRICS alliance is based on trying to protect their interests from what they see as the mismanagement of the global financial system by the West. By balancing against the West with a more cohesive alliance they seek to achieve their goals of growth and prosperity without reliance on the West. The West is seeking to maintain the status quo and the BRICS are seeking more power within it.

**BRICS Literature**

The body of literature on the BRICS as a political body, like the actual nature of the BRICS themselves, is developing and a work in progress. While there is more attention and focus placed on the group by academics in the BRICS nations, there is not a


lot of academic work on the BRICS originating in the West in terms of their collective political status. However, the BRICs acronym and its members have been a significant part of the financial and investment world for the past decade. The first mention of the BRICs was from Goldman Sachs economist Jim O’Neal in 2001, in his report *Building Better Economic BRICs* (2001), which was a look at the role of the emerging economies of Brazil, Russia, India, and China in the global economy, and how the then G7 should properly adjust to their growth and comparative economic might.\(^{43}\) The vast majority of analysis on the BRICS is conducted in the fields of finance and business. In addition to their lack of relevance to the political aspect of the BRICS, in which I am addressing, they still refer to the group as the BRICs, leaving out South Africa. The addition of South Africa is critical to the political component of the BRICS group.

The largest supporters for a growing role of the BRICS in the international system and those most optimistic about their success as a political bloc come from the BRICS countries themselves. The overarching point that all of these writers seek to highlight is that the BRICS are at the forefront of the changes that are occurring in the global system. They “reflect an object trend of global governance towards a multipolar international relations system” and are “a new model for global relations, one that overrides the old East-West and North-South barriers,”\(^{44}\) according to Vadim Lukov, the Russian Ministry of Foreign Affairs Coordinator for BRICS Affairs in *A Global Forum for the New Generation: The Role of the BRICS and the Prospects for the Future* (2012).

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Preksha Kumar writes in *BRICS Pushes IMF to Reform* (2012) that the BRICS used their contribution of funds to the IMF in June 2012 to assert their economic prominence within the fund, but it will not translate into voting shares. This leads to larger issues for the IMF; “at stake is the legitimacy and the relevance of the IMF… more comprehensive reforms are needed to make it a multilateral and representative institution.” Kumar concludes that, “the BRICS nations may have an easier time figuring out the feasibility of a BRICS Development Bank than forcing significant change within the IMF.”

Creating a development bank is a key component to establishing long-term BRICS cooperation because of the large economic and political investment needed to ensure the success of the bank.

The view of the BRICS from Graziani in *BRICS – The Basis of a Multipolar World* (2012), is that the new prospects that are emerging from BRICS cooperation could lead to an alternative from the Anglo-Saxon model of global governance. Quoting Paolo Borba Casella, the BRICS are leading an innovative, independent, and original model of international cooperation that can open new prospects in comparison to the United Nations, the World Bank, and the IMF and will squeeze out the strategic influence of the Western order, led by the United States.  

Others are more skeptical when it comes to the potential rise of the BRICS and their possible roles in the future of international governance and finance. Many of these skeptics are located in the Western world. In *United by a Catchy Acronym* (2012), Bremmer questions what the BRICS countries share beyond a common interest in

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45 Kumar, *BRICS Pushes IMF to Reform- Analysis*; 2012
increasing their own global significance. His humorous suggestion is that, “the most durable thing about the BRICs is the acronym itself”, but he also provides four valid reasons for why the BRICS will never function as a coherent group, concluding that they have too little in common and too many issues domestically to ever seriously work together on the global stage.\textsuperscript{47} Van Agtmael echoes Bremmer’s concerns but also questions the importance of the BRICS and democracy development in \textit{Think Again: The BRICS} (2012). He is concerned about China and Russia’s political views and describes them as “laggards rather than leaders” in promoting democracy. This lack of democracy could potentially lead to domestic unrest, which could easily derail the rise of the BRICS.\textsuperscript{48} Both arguments are of significant concern to the viability and longevity of the BRICS. The size of China in comparison to the rest of the group is cause for concern as the BRICS seek to build an alliance based on equality. How much will China be willing to compromise when many of the goals of the BRICS could be achieved by China alone? These arguments cannot be ignored but many Western authors continue to downplay the importance of the BRICS, highlighting their faults while ignoring their progress.

Cooper examines the BRICS following their 2012 summit in \textit{Between Power of Voice and Transformation} (2012). To Cooper the New Delhi summit provided far more questions than answers when it came to clarifying the meaning and nature of the BRICS institutional arrangement. He is “not convinced that the BRICS leaders want or can push for a more ambitious transformative agenda.” However, Cooper also highlights the growing significance and importance of the BRICS as an area that academics need to


study more because their “in-between” like status makes it hard to come to a blunt assessment of the trajectory of the BRICS.\textsuperscript{49}

\textit{Overview of Chapters and Methods}

This thesis is divided into four more chapters. The second chapter will examine the unfairness of international institutions, particularly in the IMF and its quota allocations and policies that the BRICS view as being designed to protect Western interests at the expense of the developing world. The purpose of this chapter will be to provide an explanation and analysis of the motivation of the BRICS to challenge the current power distribution within major international institutions. Both the Bretton Woods and the UN are becoming a focal point for growing division between the West and the BRICS, rather than a forum for facilitating cooperation. I will highlight the current quota allocations and its effects on decision-making in the IMF. This will show how this institution has failed to better accommodate the rise of emerging economies in its operating structure and governance. I will also look at three examples of IMF policies and their negative effects against developing states: the 1997-1998 Asian Crisis in South Korea, the 2002 currency crisis in Argentina, and Western bias towards growing Chinese foreign currency reserves; highlighting sentiment from the developing world of the IMF as a protector of Western financial interests. As non-Western states have grown and reduced the level of asymmetry between themselves and Western powers, both in terms of economic size and political relevance in the international arena, there have not been major reforms to date to reflect the shift in power.

This chapter will also touch on the successes of these institutions in the international system. Establishing these institutions following World War II led to an era of unmatched global growth and stability. The leadership of the US was instrumental in providing the economic and military power needed to create, enforce, and maintain the policies that these institutions sought to enact. These institutions have had success under Western control, but future success through multilateral action is becoming less likely as the BRICS and other developing states become more frustrated with their lack of influence in the decision making process. These institutions have to continue to strive to find a balance that will again promote cooperation for greater stability in the global system.

The third chapter will establish the expanding role of the BRICS in the global system through an analysis of its growing cohesiveness as an economic and political grouping. This chapter will draw attention to the impact of the BRICS as a cohesive bloc in the international community, as well as its ability to carry out and implement the demands and reforms that they are seeking. The BRICS are taking measures towards becoming more cohesive as a political and economic grouping. Through the establishment of institutions like a development bank and their rhetoric and pledges of representation and support of the developing world the BRICS are widening the chasm between developed and developing world by establishing competing institutions that will magnify their influence in the developing world.

The major focus of this chapter will look at the establishment of a BRICS development bank, their demands for reallocation of voting quotas in the IMF, and the impact they have had on the UNSC response to issues in the Middle East. The BRICS
development bank is an important action being taken by the BRICS to create greater
economic and financial autonomy for themselves in the international system. The BRICS
development bank will lessen their reliance on Western dominated institutions like the
IMF, while also providing other developing states the opportunity to choose which
institution can best serve their needs. The lack of Western action and progress on quota
reforms is contributing to the mistrust and division between the BRICS and the West as
they challenge and test each other diplomatically. As a group the BRICS have impacted
the response of the UNSC to the civil war in Syria by vetoing and voting against Western
resolutions aimed at helping the rebels fighting against the Syrian government.

The fourth chapter will utilize neoliberal methodologies to emphasize the role and
importance of international institutions in maintaining global stability and prosperity.
The emergence of the BRICS challenging the West for more power in current institutions
and the neoliberal emphasis on international institutions in providing order will provide a
theoretical narration for the emergence of the BRICS grouping in the global system and
the impact that they have had on West/BRICS cooperation in current international
institutions. What will be highlighted is how the goals of international institutions to
facilitate cooperation and information exchange to create a common vision in which
membership in the institution provides states with greater benefits is not being met. The
conflicting interests between the West and the BRICS are having an impact on the
effectiveness of the global economic and political institutions in maintaining global order.
Even though the economic power of the West is declining relative to the growth and
power of the BRICS, these international institutions will need to be ready to take on new
challenges that have arisen from globalization and increased economic and political
interconnectedness in order to continue to provide global stability and prosperity. Institutions will play an important role in facilitating cooperation between the BRICS and the West even as their interests diverge.

The conclusion will wrap up the implications of the emergence of the BRICS and their impact on the future of the international system. What this thesis will show is that the emergence of the BRICS and their influence on the international system is having an impact and needs to be better understood. Neoliberal theory is one way of evaluating this emergence while looking at the role that cooperation and institutions play in maintaining global stability and prosperity. There are inequalities in terms of power and decision-making, relative to economic size and political importance of states in both the IMF and the United Nations. These inequalities are being used by the BRICS to build group cohesion in order to challenge the West. Ignoring this issue will continue to drive emerging states closer together and further away from the West. More comprehensive studies from a variety of methodologies are needed to establish a greater understanding of the emergence of the BRICS grouping in the global system. More in depth analysis and a larger body of academic literature on the BRICS will allow for specific policies to be created and developed for both the West and the BRICS.
Chapter Two

Western Leadership of International Institutions

The conclusion of World War II, in August 1945, was met with great joy for the Allied Powers and those who had been traumatized by its effects around the world. The United States, United Kingdom, France, and the Soviet Union, had defeated the Axis Powers after a long six years of war. It was a hard fought victory and its economic, social, and moral costs were not lost on the victors. One of the factors allowing for global economic and political conditions to manifest, to the point that a Second World War occurred, was the lack of an effective international body that could mediate potential conflicts and a global economic institution to help coordinate state’s economic policies and aid nations in financial trouble. In the interest of prosperity and security, the leaders of the victorious allied nations worked together to design, establish, fund, and lead multilateral organizations with the governance and systems in place to address these issues. These institutions would provide economic assurance and political stability to prevent future destruction and bloodshed of the same scale.

The following chapter will examine the makeup and leadership of both of the Bretton Woods institutions along with three examples of policies instituted by the IMF that have demonstrated a pro-Western bias. In doing so, I will evaluate two features of these institutions and the international system. First, I will examine the unfairness that currently exists within these institutions as a motivation for the BRICS to begin forming rival institutions and alliances. Frustration over the current framework and governance of these institutions is leading the BRICS to explore other opportunities, like their own development bank, because of a lack of reform by the US and the West. Not adhering to
IMF quota reforms agreed on in 2010, that would give the BRICS more voting power within the institution, is one of the main points of contention for the BRICS.

Second, I will discuss some of the successes these institutions have had even though the leadership is not a fair reflection of the international community. These institutions have had successes in providing global stability as a forum for dialogue and cooperation between states and promoting development and economic growth. A lack of reform by the West to better include the BRICS in leadership roles is magnifying the BRICS discontent with these international institutions. Both the Bretton Woods and the UN are established institutions in the international community and their continued success will be contingent on finding more common ground to foster greater cooperation with the BRICS. As Western economic supremacy declines relative to the rising strength of the BRICS bloc, the BRICS are becoming more adamant about the value of their voice and perspective within international institutions. A lack of conciliatory efforts by the West and broken agreements on reforms in the IMF is diminishing the prospect of cooperation in the future. Instead of being facilitators for cooperation and providers of stability, these institutions are fermenting a growing divide between the BRICS and the West.

**The Bretton Woods Institutions**

In order to address the need of international economic cooperation following World War II, government representatives from 43 nations meet in Bretton Woods, New Hampshire in July of 1944. The resulting institutions that established from this conference, the IMF and the World Bank - commonly referred to as the Bretton Woods institutions, would ensure global economic cooperation and the development of nations
destroyed by years of war.\textsuperscript{50} The Bretton Woods Conference was a response to the international financial ‘anarchy’ that prevailed during the 1930’s, in which countries pursued policies of competitive devaluations and protectionism that resulted in a global recession and shrinking world trade. The conference sought to establish an institution that would facilitate global expansion and ‘full’ employment without reverting to the gold standard.\textsuperscript{51} By the time the Bretton Woods systems were up and running in the 1950’s it was entrusted with carrying out specific rolls to address the institutions’ goals.

