The Emerging Powers and Global Governance: Why the BRICS Matter

Leslie Elliott Armijo and Cynthia Roberts[1]

Prepared for inclusion in Robert Looney (ed.), *Handbook of Emerging Economies,*
New York: Routledge, Forthcoming January 2014.

Governments spanning the globe, international organizations, the world's biggest banks, major think tanks, the European Union, and the US national intelligence community all agree – economic power is shifting at a rapid pace and the next half century will see major changes in the relative size and rankings of the world's economies.[2] The US National Intelligence Council (NIC) bluntly summarized the situation thus, "In terms of size, speed, and directional flow, the transfer of global wealth and economic power now under way—roughly from West to East—is without precedent in modern history".[3] By 2030, the diffusion of power is expected to have a significant impact, "largely reversing the historic rise of the west since 1750 and restoring Asia's weight in the global economy and world politics".[4] The financial and economic crisis since 2008 has exposed serious structural challenges and fiscal constraints facing the US economy and weighing even more heavily on America's key Western partners. But it is the rapid rise of other powers that ended the "unipolar moment" according to the NIC, and is causing a "fast winding down" of Pax Americana – the period of unrivalled American primacy since 1945.[5]

Likewise, countries that were once constrained by the structural imperatives of Cold War confrontation – from Germany to China – now have greater freedom of maneuver, including to withhold cooperation from Washington's preferred agenda. In addition, the global shift in economic power is coinciding with widespread dissatisfaction with the management and governance capacity of the U.S and its European partners, whose credibility has been challenged by fresh evidence of double standards and regulatory scandals surrounding such previously untouchable capitalist icons as the neutrality of the Libor (London Inter-bank Offer Rate) benchmark interest rate to Moody's credit rating procedures. To the emerging powers, the international financial and economic crisis that began in US subprime mortgage markets in 2007 revealed that the much vaunted West was not necessarily the font of all financial wisdom or the

---

[1] Author order according to alphabetical convention.
[2] Åsa Johansson, et al., "Looking to 2060: Long-Term Global Growth Prospects: A Going for Growth Report," *OECD Economic Policy Papers*, No. 3, OECD Publishing, 2012; US National Intelligence Council (NIC), *Global Trends 2030: Alternative Worlds*, Washington, D.C., US Government Printing Office, 2012; Álvaro de Vasconcelos (ed.), *Global Trends 2030 – Citizens In An Interconnected And Polycentric World* , Paris, European Union Institute for Security Studies, 2012; Dominic Wilson, et al., "The BRICs 10 Years On: Halfway through the Great Transformation," Global Economics Paper No. 208, Goldman Sachs, 2011.
[3] National Intelligence Council (NIC), *Global Trends 2025: A Transformed World*, Washington, D.C., US Government Printing Office, 2008, pp. iv-vii.
[4] NIC, *Global Trends 2030*, p. 15.
[5] NIC, *Global Trends 2030*, p. 98.

institutional gold standard it claimed to be, but instead suffered from its own variants of crony capitalism and irresponsible debt overhang.

This shift in relative interstate capabilities (power shift), coupled with the end of the Cold War, is providing exceptional opportunities for rising powers to assert themselves both geopolitically and in global governance arenas. This chapter focuses on understanding what changes emerging powers may seek in contemporary global governance regimes -- and why. Since late 2008 the G7 club of advanced economies has been partially supplanted as the dominant international economic steering group by the financial G20 group of developed and developing nations (see Table 1). New multilateral clubs have emerged and are demanding greater influence. In fact, the group of countries that arguably has had the most discernible impact in challenging the existing global governance architecture and creating expectations for real if incremental change is also the most improbable coalition – the BRICs, later the BRICS (Brazil, Russia, India, China, and since late 2010 South Africa).[6] Back in 2001, Jim O'Neill, research director for investment bank Goldman Sachs, had coined the BRICs acronym to signal a hot new investment class of large, emerging economies with high growth potential going forward. In the mid-2000s, Russian leaders saw the opportunity to make BRICs a political grouping, and by 2006 the Russian foreign minister was organizing informal caucuses of his counterparts on the sidelines of meetings of international governmental organizations (IGOs) such as the opening of the General Assembly of the UN, and the semi-annual meetings of the World Bank and the International Monetary Fund (IMF). In April 2009 the BRICs held their first leaders' summit in Yekaterinberg, Russia.

Since that time, the BRICS have been the clearest, although not the only, institutional manifestation of the efforts of rising powers to assert themselves in global governance, and one of the few that China has prioritized.. By their 5th leaders summit in Durban, South Africa, the BRICS governments were not only demanding reforms of global governance institutions, but also deepening and widening the scope of their cooperation in such headline endeavors as building a BRICS development bank (possibly with regional subsidiaries) to offer preferential funding for infrastructure development in developing countries and creating a foreign exchange contingency reserve pool (with an initial $100 billion in contributions) similar to the Chiang Mai Initiative and partly replicating the role of the IMF, to defend their economies against a possible balance of payments crisis while deterring potential currency speculators. The BRICS also are holding regular meetings of their permanent representatives of the UN in New York and Geneva to coordinate policies and are creating a virtual secretariat, a business council, and a consortium of think tanks to collaborate on the development of a long-term vision for the BRICS and begin the process of developing an independent databank and new indicators to measure the socioeconomic and political progress of these emerging countries. By June 2013, India and Russia had already articulated their BRICS strategies, with Moscow being the first to publish a detailed official concept developed in an inter-ministerial process over 18 months and approved

