Reframing the Debate Over BRICS Beyond Its Conceptual Origins

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Abstract

BRICS has commonly been framed through a strictly economic perspective, with a focus on the growth patterns of the individual members: Brazil, Russia, India, China, and South Africa. Viewed in this fashion, the grouping is judged in a negative manner, with a sense of disappointment and frustration. Yet, framed in a wider diplomatic context, the image of BRICS is quite different, with an accent on several features that cast a more positive interpretation. *BRICS: A Very Short Introduction* highlighted these features in 2016. And, notwithstanding some unanticipated developments that exaggerated the differences—and tensions—between the members of BRICS, it is the staying power and pattern of evolution in a creative fashion of the BRICS club that stands out. Although overshadowed by other multilateral institutions, the achievements of the New Development Bank (NDB) should not be downplayed. Moreover, BRICS has developed problem (or even crisis) management techniques. As with other informal institutions with club-like attributes, some of these tensions were dealt with by avoiding issues that divided the members. Over time, though, this template has been complemented by more active forms of problem-solving relating to internal differences.

Keywords: BRICS; New Development Bank; China; India; Russia


BRICS has commonly been framed through a strictly economic perspective, with a focus on the growth patterns of the individual members: Brazil, Russia, India, China, and South Africa. Viewed in this fashion, the group is judged in a negative manner, with a sense of disappointment and frustration. The classic case of this “fail to deliver” interpretation is in the analysis of Goldman Sachs’ Jim O’Neill, the first to use the acronym “BRIC” (without inclusion of South Africa). Publishing an op ed in the Financial Times, O’Neill presented a picture of pessimism [2021].

Yet, framed in a wider diplomatic context, the image of BRICS is quite different, with an accent on several features that cast a more positive interpretation. My *BRICS: A Very Short Introduction (BRICS VSI)* [Cooper, 2016] highlighted these features. And, notwithstanding some unanticipated developments that exaggerated the differences—and tensions—between the members of BRICS, it is the staying power and creative pattern of evolution of the BRICS club that stands out.

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To begin with, there is the obvious point that O’Neill glossed over; the shift of the meaning of BRICS from a loose cluster of countries that were deemed to have, as their central point of commonality, bigness in size and potential, to a durable informal institution. This in and of itself is a major success. As R. Putnam and N. Bayne highlighted with reference to the Group of 7 (G7), hanging together is not easy. In many respects, BRICS borrowed organizational features from the G7 [Putnam, Bayne, 1987]. Nonetheless, this theme of association should not be exaggerated. On a variety of organizational features, BRICS has built up a distinctive collective culture.

A second point, again minimized by O’Neill, is the creative extension of organization via the New Development Bank (NDB). Although overshadowed by other multilateral institutions, the achievements of the NDB should not be downplayed. Not only does the NDB signal an ability to create formal institutions beyond BRICS, BRICS has demonstrated a capacity to go beyond some of the orthodox features associated with multilateral development banks (MDBs), in terms of its model of green growth and its capacity to bring in new members beyond BRICS.

And a third point relates to problem (or even crisis) management techniques. As with other informal institutions with club-like attributes, tension over specific issues (for example, the question of support for India, Brazil and South Africa to be elevated to United Nations (UN) Security Council membership) can be dealt with by omission, in other words, by avoiding issues that divided the members. Over time, though, this template has been complemented by more active forms of problem-solving relating to internal differences.

The BRICS From Parallelism to Club Collectively

As underscored in BRICS VSI, despite its increasing prominence in academic and popular commentary on international economic and political affairs, the nature of BRICS is not well understood. This confusion stems largely from the multiple meanings that have been attached to the BRICS label since it was first introduced by Goldman Sachs’ Jim O’Neill in the early 2000s. Initially created to highlight shifts in the underlying economic dynamics of the international system, BRICS has grown to encompass an economic, diplomatic, and geopolitical phenomenon with significant momentum and geostrategic implications.

