Regional Powers, Global Governance and the relevance of BRICS

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ABSTRACT

The paper justifies the optimism of a new global order. The global financial crisis that had erupted in the US during 2008 battered the global economy. The disaster paved the way for rethinking on changes in the architecture of global governance. The fragile political and economic global situation triggered by the crisis led to emergence of regional power confederacy, particularly within the developing world. Consequently, the importance of Brazil, Russia, India, China, and South Africa (BRICS), within the global governance structure has gone up. The steady emergence of BRICS in global politics has been mainly based on their excellent economic performances. This development on economic front coincides with increasing cooperation and coordination and formulating common positions on global political issues. BRIC(S), as a united entity, is expected to shape global governance in the 21st century. The influence already demonstrated by these emerging nations will surely continue to redistribute the balance of power in international financial institutions in favour of developing nations. Though the future of BRIC(S) cannot be predicted with certainty, its combined efforts and the results of its meetings thus far reflect the potential of the group of emerging nations to change the existing distribution of power around the globe.

Key words: global economy, regional powers, international financial institutions
INTRODUCTION

The emergence of regional powers during the end of the last millennium seems to unsettle the current global order. Brazil, Russia, India, China and South Africa constitute BRICS. This is a federation of emerging economic powers. Many others prospering nations hailing from different world zones are not far behind. Argentina, Indonesia and Turkey are no less powerful to be ignored in the formation of extended BRICS. Their growing economic might is paving the way for greater political participation of the developing nations in global governance structure. These developing nations collectively would be driving force behind shaping the balanced global governance. Their views are now heard and respected and their suggestions are incorporated in the decisions and policies of global bodies. The developing countries have been grousing for long time that global governance structure is skewed in favour of a few developed countries of the west. The global state of affairs, evolved after Second World War, has trivialized the developing nations for long. The domination of the traditional power houses is being challenged now by growing economic strength of regional powers. It can be argued that almost every sub-region of the world includes at least emerging power with the potential to exert at least some influence over global governance. For example Brazil and Argentina in south America, south Africa in the southern Africa, India in south Asia and China in south east Asia. The improved position of these regional powers in the global arena has been strengthened by their leadership record in their respective regional bodies like SAARC, ASEAN and MERCOSUR.

The demand for regional powers for increased and effective participation in global affairs is triggered by their enhanced economic influence in global economy. The nature of crisis posed to human civilization in the contemporary world calls for global cooperation to tackle. Global issues need global solution. Traditional great powers cannot address such issues without active support from the developing world. Thus the nature of global problem is creating the space for greater participation of regional powers in global governance. Let us take the example of international terrorism and environmental degradation. Both of these contemporary crises require global cooperation to resolve the issues. Not any particular nation can be accused as the sole creator of the crisis. But the crisis affects humanity as a whole having its tentacles spread across nations. The great global powers, the US and EU have been realizing the necessity of dialogue with and active cooperation from the developing countries. BRICS countries can actively cooperate as representatives of world sub-regions in addressing such global issues.

THE CALL FOR WIDER REPRESENTATION

We are now citizens of the globalized world where interconnectedness among nations through free flow of trade, investment and idea has made the world as global village. Problems created in one part of the world can afflict the people of the other part, thousands of miles away. Take the
example of financial crisis of 2008 that had erupted in the US. The crisis was basically a fallout of American financial system but its effect was felt almost everywhere. The international financial system was unsettled by the eruption of the crisis in the US. Global economy was adversely hit. Economic growth of major economies, China and India for example got stumbled and the growth rate plummeted. The crisis was not confined to the country that gave birth to it. Both developed and developing countries was hit in equal intensity (The Financial Crisis Enquiry Commission 2011). Interestingly, deliberation and actions to stem the tide of crisis was not confined to the meeting of the G-7, the exclusive club of highly developed countries. This issue came up as priority agenda for action at the G-20 meeting. The latter was represented by prominent nations of the developing world. This wider participation structure in international bodies lends credence to the view that the contemporary world is on course to multi-polarity in the global governance regime leaving behind the bipolar or uni-polar regime. Attempts are being made to streamline the existing governance structure such as IMF and the UN with a view to turn these global bodies as truly international. Dominance of big brothers must be ended. Democratic reform in these global bodies would provide adequate room for developing countries for effective participation in the decision. Leaders of the developing countries have been pressing for more balanced representation through their inclusion in global bodies and forums long denied to them since their births (Truman 2006, Schwartzberg 2004).