[6] Jim O'Neill, "Building better global economic BRICs," Global Economics Paper No. 66, Goldman Sachs, 2001; Cynthia Roberts (ed.), *Polity Forum: Challengers or Stakeholders? BRICs and the Liberal World Order*, Vol. 42, No. 1, January 2010.

by President Vladimir Putin on 9 February 2013.[7]

< Table 1 about here >

This investigation follows several tracks. First, what is the objective evidence for the claim that an international power shift may be underway? The chapter's first section suggests that there is now a mismatch between the distribution of material resources among countries and influence within major global governance regimes. Second, what does international relations theory anticipate from power shifts and the formal and informal influence of powerful states on international institutions? This is the topic of the chapter's second section. Third, what can be deduced from recent statements and actions of major emerging powers vis-à-vis key global governance institutions? The chapter's third and fourth sections examine key interactions of the BRICS and the traditional advanced industrial powers in two important venues: the United Nations Security Council (UNSC) and the institutions of global financial governance, particularly the World Bank and the IMF. These empirical sections reveal several important findings about BRICS interaction and influence, including the importance of power asymmetries within the group as well as clues that China's interest in creating outside options may be spurring the BRICS' nascent development of parallel institutions, such as a BRICS bank. The conclusions return to our original questions.

I. Power is Diffusing

Economic capabilities are diffusing. China will pass the US in total GDP measured in purchasing power parity (PPP) terms in 2016, and within a decade thereafter in dollar terms at market rates.[8] The highpoint of the US share of global GDP was reached in 1960 at 38.5 percent.[9] It dropped to 22.7 percent in 2011 and is projected to decline to 17.8 percent by 2030. America's allies are experiencing even more dramatic declines relative to rising powers, with Japan's share of global output falling from 6.7 to 4.2 percent from 2011 to 2030, and the Eurozone from 17.1 to 11.7 percent over the same period. By comparison, China's share is projected to rise from 17 to 27.9 percent and India's from 6.6 to 11.1 percent; together their share

---

[7] "BRICS Development Bank a done deal," "Background," and "eThekwini Declaration," Fifth BRICS Summit, Durban, South Africa, 26 - 27 March 2013, all at http://www.brics5.co.za/; "Концепция участия Российской Федерации в объединении БРИКС," [Concept of the participation of the Russian Federation in the BRICS] http://kremlin.ru/acts/17715; and Author's interviews, Moscow, June 2013. The Russians were also among the first to produce a report [marked "for official use"] on their long-term vision, "Russia in the BRICS: Strategic Objectives and Means for Their Realization," prepared by the Russian National Committee on BRICS Research for circulation in the second track diplomatic activity involving BRICS research centers.

[8] Johansson, *Looking to 2060; Economist.* 'The Dating Game: China v US GDP', *Economist* online, 27 December 2011, <http://www.economist.com/blogs/dailychart/2010/12/>, (accessed on 4 January 2013).

[9] World Bank, World Development Indicators (WDI) database, <http://data.worldbank.org/data-catalog/world-development-indicators>, (accessed May 2013).

of global GDP in 2030 outdistances the US, Japan and the Eurozone combined.[10] The BRICs have accounted for more than half of global growth since the start of the financial crisis in 2007. In 2020, the four original BRIC countries will rank as four of the top seven economies (in PPP terms), displacing every European power except Germany, which will be surpassed by Russia by 2030.[11] BRIC countries also hold nearly 50 percent of total global hard currency reserves of $4.4 trillion, with the lion's share of $3.44 trillion held by the Chinese government.[12] The World Bank estimates that by 2030 half the total world capital stock of about $158 trillion (in 2010 dollars) embodied in investments in factories, equipment, and infrastructure will belong to developing countries, while their share in global aggregate investment activity is projected to triple to three-fifths, from one-fifth in 2000.[13] Of this amount, China will account for 30 percent of global investment, while estimates for Brazil, India and Russia combined amount to an additional 13 percent. For the present, the US remains *primus inter pares*, but with declining relative shares of power, while Japan and particularly the major European countries are slipping ranks more rapidly. Among developing and transitional countries, those that now loom largest are the four original BRICs—but the greatest share of BRICS economic and financial weight is due to China alone.

Among the positive consequences of this shift in the distribution of global GDP are the reduction of poverty and emerging growth of a global middle class.[14] Although significant differences in living standards will persist, the global middle class will surge from about 2 billion in 2012 to 3.2 billion in 2020 and 4.9 billion (66 percent in Asia, of a total world population of about 8 billion) by 2030. Not only will more people be in the middle class but they will also have greater access to capital, education and digital technology.[15] Already they are starting to demand a larger voice in how their societies are run, on issues ranging from corruption, inequality, and the environment to state governance, as seen in recent protests in Brazil, China, Russia, and Turkey.

---

[10] Johansson, "Looking to 2060."

[11] Author's calculation, using data available in OECD, *Economic Outlook No 91*, "Long-term baseline projections," June 2012 (database), <http://stats.oecd.org/>, (accessed January 2013).