At the most basic level, BRICS remains an indicator of the impressive rise in economic size from a cluster of big emerging markets beyond the West and, particularly, beyond the traditional economic power of the G7 countries. Publications since the early 2000s have interpreted this evolution as a dynamic and favourable trend driven largely by the BRICS countries’ embrace of globalization and high levels of economic growth. The hallmark of these success stories lies in the perceived ability of BRICS to catch-up and eventually surpass the established G7 countries in terms of economic and, potentially, political weight.

The BRICS concept is thus closely linked with a narrative about the growing economic weight of large emerging market economies. Early accounts of the phenomenon put forward by financial analysts, consultancy firms, and asset fund managers stressed the positive nature of these shifts for both the countries themselves and the broader global economy. Academic assessments, in contrast, have embraced a degree of scepticism about the relevance of an investment-marketing concept to the serious study of international affairs. From this perspective, while the growing impact of the individual countries is evident, the BRICS concept as a framing device suffers from significant limitations. Indeed, examining the economic profiles of the BRICS countries individually, it is the contrasts—rather than the commonalities—that stand out. On almost any criteria related to gross domestic product (GDP), trade, investment, or currency reserves, China stands out. In terms of high growth sectors, China, as the world’s manufacturer, diverges appreciably from India, with its technology and global call centre hubs, as well as from resource-oriented Russia, Brazil and South Africa.
What fundamentally differentiates BRICS from its competitors, however, is the ongoing transformation of the original descriptive and predictive concept into diplomatic practice, beginning with the creation of the BRICS summit in 2009. Moreover, in addition to specific institutional innovations, the diplomatic practice of BRICS can be viewed as both an example and extension of informality in global affairs. During the post-1945 era, the universally oriented formal international organizations, notably the United Nations (UN), the international financial institutions (the International Monetary Fund (IMF) and the World Bank), and the World Trade Organization (WTO) held dominant sway. In light of the centrality of these institutions, winning recognition within these organizations became a central challenge for the countries of the Global South. However, as the campaign of Global South countries granted these states a greater voice within some formal international organizations, the advanced industrialized countries increasingly sideloaded them in favour of more informal and exclusive modes of economic and political cooperation through forums such as the G7. In this context then, as a form of diplomatic practice the BRICS phenomenon represents an extension of this exclusivity and informality beyond the G7 states. This turn toward informality by a group of emerging market economies thus creates a dilemma within the Global South. While the descriptive element of the BRICS concept highlights the movement of emerging market economies from the periphery to the core of the international system as a result of globalization and economic growth, the translation of BRICS into diplomatic practice has had the effect of bifurcating the Global South, opening up a divergence between BRICS and the “Rest.”

Nevertheless, despite its important symbolic and diplomatic properties, the ongoing weight and relevance of the BRICS summit and related institutions has yet to be conclusively demonstrated. Indeed, just as the acronym of “BRICS” overlooked individual differences between entities in terms of economic profile, the framing of BRICS in terms of operational practices ignores several important constraints on its ability to undertake collective action. In this regard, the major differences between the BRICS countries, with respect to both interests and identities, stand out as important barriers to effective cooperation. Institutionally, there is a marked contrast between the advantages enjoyed by Russia and China in the global system—permanent, veto-wielding members of the United Nations Security Council (UNSC) —and India, Brazil and South Africa.

Through their collective action, the BRICs countries have worked hard to present themselves as a cohesive, like-minded group. This effort, however, belies sharp differences in the political, economic, and policy approaches of the member states. Yet, there are fundamental sources of competition between the BRICS states. China and India, as well as Russia and China, have sharp legacies of territorial disputes. In 2017, the BRICS summit was caught up in an intensifying geopolitical contest between India and China punctuated by a dramatic escalation of tensions around the Doklam standoff, with armed forces of the two countries facing off in the Sikkim sector of the China-India boundary.

Notwithstanding these constraints, however, the transition of BRICS from concept to operational practice continues to serve as a major transition point in the relations between the West and non-West. Up to the creation of BRICS, the Global South acted as a demandeur with respect to reform of international institutions from a position of weakness. The global financial crisis (GFC) reversed this relationship. Unlike the Asian crisis of the late 1990s, the epicentre of the GFC was not located in the Global South, radiating out with worries about a contagion effect to the West. The “made in the U.S.” and subsequently the Eurocrisis character of the shocks around the GFC added to the legacy of grievance in BRICS, but in the context of a new-found sense of confidence. Instead of advocating for reforms on normative grounds about fairness, the push by BRICS countries was predicated on the existence of their revised upward movement based on competitive performance in the global institutional architecture.