**POWER TRANSITION THEORY**

Brazil and China have been expressing their views on regional and international issues for quite some time from now at the global forum. Their position has considerably improved over the years. The influence of the duo is reflected through unilateral policies and actions. One prominent action of them is giving birth to BRICS as important forum for consultation and exchange among regional powers. BRICS meetings provide opportunity for detailed discussion and agreement on issues before they come up for decision and action at global bodies like WTO, IMF, UN and World Bank. Improved coordination among BRICS would ensure global action that would benefit the world regions they represent. Increased influence of regional power trio: Brazil, China and India are expected to bring changes at regional and global level. The gradual power transfer, from north to south, is taking place. The Traditional global power, the US and EU are recognising the improved position of the BRICS. This power sifting seems to be leading an eventual transformation of global political environment. Power transition theory propagated by eminent social thinkers during fifties of the last century predicted this power shifting. In his well-known book “World Politics” Abramo Organski had aired concern about the redistribution of power among different countries of the world might create inter-state tension and possible conflict. The arguments of Abramo was corroborated by Roland Tamen( 2000). He has spelt out major structural changes in world politics in the 21st century. China is set to become major power
(Lemka and Lemkeb 2003, Chan 2008). But to infer with certainty that new powers would displace the old powers is a difficult exercise without taking in to account many other factors. It is not sure that the shifting of power would automatically lead to inclusion of new nations within the existing global structure.

**RESEARCH QUESTIONS AND OUTLINE OF THE PRESENT PAPER**

This paper assesses the importance of the development of new regional powers and their impact on the structural transformation of global governance. It deals with the question whether the rise of new regional powers in world governance would legitimize and would make more effective and truly representative. Can BRICS unsettle the current global power structure? Initial findings suggest that the added value of BRICS inclusion in the exclusive assembly of advanced countries enhance the relative effectiveness of global governance in most of the cases. Legitimacy and effectiveness of such global bodies have gone up manifold in the wake of the inclusion of them. But one question is occasionally posed. Why these particular countries have formed the BRICS and how do they claim to have legitimacy in representing the world region they hail from. Sceptics are invoking the issue of the selection of these countries in forming the BRICS. For example, why China does get in to BRICS instead of Indonesia? The latter hails from the same south East Asian region. Does of the economy only matter? The acronym ‘BRICS’ was coined by Goldman Sachs for referring to new potential heavyweight players in the global economy. There are views also that decried BRICS club as there is least commonness among them. They are more disparate than uniform within themselves. Thus, according to this view BRICS is no more than a catchy acronym. They have no common interest. Viewed from purely economic analysis, this group seems to fail to demonstrate indisputable coherence. Thus this group is fragile over a long period of time. Nevertheless, the five countries have a series of similarities both in their political and economic spheres that provide an acceptable level of common interest for going forward with institutionalizing joint forum. BRICS can directly influence the course and shape of global governance.