[12] Ilya Arkhipov, Mike Cohen, and Arnaldo Galvao, "BRICS Nations Need More Time for New Bank, Russia Says," 27 March 2013, <http://www.bloomberg.com/news/2013-03-27/brics-nations-need-more-time-for-development-bank-russia-says.html>, (accessed on 24 May 2013).

[13] World Bank, *Capital for the Future: Saving and Investment in an Interdependent World,* Global Development Horizons, Washington, DC, World Bank, 2013, pp. 3,5,17.

[14] Vasconcelos, *Global Trends 2030;* Homi Kharas and Geoffrey Gertz, "The new global middle class: a cross-over from West to East," *China's Emerging Middle Class: Beyond Economic Transformation,* Washington, D.C., Brookings Institution Press, 2010; Dominic Wilson and Raluca Dragusanu, "The expanding middle: the exploding world middle class and falling global inequality," Global Economics Paper 170, Goldman Sachs, 2008.

[15] Vasconcelos, *Global Trends 2030;* Kharas and Gertz, "The New Global Middle Class;" Glenita Amoranto, Natalie Chun, and Anil B. Deolalikar, "Who are the Middle Class and What Values do They Hold? Evidence from the World Values Survey," Asian Development Bank Economics Working Paper Series No. 229, 2010.

Meanwhile, another pillar of America's global power and influence, strong military alliances, is experiencing significant cracks. Asian defense spending (excluding Australia and New Zealand) surpassed that of NATO Europe in 2012, reflecting in part the impact of Europe's high debt-to-GDP ratios and anemic growth.[16] In fact, European defense budgets have been contracting at a faster rate than their economies have been declining, raising questions about demilitarization and the viability of the Atlantic Alliance.

Nonetheless, in many dimensions of power, the US remains overwhelmingly dominant: it is the world's sole contemporary superpower. Although it is experiencing relative economic decline vis-à-vis large, faster growing states, the US still possesses notable advantages in the global arena, including an open, innovative economy, favorable demographics, strong democratic institutions, a capable military with global reach, and the American dollar. With a 2012 defense budget of $645 billion, the United States spends more on its armed forces than the next 15 countries combined at approximately 5 percent of GDP.[17] China's double digit annual growth in defense spending, if sustained, will not approach US levels until around 2025. Moreover, US dominance of the major post-World War II institutions of global governance has proved resilient for the first two decades into the 21st century.

II. Insights from International Relations Theories about Power Shifts & International Change

What are the implications of the tectonic diffusion of interstate influence and power identified in the previous section? Much contemporary international relations theory begins from the realist premise that the international system is defined by the power and interests of states, particularly the major powers. States operate in an anarchic system in which there is no supreme political authority or world government. The incentives in this structure incline states toward "self-help," mistrust, and competition. The structure also socializes states, encouraging emulation of winning strategies and technological innovations.[18] Given that there is no automatic enforcement of rules or bargains in anarchy, realists emphasize that states seek ample power to advance their goals, defend their sovereignty, and prevent others from constraining their autonomy of action. A shift in relative material capabilities among major states in the international system consequently threatens the ability of the prevailing dominant actors to exert their will. In this competitive arena, states are positional players and fear relative losses, not only absolute ones. Realist scholars, moreover, conceptualize international institutions as largely epiphenomenal. International governmental organizations (IGOs) and the rules they promulgate can overcome coordination issues but have little binding force, especially in the security realm. Powerful states strongly influence who plays the game, writes the rules, and changes the payoff

[16] International Institute for Strategic Studies (IISS), *The Military Balance 2013*, London, Routledge, 2013.
[17] IISS, *The Military Balance 2013*.
[18] Kenneth N. Waltz, *Theory of International Politics*, Reading, Addison Wesley, 1979.

matrix.[19] It follows that they employ their influence to construct the institutions in every order to pursue their own interests foremost, and ignore them when they prove too constraining. Dominant actors therefore do not necessarily seek Pareto-optimal solutions to collective action problems. Realists further hold that institutionalized cooperation is often derailed by distributional conflicts where dominant countries with favorable outside options often can exit if they fail to secure a superior distribution of benefits in international bargains. Likewise, IGOs that are prone to counter the interests of the dominant powers, such as the United Nations General Assembly, are sidelined.

Neoliberal institutionalist scholars, while accepting a paramount role for systemic structure, nonetheless wish to explain the considerable, often well-institutionalized, international policy cooperation—or "global governance"—that they observe. The genesis of interstate cooperation typically is a crisis, or a realization that a pressing policy problem will not go away on its own. Such acute policy challenges tend to be economic challenges (opening markets and maintaining free trade) or technical coordination issues (waterways management or the prevention of pandemics) but rarely involve universal security matters. Institutions can thus be useful by reducing transactions costs, increasing information and expertise, providing focal points for cooperation, stabilizing expectations, and in some cases formalizing commitments through legalization of the rules.[20] To solve major "collective action" problems it is often necessary for a hegemon and other dominant partners to create the institutions, and sometimes to supply the public goods themselves.[21] As the order becomes more institutionalized over time, a certain degree of legitimacy may emerge from voluntary participation by strong and weak states alike that will grow as the gains from cooperation increase. Even when the underlying distribution of capabilities shifts, the path dependence embodied in the existing rules of the institutional game tends to be continued—until the next crisis, when the institution itself fully or partially fails, and is replaced or subjected to renegotiation.[22] Moreover, neoliberal