While BRICS summits have grown increasingly visible to policy professionals and casual observers alike, questions remain with respect to the underlying logic of the group itself, as well as the motivations of the participant countries. For example, is the move to translate the Goldman Sachs’ concept to operational reality simply a means to establish a platform signalling the quantitative gaps in economic performance
between BRICS and other entities in the Global South? Or, alternatively, is it a mechanism designed instrumentally to allow the bridging of barriers between the BRICS countries themselves?

That said, BRICS continues to lack enough internal cohesion or demonstrated ability to undertake collective action necessary to be termed an alliance. Certainly, BRICS cannot be compared to deep and long-standing alliances such as the North Atlantic Treaty Organization (NATO) or the G7, which are rooted both in clear common interests and a shared set of underlying values. Rather, the most impressive feature of the group so far has not been a sizeable advance in intra-BRICS trade, nor the projection through what President Vladimir Putin of Russia has termed “a full-scale strategic management system” [Sputnik, 2013], but rather the group’s ability both to come into being and sustain its existence as a forum beyond the West over a substantial period of time.

To understand this measure of success necessitates a closer look at BRICS as a diplomatic project. Ultimately, some BRIC-like formation would have appeared on the international stage as a result of the shocks of the GFC and the operational culture of trust built up during the outreach process with the G7/8. Notwithstanding the structural obstacles in the way of sustainability, the agency of the BRICS countries made sure the forum worked by the utilization of an informal “club” mechanism of cooperation, working in the absence of a set physical site, a constitution or charter, or set schedule.

More generally, questions remain about the future of BRICS as an international institution or set of institutions. How much mortar—in the form of formal institutionalization—will be placed on BRICS? The initial stages of BRICS cooperation were driven largely by external forces, with emphasis placed on reforms that the BRICS countries wished to see enacted in other areas of the international institutional system. Early BRICS cooperation focused heavily on reforms of the IMF and the World Bank. From the 2012 New Delhi summit, by way of contrast, the focus of BRICS turned inward with an initiative designed to establish a South-South development bank independent of the existing hub institutions located in the West. Given the importance of this activity, some detailed analysis is required with respect to the NDB and its implications for the future of BRICS. At one level, the ability of BRICS to mobilize collectively in this fashion offers a test of how ingrained the club culture has become. At another level, the NDB provides indicators of whether BRICS is able to forge new, institution-driven links with the Rest of the Global South, or whether the NDB has become a new source of division, viewed by the Rest as a means by which BRICS pursues its own interests.

The NDB as a Success and Source of Tension

The NDB presents a puzzle beyond the minimal attention given by O’Neill. At one level, the puzzle relates to why and how the NDB initially grabbed major attention as the “mortar” in BRICS, but subsequently fell back in profile in relation to the China-backed Asian Infrastructure Investment Bank (AIIB). At another level, the puzzle relates to the relative lack of controversy for the NDB. As The Economist notes, the NDB “has received far less attention than another multilateral lender launched a short time later, the Asian Infrastructure Investment Bank (AIIB)...Take The Economist’s own coverage: a dozen articles have mentioned the NDB, whereas the AIIB has cropped up in roughly 60.” Yet, notwithstanding BRICS’ overall weakness, The Economist continues: “their most tangible creation—a bank that aims to reshape the world of development finance—is making surprising headway” [The Economist, 2018. See also Chin, 2014; Cooper, 2017; Wang, 2017].