The World Bank Group, which is comprised of five different institutions but all under the governance and administration of the World Bank Board of Governors and Board of Directors, was tasked with reducing poverty and facilitating economic growth of developing countries. The International Bank for Reconstruction and Development (IBRD), commonly referred to as the World Bank, is headquartered in Washington D.C. and is comprised of 188 member countries, each of which must become a member of the IMF as a condition of membership.\textsuperscript{52} The mission of the World Bank, according to Article I of the IBRD Articles of Agreement, is “to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes” by promoting and encouraging foreign investment, long-range balanced growth of international trade, and loan assistance.\textsuperscript{53}


The World Bank acts like a cooperative with a Board of Governors representing each of the 188 member countries. The Board of Governors set the Bank’s policies and agenda and then delegates specific duties to the 25 Executive Directors. The five largest shareholders, France, Germany, Japan, the United Kingdom and the United States each appoint an executive director, while 20 elected executive directors represent the other 183 countries.\textsuperscript{54} The Executive Board, comprised of the 25 elected and appointed executive directors is chaired by a Board-appointed president. Based on an informal agreement between the U.S. and Europe the World Bank president is an American, while the president of the IMF is a European.

Voting Powers are based on a weighted system. Each member is assigned a quota from the IMF to be used to measure the number of shares each new member has in the voting process. The effects of the weighted system can be seen in the make-up of the Executive Board. Five seats automatically go to the five largest shareholders. Three more seats are assigned to China, Russia, and Saudi Arabia who are each given the privilege to elect their own Executive Director.\textsuperscript{55} That leaves just 17 seats to be allocated among the remaining 180 countries; one Executive Director, based on a weighted vote, represents approximately 10-11 countries. Of the Executive Directors of the World Bank for 2012 (not including the eight already pre-elected): 8 are from Europe, New Zealand, and Canada; 4 are from Asia; 3 are from Africa; and 2 are from Latin America.\textsuperscript{56} The Executive Director makeup demonstrates a predominately Western based representation.


The other Bretton Woods institution, the IMF, fits into the context of the Bretton Woods system by fulfilling four key functions: first, an adjustment institution, offering advice on appropriate domestic macroeconomic policy; second, a financing institution, providing short-to-medium term financial assistance, designed to eliminate balance of payments deficits; third, co-ordinate macroeconomic policy internationally by encouraging countries to design policies in ways that supported pegged exchange rates, in effect supervising a rule-based system of macroeconomic co-ordination; and lastly, a forum for the debate of international monetary reform. Essentially the IMF would act as a supervisor for the Bretton Woods system.57 The IMF’s functions act as a compliment to the World Bank as they cooperatively seek to manage and support the structure of the world’s economic and financial order.

The IMF is headquartered in Washington D.C. and is lead by a Managing Director that also serves as the Chairman of the Executive Board. This chairman, as mentioned earlier, is from a European country. Much like the World Bank, the Executive Board of the IMF is a 24-member body, composed of Executive Directors representing all shareholder governments. Of these 24 Executive Directors, eight are appointed directly by the same eight countries that have this privilege in the World Bank, the remaining 16 are appointed by multi-country constituencies arranged by voting power. This board has the final say on all IMF policy decisions. The decisions made by the Executive Board are done through a voting process in which member state’s voting power is directly proportional to their IMF quota contributions. This set up gives the Western nations the most voting power in IMF decision making. The G5 countries alone

Bird, *The IMF and the Future: Issues and Options Facing the Fund*; pg. 3,4
(United States, United Kingdom, Germany, Japan, and France) have a combined 38.39% of the vote. Add the next 5 nations that comprise the G10 (Canada, Italy, Belgium, the Netherlands, Sweden and Switzerland) and the total percentage of votes rises to 62.28% or nearly two-thirds. The final 37.72% of the votes belong to the remaining 178 member countries. Like the World Bank, the make up of the IMF lends it to decisions on policy and direction being easily made by Western nations alone based on the quota rules and voting allocation. The stronger growth of emerging countries has been ignored in terms of quota allocation. Europe, which was at the center of the world economy at the formation of the Bretton Woods conference, has retained large quotas that by some measures no longer represent Europe’s economic importance; leading to a divergence in the distribution of quotas from the relative economic importance of countries.

The Bretton Woods institutions were needed for the changing dynamics and interactions of the global community following World War II. But as the dynamics of the world community have changed from the turn of the 20th Century to World War II, the dynamics of the world community have also been changing from World War II to the turn of the 21st century. The changes in the world outside of the Bretton Woods institutions have not been met with changes within the Bretton Woods institutions. In the initial decades following their establishment there were very few criticisms. The 1950s and 1960s were considered the “golden age” of the IMF as it seemed by all accounts, that the fund was effectively addressing its desired goals and the world economy seemed to be

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performing quite satisfactorily. It was not until the collapse of the Bretton Woods system during 1971-1973 that critical debate on the policies and design of the IMF appeared in earnest. The lack of institutional modification and the static makeup of the two institutions’ leadership has been meet with much criticism by scholars and leaders from both the developed and developing world, as the IMF and World Bank collectively have been unable to effectively address and adapt to the fluidity of the global community in terms of both economics and politics.

With the deteriorating economic climate of the early 1980s, the IMF was met with a combination of issues that needed to be addressed. Many highly indebted developing countries, of which a large number were in Latin America, and had been relying on private capital from American and European banks, encountered severe debt problems and turned to the IMF for support. The debt crisis in these developing countries threatened to damage the interests of large commercial banks in the West that still had significant loans outstanding to them. To prevent these countries from defaulting on their loans, lending decisions were forced through by the major creditor countries in the Fund, in particular the U.S. The handling of the debt crisis began to raise major issues and criticisms of the Fund.

One of the complaints of the IMF is that the fund has become overtly political. When the IMF bailed out many of these developing countries they were severely indebted to private banks in major shareholder countries in the U.S. and Europe. Many critics viewed this support as bailing out the banks in the creditor countries that had

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60 Bird, *The IMF and the Future: Issues and Options Facing the Fund*; pg.3
61 Bird, *The IMF and the Future: Issues and Options Facing the Fund*; pg. 5-6
provided the loans. Arguments of the IMF being overtly political can also be tied to the conditionality being placed on countries that wish to borrow from the IMF. Loans given to countries by the IMF consist of two elements: a certain amount of financing and a set of economic policy reforms, or conditionality, that the borrowing country must implement in order to receive the loan. The conditionality of the loan is predicated on meeting certain established targets, some more important or rigid than others. Performance criteria are mandatory conditions that must be implemented in order for credit to be disbursed; these are typically specific key macroeconomic targets. Performance actions are measures that a country agrees to implement before IMF loan approval; these are designed to demonstrate the program has the necessary foundation to succeed.

A point of contention from the BRICS and developing world is that the U.S. uses IMF conditionality as a device to achieve political ambitions. As the largest shareholder in the Fund, it can effectively veto any non-lending decision when there is a supermajority vote needed by the Executive Board. A supermajority vote requires 70-85% approval. The U.S. voting quota is 16.77% of the votes giving it a unilateral veto. While lending decisions only need a simple majority, the logrolling method that is needed to get policies and lending decisions to pass means that the IMF Executive Board, and the G5 countries specifically, play a constant game of repeated strategic interaction with the U.S. holding the proverbial Trump card.

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62 Bird, *The IMF and the Future: Issues and Options Facing the Fund*; pg. 6
63 Copelovitch, *Master Or Servant? Common Agency And The Political Economy Of IMF Lending*; pg. 51
64 Copelovitch, *Master Or Servant? Common Agency And The Political Economy Of IMF Lending*; pg. 52
65 Copelovitch, *Master Or Servant? Common Agency And The Political Economy Of IMF Lending*; pg. 56
The intense political interactions that go into IMF decision making have led to claims that the U.S., because of their weighted influence in the Fund, have used the Fund to give American foreign policy allies or countries of strategic importance more favorable treatment when it comes to terms of conditionality or size of loans. In addition to added American foreign policy interests, the U.S. uses the fund to protect the interests of its domestic financial institutions.\textsuperscript{66} The U.S. receives the brunt of the criticism when it comes to the decision making and direction of the Fund’s policies and lending conditions but the set up of the Fund’s quota system, voting rules, and decision-making norms gives all its largest shareholders control over IMF decision making. The advanced Western countries are the dominant factor in influencing the size and terms of IMF loans.\textsuperscript{67}

Others have been critical of the entire philosophy and ideology that the Bretton Woods follow in order to manage the global financial and economic systems and promote development in low-income countries. The policy strategies on effective development used by the Bretton Woods, known as the Washington Consensus, incorporated three main neoliberal components: a market economy, openness to the world, and macroeconomic discipline. These policies were a departure from the era of the state leading the role in initiating industrialization and import substitution. Since its inception in 1990 its interpretation has become narrower in that it focuses primarily on privatization, liberalization, and macro stability.\textsuperscript{68}

\textsuperscript{66} Copelovitch, \textit{Master Or Servant? Common Agency And The Political Economy Of IMF Lending}; pg. 54

\textsuperscript{67} Copelovitch, \textit{Master Or Servant? Common Agency And The Political Economy Of IMF Lending}; pg. 56

The political and ideological criticisms form the base of a number of other criticisms that the Bretton Woods face. The issue of transparency and accountability in the institutions addresses both of these points, as it appears evident that politics rather than economic analysis lay behind the framing of the agenda. The IMF imposed policies on debtor countries, like reforming social security programs or privatizing or changing the charter of their central banks, in order to meet conditionality to receive loans. These were policies that many of the advanced industrial countries had rejected themselves. The types of conditionality imposed on developing countries put their governments in impossible situations: if they failed to comply they lost credibility in the IMF; if they accepted the demands they lost credibility domestically, as they appeared to be following orders from new colonial masters. This was then magnified when the reforms did not meet expectations, like they did in many countries.69

The contradictions and hypocrisy between policies demanded by the IMFs’ major shareholders and the policies that they implement domestically have actively under minded the credibility of the Fund and the legitimacy of the international economic institutions.70 The concentration in power of the Bretton Woods in the hands of the West and their ability to drive decision-making on lending and policies has been the major failure of the Bretton Woods. The exclusion of developing nations and more importantly, emerging industrial nations, has amplified the mistrust between the West and the BRICS and has created a chasm that continues to widen between the two. According to James Boughton, the governance of these institutions should be adjusted periodically to reflect

69 Stiglitz, “Is there a Post-Washington Consensus Consensus?” 2008; pg. 51
the evolution of the world economy. Creating and maintaining a balance is key. “If an international agency imposes, or is perceived as imposing, the will of the powerful upon the weak, the benefits of universalism will be sadly diminished.”71 The current condition of the Bretton Woods unfortunately reflect this outcome more so than the objectives laid out in their Articles of Agreement developed during World War II. The world economic hierarchy has changed but this has not been reflected in the institutions that are tasked with monitoring and ensuring its success for all countries.

Examples of IMF Lending

As noted above, the major concerns about the Bretton Woods from the BRICS is twofold. The first is the disproportional control over lending and policy decisions that the West benefits from in both institutions, which is described above. The second, which will be discussed below, is the perception that the IMF is pursuing policies that are in the best interests of the West at the expense of the developing world. Following the global recession in 2008-2009, The BRICS and other emerging economies provided $72 billion to IMF crisis intervention and China alone contributed $430 Billion72 to help the IMF on the condition that quota reform would occur to reflect their more prominent financial contributions. When these quota reforms were not given, it added to mounting BRICS frustration with the Western lead institutions. The BRICS share a common experience in dealing with the IMF and reject the neoliberal developmental model that the Western-dominated IMF and World Bank advocate. Noting that their development was done despite, not because of this, unites the BRICS.73 Calls for reform are seen as confidence

73 Desai, Radhika. "The BRICS Are Building a Challenge to Western Economic Supremacy." The
boosting measures not only for the BRICS nations, but also for all emerging and poor countries, which have been “browbeaten in political, economic and financial matters by global giants.”