---

[19] Stephen D. Krasner, "Global Communications and National Power," *World Politics*, Vol. 43, No. 3, April 1991.
[20] Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, NJ, Princeton University Press, 1984; Robert O. Keohane, "The Theory of Hegemonic Stability and Changes in International Regimes, 1967-1977," in Ole Holsti (ed.), *Change in the International System*, Boulder, CO, Westview Press, 1980; Robert O. Keohane and Lisa L. Martin, "Institutional theory as a research program," in Colin Elman (ed.), *Progress in International Relations Theory: Appraising The Field*, MIT Press, 2003; and Judith Goldstein, et al., "Legalization and World Politics," *International Organization* Vol. 54, No.3, Summer 2000.
[21] Charles P. Kindleberger, *The World in Depression, 1929-1939*, Berkeley, University of California Press, 1973; Keohane, "Theory of Hegemonic Stability;" Robert G. Gilpin, *U.S. Power and the Multinational Corporation*, New York, Basic Books, 1975; Robert G. Gilpin, *The Political Economy of International Relations*, Princeton, NJ, Princeton University Press, 1987; Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics,* Vol. 28, No. 3 April 1976.
[22] Stephen D. Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," *Comparative Politics,* Vol. 16, 1984; James L. True, Bryan D. Jones, and Frank R.

institutionalists often assume that most global governance institutions provide valuable public goods. Although IGOs operate according to formal and informal rules that allocate special privileges and leverage to the dominant powers, they are more likely to endure when they provide benefits to weaker members as well.

With respect to power shifts, realists generally assume that a rising power(s) will eventually be driven to challenge the status quo power(s).[23] However, emerging powers "will attempt to change the system only if the expected benefits exceed the expected costs."[24] If, as realists argue, rising power also leads to expanding ambition and determination to exert greater control over the rising state's autonomy and external environment, then conflict cannot be ruled out. After the end of the Cold War, Washington has repeatedly used force to get its way. Similarly, some scholars believe that China's rapidly rising defense expenditures reflect its aim to maximize the power gap between itself and its neighbors in the Asia-Pacific region.[25] However, large-scale territorial expansion is improbable in the nuclear age.[26] Despite the possibility of regional disputes, it is important to distinguish the risks of conflict in power transitions from the likely global governance effects.

In principle, international change may range from territorial conquest to revising the prevailing rules, norms, and institutions.[27] Although the BRICs and other emerging powers remain outside of the US-led system of alliances, they have been integrated to a large extent into Western economic institutions and are members of the United Nations. However, the extent to which rising powers have actually embraced Western global norms and international rules is widely debated, not only from one issue area to the next but also over time. Some Western scholars dismiss rising powers as "irresponsible stakeholders" unwilling "to accept the rules

---

Baumgartner, "Punctuated-Equilibrium Theory: Explaining Stability and Change in Public Policymaking," in Paul Sabatier, ed. *Theories of the Policy Process,* 2nd ed., Boulder, CO, Westview, 2007.

[23] Robert G. Gilpin, *War and Change in World Politics*, Cambridge, Cambridge University Press, 1981; A.F.K. Organski and Jacek Kugler, *The War Ledger,* Chicago, University of Chicago Press, 1981; Tammen, Ronald L., et al., *Power Transitions: Strategies for the 21st Century*, New York, Chatham House Publishers of Seven Bridges Press, 2000.

[24] Gilpin, *War and Change in World Politics*, p.50.

[25] Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*, New York, W.W. Norton & Company, 2011; John J. Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics*, Vol. 3, No. 4, Winter 2010.

[26] Robert Jervis, *The Meaning of Nuclear Revolution: Statecraft and the Prospect of Armageddon*, Ithaca, NY, Cornell University Press, 1989. But also see Robert Powell, "Nuclear Deterrence Theory, Nuclear Proliferation, and National Missile Defense," *International Security*, Vol. 27, No. 4, Spring 2003.

[27] G. John Ikenberry, Michael Mastanduno, and William C. Wohlforth, "Unipolarity, State Behavior, and Systemic Consequences," *World Politics* Vol. 61, No. 1, January 2009; Jeffrey Legro, *Rethinking the World: Great Power Strategies and International Order*, Ithaca, NY, Cornell University Press, 2005.

under which they rose."[28] Others perceive China, for example, as having adapted to global norms, variously attributing this outcome to the legitimacy of international regimes, domestic political incentives, or China's strategy of peaceful rise.[29] However, as China's power (and Russia's) has continued to grow, so do concerns about these countries' international ambitions and assertiveness.[30] Yet so far none of the rising powers is in a rush to wrest leadership away from the United States and assume the responsibilities – and costs – of global leadership.