The two puzzles could go hand in hand, with the more modest, albeit constructive, performance of the NDB minimizing controversy. Rather than the emphasis on big infrastructure projects at the core of the established model, the NDB has advanced product innovation by smaller projects, as witnessed by the preference for sustainable development via green infrastructure. Yet, this argument about a low profile keeping away contention does not fit with the more generalized—and increasingly building—image of BRICS as a club of rising powers under increased stress.
If not just the NDB’s low profile, why then has the BRICS’ bank attracted so little controversy? Indeed, the puzzle is more striking because of the unorthodox culture of the NDB. In contradistinction to the AIIB, the NDB departs not only from the embedded model of these core multilateral financial institutions [The Economic Times, 2015] but also from earlier initiatives promoted by components of the Global South. From this perspective the NDB has a claim of originality that belies the suggestion that it represents a continuation of “familiar initiatives by newly arrived economies” such as the creation of development banks by the Middle Eastern oil producers in the 1970s [Kahler, 2016]. If indeed there are similarities with this category of initiatives—such as the Islamic Development Bank or the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development—due to the combination of material weight, geopolitical purpose, a push to recycle surplus savings into investment, and an asymmetrical distribution of power among members, this semblance is with the AIIB, not the NDB.

In part, the lack of controversy may stem from the fact that the NDB is a formalized institution, while BRICS remains imbued in a culture of club informalism. If the NDB still needs to be cast in a revised manner due to the prominence of several distinctive features that separate it from other multilateral banks, the NDB has taken on some distinctive features of formality. The NDB—unlike BRICS—has a headquarters. It has a specific organizational structure which has been negotiated in the long build-up to the launch. Above all else, the corporate governance of the NDB features not only a rotating president, but four vice presidents from each of the other four founding members.

Moreover, the NDB has a regularized pattern of operation. Moving away from the traditional practices of the international financial institutions (IFIs), for example, the NDB chose instead a non-resident board on the premise that this format would allow decision-making in a timely and budget-conscious manner. The first round of NDB loans, for example, was announced at the board of governors on the sidelines of the annual meetings of the IMF and World Bank.

Nonetheless, despite this shift to orthodoxy, the origins of the NDB in the BRICS culture still impart some distinctive features that need examining. One is the substitution of the principle of equality for the inequitable representative structure of the traditional MDBs. Although this form of innovation in terms of decision-making has been subject to lengthy negotiations and is far from complete in operational practice, the principle of equality with respect to the NDB’s members’ rights and obligations marks a major shift in the application of the tenets of global governance.

To be sure, there are tensions about how this principle of equality is applied. Certainly, building a culture of cooperation necessitated overcoming serious constraints in terms of national interest and identities [Cooper, 2016; Rewizorski, 2015; Stuenkel, 2015]. Yet, at the same time, the principle of equality does lock the NDB into an operational model that necessitates close interaction within the bureaucracy of the NDB. Although located in Shanghai, the NDB is not a China-controlled bank. But alternatively, it is not a multilateral bank with a wide number of members, as the AIIB has come about as well. Therefore, it is interesting to tease out some of the inner characteristics of NDB practice, if only in a preliminary way.

What stands out here is the ability of the NDB to shield itself from these types of internal tensions, allowing the avoidance (as yet) of becoming dysfunctional in terms of its operations, with the persistence of a high degree of bureaucratic autonomy and a valuable division of responsibilities. Although very preliminary, this neglected component of the NDB merits attention. While the club’s tensions within BRICS dominate recent literature, the NDB, up to now, is able to be run independently from those tensions.

Each of the features central to the identity of the NDB were debated at great length over a two-year period. India remained wary of China’s potential operational domination of the NDB, especially as it originally took the lead in the creation of the institution. The main source of controversy was in the preparation stage. Here India played a cautious role in BRICS’ development. In the early stage of club-development, the Indian foreign minister played down the implications of the forum, saying that: “These four countries are not
arranged against any other countries or any other group of countries. It is not even an effort to flex muscles. We are trying to learn from each other” [RT, 2009]. Even when BRICS was elevated to a leaders’ level summit at Yekaterinburg in June 2009, Prime Minister Singh took a low-key approach.

This ambivalence did not filter into the creation of the NDB, as India embraced the notion when it hosted the fourth BRICS summit in New Delhi in 2012. Indeed, looking back, it is important to note that it was India, and not China, that took the lead in exploring alternative strategies for development financing in the aftermath of the 2008 global financial crisis. Prime Minister Manmohan Singh built on his own extensive background as chief economic adviser, reserve bank governor, and head of the Planning Commission, as well as his role as secretary general of the South Commission, to champion such efforts. At the Seoul G20 summit in November 2010, for example, Singh argued for the use of a different sort of tool to foster infrastructure development [The Hindu, 2010]. Faced with the challenge of massive imbalances, he proposed a new institutional instrument for recycling surplus savings into investment.