Examples of how these perceptions of the Bretton Woods has begun to emerge can be seen in the events of the Asian Economic Crisis in 1997-1998; the IMF’s role in the Argentina crisis in 2001-2002; and recently the IMF’s handling of China and their international reserves. These three cases will be used to highlight the sources of discontent for the Bretton Woods from the BRICS and other developing states. The BRICS desire to reform these institutions, so the developing world having more voice in their governance is a key component to the cohesiveness of the BRICS as a group. It will also explain why the BRICS feel the need to create their own development bank so they can be in a position to have more control of their future economic trajectory.

The result of the economic meltdown in Asia in 1997-1998 had the biggest impact on the IMF’s relationships with emerging market economies that viewed the policy advice and conditions that accompanied IMF lending during this time as “intrusive and wrong-headed.” The IMF’s Independent Evaluation Office (IEO) lays out the mishandling of the Asian crisis by the IMF in Indonesia and South Korea in a report released in 2003. In the report, the IEO cites complaints from Korea that certain measures included in its structural reform program were made at the insistence of major shareholder governments to serve their particular national interests. Specifically, the

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76 Masson, The IMF: Victim of Its Own Successes or Institutional Failure?; pg. 907
requirement that Korea eliminate its import diversification program in response to Japanese pressure and measures to allow increased participation by foreign institutions in the financial system, reflected pressure by U.S. authorities on behalf of U.S. based institutions. In addition to claims of policies being implemented at the insistence of major Western shareholders, the report also indicates that the IMF did not acknowledge the limited availability of funds in the financing package they initially announced. The lack of adequate funds led to the failure of the Korean program. If IMF authorities addressed this sooner there could have been an earlier effort to seek alternative solutions. The fallout from the IMF mishandling of the Asian financial crisis in Korea led affected East Asian countries to accumulate vast amounts of foreign exchange reserves in order for them to ride out future crises without having to rely on modest IMF financing that might be offered.

The currency crisis that arose in Argentina from 2000-2002 was predicated in the preceding decade when the IMF had continuously engaged the country through five successive financing arrangements. The IEO report on Argentina looks at the role the IMF played in the crippling economic and social impact caused to Argentina when they defaulted on its sovereign debt in December 2001. The IEO report notes that the IMF erred in the pre-crisis period by supporting Argentina’s weak policies for too long, even after it had become apparent that the political ability to deliver the necessary reforms was

78 The IMF and Recent Capital Account Crises, Sept. 2003; pg. 117
79 Masson, The IMF: Victim of Its Own Successes or Institutional Failure?: pg. 892
lacking. This led to the IMF to continue to provide support despite repeating policy inadequacies.\textsuperscript{81} The Argentina crisis brought to light a larger problem within the governance of the IMF; that important decisions are made by major shareholders outside the Executive Board and, as potential borrowers, chairs representing developing countries hardly, if ever, challenge the proposal brought to the Board.\textsuperscript{82} This could help to explain the reasoning for continuing with policies that were inadequate in helping Argentina but were beneficial for major shareholders. In the Argentina case, the staff members interviewed believe that external pressures influenced decisions made, but the report stops short of explicitly saying that these pressures were political from shareholder governments, claiming that, “political pressure is difficult to define.”\textsuperscript{83} In response to the IEO report to the Executive Board Members, the Governor for Argentina explains that after the crisis, Argentina is not only paying for its own errors but also for those of the Fund. Even though neither the IMF nor Argentina benefited from the policies, the difference is that Argentina is paying off a huge debt to the fund for which Argentina is not solely responsible.\textsuperscript{84} 

A third case is the IMF’s critical stance on China’s international currency reserve policy. According to the IEO report released in 2012, interviewed IMF staff “considered the views of influential shareholders regarding the IMF’s inability to influence China’s exchange rate policy in the last decade were an important factor in explaining why concerns about the stability of the international monetary system were expressed in terms

\textsuperscript{81} The IMF and Argentina, 1991-2001; July 2004, pg. 3.
\textsuperscript{82} The IMF and Argentina, 1991-2001; July 2004, pg. 68.
\textsuperscript{83} The IMF and Argentina, 1991-2001; July 2004, pg. 63
\textsuperscript{84} The IMF and Argentina, 1991-2001; July 2004, pg. 119
This example highlights how the major shareholders of the IMF are capable of manipulating the explanation for the cause of a slow global recovery and placing the blame on countries, like China, who have pursued economic policies that counter those of the IMF. The IEO report concludes that the IMF has not provided a compelling argument why “excessive” reserves constitute a problem for the international monetary system and distracts from the analysis of and responses to other risks to global financial stability that are regarded as more serious. According to Ilene Grabel of the University of Denver, this type of response adds to the Fund’s “lack of even handedness” which was also evident in the IMF’s support for “aggressive exchange rate interventions… in wealthy countries” including Switzerland and Japan, despite the fact that the consequences of these interventions “had a heavy impact on developing countries but it would be hard pressed to find Fund support for currency market interventions in these countries.”

These three examples of IMF policies having adverse effects on the developing countries implementing them provides some context for the BRICS and the developing world’s discontent with Western control of the IMF. Designing policies to serve creditor countries interests in Korea, continuing failed policies based on political pressures in Argentina and then leaving them to foot the bill, and placing the blame of slow global recovery on China and other East Asian countries for following economic policies that

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86 *International Reserves: IMF Concerns and Country Perspectives*; Dec. 2012, pg. 7

counter preferred IMF policies exemplify a reoccurring theme of the West using the IMF to achieve their best interests at the expense of the developing world.

**The West’s Role in International Institutions**

Through political maneuvering and willingness to sacrifice some levels of political sovereignty, the Allied nations had established two separate sets of multilateral institutions capable and entrusted to ensure continuing peace and prosperity following two World Wars and a worldwide economic depression. Spared from the destruction that ravished Europe and Asia, the U.S. following World War II, became the manufacturer and financier of the world. Its factories that had been running at maximum capacity were converted from war production to producing products for consumers around the world while Europe and Asia rebuilt. The U.S. government, most notably through the Marshall Plan, and many American companies provided aid and financial assistance to its former allies and enemies alike. The reliance on the U.S. immediately after the war cemented the U.S.’ role as the new global superpower and leader of the international system. Unilateral U.S. power was challenged by the Soviet Union during the Cold War but after the collapse of Communist governments in Eastern Europe and the Soviet Union in the late 1980s and early 1990s the U.S. entered a period of unmatched unilateral power. The institutions created and led by the U.S. carried on, while those of the Soviet Union fell apart. Eventually, the continuing U.S. institutions absorbed these former Soviet allies in Eastern Europe as members. Russia however remains excluded from major Western and European alliances like the European Union and NATO, but has recently been included in the G8.
Moving into the 21st Century, the U.S. and its Western allies face new challengers to their unilateral leadership of the global system in the form of emerging economic powers from the global South, with the BRICS acting as the leaders and representatives of this challenge. Unlike the Soviet Union, the BRICS are not challenging the U.S. on their global supremacy or seeking to remake the international system. Instead their goals lie in being including in the global leadership process with the West. As a group the BRICS’ represent about 43% of the world’s population, covers about 30% of the earth’s surface, and collectively have contributed more than 50% of the world’s economic growth over the past decade.\(^88\) They feel that the time has come to be given more power within the Bretton Woods institutions that matches their economic contribution and political importance to the world community. As the U.S. spreads its military thin in conflicts of varying degree around the world and the West recovers from an economic recession the BRICS are acting on the vulnerabilities of the West to seek change and reform in international institutions.

Currently, the BRICS feel that they need to create their own institutions because of a lack of compromise and reform from the West within current institutions. Globalization and the challenges of the 21st century like terrorism, climate change, and rouge states like North Korea and Syria, are the types of issues facing the global system. A growing divide between the BRICS and the West in international institutions will make it harder to reach a consensus and a cohesive response to adequately address these issues. The current environment of these institutions in which the West and the BRICS continue to engage in a diplomatic tug of war, is moving these institutions away from their purpose

as a unifier for multilateral cooperation to a point of contention in which the direction of
the institution is turning into a power grab for influence.

The political and economic leadership of the U.S. has been important to the current
success of the world today. Though it is easy to criticize it for mistakes and problems
with the world, in the end the U.S. is the only state that has taken on the role of global
leader. As a result of U.S. power and leadership it has underpinned an ever-more
connected world characterized by dramatic increases in the flow of goods, services,
people, and ideas across international borders. 89 The U.S. has been “the stiff spine of the
international order” 90 and the most insistent voice diplomatically that international norms
be enforced, when the world community has failed to form a consistent united front to
reign in transgressors who undermine security for all. Although U.S. military power
allows for it to act unilaterally, it does not eliminate the need for multilateral support.
International support adds political legitimacy and often-military cooperation from other
nations. 91 The main criticism of the U.S. is that much of the rest of the world sees U.S.
calls for stronger enforcement as being driven by political likes and dislikes, rather then
being genuinely on behalf of the good of the global community.

Despite some of the shortcomings and criticisms of the IMF mentioned earlier it
has played an important role in promoting international economic cooperation, trade
liberalization, transparency, data dissemination, codes of conduct for monetary and fiscal

89 Layne, Christopher. "The Waning of U.S. Hegemony - Myth or Reality?" International Security 34.1
<http://muse.jhu.edu/journals/ins/summary/v034/34.1.layne.html>. pg. 147
91 Lagon, America and the United Nations: An Exchange; pg. 148
policy, and financial regulation.\textsuperscript{92} Through these tasks former centrally planned regimes were transformed in an attempt to better meet the challenges that accompanied the fall of communism and integrating into the world economy at the end of the 1980s. As a result of the economic successes of the emerging market economies, which no longer need assistance from the Fund, the majority of its lending now goes to lower-income developing countries.\textsuperscript{93} This led to challenges to the relevance of the IMF until the global financial crisis occurred in 2008-2009. The IMF again was called upon to stabilize a global crisis and countries like the BRICS were asked to help give more financially to the fund because of the mitigated impact the crisis had on their economies.

The impact of the global financial crisis in 2008-2009 has revitalized the role and importance of the Bretton Woods institutions. In order to remain relevant and successful into the future the IMF’s role needs to be realigned. “Instead of being taskmasters who force change by threat of withdrawal of lending, they are better seen as partners to willing and responsible governments.”\textsuperscript{94} One suggestion for how the West can reshape the perception that is held in the developing world of the IMF is to get in front of the changing shifts in power and bring new, important players to the table. According to University of California, Berkley economics professor Barry Eichengreen, the U.S. and the IMF needs “to make systemically important countries like China feel they are empowered and share a responsibility for the stability of the international monetary system.”\textsuperscript{95} Currently, the BRICS feel that they do not have a fair say in the process of the

\textsuperscript{92} Masson, The IMF: Victim of Its Own Successes or Institutional Failure?; pg. 903
\textsuperscript{93} Masson, The IMF: Victim of Its Own Successes or Institutional Failure?; pg. 890
\textsuperscript{95} Muehring, Kevin. "New World Order The Balance Of Power At The IMF Is Shifting To
IMF. As such their discontent and challenges to the IMF are based on a lack of responsibility in the system. The process of establishing a BRICS development bank is their answer to achieving a form of responsibility and protection of their interests in the international monetary system.

Based on the ideas of neoliberal international relations theorists, international institutions play an important role in achieving collective outcomes in the international system. The U.S. has been successful in the past by acting as a benevolent hegemon and other states will cooperate with the U.S. as leader, if the U.S. uses its power to act multilaterally in international institutions. Ikenberry argues that, “the more the U.S. signals that it intends to operate through mutually agreed rules and institutions, the more other countries will choose to engage rather than resist the U.S.” The importance of establishing this type of relationship within existing international institutions is needed because of two geopolitical trends: the emergence of new great powers (and potentially important regional powers); and economic, financial, and domestic political constraints that may erode U.S. capabilities. The challenges that these trends present to coordinating international responses to global problems underscores the emerging problem of discontent in international institutions between the BRICS and the U.S. and their Western allies.

U.S. leadership is still an important component in effectively addressing global political and economic issues. By the U.S. reverting to its tradition of working through

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96 Layne, The Waning of US Hegemony – Myth or Reality?; pg. 150-151.
multilateral institutions and relying on diplomacy and persuasion it will continue to
“remain the pivotal player in a richer, more dynamic, more exciting world.”