**EMERGENCE OF BRICS: COMMONALITY AND SOLIDARITY**

BRICS cannot, at this moment, claim to be widely accepted global body almost at par with the WTO, IMF and the World Bank. But it holds tremendous possibilities of assuming that unshakable global position. Firstly, all countries in the BRICS do not have same economic, political and military importance on global level. For example China is far ahead of South Africa in all aspects of power. But these countries are undisputed leaders in their respective region. China has attained the position of leader in south East Asia because of her expanding
economic and military might. Russia comes forward among the countries of the former Soviet Union. Brazil is the uncontested leader in South America and South Africa is the same in southern Africa. Secondly BRICS countries have common feeling of their isolation in the current global governance structure. They, on many occasions, have confronted singly the traditional western powers on many global issues. Russia and China have long been fighting against western hegemony within Security Council. Brazil has been confronting the US on the Free Trade Area of the America (FTAA). India, on many occasions resented the west’s support to Pakistan and South Africa has defended its region’s sovereignty against western interference in the recent Zimbabwe issue. The shared experiences of resenting against western power unite the resenting BRICS. This common thread has bound these countries in relation to their uniform stand against western domination. Finally the BRICS nations aim a common goal that also builds the togetherness. They are looking forward for a global governance structure they would reflects the new development in the economic and political sphere at the global level. They advocate for multi-polarity in the global governance structure. Such a call for wider global governance could not be aired by any other forum than the BRICS because their contemporary global positions. They are emerging developing economies and they represent all world regions in the non-western world. Despite many features in common to stand together with unbreakable bonding, apprehension about this group’s durability has been voiced in many corners. But the present paper makes an attempt to establish that the collaborative efforts of the BRICS meetings have already been institutionalized. And that would significantly enhance the coherence. Influence of BRICS has already been demonstrated. There is solid ground to assert that this group will last long with greater coherence and mutual understanding.

**REFORMING GLOBAL GOVERNANCE STRUCTURE**

The global financial meltdown that began in the US in 2008 exposed the glitch in the international financial system. The sudden collapse in the system can be attributed to the underrepresentation of the emerging developing countries in management of global finance. The crisis erupted in the US financial system spread worldwide (Asian Development Outlook 2010). The US financial crisis reached its zenith when Lehman Brothers collapsed. Financial lending came to a halt until world’s most powerful central bank began channelling money in the global financial system in a bid to bring the system back to track. The international community could realize that increased coordination between the main global financial centres would be necessary to bring in recovery. The G-7 meetings comprised only of developed countries felt the necessity of taking up the matter to G-20 meeting. Since 1st November 2008 when the first meeting was convened in Washington, five such meetings followed the first one, one after another in the next two years. The common goal among the members was only one: to get rid of the financial meltdown through coordinated effort. The global debt crisis that followed the collapse of
Lehman Brothers affected economic recovery especially in the western hemisphere and in the Euro zone (World Bank 2010). Economic turbulence created by the financial failure let down Europe’s leading economies: Spain, Italy, and France even Germany. The disagreement between the US and the EU regarding choice of economic policies for controlling the situation of the financial insecurity increased the importance of the views of the regional powers such as Brazil, Argentina, South Korea and especially China (Ahn 2010). The US and EU differed on the instrument to be used for recovery. The US adopted stimulation of investment and consumption. But the EU nations mostly adopted austerity measures as path to recovery. China and Brazil supported US measures of stimulation to heighten the demand in the economy. The global financial meltdown has exposed serious imbalance in global financial structure that can give rise to more severe occurrences of collapse in future. One problem that has come to the fore is about excessive dependence of many economies on how much over-indebted American spend. Almost all over the world exports sharply decreased as soon as American citizens started to reduce the amount they spend as a result of the increased insecurity over the future of the US economy. It was soon realized that these kinds of imbalances of irregularities could not be handled by the major developed economies alone but the regional powers have to be invited to the table (The Economist 2009). The usual method adopted by the developed countries is to put pressure on developing countries to revalue their national currencies which would decrease the trade imbalance. Inversely a New Plaza Accord (1985) by which China would be forced to unwillingly revalue its currency is not feasible under the new balance of power. Ironically China has been supporting the fiscal deficits of developed economies such as America one (Nye, 2010). Hence global trade imbalance should be dealt with consultations between all relevant parties and the introduction of gradual adjustment which developed countries can afford. The demand for reforming international organizations such as IMF and the UNO has been gaining the support of global community. Developing countries had long been arguing that Security Council’s permanent membership should not continue to express the post world war II arrangement. Countries such as Brazil, India, and Germany are potential candidates for inclusion in the Security Council as permanent members. Mr. Kofi Annan, the then secretary general of the UN, in his statement to the General Assembly called for reforming the security council to turn the council as “more broadly representative of the international community as a whole” (UN assembly statement on 21st March, 2005). Voices in favour of reforming were reinforced by the remarkable rise of many developing countries as economic power house and decline of many developed countries as economic powers. Positive consequences of clamour have come to sight within very short period. In 2010, two years after global financial crisis the IMF decided to confer greater voting rights for China and Brazil. The global financial crisis paves the way for reform process in global governance which has already been manifest by insistence on regional powers for increasing their capital base of IMF so that the latter can continue to assist in the process of stabilization in Europe (Reuters, 2012). The developing countries constituting BRICS are disparate states hailing from different world region. The economic, political and military features are different but individually they can influence the regional environment and can turn
in to spokesperson of their neighbours in the respective regions. They can thus strengthen the voice of all developing nations in the global forum.