Given this context, it was not surprising that India made the establishment of a development bank the pivotal agenda item at the Delhi summit. The finance ministers’ meeting held just prior to the summit endorsed this initiative as a priority. And, signalling the extension of BRICS from an exclusive state-centric club to a wider network, the 2012 BRICS Academic Forum—which included the leading Indian think tank Observer Research Foundation (ORF)—recommended that the summit study “the establishment and operational modalities of financial institutions such as a Development Bank and/or an Investment Fund that can assist in the development of BRICS and other developing countries” [BRICS, 2012].

The more India pushed forward, though, the more the tensions between equity and pragmatism widened [Krishnan, 2014]. The intensity to which India held this stance is testimony not only to the frustration that it felt about the lack of fairness in dealing with the IFIs but also to the sensitivity that its ideational leadership on the NDB initiative was threatened by China’s financial clout. In terms of operational practice, Indian officials advocated that there be an initial capital of $50 billion to launch the fund, with equal contribution of $10 billion from each BRICS country. With the advantage of massive international monetary reserves well beyond $3 trillion, in contrast, China pushed for an alternative pragmatic model. Its model highlighted contributions based on a country’s financial capacity and an overall capital base of $100 billion, which would provide China an opportunity to contribute more to the bank’s capital base, thus benefiting it with an asymmetric power advantage among the NDB’s founding members [Sahu, 2013].

China did not directly block the establishment of the NDB, but its ambivalent reaction to India’s initial proposal slowed the process of negotiation and institutional creation. Throughout the protracted negotiating stage, Chinese commentators openly questioned the need for the principle of equality. As Zhu Ning, a professor at the Shanghai Advanced Institute of Finance stated in an interview with China Central Television: “If the five countries have an equal share in the same entity, there will be coordination problems” [Krishnan, 2014].

Ultimately, India was able to mobilize a successful defence of the broad principle of equality, a condition embedded in the declaration of the NDB. But China pushed back, nonetheless, on two other issues that shaped the operational practices of the bank. The first of these centred on the location of the headquarters of the bank. While this was not a major source of debate at the outset, as the initiative slowly took shape tension grew on this issue as the decision on location became equated with the exercise of overall control. India played up its role as the inspirational force behind the bank [Chand, 2013]. China, in contradistinction, took the view that the headquarters should be in Shanghai, a position that was championed as well by key Chinese think tanks [Shanghai Forum, 2013].

Yet, reinforcing the complexity of which country best embodied the spirit of solidarity, it was China, not India, that more practically pushed for some greater inclusion of the Rest in the NDB project. The main issue of this nature focused on the question of whether the NDB could lend to BRICS members only or to non-members as well. China pushed to open the client base beyond BRICS members, while India—looking
to meet needs at home—wanted a more concentrated focus. Put another way, while India prioritized building its own infrastructural capacity, China, with its advantage of an enormous current account surplus, sought alternative and less sensitive means to finance development projects on a global basis.

To its credit, the culture of solidarity—with BRICS symbolizing an assertion of the political sovereignty of its members—enabled the members to remain cohesive even under stress. Yet, maintaining organizational cohesion was predicated on a somewhat awkward equipoise on the major issue under debate. While BRICS adhered to the original model on initial subscribed capital, with the allocation of $50 billion from contributions from each member (divided into paid-in shares of $10 billion and callable shares of $40 billion), it was also decided that over time the NDB would move toward achieving a maximum authorized capital of $100 billion.

On the issue of eligibility for receiving loans, China won out with the acceptance of the idea that the NDB should be able to lend on a global basis. If China gained most of the advantage from this extended reach in terms of delivery, India received some compensation on the resource dimension. This was because assent of the role of the NDB as a lender beyond BRICS went hand in hand with endorsement of the principle to allow a minority voting share (between 40–45%) to other countries, including industrialized states—a position that India had long advocated. This opening up not only allowed some possible dilution of Chinese dominance, but it also contributed to the possibility that the NDB could add to its capital resources from other countries with top-tier credit ratings.