Current U.S. President, Barack Obama, emphasizes the importance of incorporating other states
in addressing international problems saying, “America cannot meet the threats of this
century alone, and the world cannot meet them without America.”

The globalized world has created a multitude of threats that cross national borders. American power,
though vast, is insufficient to meet these challenges alone. Despite the need for broader
cooperation in international affairs, the capabilities of the U.S. remain unmatched. When
President Obama attempted to shift the burden of fighting in Libya onto other NATO
countries it floundered because they were neither accustomed to leading or necessarily
capable of it. This situation highlights the continued importance of U.S. leadership,
while incorporating other states into more prominent roles.

Globalization has dramatically impacted the way that states approach international
politics and economics. The rise of interdependence between states is emphasizing the
need for increased cooperation between these states. The current make-up of the most
prominent international institutions, the UN and the Bretton Woods, is not adequately
addressing the needs of the current international system. Emerging powers like the
BRICS feel that their voice and perspective is not recognized within international
institutions despite their growing economies and their power to influence the outcomes of
situations occurring in the international system, like a UNSC response to the civil war in

Search Premier. Web. 8 Apr. 2013. Pg. 4
101 Lindsay, James M. "George W. Bush, Barack Obama and the Future of US Global Leadership."
Web. 27 Mar. 2013. Pg. 772
102 Lindsay, George W. Bush, Barack Obama and the Future of US Global Leadership; pg. 779
Syria or the sanctions imposed on Iran. The BRICS resentment towards the West is magnified through their unequal treatment in these international institutions. Incapable of pressuring the West into reforming the leadership of these institutions to address their grievances for reformation, the BRICS instead have resorted to establishing their own development bank and enhancing their cohesion, through annual summits, in order to challenge the West when they can.
Chapter Three

The BRICS: a Voice for the Developing World

China, India, Brazil, and Russia are in the process of transforming the traditional
global economic makeup. In terms of their physical size and populations they already
dwarf the majority of developed nations, with the United States as the only single nation
comparable in terms of both size and population. In addition to their growing economic
size and might, the BRICS nations have also become regional political powers in their
respective continents and, in the case of China, a major global power. In the summer of
2010, China surpassed Japan to become the second largest economy in the world, based
on Gross Domestic Product (GDP), and is on pace to surpass the United States as the
} Brazil, Russia and India are the sixth, ninth, and tenth largest economies in the world in terms of GDP

Despite a lack of tangible power in global decision-making within the Bretton
Woods institutions, the rise and scope of influence of these countries has not gone totally
unnoticed. In 2001, Goldman Sachs economist Jim O’Neil coined the BRIC acronym to
describe this group’s quick rise and future influence in the global economy. In his paper,
\textit{Building Better Economic BRICs}, O’Neil claims that in the next 10 years (from 2001),
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original paper O’Neil predicted that by 2050 the BRICs would have a 14% share of the global GDP; by 2003 it was already 20% and growing. Writing in 2012, before the BRICS New Delhi Summit, O’Neil stated that with a collective GDP of $13 Trillion, their combined GDP would likely exceed that of the United States by 2020.  

Under the direction of Russian president Vladimir Putin the BRICs took their anointed economic grouping and turned it into a formal political grouping committed to the collective growth of each member and challenging the Western-dominated global economic and political institutions. By 2013 the BRICS have added a fifth member, South Africa; have had five formal, annual summits; and have agreed to move forward with the creation of their own development bank, in addition to other economic and political goals established in their two most recent joint declaration’s from the New Delhi and Durban summits.

As the BRICS continue to grow economically and politically, they are becoming more interdependent and are formalizing their collective influence on the world stage. The BRICS are not a regional or an ideological alliance, as they represent four continents and operate through a wide array of political and economic systems. The BRICS represent a set of countries that historically have been exploited and excluded (Brazil, India, China) or have been underrepresented in global economic and political decision-making (Russia, South Africa), and have not been accepted on equal terms by the developed, Western world. The shared desire to achieve greater influence in international institutions like the Bretton Woods and the United Nations and to enhance and develop


their individual advantages for the betterment of each state brings the BRICS closer to reaching these goals.

The following section will examine two features of the BRICS. First, that the BRICS are taking steps to establish a more cohesive economic and political grouping. The goal will be to provide context for what the BRICS are doing collectively and how these actions are leading to a more unified economic and political grouping. Second, as the BRICS become a more cohesive grouping, their ability to balance against Western power will grow. States across the world would potentially have the choice of whom to more closely align with in a global system with competing institutions and influences at the expense of greater cooperation between the BRICS and the West. The BRICS have already set their sights on increasing their influence in Africa and throughout the developing world through increased investment and infrastructure development. The ability of the BRICS to focus political and economic resources in Africa coincides with the decline of the U.S. and the West’s ability to do so. Africa could emerge as the nexus of competition for influence between the West and the BRICS.

The BRICS, with China and Russia in particular, continue to thwart UN actions to intervene in the civil war in Syria and have been vocal in their support for following international law and procedures when dealing with Iran. The need to pick small battles with the West over the handling of rouge states like Iran or the civil war in Syria in order to gain bargaining leverage, can complicate insignificant issues and decrease the probability of cooperation in the future when more substantial issues arise. The divide between the BRICS and the West will grow with the creation of formal BRICS institutions, as a result cooperation on more serious global issues becomes less likely.
Growing BRICS Cohesiveness

Establishing and holding annual summits involving the top government leaders of each representative member; working collaboratively to coordinate their actions in international institutions like the United Nations\(^{107}\); and releasing joint statements expressing their collective stance on major international political and economic issues is evidence of the BRICS working to become a more cohesive grouping. These early steps that the BRICS are taking are functions described by Krasner in *International Regimes* that help to define a regime; “principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area.”\(^{108}\) The common desire or “issue area” bringing the BRICS together and driving the establishment and practice of these principles, norms, and procedures is the prominent feature of the BRICS collaboration. As stated by the Russian Foreign Minister Sergei Lavrov, the BRICS’ “desire to reform the outdated financial and economic global architecture, commitment to the principles and norms of international law and rejection of any kind of policy based on dictate and the use of force”\(^{109}\) brings the BRICS closer together economically and politically. By realizing the effectiveness of working in conjunction, Keohane describe regimes as making it “easier for actors to realize their interests collectively.”\(^{110}\) The BRICS are on the path to advance their interests and desires collectively. Lavrov explains


\(^{109}\) Lavrov, Interview. 12 Sept. 2012.

how Russia shares this sentiment and desire by stating, “long-term common interests contribute to objective rapprochement of the BRICS member countries.”

The BRICS are united by a desire to improve not only their significance in international institutions but they also seek to improve one another’s economic development and growth. Currently, economic issues are at the forefront of discussion when BRICS representatives meet. The BRICS growing economic cooperation is manifesting itself in growing intra-BRICS trade, which reached $310 Billion (US) in 2012; the establishment of a Contingent Reserve Arrangement, a financial safety net, by pooling foreign exchange reserves to protect themselves from financial crises; and the creation of a BRICS Development Bank. The issues motivating the BRICS to take on this “humongous task” of setting up a development bank, as described by World Bank chief economist Kaushik Basu, all aim to protect their collective interests, by seeking to mitigate the damage caused to their countries by the West’s financial policies, that are unsatisfactory and ignore the interests of the BRICS. The BRICS feel that, collectively their ability to influence global matters is growing and the BRICS will no longer tolerate the current world order, based as it is on the U.S. dollar as the global currency. Its goals

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111 Lavrov, Interview. 12 Sept. 2012.
as a group are not to attack the traditional center of power led by the U.S.; but rather, their aim is to protect the interests of developing countries, including themselves.\textsuperscript{116}

The decision to move forward with a development bank, according to Cambridge University’s Director of the Centre for Rising Powers, would be the first step towards a more proactive agenda-setting by the BRICS, an idea on how they can be responsible players contributing to the system.\textsuperscript{117} The leader of the BRICS bank feasibility study, Jeremy Stevens, notes in his report that the bank will direct development in a manner that reflects the BRICS priorities and competencies, contributing constructively to the development of more robust and interdependent ties between the BRICS members.\textsuperscript{118} In addition to raising the level of cooperation and interdependence between BRICS members, it would also lead to more inter-regional integration, according to Gill Marcus, governor of the South African Reserve Bank. This is already occurring on some level as Brazil has interests in Mozambique and Angola; South Africa already has strong ties with India; and China has relationships with a number of African countries working on infrastructure.\textsuperscript{119} The common interests leading the BRICS to setting up a development bank, in addition to the rules needed to increase interdependence, illustrate the many actions that the BRICS are taking to become a more interconnected group.


As a new and developing grouping, the BRICS have greatly increased the frequency and breadth of their gatherings of different ministers to complement their yearly summits attended by respective heads of state. The BRICS also have a common goal to orient their partnership, which emphasizes their collective needs and diminishes their individual differences. These actions according to Keohane and Nye are characteristics that successful regimes model in order to collaborate and manage collective problems.\footnote{Keohane, Robert O., and Joseph S. Nye, Jr. "Two Cheers for Multilateralism." \textit{Foreign Policy} 60 (Autumn 1985): 148-67. \textit{JSTOR}. Web. 20 Oct. 2012. \texttt{<http://www.jstor.org/stable/1148896>}. Pg. 153-154} Another successful function that Keohane and Nye address is the importance that exchanging information plays in encouraging cooperation.\footnote{Keohane and Nye, \textit{Two Cheers for Multilateralism}; pg. 153} By increasing the frequency of contact and exchange, the BRICS aim to have more integrated economies and increase the level of trade between them. They also are sharing information through ministries on a variety of topics, including academic partnerships and coordinating policies on security. All of these efforts of increasing communication at a variety of levels aim at creating a group synergy that will foster successful collaboration.

The BRICS have had five official summits bringing together each member’s head of state and other top officials. These annual meetings that take place each spring provide the opportunity for not only the heads of state to meet in unison but also include other government ministers, mainly finance, trade, and National Security Advisors. In addition, heads of business and academic researchers have been active participants in the summits. As a result of these yearly summits, representatives from a wide range of government bodies have met collectively outside of the summits. In the lead up to the fifth BRICS
summit: there was a BRICS Academic Forum a week before the summit that brought together researchers and academics from each of the BRICS five members. Foreign Ministers met to develop a political and economic agenda based on important global issues to increase BRICS cooperation. Trade Ministers held a special joint session with business delegations from member nations on the eve of the summit, with a permanent BRICS Business Council set to launch after the summit. The BRICS business council is a forum for top private-public leaders from each member country to foster and strengthen commercial ties among them and aims to curb their reliance on the West. The council seeks to bring a positive approach to African and intra-BRICS development that emphasizes development through commercial ties rather than depending on an aid model.

The increase in information exchanged is not limited to just economic interests. The respective National Security Advisors of each BRICS member have begun to meet one another to discuss major international security issues and issues that may arise during the main summit. The NSA’s have met on the sidelines of every BRICS summit since the 2009 inaugural summit in Russia but their meeting in New Delhi in January 2013 was their first structured meeting outside of the main summit setting. During the discussion, the NSA’s focused on the situation in Syria and the development over sanctions-hit Iran. They also focused on the overall situation in the Middle East and cyber-security. This

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meeting highlights the strengthening of ties between the BRICS as they move their cooperation to areas like security, as well as, remaining abreast on developments in pressing global issues.\textsuperscript{125}

The frequency and breadth of the meetings between BRICS leaders show how the BRICS have established methods for exchanging information in a wide range of areas. Annual summits have now become routine and the number of meetings outside of these summits have increased every year since the first summit in 2009. Communication between the BRICS has grown from economic and trade matters to security and collectively addressing important global political issues.