In any case, countries do not go to war over being denied a seat on the UN Security Council or to protect their greater voting shares in the IMF. So the question in this context becomes whether the liberal international institutions created after World War II can endure "after hegemony."[31] We can unpack this puzzle by considering why rising powers want to participate in existing global governance organizations. First, IGOs provide their members a variety of goods: public or collective goods (from agreed technical standards to global economic monitoring; the WTO given its near-universal membership is also a quasi-public good); club goods, which are excludable but non-rivalrous (such as private parks or membership in the EU); and private goods, which are both excludable and rivalrous.[32] In its first stage of institutional evolution, the BRICS organization has functioned like a club with some privileged members while excluding non-members, such as other large emerging economies like Indonesia, which has unsuccessfully petitioned to join. The BRICS club nonetheless provides benefits that may have positive externalities for other emerging economies, such as greater representation in the IMF. Additionally, to boost its legitimacy and influence, there is discussion of adding a new member to represent the Islamic civilization (for example, Indonesia or Turkey) and also inviting "partners for dialog," others with "observer status," or "associate members" in future "BRICS plus" meetings.[33]

By comparison, the strongly institutionalized Western order is rooted not only in democracy and capitalism; its success also grows out of its accessible, expansive qualities and

---

[28] Stewart Patrick, "Irresponsible Stakeholders? The Difficulty of Integrating Rising Powers," *Foreign Affairs*, Vol. 89, No. 6, November/December 2010; Ian Bremmer and David Gordon, 'Rise of the Different', *New York Times*, 18 June 2012.

[29] Alastair Iain Johnston, "Is China a Status Quo Power?," *International Security*, Vol. 27, No. 4, Spring 2003; Rosemary Foot and Andrew Walter, *China, the United States, and Global Order*, Cambridge, Cambridge University Press, 2010.

[30] Friedberg, *Contest for Supremacy;* Thomas J. Christensen, "Advantages of an Assertive China: Responding to Bejing's Abrasive Diplomacy," *Foreign Affairs,* Vol. 90, No. 2, March/April 2011; Alastair Iain Johnston, "How New and Assertive Is China's New Assertiveness?," *International Security* Vol. 37, No. 4, Spring 2013.

[31] Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, NJ, Princeton University Press, 1984.

[32] Daniel W. Drezner, *All Politics is Global*, Princeton, NJ, Princeton University Press, 2007.

[33] Cynthia Roberts, "The Rising Power of the BRICS Club: Club Dynamics and Interests in Global Governance Institutions," Paper prepared for the International Studies Association Annual Convention, San Francisco, 3-6 April 2013; Author's interviews, Moscow, June 2013 and June 2012.

ability to generate remarkable economic growth while integrating a widening array of stakeholders. Liberal American specialists argue that it is "easy to join" and "hard to overturn," and thus functions as a quasi-public good.[34]

But leaders of emerging powers are acutely aware that international institutions also have provided the dominant powers with two varieties of *de facto* private goods. First, and as noted, the design of such institutions inevitably reflects the preferences of those actors who created them. Consequently, dominant countries can secure a more favorable distribution of benefits in international bargaining and restrict the choice sets of others.[35] Thus the daily operations of institutions will tend to generate outcomes that replicate the status quo. As President Barack Obama explained, "it was America that largely built a system of international institutions that carried us through the Cold War. . . . Instead of constraining our power, these institutions magnified it."[36]

Second, current preponderant power(s) gain the *de facto* private good of an implicit right to demand exceptions from inconvenient rules and to exercise their influence in multilateral organizations behind closed doors where they can set the agenda and control the decisions that are most consequential to their interests. Unlike everyone else, the most powerful countries (currently only the US in most areas) have attractive outside options that create a strong disincentive to commit to formal obligations when they run counter to important interests. If a dominant power cannot secure a favorable bargain, it can threaten to walk away. At the same time, in return for selectively overriding formal rules or agreeing to bargains on disproportionally uneven terms, the preponderant power is willing to compensate weaker states with a range of side payments, such as some privileges beyond the reach of their current capabilities, or economic carrots in other areas.[37] Examples include the Clinton administration's invitation to Russia to attend G7 meetings in the 1990s and join a reconstituted G8 in 1998, primarily in return for swallowing NATO enlargement and promoting liberal reforms, and possibly China's 2010 invitation to South Africa to join the BRICs, despite some discomfort among incumbents, perhaps in return for South Africa's help in opening markets.

Powerful countries continue to exercise disproportionate influence in IGOs, both formally and informally. Lesser powers may benefit from liberal global governance institutions

---

[34] G. John Ikenberry, "The Future of the Liberal World Order," *Foreign Affairs*, Vol. 90, No. 3, May/June 2011; G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs,* Vol. 87, No. 1, January/February 2008. But see Cynthia Roberts, "Russia's BRICs diplomacy: rising outsider with dreams of an insider," *Polity* Vol. 42, No. 1, January 2010.
[35] Krasner, "Global Communications and National Power;" Lloyd Gruber, *Ruling the World: Power Politics and the Rise of Supranational Institutions*, Princeton, NJ, Princeton University Press, 2000.
[36] Stephen G. Brooks and William C. Wohlforth,, "Reshaping the World Order: How Washington Should Reform International Institutions," *Foreign Affairs*, Vol. 88, No. 2, March/April 2009, p. 50.
[37] Randall W. Stone, *Controlling Institutions: International Organizations and the Global Economy*, Cambridge University Press, 2011.