ECONOMIC AND POLITICAL SIGNIFICANCE OF BRICS

Russia, Brazil, India and China met at Yekaterinburg in Russia in June 2009 to assess the possible impact of global financial crisis on them. Series of meetings of the four countries, on lower scale followed the first gathering. They deliberated on possible way out to overcome the crisis that had hit their respective economies. This tiny group of non-western developing nations was named as BRIC. This acronym was first used by Jim O’Neill, the analyst of Goldman Sachs. He mentioned this acronym in his report titled “Building Better Global Economic BRIC” in 2001. Why and How of BRICS are questions of considerable interest for policy analysts and observers. Financial analysts understand BRICS as a group of emerging economies having prospects of influencing global economic environment. But the individual members project themselves as group bound by common political agenda at the global level. The birth of the assembly of the four developing countries must have effective representations. Many financial analysts regard this formation as a positive development. They understand that BRICS would help in tackling the economic turmoil generated by financial collapse in the US. Thus financial analysts emphasised its positive fall out. But the political analysts predict a possible clash of power. The emergence of BRICS could pose a political challenge to traditional power blocks comprising of the US, EU and Japan. Conflict in the global political arena was looming large. The current positions of the BRICS in the global governance are unalterable. No global issue can be resolved in the contemporary world, keeping BRICS aside. The importance of this group as an emerging global force is undisputable now. Together they shelter 40 per cent of the world’s population; they hold 25 per cent of global land area. The value of their combined GDP has reached $11 trillion. For example, it is estimated that China holds more than $4 trillion worth of reserve that are invested in mainly in purchase of US bonds. Such figures unquestionably bear out that the combined BRICS nations is no less powerful than the US which shelters 4.5 per cent of world population and 22 per cent of Global GDP. The EU is home to 7.5 per cent of world population and 20 per cent of global GDP.

ECONOMIC AND TRADE CONSOLIDATION AMONG BRICS

So far four BRICS summits have taken place since the birth of it. The first summit held in June 2009 focussed exclusively on global financial crisis which was taking shape at that time. BRIC emphasised on greater economic reform to counter irregularities in the global financial system. They insisted greater voice and representation from developing world. The group, in course of
their deliberations on financial issues also invoked the long pending demand for expansion of Security Council to accommodate Brazil and India in the council. Along with this, they also aired concern about escalating global food prices. The second BRIC summit was held in 2010. The summit focussed on the global economy, strengthening G-20 and reform of international financial institutions. Like the first summit, the second one delved beyond global economy and finance. Iran’s nuclear impasse was discussed in threadbare. This round of the summit pledged for further collaboration and negotiations among BRICS. The third summit held in April 2011 invited South Africa to join the newly-born group. BRIC was renamed as BRICS thereafter. A great of discussion focussed on increasing financial and trade flow among the five countries. The revolutionary turnaround was visible in the bilateral trade and exchange among the BRICS. In place of US dollar, they agreed to use national currency in bilateral trade within BRICS nations. The meeting discussed UN decision on international terrorism and reiterated their demands for including India, Brazil and South Africa as permanent members and settling the Libyan conflict. The fourth meeting was held in New Delhi on 29th march in 2012. The Delhi meeting was the most significant one in the direction towards of institutionalization of BRICS. Creation of a BRICS bank was mooted in the meeting. The bank would be given shape exclusively for the developing world. It would fund infrastructure and development projects for the developing countries in the event of global financial meltdown, similar to the one that first hit the US in 2008. The proposed bank would issue convertible debt which would be available to all five countries’ central banks. It was resolved that feasibility study report for setting up the bank must be placed within a year. The meeting also urge upon global community to persuade the IMF for quota reform. The other demand raised in the meeting relates to selection of heads of World Bank and IMF. The forum insists that selection should be on the basis of merit. The meeting called out at western powers to deal with Iranian and Syrian crisis. Political cooperation among BRICS members is closely followed by closer economic cooperation. Expanded trade among BRICS reflects the latter. The following trade data would prove this. The share of imports from the BRICS in the respective volume of trade has gone up significantly. China has increased her imports from BRICS from 4.3 per cent to 8.5 per cent in 2011, in case of Brazil it has gone up from a mere 4.1 per cent to 18.90 per cent. For India it has gone up from 6.8 per cent to 15.7 per cent, for Russia from 5.7 per cent to 19.60 per cent. South Africa has done the same by increasing its imports from 6.1 per cent to 20.10 per cent. Likewise exports to BRICS economies as a per cent to total exports during the same period also rose significantly from 2.4 per cent to 7.1 per cent, for Brazil it has gone up from 3.7 per cent to 20.9 per cent (OECD). Such development indicates that BRICS countries are coming as closer as well-knit politically as well as economically.
IMPLICATION FOR GLOBAL GOVERNANCE