The BRICS have discussed, or have slowly begun, institutionalizing their ties in multiple areas, which include: a BRICS development bank, a common stock exchange, elimination of investment barriers, boosting intra-BRICS trade, and cooperation on maritime security.\textsuperscript{126} The best example of a collective directive of views and goals for the BRICS comes from the 2012 Delhi Declaration and the 2013 eThekwini Declaration from the Durban Summit. These declarations cover everything from changing financial regulations and oversights in the IMF and World Bank, to dedicating more financing and support in Africa for development and infrastructure, to calling for more influence from the developing world in international issues. These declarations present to the global community a unified voice on a number of global issues and establish the BRICS as a distinctive counterpoint to the West on global issues who will speak out on behalf of developing nations. Additionally, they address the need to further discuss and find


solutions to problems that are plaguing the developing world, and condemn the unfairness of the current make up of international institutions. Point Two from the eThekwini Declaration accentuates what binds the BRICS together and demonstrates what common interests drive the BRICS diplomatically:

“We aim at progressively developing BRICS into a full-fledged mechanism of current and long-term coordination on a wide range of key issues of the world economy and politics. The prevailing global governance architecture is regulated by institutions, which were conceived in circumstances when the international landscape in all its aspects was characterized by very different challenges and opportunities. As the global economy is being reshaped, we are committed to exploring new models and approaches towards more equitable development and inclusive global growth by emphasizing complementarities and building on our respective economic strengths.”

The Delhi and eThekwini Declarations are a good indication of the future objectives of the BRICS. They also exemplify the evolutionary path of the BRICS. These reflect the shift from the first two joint statements as BRIC, the conceptual idea, to the most recent declarations, which explain the vitality and importance of the BRICS in global politics. To some, the Delhi Declaration shows that the BRICS are moving forward in institutionalizing their grouping in an evolving multipolar world order and, in doing so, the BRICS are gaining confidence and spreading its wings.

**BRICS Balancing Against the West**

I will now shift focus to my second point, what the BRICS are collectively saying and doing to balance against Western power in the international system. States allying together to either bandwagon or balance against more powerful states is a well-established component of international relations. The goals of the BRICS are to establish

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127 "EThekwini Declaration." *Fifth BRICS Summit*. Point #2.
a more cohesive grouping between themselves and to attract the global South through investment and aid. Through these actions the BRICS seek to balance against Western power in the international system. Here I will look at both the economic and political aspects of the BRICS desires to reform the current system and establish their place as a needed component of the international decision-making process.

The foundation for forming an alliance, according to Morgenthau, is the existence of a community of common interests calling for common policies and actions. In order for an alliance to be successful, it must be able to coordinate the general policies and concrete measures of its members. An alliance simultaneously serves two purposes; it broadens the power base of the allies, while denying the same capabilities to the opposing side. In the case of the BRICS, these concepts are important to highlight because of how they mirror what the BRICS are attempting to do. The common interests of each member, to have more power in the international system, are bringing the BRICS together to rival Western control of the institutions of international decision making.

The BRICS are trying to protect their economic interests, as well as the success and the growth of their economies in a system that is controlled by Western powers. They see Western control of global economic institutions as a threat to their future growth and success. Individually, they are not strong enough to force change on the current powers in control, but collectively they form a stronger force to challenge Western

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power. Balancing against the West collectively provides them the opportunity to play a more prominent role in an alliance of emerging powers like the BRICS then they would trying to work within the established institutions. A prerequisite for balancing behavior is an effective system of diplomatic communication to enable allies to recognize their shared interests and coordinate their responses. The BRICS have opened up their channels of communication by having yearly summits, as well as increasing the amount of meetings between different ministers and meeting on the periphery of major international summits, like the United Nations General Assembly or before G20 summits. These informal meetings allows for the BRICS to communicate joint statements and coordinate cooperation and unity on issues of importance to the members.

The BRICS are using their collective power to influence other states and challenge Western power in international decision making both: economically and politically. The crux of the BRICS regime and alliance is economic, as a way to ensure that their rapid economic growth continues into the future, but they also see the connection between economic and political power. As their economies grow and their markets become more valuable, they also seek to expand their political influence in the international community. Currently the BRICS are taking steps to improve their economic and political standing relative to the West in order to act as a balance to Western control and influence over political and economic institutions.

**BRICS Economic Goals**

The BRICS make a strong collective stance on numerous economic issues currently affecting the world from the global recession, to international trade and currency, to financing and loans for developing states. Specifically, they call for quota reforms agreed on in 2010 to take place in the IMF, to strengthen the voice and representation of the poorest members of the fund\(^\text{136}\); express their commitment to cooperate to support efforts to accelerate the diversification and modernization of the economies of Africa in order to provide growth that promotes development and stability on the continent\(^\text{137}\); and beginning the process of establishing a Development Bank to fund infrastructure and sustainable development projects in BRICS and other emerging and developing countries.\(^\text{138}\) Each of these points illustrates the BRICS efforts and goals to balance against the West on issues of economic importance.

Reforming the IMF is a key point of contention for the BRICS. Based on its current make up, the governance of the IMF heavily favors its Western members, especially the U.S., which was described in Chapter Two. The BRICS have sought to achieve reforms in the quota allowances of countries through negotiation and by increasing their financial commitments to help relieve the global recession. Following the 2012 Los Cabos G20 Summit, BRICS countries collectively pledged to contribute over $70 billion\(^\text{139}\) to aid the Eurozone states and prevent the debt crisis from worsening.

\(^{136}\) "EThekwi Declarati\(\text{on.}^\) Fifth BRICS Summit; Point #13.
\(^{137}\) "EThekwi Declarati\(\text{on.}^\) Fifth BRICS Summit; Point #4-5.
\(^{138}\) "EThekwi Declarati\(\text{on.}^\) Fifth BRICS Summit; Point #9.
In exchange for financial support to the EU, the BRICS called upon the IMF to pass quota reforms that were agreed upon in 2010 to increase representation and voting shares for emerging economies, particularly the BRICS. The proposed reforms would make China the third largest shareholder, and India, Brazil, and Russia would all increase their voting shares to be in the top ten biggest shareholders in the IMF.\textsuperscript{140} This development would better reflect the actuality of these countries economic size in relation to their quota total in the IMF, but more comprehensive reforms are needed in order to truly make the IMF a multilateral and representative institution.

As of February 2013, the U.S. had not formally approved the implementation of the 2010 quota reforms requested. Although other member countries have agreed to the reforms, the U.S., as the funds largest shareholder, needs to support the measure in order for it to move forward and go into effect.\textsuperscript{141} Struggling to secure commitments and action on reform in the IMF, the BRICS are beginning to expand their agenda and growing financial might on their own. Individually, members of the BRICS have established bilateral relationships with multiple African countries providing technical and financial assistance on infrastructure projects in exchange for priority access and rights to natural resources for BRIC based businesses.\textsuperscript{142} While establishing close economic ties with Africa and the developing world, they are slowly moving away from trade opportunities


with the West. One example of this is that Brazil has neglected more profitable trade arrangements with the U.S. and European Union in favor of strengthening trade with other states of the global south.  

Increasing ties between the BRICS and Africa has taken on a point of importance for both the members individually, as well as the BRICS collectively. The inclusion of South Africa into the BRICs has been characterized as more political then based on the merit of South Africa’s economic potential, as it lags behind the other members. The role of South Africa in the BRICS has been described as the “gatekeeper to Africa” as its inclusion coincides with the increase in attention China and the other BRICs have placed on investment in Africa. Financial investment and trade from BRIC’s countries into Africa has risen significantly. This comes on the heels of decreasing investment levels from the U.S. and Europe. Since the global financial crisis money to Africa from the U.S. and Europe has fell from a peak of $57.8 billion in 2008 down to $42.7 billion in 2011.  

The largest increases in FDI to Africa in recent years has come from the BRICs; in the last ten years FDI flows from the BRICs to Africa has consistently increased, with the exception of 2009. China is Africa’s top investor, pumping in $56.4 billion alone in sub-Saharan Africa since 2005. Since 2007 BRICS-Africa trade has more than doubled reaching $340 billion (US) in 2012, during a time of relatively slow trade growth for the

147 McGroarty, Emerging Investors in Africa: Africans; 2013.
rest of the world. Trade between Africa and BRICS is set to eclipse $500 billion (US) by 2015. Sixty percent of this is with China alone, according to Standard Bank.

With significant increases in the level of economic cooperation between the BRICS and Africa, it was fitting that the theme for the 2013 Durban Summit was, *BRICS and Africa: Partnership for Development, Integration, and Industrialization*. In addition to the attendance of the five BRICS members were representatives from South Africa’s neighbors in Africa to be included in and further the agenda of building stronger economic and business ties and support development within the continent. This mission was given additional credibility as Point #5 of the eThekwini Declaration identified the BRICS’ plans to stimulate infrastructure investment to support industrial development, job-creation, and sustainable development in Africa. The BRICS are in the process of establishing a developmental presence in Africa, to the point that they have been accused as new colonizers, trying to maximize their strategic economic and political interests. These actions by the BRICS and their pledged future actions could potentially weaken the West’s influence in a large, resource rich region of the world. Africa is a center of political importance as well. Islamic terrorist groups have been able to operate in weak and unstable states along the Sahel, like Mali and Sudan and pirate groups from Somalia operating in the waters off the Horn of Africa have pushed global

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148 Stevens, *BRICS Trade is Flourishing, and Africa Remains a Pivot*; 2013.
151 "EThekwni Declaration." *Fifth BRICS Summit*; Point #5.
trade costs up by billions of dollars per year. Both of these issues, especially the rising cost of trade because of piracy are problems that both the West and the BRICS will want to eliminate.

**A BRICS Development Bank**

At the conclusion of the Durban Summit the BRICS leaders agreed to create a development bank to help fund their $4.5 trillion (US) infrastructure programs over the next five years, a direct challenge to the World Bank that they accuse of Western bias.

Giving the go ahead to create a BRICS development bank will go a long way in increasing the cooperation between the BRICS, Africa and the developing world. It will also magnify the influence of the BRICS in these states. South Africa Finance Minister Pravin Gordhan describes the bank as leading to greater diversity to the kinds of institutions that can be involved in marshaling capital, but also “packaging it in a particular way that meets our (BRICS) own requirements, and ensuring that we (BRICS) get long-term investment.” This would provide the BRICS with return on their investments through a development bank in which they, not the West, determines the recipients and on what conditions.

As the BRICS challenge Western influence, states seeking infrastructure and development aid could potentially have the option to choose their source. The goals of the BRICS bank are to direct development in a manner that reflects the BRICS priorities

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and competencies, focusing on infrastructure development and providing auxiliary support for project preparation, such as feasibility studies.\textsuperscript{156} The BRICS bank would mobilize resources for infrastructure and sustainable development projects in the BRICS and other emerging economies and developing countries to make up for the lack of sufficient long-term financing and foreign direct investment.\textsuperscript{157} The BRICS development bank will aim to bring benefits to the BRICS themselves, as well as to Africa and other emerging economies.

The announcement that the BRICS plan to establishment a development bank has been meet with support from the developing world, the BRICS targeted clients. The G24, a group of emerging and developing states, has welcomed and proclaimed their support for the BRICS development bank to address the shortfall in the existing development financing architecture.\textsuperscript{158} The support of the G24 for the BRICS bank shows the need that other developing states see for a competing financial institution outside of the Western led IMF and World Bank. Like the BRICS, the G24 has also called on the IMF for quota reforms and restructuring to better reflect the weight of the developing world. In the absence of IMF action, these countries may seek financial arrangements with the BRICS instead of the IMF in the future. Coupling G24 support with stagnating aid budgets among the OECD countries\textsuperscript{159} will create even more openings for the BRICS bank to serve and expand their influence through financial assistance.

\textsuperscript{156} Stevens, The BRICS Development Bank: Cautious Optimism; 2013.
\textsuperscript{157} "EThekini Declaration." Fifth BRICS Summit; Point #9.
One of the primary areas of focus for the BRICS development bank to begin its lending is in Africa. Not only do the BRICS offer a different source for developing nations to seek financial and infrastructure aid from, the BRICS also take a different approach to the way they provide their financial assistance. Rather than seeing their contributions as aid, BRICS’ engagement is founded on a model of mutual benefits based on the principles of South-South cooperation. The BRICS, and China in particular, tend to provide financing for projects without attachment of policy conditionality in part because of the principle of noninterference in internal affairs. Conversely, the IMF views policy conditionality on institution building and governance as central to ensuing efficient use of aid. Leaders in both Africa and abroad have chided China and the other BRICS recently as being “21st Century Colonizers” of Africa. However, this has not stopped African leaders from having a change in heart. Zambian president Michael Sata went from making scathing comments about China in 2006 to encouraging Chinese investment in his country in 2011. Money talks, and if the BRICS bank offers economic assistance at a time when it is harder to come by from traditional lenders, countries in Africa and the developing world will likely listen. African states receiving funds from the BRICS will most likely be financially swayed to take a closer political line to BRICS interests. This could led to future implications for dealing with security issues arising on the African continent as these states could be more hesitant to accommodate Western interests in the favor of the BRICS who have a more substantial financial impact.