because they are open, integrated, and rule-based. Some scholars further maintain that such institutions also constrain the hegemon, which agrees to bind itself to the rules so that "political authority within the order flows from its legal-constitutional foundation rather than from power capabilities."[38] However, hegemons are never entirely constrained, benefitting from exceptions, escape clauses, veto rights and other mechanisms that allow the most powerful countries to use institutions as "instruments of political control."[39] It follows that emerging powers are likely to seek greater privileges within the existing global governance regime to shape the agenda and its application to issues they care about, both through adjustments in the formal rules and via enhanced informal influence. One means to achieve this end is to have an ability to exert pressure on an existing IGO by the threat of exiting to pursue unilateral options. The US frequently uses such "outside options" to bolster its bargaining power: if the UNSC is not in accord with US objectives, for example, then the US may signal its willingness to forego a cooperative deal and go it alone or with its allies.[40] Similarly, a hegemon disgruntled with a wayward IGO or a rising power dissatisfied with the prevailing distribution of power and benefits could also seek to gain a bargaining advantage by threatening to leave and even by starting parallel institutions.

Over time, the BRICS could enable China's use of its rising power capabilities. Thus far BRICS countries have demonstrated only moderate interest in pushing to change the formal rules of the game. They would like to play by the same informal rulebook as the major advanced industrial powers, but tilted to their own advantage. China has already signaled it also seeks its own outside options, for example, by constructing East and Central Asian regional organizations, building a robust military capability, enhancing the role of its currency, and in other areas. Although less successful, Russia has also attempted to build and dominate regional organizations, while Brazil has worked to balance the US by preferring to construct new South American institutions rather than work through existing hemispheric ones.[41]

Through the BRICS and other forums, China appears to be building a basis for cooperation and exerting its influence informally. Within the BRICS, China's immense power has created some concerns in Russia and particularly in India, where beyond long-standing security issues, discontent over perceived slights as well as China's institutional advantages and

---

[38] G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*, Princeton, NJ, Princeton University Press, 2012, p. 83; G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, Princeton, NJ, Princeton University Press, 2001.

[39] Richard K. Betts, "Institutional Imperialism," *The National Interest*, May/June 2011; Randall L. Schweller, "The problem of international order revisited: A review essay," *International Security*, Vol. 26, No. 1, Summer 2001.

[40] Erik Voeten, "The Political Origins of the UN Security Council's Ability to Legitimize the Use of Force," *International Organization*, Vol. 59, No. 3, July 2005.

[41] Roberts, "The Rising Power of the BRICS Club;" Leslie Elliott Armijo, "Equality and Regional Finance in the Americas," *Latin American Politics and Society,* Forthcoming Winter 2013.

more active diplomacy and trade agenda has surfaced. The governance structure and eventual location of the new BRICS development bank, which China, Russia and India would like to house, will be indicators of whether China's disproportionate economic power will determine the outcome. The emergence of a potential hegemon within the BRICS bears monitoring because China, clearly the most influential of the BRICS and the single indispensable participant, is perfectly willing to employ support from its fellow BRICS for its own ends, but is unlikely to let itself be bound by intragroup obligations that infringe on its core interests.

III. BRICS and the UN Security Council: Imbalances of Power, Representation, and Norms

In their summit declarations, the BRICS repeatedly call for the democratization of international governance and for greater equality in international politics. Although the United Nations is the most frequently mentioned international organization in BRICS documents, [42] the group's record with respect to reforming the UN Security Council (UNSC) has been unimpressive. By comparison, when, by chance, all five BRICS sat on the UNSC in 2011, and four remained in 2012, their votes were surprisingly aligned. The five found it valuable to interact and adopt joint positions that would not have been predicted from self-interest or differences in regime type and values. These actions appear to reflect not only a common interest in affirming the norm of state sovereignty but also an attempt to conciliate other BRICS partners, while setting aside their many bilateral differences. This section first explains the conundrum of Security Council reform and then turns to the surprising collaboration of all five BRICS while serving simultaneously on the UNSC.

Broadening representation in the UNSC

Through the years, multiple high-level panels, commissions, and UN General Assembly resolutions have concluded that the UN Security Council (UNSC) should be made "more representative, efficient and transparent."[43] On the one hand, the fact that the members of the Security Council have never engaged in direct military conflict and managed to cooperate on several notable international security problems in the last two decades is a measure of the usefulness of the institution.[44] However, few global steering groups are more anachronistic than the UNSC, which is composed of ten rotating members from UN regional groups and five permanent members (P-5) – the US, Russia, China, Britain, and France. Only the permanent members, which earned their seats largely as the victors of the last world war, wield vetoes.

---

[42] Larionova, Marina, "BRIKS v sisteme global'nogo upravleniia" [BRICS in the System of Global Governance], *Mezhdunarodnaia zhizn'*, No. 4, April 2012, p. 10.
[43] Erik Voeten, "Why No UN Security Council Reform?," in Dimitris Bourantonis and Kostas Ifantis (eds.), *Multilateralism and Security Institutions in an Era of Globalization*, New York, Routledge, 2008, p. 289.
[44] Keohane and Martin, "Institutional Theory as a Research Program;" Jochen Prantl, "Informal Groups of States and the UN Security Council," *International Organization,* Vol. 59, No. 3, July 2005.