The global political landscape is manifestly rattled by the emergence of BRICS. Collectively their share in the global economy is rising fast. Respective share of BRICS nations is also on the rise. The forum’s position as a unified force cannot be disregarded. Their growing power came to fore in course of the Copenhagen Conference on global warming. The US was confronted by the BRICS nations. Negotiation powers exhibited by BRICS yielded wonderful outcome in favour of the developing countries. The agreement reached at the meeting, later named as ‘Copenhagen Accord’ recognised the need to limit the global temperature rise within $2^\circ$ Celsius. The agreement specified that developed countries must channel US $30$ billion to the developing countries over the subsequent three years to assist with climate change adoption. The coordination of the BRICS countries is expected in world politics especially over financial matters. Evidence of BRICS influence include their successful participation in international discussion of how to combat the financial crisis and their successful call for increased voting rights for BRICS economies within IMF. Such evidences clearly demonstrate that the post-world war II distribution of power no longer reflect the new global state of affairs. Sincerity and devotion expressed by BRICS leaders to intensify their cooperation paves the way for co-ordinated move by them to address the issues concerning international finance, politics and security. The steadily expanding points of cooperation would result in inclusion of the in International institutions.

Their successful leveraging of increased voting rights within IMF and their eventual induction in to the UN security council particularly for India, Brazil and South Africa point out towards increased representation in global governance (BRICS Sanya Declaration). Despite the concerted effort to fight for the cause of developing nations, all BRICS members are ultimately pursuing their own national agendas. They seem to be more interested in promoting their interest than those of the developed world as a whole. One instance can testify the stand on individual interest and that is as follows. During Copenhagen meeting China and Brazil pressed for considerable funding from developed world to combat global warming. But they stayed out of the Tuvalu Plan that stipulates that BRICS nation must agree to cut carbon emission by a particular percentage as well (COP/ CMP National Statements). It has been alleged that BRICS members express pro-developing world position to the degree that these coincide with their own interest. However BRICS is saddled with some lacuna but blessed with immense strength. The combined power of BRICS is quite significant. Even before the formal birth of BRICS, Brazil and China challenged the current procedure for providing the much needed capital to the developing world. Brazil is one of the main contributors to the Bank of the South, a World Bank equivalent for the countries of the South America that was set up in 2009. The bank was set up as a mark for long standing resentment of developing nations about conditionality tied with the loan by the World Bank and IMF. This bank was founded to cater to the needs for lending to nations across South American Continent for undertaking programmes directed at social policies and infrastructure (MercoPress 2009). On similar vein, China maintains unconditional
development assistance to nations it wants to support. The path China takes is a manifest disregard of western dominated IMF/World Bank lending policies. The bilateral Overseas Development Assistance (ODA) in most of the cases follow the IMF/World Bank line in imposing conditionality (Lum, 2009). China does not generally tie its aid to any special condition relating to implementing economic and institutional reform which the US insists. The stand of both Brazil and China with regard to development assistance to developing countries has political implications too. Developing countries would turn away from US and EU nations for assistance. They may instead turn to China for condition-free loan. The growing financial capability of the BRICS in recent years has placed them as an alternative to the US as assistance provider. Even a few developed countries of the Europe are looking forward for BRICS financial assistances. Greek, for example, has approached China for capitals infuse for its sagging economy (China daily 2010). Following Greek, Cyprus is equally desirous of financial assistance from Russia and China (Bloomberg 2102). This turn of events points out that emerging powers have been challenging