**BRICS Political Goals**

Politically, the BRICS are taking on a variety of contemporary issues and increasing their level of cooperation as a political group. Former Chinese President Hu Jintao (2003-2013), describes the BRICS growing role in global governance as being, “the defender and promoter of the interests of developing countries;” BRICS countries have committed to “promoting South-South cooperation and North-South dialogue.”

Some of the global governance issues most important to the BRICS cited in the eThekwini Declaration include: condemning the increasing human rights violations in Syria and opposing any further militarization of the conflict; the need for a negotiated solution to the Iranian nuclear issue; strengthening cooperation in countering terrorism by supporting the implementation of the UN General Assembly Global Counter-Terrorism Strategy; commitment to multilateral diplomacy, with the United Nations playing a key role in dealing with global challenges and the need for comprehensive reform of the UN, including its Security Council, to make it more effective and representative.

Embracing the role of defender of the developing world, the BRICS have made four direct implications on global politics according to Dr. Jagannath P. Panda, a research fellow at the Institute for Defense Studies and Analyses, New Delhi. These four implications include:

1. Raises hope in Iran and Syria that there are influential grouping and powers, which support their interests.

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165 "EThekwini Declaration." *Fifth BRICS Summit*. Point #33.

2. The U.S. cannot act unilaterally, and should propose and follow diplomatic procedures.
3. United understanding on Iran and Syria shows it is possible to converge on foreign policy issues, even if foreign policy objectives may not entirely be in harmony.
4. Not entirely an economic entity; carries certain political clout that is central to the current global political outlook.\textsuperscript{167}

The implications described by Panda are already starting to come to fruition. The ongoing civil war in Syria has lead the Syrian government to call on the BRICS for support, in the face of Western backing of the Syrian rebels. On a visit to India, senior Syrian minister Bouthaina Shaaban asked that India take the lead in drafting a strong statement in support of Syria from the BRICS, at the BRICS conference in South Africa. She thanked the BRICS countries for trying to “introduce reason” and taking a “very honest and very balanced stance,” while urging reporters to use the term “international community” with caution, because “the BRICS are a big part of the international community, so stop using the term when you are referring to Western forces.”\textsuperscript{168}

India’s foreign office responded to the request by expressing its concern for the situation in Syria and said that the Geneva Communiqué, which had called for respecting Syria’s sovereignty, must form the basis for a solution.\textsuperscript{169} Shaaban also visited South Africa to lobby President Jacob Zuma for BRICS support, by urging BRICS nations to intervene to stop the violence and encourage the opening of a dialogue. According to Salman Shaikh of the Brookings Institute, this is a strategic opportunity for the BRICS to use their influence and play a more decisive, helpful role because, “it’s become clear that these nations play a key role in steering the international response to this crisis.”\textsuperscript{170}

\textsuperscript{167} Panda, \textit{BRICS Summit: The Charming Effect on Global Politics}; 2012.
\textsuperscript{169} Lakshmi. \textit{In India, Syrian Regime Courts BRIC Countries}; 2013
\textsuperscript{170} Shaikh, Salman. "BRICS Leadership Will Be Tested by Syria." \textit{Brookings}. The Brookings Institute, 25
order for successful conclusions to occur when international incidents, like the conflict in Syria arise, it has become apparent that cooperation and coordination between the BRICS and the Western members of the UNSC is vital to ensure action. If the BRICS and the West are unable to establish a collective response to an issue like Syria it paints a dismal future for the likelihood of cooperation in the future when more challenging issues arise.

One of the reasons why the Syrian conflict has been able to escalate to this point is that the BRICS have been very influential in determining the United Nations response. In 2011, all five BRICS countries were members of the UNSC and their coordination on Libya and Syria is an example of the affect that the BRICS can play in global governance and international response to global issues. In the case of UNSC Resolution 1970, to implement an arms embargo on Libya, the BRICS voted in favor of enacting sanctions on the Libyan government. But on UNSC Resolution 1973, the BRICS abstained from voting on establishing a no-fly zone over Libya (South Africa voted in favor). Brazil justified the abstention, calling the Resolution excessive, “surpassing the call from regional organizations for the end of violence associated with political reform for the sake of foreign intervention.” This move reaffirmed the BRICS commitment to non-intervention and respect for sovereignty and territorial integrity.

In the lead up to UNSC resolutions on Syria, the BRICS provided a critical counterpoint to the NATO intervention in Libya and expressed growing concern with the negative consequences of NATO bombings. In October 2011 the BRICS turned rhetoric into action when Russia and China vetoed the European project on Syria, joined by

abstentions from Brazil, India, and South Africa. In doing so, the BRICS “defended the territorial integrity of Syria and demoed any solution similar to the Libyan case in the Middle East.”\textsuperscript{172} Representatives from Russia, India, China, and South Africa criticized several clauses of the draft resolution, calling it “one-sided” for not mentioning acts from other parties and the need to defend Syria’s sovereignty and territorial integrity.\textsuperscript{173} These examples show how the BRICS rhetoric and views on global governance are more than just parlance, but an action plan that has been put to use. Collective actions by the BRICS, when all five were members of the UNSC, are having a continued effect on the outcome of the Syrian crisis and the West’s response. The Syrian crisis serves as an indication of the importance of cooperation between the West and the BRICS for addressing issues within the global system.

The BRICS actions as members of the UNSC demonstrate the basis of a strengthening alliance. It is important to emphasize though, that the BRICS are not seeking to end the United Nations, just reform it. The argument from the BRICS is that the asymmetry in global power distribution has shrunk and as a result their needs to be a diffusion of power concentration at the global level by reforming international bodies.\textsuperscript{174} China and Russia in the 2013 eThekwini Declaration voiced their support of Brazil, India, and South Africa to play a greater role in the UN because of their importance in

\textsuperscript{172} Herz, Policy Brief: BRICS and the Revolts in the Middle East and North Africa; pg. 8
\textsuperscript{173} Herz, Policy Brief: BRICS and the Revolts in the Middle East and North Africa; pg. 9
international affairs.\textsuperscript{175} And despite rumors to the contrary, Russia’s Foreign Minister has come out in support of a position for India on the Security Council.\textsuperscript{176}

The BRICS may not be a full fledged international institution as of yet, but as demonstrated in this chapter, it has taken many steps in order to establish itself as an integral part of the international system through increased cohesion. They continue to integrate and coordinate collective stances on global issues. It also has a specific goal, to have more influence in the international system, binding them together. This common goal helps the BRICS define its status as an alliance balancing against the West, as well as a foundation to a successful economic and political bloc. The rise of the BRICS as a viable alternative to Western policies is attracting attention from other states too. Recently, Egyptian president Mohamed Morsy expressed desire to someday join the BRICS, creating E-BRICS.\textsuperscript{177} This may be insignificant considering the current condition of post-Mubarak Egypt, and official inclusion in the BRICS is not expected at any point in the near or distant future, but Egypt was once a key ally to the U.S. in the Arab World. A new Egyptian regime seeking closer ties with a Chinese and Russian backed organization, instead of the U.S., will alter the U.S. approach to the Middle East and supporting its closest Middle East ally, Israel. The significance of a competing group for political and economic influence in a region does warrant attention. The BRICS cohesiveness is slowly beginning to change the approach to relationships between states and the balance of the global system.

\textsuperscript{175}“EThekwini Declaration.” \textit{Fifth BRICS Summit}; Point #20.
\textsuperscript{176}Mahapatra, \textit{BRICS: The Building Block for Global Governance}; 2012
<http://blog.foreignpolicy.com/posts/2013/03/21/so_egypt_you_want_to_be_a_brics_country>.
The growing cohesiveness of the BRICS is taking form and is beginning to be seen in the global economic and political systems. The move to establish a BRICS development bank has already garnered support from the developing world in the form of the G24, and the BRICS focus on Africa as a primary recipient of BRICS bank funds comes at a time when aid to Africa from the West has been declining. Potentially providing the BRICS with greater political influence than the West in Africa in the future. The move to create a development bank comes on the heels of the U.S. not moving forward on quota reallocations in the IMF as agreed upon in 2010 and after the BRICS provided aid to boost IMF reserves in exchange for action on quota reallocations in the wake of the global recession. These developments add to the diplomatic song and dance that is taking place between the West and the BRICS, with the result of amplifying mistrust and diminishing motives for future cooperation. This has carried over into the political realm as the BRICS, and Russia and China specifically, have used their UNSC veto power to prevent a Western led response to stop the Assad regime from carrying out violent attacks against his citizens. By blocking Western action in Syria, the BRICS have shown that they have very different interests and visions for the future of the global system.

As the differences between the West and the BRICS become more apparent, the window of opportunity for trying to work towards a more cooperative and cohesive vision in international institutions is beginning to close. This chapter has demonstrated how the BRICS are working to build a more cohesive grouping based on their common views, which they have been unable to advance in current institutions. As BRICS cohesion becomes more entrenched and formalized in operational institutions like a
development bank the road to more cooperative relations with the West becomes less likely. The financial and political commitment required in operating a bank like the one proposed by the BRICS would intertwine these countries politically and economically for years to come making the costs of leaving the grouping much higher.
Chapter Four

A Neoliberal Analysis of the Importance of International Institutions in the Global System

United States and Western control of the economic and political institutions that coordinate and shape the international system is being brought to task by a growing number of states from outside this periphery. The BRICS are demanding the inclusion of their voice and interests in shaping the future of the international system. For the better part of the 20th Century and into the 21st century, the leadership of the U.S. and the West within the United Nations and Bretton Woods provided an era of unmatched stability and prosperity for the world. The demands and goals of the BRICS are much different than those of the Soviet Union - the last challengers to Western supremacy in international institutions. The current global dynamic and the challenges faced by the international community are much different, as well. Issues like terrorism, turmoil in the Middle East, cyber threats, climate change, global trade, and conservation of natural resources, ranging from minerals to water to food, will all need to be addressed by the global community in the 21st century. Instead of trying to compete with the West outside of the international system, the BRICS are competing with the West inside the system. The economic interconnectedness of the BRICS and the West was not a component of the Cold War competition. However, the side picking by states during the Cold War is beginning to emerge again with the BRICS establishing themselves as the voice for the developing world.

Moving into the 21st century, the global community is again facing a problem where groups of states, the West and the BRICS, are looking to advance interests that
conflict with the visions and the goals of the other. However, this time these states are much more interconnected economically and politically because of the effects of globalization. This dynamic will have an impact on how states respond to the issues mentioned above. The West is seeking to maintain their asymmetrical influence in international institutions while the BRICS are vying for more say and reforms. This chapter will discuss the importance of international institutions in providing stability and prosperity to the global system through the theoretical lens of neoliberalism. As a result of Western exclusion of the BRICS in international institutions, they have been feeding into the balancing of the global system approach that the BRICS are taking. Growing BRICS cohesion, acting as a counterbalance to the West is beginning to have an impact on current institutions being able to successfully perform their stated objectives.

The basis of this application will be supported by neoliberal methodology in international relations, which emphasizes the role that international institutions play in providing political stability and economic prosperity to the global system. The growing division between the West and the BRICS in the Bretton Woods and UN (previously discussed in Chapters Two and Three) is undermining their stated goals of promoting international cooperation. Both of these institutions are turning into a source of growing discontent, highlighting the differences in vision between the BRICS and the West that is decreasing cooperation within these institutions. This will lay the groundwork for mentioning possible negative consequences on the global system that could result from having competing institutions and blocs of states operating within it. The importance given to international institutions to reach stability through cooperation by neoliberalism will highlight what the growing divide between the BRICS and the West means to the
global system and why this emerging dynamic to the global system is significant and should be analyzed more substantially and in greater depth by Social Scientists in order to develop possible policy approaches for both the BRICS and the West to avoid a potential global system that is divided along West – BRICS lines.