While such disagreements cannot be ignored, they should not be exaggerated to the point where the NDB risked failure. While significant tensions—and displays of power politics—continued to be on display, these attributes were largely contained by improvisation and trade-offs indicative of a viable club culture [Cooper, 2016; Cooper, Farooq, 2015]. In overall terms, the NDB constituted a distinctive model in the design of collective global policy. While bringing many of the underlying tensions out into the open, the value of the preparatory stage of negotiations locked in many of the core operational practices. It also highlighted the sensitive choices for the administrators of the NDB. One option was to push these administrators into acting as agents of their own country’s national interests, as is common within the culture of the IFIs. The other option was to consolidate a culture of solidarity in which NDB officials could put the onus on an instrumental (and creative) process in which a collective form of innovative leadership smoothly overcomes the constraints of divergent positions among the NDB’s members.

If China resisted initially the promotion of the principle, equality in governance decision-making became the mantra of the NDB [Zhu, 2015]. In declaratory terms, the dominant theme continued to be that the NDB epitomized a new form of democratically oriented financial institution. Significantly though, incoming Indian president K. V. Kamath (with experience at the Asian Development Bank (ADB) as well as ICICI Bank and software services exporter Infosys) acknowledged the need to navigate around the different interests and identities of the member countries [Wildau, 2015].

In comparative terms, the success of the NDB in maintaining the strong club culture resonates because of the differences with the AIIB. Chinese control over the AIIB systematically reproduces the structural power provided for the U.S. and Europe with respect to the post-1945 IFIs and within regional organizations such as the ADB (where China and India have relatively small shares of voting rights, 5.5% and 5.4%, respectively, in comparison to Japan and the U.S., which each hold 12.8%) [Reisen, 2015; Vestergaard, Wade, 2013]. Along the lines of the IFIs, the basic votes and founding members’ votes are set, and the share vote is distributed based on the size of each member’s GDP, providing China with a built-in advantage. Considerable autonomy is given as well to the executive management team of the AIIB and to the president, on the selection of which China has a dominant say. Through this lens, the design of the NDB, with its variety of compensatory trade-offs, marks an important departure in the model of collective global policymaking.

The distribution of projects expanded the culture of equality. Eschewing any desire to mirror the repertoire
of the traditional financial institutions, or for that matter the AIIB, the NDB set out to constitutionally promote an alternative mode of development, the foundation of which is sustainable development via projects promoting green infrastructure.

From the perspective of product innovation, the feature that stands out in the first round of loans (announced in April 2016), amounting to $811 million, is not the embrace of a large infrastructural model. Rather, the design privileged small-scale projects with between 12- and 20-year terms related to clean renewable energy in each of the BRICS countries with the exception (at least in the initial announcement) of Russia. Brazil’s Banco Nacional de Desenvolvimento Economico e Social received the biggest loan, in the amount of $300 million, to help build 600MW of renewable energy capacity. The NDB also gave a $250 million loan to India’s Canara Bank, with $75 million earmarked for 500MW of renewable-energy projects. South Africa’s Eskom secured a loan of $180 million for power lines that can transmit 670MW and transform 500MW of renewable energy generation. China’s Shanghai Lingang Hongbo New Energy Development also got an $81 million loan, to fund 100MW of rooftop solar power [BRICS Post, 2016; Sasi, 2015].

Beyond the instrumental deliver, an ethos of solidarity was reinforced by signs of bonding into a distinctive bureaucratic culture at the operational level. In declaratory terms, the narrative of the NDB bureaucrats is focused on innovative practices different from the traditional financial institutions. As President Kamath stated at the time of his appointment: “One of the areas that we will focus is that lenders want the borrowers to follow a certain timeline. We need to see what innovation is required to ensure that this timeline is met or to try to reduce this timeline” [The Economic Times, 2015].