current global governance, environment, institutions and structures. The recent initiatives of the BRICS forum to set up a development bank to finance development projects across the southern hemisphere are a direct encroachment in the sphere of work of IMF and World Bank. Bank of the South came in to being to serve South America region. China ODA relates to bilateral capital lending. But the proposed BRICS bank is slated to take up the role of IMF and World Bank. Vehement opposition from the western powers is less heard. Strikingly opposition came up in earlier initiatives. Let us consider Japan-led attempt to create Asian Monetary Fund as a miniature model of IMF to deal with Asian financial crisis that severely hit East Asia and south East Asia in 1996-97. The idea was strongly opposed by the US. The protagonists of BRICS bank argued that western intervention has, in most of the cases, exacerbated situation instead of improving it. They tend to cite the Russian collapse in 1998, South American economic crisis from 1980 to 1990 and East Asian crisis in the mid 90s. However the growing power of BRICS as a global forum and its demand for a heightened position in global governance structure must not be construed as any attempt to dismantle the existing global institutions. They press for their inclusion in these core institutions for the sake of wider representations from the developing world.

CONCLUDING OBSERVATIONS

There has been a sea change in the post-world war II global condition in recent times. The collapse of the Soviet Union in early 1990 paved the way for rise of America as sole superpower. But the age of uni-polar global regime seems to have reached its last phase. The emergence of regional powers during the last two decades is set to challenge the unipolar global governance regime. The global financial meltdown of 2008 accelerated the positions of regional powers in the international system. Brazil, Russia, India and China formed a platform which was later
joined by South Africa. The rising influence and solidarity among the regional powers is reflected in their meetings, policy statements and initiatives for settling global issues. Excellent economic performance of these regional powers has catapulted them to global leadership. The sizes of the respective economy’s growth performances, population size and geo-political significance have worked collectively to bestow the global position to each of them. High growth rate have achieved along with significant trade surpluses. Foreign currency reserve for these nations is strong. These countries are not only contributing to the growth of the world economy but also they are funding the fiscal deficits of the developed countries. Interestingly while developed countries economies were affected by debt crisis the improved position of China as rescuer came to the fore. One significant development, in the wake of financial meltdown is institutionalization of this forum. The latter has been working steadfastly for cooperation, coordination and formulating common position in global governance. Brazil, Russia, India, China agreed in principle in 2009 to meet each year. South Africa joined them in 2011. BRICS came in to being as envisioned by Goldman Sachs analyst in 2001. This group, not only discuss and argue on common position on economic and financial issues, they take up cases concerning global politics. Such as Iranian case and reform in the United Nations Security Council. Despite the felt-need of enhanced cooperation from the emerging regional power for maintain stability, there are voices of apprehension as well. Many observers fear that the march of BRICS is on way to possible collision course with established power. Concern is aired in some concern that decision making process so far pursued to deal with regional issues by the global institutions would be undermined by the rise of BRICS. Some tension with global key players of global governance could arise in future. The proposed BRICS bank, for example, is direct challenge to IMF and World Bank. The official statements, however, from them rule out any such possibility. The advocates of BRICS Bank argue that the bank will work in coordination with the Breton Wood institutions instead of undermining them. Working together would create space for greater involvement of BRICS in the Organizations. The future of BRICS cannot be predicted with certainty, its collaboration efforts and results of its meeting thus far reflect the potential of the group of emerging nations to change the existing distribution of power in the global system

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