**Growing Division within Current Institutions**

International institutions are defined as “explicit arrangements, negotiated among international actors, that prescribe, proscribe, and/or authorize behavior” according to Barbara Koremenos, Charles Lipson, and Duncan Snidal.\footnote{Koremenos, Barbara, Charles Lipson, and Duncan Snidal. "The Rational Design of International Institutions." *International Organization* 55.4 (Autumn 2001): 761-99. JSTOR. Web. 4 Feb. 2013. <http://www.jstor.org/stable/3078615>. Pg. 762} Adding to this definition Krasner notes that Liberal institutionalism “demonstrated that international institutions could emerge as… facilitating the flow of information, creating focal points, opening opportunities for issue linkages, establishing reputations, increasing iterations, and defining rule violations.”\footnote{Krasner, Stephen D. Power, the State, and Sovereignty: Essays on International Relations. New York: Routledge, 2009. Print. Pg. 13.} Institutions are created voluntarily by states in order to obtain particular collective interests, in the case of the IMF and UN, to promote global economic and political cohesion and policy coordination. Based on the possibilities international institutions could provide for maintaining and orienting the global system, Krasner defines their role in international relations as a “set of implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations.”\footnote{Krasner, Stephen D. "Structural Causes and Regime Consequences: Regimes as Intervening Variables." *International Regimes*. By Stephen D. Krasner. Ithaca: Cornell University, 1983. 1-22. Print. Pg. 2.} A complimentary definition of regimes from Keohane and Nye describe them as “sets of governing arrangements” that
include “networks of rules, norms, and procedures that recognize behavior and control its effects.” The functions of institutions are important for bringing together multiple actors in a way that the institution can best perform its functions, according to Liberal institutionalism. The result of this is a more stable international system in which states are able to not only define the rules of the system, but also drive its outcomes in a way that is beneficial for all participants.

Currently, the BRICS and the West are increasingly drifting apart on what they agree are the principles, norms, rules, and decision-making procedures. As a result, BRICS and Western expectations are not converging in producing cohesive responses to international economic or political issues. As described in Chapter Two, the Bretton Woods have increasingly been viewed by the BRICS as a mechanism for the West to advance economic policies that best serve their own interests at the expense of the developing world. In response to this problem, the BRICS are seeking Western leadership to enact reforms, including quota re-allotment, to better reflect their contributions to the IMF and importance to the global economic system. These reforms would provide the BRICS and the developing world with greater say in the policies and lending decisions made by the IMF. Having yet to receive the types of reforms that the BRICS view as necessary, they have opted to explore developing their own lending institution.

The BRICS are currently facing a dilemma in which they are disadvantaged within an institution (the IMF) and subsequently, they find themselves at a disadvantage.

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181 Keohane and Nye. *Power and Interdependence*; Pg. 19.
in the issue area as whole.\textsuperscript{182} Keohane explains, “The rules of any institution will reflect the relative power positions of its actual and potential members, which constrain the feasible bargaining space and affect transaction costs.”\textsuperscript{183} As the BRICS economies grow and their contributions to the fund increase, they are challenging the rules based on their position of power. Currently, because of a lack of reform, as described in Chapter Two, they do not have much bargaining space in determining the lending and policy decisions within the Fund. The disadvantages that the BRICS assume by remaining in the IMF, and the disadvantages in their ability to influence financial lending to better reflect the values of the BRICS and developing states, are the motivation for them to begin pursuing other options like creating their own development bank.

The goal of international institutions is to bring states together under rules and norms to find converging interests, but institutions will persist only as long as “their members have incentives to maintain them.”\textsuperscript{184} Currently, the BRICS still see the transaction costs of completely leaving the IMF as too high, but their calls for reformation of quota allocations are an attempt to gain a share in the authority of the Fund. The actions they have taken in creating their own development bank can be viewed as a way to establish more bargaining leverage within the Fund. The cost of this action is not as high since they still remain in the IMF and continue to gain the collective benefits of being a part of the institution. If the BRICS begin to divert funds away from the IMF and towards their own development bank, they will gain the power of having greater control of what happens to their financial contributions. This will allow the

\textsuperscript{182} Keohane, \textit{International Institutions: Two Approaches}; pg. 387
\textsuperscript{183} Keohane, \textit{International Institutions: Two Approaches}; pg. 387
\textsuperscript{184} Keohane, \textit{International Institutions: Two Approaches}; pg. 387
BRICS to achieve their policy goals of increasing infrastructure within their states and providing funds for infrastructure and development in Africa.185

The West, on the other hand, will be forced to make a decision on the costs of decreased financial contributions and level of involvement of the BRICS within the IMF, as well as having to potentially compete with another development bank that comprises four of the top ten world economies. How the West responds will now have a mitigated impact on the BRICS. If the West agrees to reforms, giving the BRICS greater bargaining power within the IMF, they continue as planned continuing to work with the West in the current institution and the continuance of the BRICS development bank will probably be bleak. If the West balks at their actions and does not institute reforms, then the BRICS have a better understanding of where they stand in regards to the West’s financial goals in the IMF and they can continue building their own development bank based on their own collective objectives, separate from the West. A lack of reform by the West would decrease the BRICS incentives to continue maintaining the status quo in which they are at a disadvantage because of a lack of cohesion on the expectations of the IMF setting the norms for global financial policy.

Under the assumption that states are rational and self-interested actors, institutions can be shown to be important in world politics.186 The structure of institutions provides the centralization of collective activities through a concrete and stable organizational structure, which increases the efficiency of collective activities and enhances the

185 “EThekwini Declaration.” Fifth BRICS Summit. Point #5.
organizations ability to affect the understandings, environment, and interests of states.\textsuperscript{187}

Rational states participate in cooperation through institutions because the benefits that they bring can be greater than the benefits of not cooperating. The choice a state makes by participating in an institution illustrates that the state identifies benefits to being in the institution and directing their efforts towards cooperation with other states. However, the decision to be a part of an institution does not mean that all the goals and desires of a state are met. States have to be willing to compromise some of their preferences, in an environment that is a mixture of conflicting and complementary interests. Cooperation does not mean harmony, cooperation occurs when actors adjust their behavior to the actual or anticipated preferences of others.\textsuperscript{188}

The benefits of adjusting their behavior or preferences, with the expectation that this cooperation will be beneficial in the long term, are based on the idea of reciprocity. Axelrod has promoted the need for governments to practice and teach reciprocity in order to foster cooperation\textsuperscript{189}, and Keohane states “reciprocity seems to be the most effective strategy for maintaining cooperation among egoists.”\textsuperscript{190} The benefits received by reciprocity in international institutions must be long term, as well as identifiable and beneficial to all states involved in order for cooperation to be achieved. Tit-for-tat exchanges or engaging in specific reciprocity cannot account for voluntary cooperation because of its inability to promote mutually beneficial cooperation.\textsuperscript{191} States can exploit


\textsuperscript{188} Axelrod and Keohane. \textit{Achieving Cooperation under Anarchy: Strategies and Institutions}; pg. 226


\textsuperscript{190} Keohane, \textit{After Hegemony: Cooperation and Discord in the World Political Economy}; pg. 214

others and the structures and obligations for not defecting do not make specific reciprocity a valuable tool to induce cooperation in world politics.\textsuperscript{192} Thus, in order to expand the range of cooperation in world politics, it will be necessary for states to engage in diffuse reciprocity; that is, to contribute one’s share, or behave well towards others, not because of ensuing rewards from specific actors, but in the interests of continuing satisfactory overall results for the groups of which one is a part, as a whole.\textsuperscript{193} The use of diffuse reciprocity in institutions is not a perfect way for ensuring cooperation in world politics or in institutions because it exposes states to the danger of exploitation, but it can reduce the chances of unnecessary conflict when interests are compatible.\textsuperscript{194}

The promotion of cooperation and reciprocity in international institutions and the benefits that states receive through cooperation by being members in these institutions makes it possible for states to achieve their common goals and desires. The goal of the IMF “to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world”\textsuperscript{195} coordinates the goals of many states into one organization designed to reach these goals. Rational states see membership in the IMF as being beneficial to them in the long term. For many years, the West had a large economic advantage over the developing world so the benefits they received through the IMF came at a much lower cost. The developing world had to meet Western conditions for receiving aid, but they chose to do this because the benefits that they received from

\begin{thebibliography}{99}
\bibitem{192} Keohane, \textit{Reciprocity in International Relations}; pg. 12.
\bibitem{193} Keohane, \textit{Reciprocity in International Relations}; pg. 20.
\bibitem{194} Keohane, \textit{Reciprocity in International Relations}; pg. 27.
\end{thebibliography}
meeting the conditions set by the West were greater than the autonomy over policy control they were giving up.

This has begun to change as the BRICS countries have become more economically powerful. They no longer receive the same benefits from participating in the IMF because the detriments of giving up autonomy over their financial policy direction outweigh the benefits they receive from being in the IMF. The BRICS are at a stage where they feel that they are being exploited by the West through cooperation in the IMF. The BRICS issuing calls for reformation of the quota allotments is their attempt to regain a position in which cooperation is again beneficial for them. The West, by not agreeing to quota re-allotments, is moving away from acting in a way that continues diffuse reciprocity of the institution, because now as a group they receive greater satisfaction from the institution, rather than all members as a whole. The BRICS agree to contribute more financial support, but do not receive greater say in decision-making.

As a result, the BRICS are seeking to increase internal cooperation separate from the West, in order to create institutions in which there cooperation and exchange of reciprocity again results in benefits that addresses their collective goals. If the BRICS distance themselves from the IMF, they will also distance the cooperation needed to promote a cohesive global system of financial trade and commerce. The benefits received from the largest economic powers in the global system working in a cohesive framework will be diminished if one group of states is enacting policies to achieve their collective goals and the other group is following a different set of policies.

International institutions are the best way to get groups of sovereign states to achieve collective gains and find cooperation because they reduce uncertainty and the
costs of making and enforcing agreements.\textsuperscript{196} The security of knowing the costs in being able to achieve collective gains is a valuable asset for states to have when choosing to be a part of institutions. This security of knowing costs is not always apparent outside of institutions because they have available information about other political actors within the institution. When states can jointly benefit from cooperation it is expected that they attempt to construct such institutions because they can provide information, reduce transaction costs, make commitments more credible, establish focal points for coordination, and in general facilitate the operation of reciprocity.\textsuperscript{197}

Establishing the Bretton Woods institutions following World War II was the West’s response to avoiding the uncertainty of states financial policies and goals. In the period between World War I and World War II, the individual financial policies that were enacted among the most prominent global economic players ended up exuberating an already bad economic situation. The BRICS are not trying to establish a rival or separate global economic system; they still seek to continue financial interactions between the West, as this is beneficial to both groups. However, if they no longer are achieving what they perceive to be beneficial effects of cooperation, they have no reason to continue to participate in the institution. States conformity to institutional rules and participation in institutions “is partially accounted for by the degree of common interests and the

distribution of power among members." Right now the BRICS interests’ in continuing their economic growth through membership in the IMF is being questioned. They share many of the same interests that the West has, but the distribution of power in the IMF based on quota allocations and voting power is swaying the distribution of power in favor of the West. The BRICS are trying to determine if the transaction costs of creating their own development bank, that will better reflect their interests is worth reducing cooperation within the IMF. Competing interests will lead to changes that will affect the global financial system with two institutions trying to work in the same financial system. Just when individual states enacted policies without the information of what other states sought to do, there will most certainly be a decrease in the information that is gained from either institution in coordinating the best approach to global economic prosperity. A possible result of a lack of information exchanged in an international economic institution is rising protectionism of economies. Political leaders will be more likely to safeguard local jobs by imposing tariffs and becoming more sensitive to foreign investment from countries that are perceived as posing risks by increased financial involvement.