At odds with maintaining a low profile, the NDB became more risk-oriented in entertaining a different balance between speed and oversight. Confident that its projects will have little or no impact on the environment, the NDB is far more robust in its break with forms of institutional oversight. The institutional emphasis on catching up in terms of delivery innovation, though, came with a cost in terms of wariness from civil society groups. As noted above in the debate about product innovation, suspicions persisted that a faster pace in the delivery of the projects supported by the NDB is inconsistent with sustainable development goals.

In any case, without the material heft of the AIIB, the NDB had to improvise as it went along. The mantra of the NDB became, not “best practices” reflective of a “too rigid, inflexible, and slow” orthodoxy, but “next practices” showcasing development as a dynamic and flexible process [Financial Times, 2015].

What offers some extra encouragement that the NDB can indeed catch up in terms of delivery innovation is the evolution of the NDB’s management team as an autonomous entity. From the outset, the NDB had to carefully balance the national interests and identities of its members. But using the mantra of speed, the NDB’s professionalized bureaucracy offers a means of cajoling the members to work faster to meet the goals of the NDB, thus signalling that the NDB has an important point of comparative advantage with respect to other institutions.

Among the elements of glue in terms of the collective culture of the NDB was the role of Brazil tempering the tensions between India and China. Initially, President Lula was the high-profile face of BRICS. Although not as strong economically or strategically as China, Brazil took the lead. In doing so, Brazil built on its reputation for out in front activities, both at the international and regional levels. However, Brazil fell behind other BRICS members in its leadership capacity beyond the Lula years. One striking illustration was the failure of the Rousseff government to push forward on the cybersecurity issue, given that Russia, China, and Brazil had all been systematically targeted by the U.S. National Security Agency’s Prism surveillance programme. Media reports at the time of the New Delhi summit reported that Brazil was leading an initiative to create a “BRICS cable” that would independently link the member countries, connecting the cities of Fortaleza to Vladivostok via Cape Town, Chennai, and Shantou. While the operational feasibility of this type of project could be questioned from the start, both in terms of funding and the protection of data, a
scenario along these lines presented an image of strength and solidarity, rather than vulnerability, in the face of collective threats. Over time, however, this initiative faded from view.

A more telling example was Brazil’s low-key approach to the creation of the NDB. To be sure, Brazil had some high credentials for taking on a leadership role on this initiative. Lula criticized the performance of the West with his charge that the global financial crisis “was created by white men with blue eyes” [Gillespie, 2012]. Moreover, Brazil was a leader in alternative forms of development financing. Brazil, while eschewing the language of official development because it is associated with an asymmetrical relationship between the North and South, doubled its official development assistance between 2007 and 2008 and tripled it between 2009 and 2010.

Still, despite the advantages, Brazil conceded leadership of the NDB to both India and China. Initially, Brazil seemed more comfortable using the IBSA Dialogue Forum, the other informal grouping of India, Brazil, and South Africa, formed in the early 2000s. But even as BRICS moved to overtake IBSA, Brazil’s role as engine of NDB negotiations should not be exaggerated. As depicted by a Brazilian with an inside view to the process, Brazil stood apart from China, India and South Africa in not making a bid for the location of the NDB headquarters: “a mistake on our part and left Brazil without negotiation chips” [Batista Jr., 2022, p. 36].

Under these circumstances, the focus of Brazil was on playing the role of a helpful fixer. Pride of place here was the impressive diplomatic effort by Brazilian diplomats to work out a compromise solution between India and China on the institutional architecture of the NDB. Significantly, these concessions were possible because Brazil did not push its own interests. Brazil acted as a facilitator, not a competitor—a role that it played successfully. As one Brazilian diplomat stated: “We pulled it off 10 minutes before the end of the game. We reached a balanced package that is satisfactory to all” [Soto, Boadle, 2014].

Tests Into the Future

Notwithstanding the tendency to downplay the NDB as a smaller, less significant counterpart to the AIIB, the puzzles around the bank are interesting and significant. Although acknowledging that the NDB has far fewer resources than the AIIB, there is both a normative and instrumental purpose to the institution that departs from—and improves upon—the model of other financial institutions. This originality is especially evident in terms of the features of the privileging of the principle of equality that guides its culture.