Since the UN's inception, India and Brazil have been the most active advocates for expanding the Council and securing their own inclusion as permanent members. They have long complained that developing countries make up the overwhelming majority of the UN's members and should play a role in shaping decisions instead of just being the objects of Security Council actions. The world's largest democracy, India also contributes the third largest contingent of peacekeeping troops and ranks as the tenth largest economy (third by PPP). Brazil is currently the sixth largest economy, surpassing Britain, and also the 12th largest contributor of peacekeeping forces to the UN. Their respective contributions to the UN budget for 2012-13 are also scheduled to rise from 0.5 to 0.66 percent (India) and from 1.6 to 2.9 percent (Brazil). They are currently in a powerful coalition of the so-called "G4" aspirants to permanent membership which also includes Germany and Japan. These countries rank as the second and third largest contributors to the U.N budget (accounting for 25 percent), behind the US (22 percent) and just ahead of the UK and France (combined about 13 percent). China, Brazil, India, and other emerging powers agreed to major increases in their UN payments as part of a new agreement for the revised UN budget for 2012-2013 that will also reduce Japan's and European contributions. China will pay an extra 61 percent increasing its share of the budget from 3.2 to 5.1 percent, overtaking Canada and Italy to become the sixth largest UN contributor. The G4 faces opposition, however, from a group of regional rivals which advocate for increasing the number of rotating, elected UNSC seats. The Africa bloc forms the third main coalition, and claims the right to at least two new permanent seats for Africa. Contention over competing claims has led to a deadlock over new seats and privileges that few observers believe will be surmounted in the near future. It is worth noting that any resolution to expand the UNSC needs the support of two-thirds of the 193 members of the UN General Assembly (UNGA), or 129 votes, as well as endorsement by the P-5 to succeed.

A common BRICS position on Security Council reform and other security related policies has evolved incrementally since the group was formed. By the 2011 BRICS leaders' summit in Sanya, China, the official Declaration reaffirmed the need for a comprehensive reform of the UN, explicitly including the Security Council. It further noted: "China and Russia reiterate the importance they attach to the status of India, Brazil and South Africa in international affairs and understand and support their aspiration to play a greater role in the UN." The 2012 New Delhi Declaration added that the BRICS governments "recall our close coordination in the Security Council during the year 2011, and underscore our commitment to work together in the UN … in the years to come."[45] It is unlikely that Russia and China would have been willing to issue such supportive statements had the BRICS club not emerged, although the usual implicit caveat – *in the event that a future bargain on UNSC reform can be reached* – renders these still somewhat ambivalent statements not entirely satisfactory to their three BRICS partners. The Russians are willing to support the other BRICS as "strong candidates" in the eventuality of actual reform, but insist that the future legitimacy of the UNSC demands overwhelming international support for such an outcome, not just the required two-thirds majority necessitated by the UN.[46]

---

[45] BRICS Information Centre, University of Toronto, BRICS Official Documents: Summits, <http://www.brics.utoronto.ca/docs/index.html, database>, 2013.
[46] Author's interviews, Moscow, June 2013.

In fact, China and Russia are reluctant to expand the permanent membership of the UNSC, which would dilute the uniqueness of their own access to the veto. This situation reveals an important paradox inherent in BRICS demands to rebalance power in global governance institutions. Rising economic powers are not always dissatisfied, disenfranchised outsiders, pressing for a larger role. Typically, there are clubs within a global club, such as in the G7/G8 or the G7 and BRICS, respectively, within the G20. Club-within-the-club dynamics create tension between insiders and outsiders and strong incentives by existing institutional members to defend the status quo rather than to change it, even if change would promote progressive and more representative outcomes that benefit others.[47] In theory, a more representative and efficient UN security structure could be designed, involving a new bargain that adjusts the status quo without necessarily destabilizing current arrangements or a renegotiation that starts from scratch. But in reality, it is difficult to get there from here. As noted above, in the real world, opportunities to create new institutional orders tend to occur after majors shocks like war.

Regardless of their ideological and political differences existing dominant powers, such as the P-5, are strongly motivated to protect their important institutionalized advantages and not dilute or undermine them. The veto, provided for in Art. 27 of the UN Charter, is coveted because it allows a state to block resolutions condemning its uses of force and also resolutions to use force or employ other means of coercion by others that it disapproves of. However permanent members of the UNSC with superior capabilities gain the most leverage from their veto power if they prefer to bargain from a position of strength instead of exercising the attractive outside options that their greater resources permit.[48] All of the current P-5 are committed to retaining their veto power and some, such as Russia, have vowed to veto any resolution to remove it.