**Suggestions for Improving Current Institutions**

The growing divide between the BRICS and the West in the Bretton Woods institutions does not have to lead to the establishment of separate BRICS institutions. Ikenberry offers suggestions for preserving these institutions because of the important role that they play in the international system. The shifting power from the West to the BRICS will be a test of the liberal internationalism established by the West. The BRICS

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199 Bremmer, *Every Nation for Itself*, pg. 77.
and other emerging states have a different set of cultural, political, and economic experience, and they see the world through their anti-imperial and anticolonial pasts. However, Ikenberry stresses that the liberal international order is alive and well. The struggle over the order is not about fundamental principles. “China and other emerging great powers do not want to contest the basic rules and principles of the liberal international order; they wish to gain more authority and leadership within it.” The BRICS have been able to benefit and grow because of the institutions established by the West. Continuing to participate in the order allows for the BRICS, and the West, to gain trading opportunities, dispute-resolution mechanisms, frameworks for collective action, regulatory agreements, allied security guarantees, and resources in times of crisis. All of these are features of institutions that the BRICS want to continue to receive, they just want to renegotiate their position within these institutions in order to project their influence and acquire legitimacy at home and abroad.

**The Problems of Competing Blocs**

International institutions perform an important function of providing information exchange between states, coordinating cohesive responses to meet common goals, and reducing transaction costs. These functions help to provide for more politically stable and economically prosperous global community. Nevertheless, the advantages and benefits that institutions provide to the global system moving into the 21st century and beyond will be challenged by the emergence of competing institutions headed by the BRICS who have different goals and approaches for operating in the global system. In

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201 Ikenberry, The Future Of The Liberal World Order: Internationalism After America; pg. 57.

202 Ikenberry, The Future Of The Liberal World Order: Internationalism After America; pg. 62.
discussing the benefits of open international trade, Krasner in *State Power and the Structure of International Trade*, explains that a single dominant state would benefit from an open system because it could more easily adjust to the disruptive impact of trade on domestic factors. In contrast, a multipolar system would feature a closed trading system: the economic benefits of trade would be limited and the social disruption could be significant.  

Currently, the West, and the U.S. more specifically, is the dominant state that has led this open system and reaped the benefits. Therefore, the West should be concerned about the possible emergence of competing blocs and the possible effects that could arise. The emergence of the BRICS could have a negative impact on the open system, as they seek to take better advantage of their contributions to the global economic system. A possible result could be a multipolar system, which would decrease the benefits of trade for both the West and the BRICS.

This is not confined to economic issues; increases in political polarization are leading to a degree of systemic bipolarity. The rise of countries like the BRICS is a sign that “the current international system may be moving into a more bipolar and more dangerous stage.” Moving away from a system in which there is one set of institutions, to a system in which there is an additional institution led by the BRICS, would lead to a disruption in cooperative actions since neither side is working under the same rules or striving for the same outcomes, the main functions of institutions. The BRICS do not have a competing global organizing logic to counter liberal internationalism. The alternate model, or “Beijing model,” would presumably be

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203 Krasner, *Power, the State, and Sovereignty: Essays on International Relations*; Pg. 13.  
205 Binnendijk, *Back To Bipolarity*; Pg. 7.
organized around exclusive blocs, spheres of influence, and mercantilist networks. On the global, scale this would not advance the interests of any of the major states and would be less open and dominated by an array of state-to-state ties and everyone suffers.206

Moving further into the 21st century, the trends and challenges facing the global community are becoming more complex and the interconnectedness between states requires that responses to these problems be more cohesive and coordinated. Ian Bremmer warns of the dangers described by Ikenberry, in which the global system is arranged in blocs and spheres of influence, in his work Every Nation for Itself. The effects of globalization and increasing interconnectedness are creating many new challenges that transcend borders. These range in nature from the stability of the global economy to climate change to terrorism, and as a result the need for international cooperation through international institutions, has never been more important. Only the most powerful states in the global system have the leadership capabilities to coordinate multilateral responses that are needed to address these issues. According to Bremmer, institutions like the Bretton Woods and the UNSC “are unlikely to provide real leadership because they no longer reflect the world’s true balance of political and economic power.”207

Bremmer’s work explores a future in which there are no longer established global institutions to effectively lead and coordinate multilateral responses to address issues that need these actions. He describes this global system as the G-Zero. In the G-Zero, states are strong enough to prevent the international community from taking action, but none

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206 Ikenberry, The Future Of The Liberal World Order: Internationalism After America; pg. 63.
207 Bremmer, Every Nation for Itself; pg. 4.
has the political and economic muscle to remake the status quo.\textsuperscript{208} The example used to illustrate this point is the failure of the 2009 Copenhagen climate summit. The developing states blame the West’s industrialization in the 19\textsuperscript{th} and 20\textsuperscript{th} century for the current climate problems. The West counters that the developing world will do the majority of the environment damages in the future and that climate change needs to be addressed by both the West and the developing world. The take away from this situation is that both the West and the developing world need to agree to share the burdens and the benefits when addressing these global issues, doing nothing will only make matters worse.\textsuperscript{209} Outcomes of international summits in which coordination and cooperation is not achieved appears to be more likely as the BRICS build their cohesiveness to counter Western actions, perpetuating Bremmer’s hypothesis that the global system is on a path to a G-Zero world.

Climate change is not the only issue in which the West and the BRICS are taking divergent positions. As discussed in Chapter Three, the BRICS countries collective presence on the UNSC in 2011 provided support to China and Russia’s vote against multilateral intervention in Syria; a position that China and Russia have continued to take as the conflict in Syria continues. The opposition of BRICS members shows that global governance has evolved into a contest for the future of the global system with emerging and established powers blocking progress on global governance.\textsuperscript{210} Barma discounts the success of liberal institutions to begin with because of their inability to better incorporate the non-Western world into multilateral rules, institutions and norms in political and

\textsuperscript{208} Bremmer, Every Nation for Itself; pg. 10.
\textsuperscript{209} Bremmer, Every Nation for Itself; pg. 10.
security domains after the end of the Cold War was supposed to “benefit the liberal world order in breadth and depth.”\textsuperscript{211} The institutions were incapable of rebalancing power and influence to make international politics more democratic and multilateral action more legitimate. The leading states of the non-Western world have done more than just make the demands for more seats at the table; they have become the leading voices that undermine international consensus. Rama says that these states are “routing around” the Western led international order.\textsuperscript{212} The inability for the current institutions to prevent the BRICS from wanting to participate, either through greater benefits of cooperation or higher costs for non-participation, is indicative of both a lack of Western attempts to cooperate and the importance of institutions to maintain a stable global system. Defiance from the BRICS and a lack of concessions from the West has expanded the divide between these groups. Now all are losing the benefits of being unable to address climate change and promote economic and political cohesion.

International institutions play an important role in promoting collective actions, providing information, establishing cohesive, beneficial goals, and lessening transaction costs between states. The Bretton Woods and the UN are currently more effective at highlighting the differences between the West and the BRICS than they are at establishing cohesive and beneficial goals. Western exclusion of the BRICS in more prominent roles in these institutions is providing the basis for growing BRICS cohesion, leading to the BRICS adopting a balancing approach to the global system in an effort to achieve their collective economic and political aims. The inability of the BRICS and the West to act cooperatively in reaching cohesive, beneficial goals could lead to a less stable

\textsuperscript{211} Barma, Ratner, and Weber. \textit{The Mythical Liberal Order}; Pg. 58.
\textsuperscript{212} Barma, Ratner, and Weber. \textit{The Mythical Liberal Order}; Pg. 62.
and prosperous global system because of the inability of international institutions to properly function in addressing issues like global trade, climate change, or political instability in the Middle East.
Chapter Five

Conclusion: International Governance
Moving Forward - A Call for Cooperation

Moving further into the 21st century the world is becoming much more different than the world at the time of the creation of the United Nations and Bretton Woods. Yet these institutions remain in place and their structures and leadership remain largely unchanged from their initial implementation almost 70 years ago. The affects of globalization and the technology that has accompanied it have created a world that is almost unrecognizable in comparison with the world of the late 1940’s and early 1950’s. The world has evolved and changed around institutions created to provide order to the global system. The result is an international system where the old leadership is clinging to power and influence. In response new powers are finding cooperation and support from states that rival Western values and whose interests conflict with those of the West. Information, commodity, and capital exchange know no bounds, but neither do resource depletion, pandemics, and terrorism. The problems that arise from natural disasters, political unrest, economic mismanagement, or internal conflict no longer remain confined in one state or one region, but its ramifications are felt across the world. Like throwing a stone into placid water its ripples and affects are felt across the world. In order for the international community to flourish from all of the benefits of globalization it also needs to be equipped to handle all of the threats associated with globalization as well. Mistrust and conflict between the most important states will not produce the solutions needed to address these issues. The time has arrived for a new era of cooperation among the major global powers both old and new.
In closing I hope that this work helps to explain the unique dynamic that is currently taking place within the global system. The emergence of the BRICS and their efforts to challenge the established rule of the West is an unprecedented act for a group of countries so different politically, economically, culturally, and even geographically. However, their cohesion is built on frustration and a desire to achieve more. A frustration with the leadership of international institutions that does not utilize their voice nor their perspective, and a desire to elevate themselves from the status of emerging states to leaders in a global world. Their demands are not combined with military rhetoric or threats of adverse actions, nor are they seeking the removal of Western leadership from these institutions to be replaced by them. They are seeking changes within the system that will include them and give them their voice and value their perspective; a fairer world order for a system that has raised these states to the economic and political status that they carry today.

The purpose of this thesis is not to advocate that the values and governance of the BRICS states are superior or better suited for the world. Rather it is to demonstrate that there is a growing divide in the international system that warrants additional study and analysis on how to best address this phenomenon. Each of the BRICS has serious internal issues that need to be addressed and their motives for supporting certain states empower repressive leaders, and prolong violence and instability. China and Russia repress dissent domestically while calling for a fairer say and democratic principles in global governance. Brazil, India, and South Africa as well as China and Russia suffer from corruption within their domestic political structures while chiding the West for using institutions to further their own needs at the expense of the developing world.
There is no reason to assume that greater inclusion of the BRICS in leadership roles will be more beneficial to the West in terms of weighting out transaction costs. Even the long-term success of the BRICS grouping is a concern in itself. Politically China, India, and Russia are vying with each other for power in Asia and economically Brazil, India, and South Africa are concerned about the effects of China’s undervalued currency on their economies.\(^2\)

As the asymmetric power that the US and the West currently have in international institutions declines relative to the growing strength of the BRICS these institutions are still important to preserving the stability and prosperity of the international order according to neoliberal approaches to international relations. However, the emergence of the BRICS grouping in the international system and their impact on international institutions should be looked at from a variety of approaches. Building a more comprehensive and in depth collection of scholarly work addressing the impact of the BRICS on the international system will allow for a better understanding of how to best pursue future actions for both the West and the BRICS. The international system is in constant flux and the emergence of the BRICS is the most recent development to the system. The institutions created after World War II have been more successful and have lasted longer than attempts made by world powers in the past. As a result of their longevity they are still around as shifts in political and economic power are taking place. States that were given little power have emerged as important global players and the large difference between powers has shrunk. States that were placed in leadership roles at the

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time no longer have the same dominating global impact. These are the issues that
scholars need to study and address in order to find solutions that both acknowledge rising
powers like the BRICS and work to maintain stability and prosperity in the international
system.
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Government Teaching Minor

**Stellenbosch University**  
Stellenbosch, South Africa  
Six-Week Summer Program  
June - July 2008  
South African History, Politics, and Post-Apartheid Reconciliation

**HONORS**
Academic Dean’s List: Montana State University  
Fall 2007  
Academic Dean’s List: Montana State University  
Spring 2007  
Academic Dean’s List: Montana State University  
Spring 2006

**PROFESSIONAL EXPERIENCE**
**Baltimore Civitas Middle/ High School**  
Baltimore, MD  
Teacher, Baltimore City Public Schools  
Sept. 2010 - Present

- 2010 - 2011: 6th Grade English
- 2011 – 2012: 7th Grade Social Studies
  - Freshman Class Advisor; Social Studies Department Head; Instructional Leadership Team

**Whakatane High School**  
Whakatane, New Zealand  

- Taught High School Social Studies classes.
- Volunteer Coach for both Boys and Girls Varsity Soccer Teams.

**RESEARCH**
Master’s Thesis work is an International Relations theory approach to evaluating the impact of the BRICS nations and their effect on the global system and global political and economic institutions. Topics touch in areas of Political Economy, Globalization, and international institutions.