The commitment to the principle of equality will be tested in a variety of ways. As M. Kahler pointed out, the NDB cannot avoid touching on sensitive governance issues [2016]. Institutionally, the NDB must constantly balance its collective culture against the interests of its members, especially China and India.

The main test up to now has been to segment and shield the NDB from the wider tensions with respect to the BRICS club. These tensions are most pronounced between China and India, both because of specific differences relating to the BRICS agenda and due to the wider context of China-India relations.

In the initial stages, BRICS was held together by an effective club culture. The highest level of attention in communiqués was devoted to the cluster of issues on which BRICS could express its traditional sense of grievance at being marginalized within the global institutional architecture and its members’ shared sense of criticism about the West’s poor management of the global economy. Global financial issues received significant coverage in the summit declarations, above expressions of solidarity with the rest of the Global South, environmental/climate change issues, and promotion of the G20 and trade. By way of contrast, issues on which BRICS was most divided, such as the reform of the UNSC, received a minimal level of coverage in the context of BRICS summits.
BRICS has hung together on key geopolitical issues. BRICS rejected suggestions that Russia would be excluded from the G20’s Brisbane summit in November 2014 [Panova, 2021]. At Ufa, the leaders did not refer specifically to Russia’s actions but only to BRICS’ “deep concern about the situation in Ukraine” and the need to resolve the situation through “inclusive political dialogue.” What is more, this delicate process of navigation appears to have been in play in February 2022 amid scenarios of escalating tensions.

Moreover, BRICS was successful in crisis management of the Doklam standoff—notwithstanding media outlets in both countries stoking the tensions. Indeed, a de-escalation was facilitated by meetings between Chinese president Xi Jinping and Indian prime minister Narendra Modi at the informal BRICS meeting on the sidelines of the Hamburg G20 summit at the end of August 2017.

The main question for BRICS is whether this type of crisis management can be repeated when necessary. For, as witnessed by the physical clash between Chinese and Indian forces (with at least 20 deaths) in the Galwan, in the middle of June 2020, this type of scenario remains possible as border tensions remain highly sensitive and volatile. In the assessment of Paulo Nogueira Batista Jr.: “How could this not affect the NDB? Every low point of China/India relations was a risk for the institution” [2022, p. 53].

Still, amid the amplification of these stakes, hanging together is a more likely scenario than breaking apart for BRICS [Papa, Verma, 2021]. For one thing, the successful expansion of the membership of the NDB takes the focus away from the China-India bilateral relationship. Originally, the issue of expansion of membership was another source of bilateral tension—it was widely viewed in India as a vehicle for adding to the leverage of China at the expense of India, especially if it targeted Beijing-friendly countries such as Pakistan. With the addition of Bangladesh to the NDB in September 2021, these concerns have been allayed.

And, arguably more importantly, there is no sign of a downgrading of BRICS by either China or India, or indeed the other members of BRICS. At odds with speculation in 2017 that Prime Minister Modi would pressure China on Doklam by signalling that he would not attend the Xiamen summit, such a highly visible gesture (which would have inflicted severe damage on the image and delivery of BRICS) did not transpire. Most notably, the transition from India’s tenure as chair in 2021 to China’s in 2022 has been a smooth one: the first BRICS sherpas meeting under China’s leadership was held virtually on 18–19 January 2022, amid gestures of appreciation for India’s performance in the previous year.

All of this is not to exaggerate the implant of BRICS’ identity on the members. Each of these countries uses or loses this image on an intermittent basis. However, it is precisely this looseness and flexibility that underscores BRICS’ staying power. Underneath the surface there have been all sorts of internal disputes. Yet, through all these rifts, BRICS countries have not only stuck together, but have become far more closely entangled, not least through the NDB.

Ultimately BRICS has skillfully navigated its transition from a contested concept, through its operational take off in the context of the GFC, tests of club culture, and a ramp up of collective action with impressive staying power. BRICS is not just a harbinger of fundamental economic transition, as witnessed by the animation of the Goldman Sachs predictions, but also with respect to the detailed contours of practice as a sustained club. If, in institutional form, it has evolved with an unanticipated trajectory, above all else, BRICS conjures up an image that the global system has shifted dramatically, if unevenly, into the 21st century.

References


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