Former US Ambassador to the UN Zalmay Khalilzad bluntly revealed the US position against enlargement in a 2007 cable which opposed extending the veto to new permanent members because it would "dilute US influence" and "increase the risk to US interests … exponentially." Tactically, Khalilzad proposed the US "should quietly allow discontent with P-5 veto prerogatives to ensure the veto is not extended to new members while joining Russia and China in stoutly defending existing P-5 vetoes."[49] Khalilzad went on to consider the different models for UNSC expansion that were then gathering momentum: "To take just the G-4 countries plus the yet-unidentified African state(s) that would join them in permanent membership, we are confident we could reliably count on Japan's support, and to a lesser degree, on Germany's. However, on the most important issues of the day -- sanctions, human rights, the Middle East, etc. -- Brazil, India, and most African states are currently far less sympathetic to our views than our European allies." This proved a prescient observation in view of the BRICS voting record in 2011. Publicly, Washington had only supported Japan in the event of any

---

[47] Roberts, "Rising Power of the BRICS Club;" Cynthia Roberts, "Introduction," *Polity Forum: Challengers or Stakeholders? BRICs and the Liberal World Order*, Vol. 42, No. 1, January 2010.
[48] Erik Voeten, "Outside Options and the Logic of Security Council Action," *American Political Science Review*, Vol. 95, No. 4, December 2001; Voeten, "Political Origins of the UNSC's Ability to Legitimize."
[49] Roberts, "Rising Power of the BRICS Club."

enlargement, until President Obama in late 2010 also endorsed India's bid. However, Obama refrained from extending the same endorsement to Brazil following Brasilia's abstention on the UNSC resolution authorizing the use of force against Libya in 2011 and its 2010 diplomatic intervention in the dispute over Iran's nuclear program, which the State Department decried as naïve and irresponsible meddling.

Russia and China share American preferences despite their cheap talk about enlargement for developing countries. After President Obama signaled US support for India in a future bargain, Chinese officials tweaked the official position to underscore that China sincerely seeks a qualitative improvement in relations with India and that it is not opposing India's bid for a permanent seat in the UNSC. However, a 2009 State Department cable revealed that the Chinese Vice Foreign Minister, then He Yafei, was also concerned about gathering momentum on UNSC reform and sought to prevail on the US not to "dilute" the P-5 "club" by making it a P-10. In that case, both China and the US would "be in trouble."[50] Here is concrete evidence of how multiple memberships in exclusive clubs can create strains between insiders and outsiders that risk jeopardizing relationships with less privileged members of the out group.

Relatedly, despite BRICS' statements calling for greater representation in IGOs, it is not self-evident that the UNSC is experiencing a legitimacy crisis simply because representation of permanent members is skewed and because the P-5 countries possess the veto. Compared to the Cold War, the UNSC has been more productively engaged with security issues. The UNSC adopted only two Chapter VII resolutions between 1977 and the start of the Gulf War. By comparison, 304 Chapter VII resolutions were approved between 1990 and 2004.[51] Likewise, the UN embarked on more numerous, ambitious and difficult peacekeeping operations (PKOs), illustrated by the more than 113 thousand personnel from 114 countries currently deployed in 16 missions across four continents. Also notable is that China, which refused to participate in peacekeeping missions when it joined the UN in October 1971, has deployed 1869 Chinese peacekeepers in nine UN operations around the world as of 31 December 2012 (making it the biggest contributor of troops to PKOs of the P-5) and is the seventh largest financial contributor to PKOs, after the US, Japan, UK, Germany, France, and Italy.[52]

Some scholars make a strong case that, since 1991, the UNSC has become a more legitimate institution than was possible during the Cold War.[53] Reflecting a rise in internal conflicts, in 2005, 191 member states endorsed the "Responsibility to Protect" (R2P) doctrine which holds that the UNSC may authorize measures, including force to protect civilians in the event of mass killing or other crimes. However, all of the BRICS, including the democracies, have voiced objections about the risk to state sovereignty from operationalized pretexts of R2P that fast track punitive or coercive means, especially the use of force, and opposed such

---

[50] Roberts, "Rising Power of the BRICS Club."
[51] Voeten, "Why No UN Security Council Reform?" p. 292.
[52] United Nations, "Peacekeeping Factsheet 2013," 2013 <http://www.un.org/en/peacekeeping/>.
[53] Voeten, "Political Origins of the UNSC's Ability to Legitimize."

measures in Zimbabwe, Sudan, Myanmar , and elsewhere, despite their own occasional unilateral actions.[54]

The US often has also sought the legitimizing imprimatur of the UNSC, even during the Bush administration, while still reserving the right to exercise its outside options. In Khalilzad's revealing description, the US mission "starts most discussions about important Council statements or resolutions with at least six votes (US, UK, France, and the three European delegations) and must secure three more to reach the required nine votes – barring a P-5 veto – for adoption." It was not uncommon then for the US to offer side payments and sweeteners to holdouts to get its way. Such prudent bargaining by both the predominant power and weaker members of the Security Council reflects the recognition that states with credible outside options will not commit to abide by rigid binding rules when their preferences are intense.[55] A larger UNSC membership, however, would likely complicate the conduct of serious negotiations without necessarily being fully representative of the UN membership[56] (Weiss 2003). A stronger China, by comparison, would perhaps enable a similar process but one resulting in different kinds of bargains, reflecting China's priorities.

Voting patterns in the UN Security Council

Whether the recent spurt of UNSC interventionist activity is likely to be sustained as global power shifts away from the West is an important question. The coincidence of all five BRICS simultaneously serving on the UNSC in 2011 (and 2012 minus Brazil), and the tendency of the three democratic BRICS to hew to Russian and Chinese positions, raises serious doubts about whether an enlarged UNSC would continue to back humanitarian action to the same degree.[57] The first UNSC resolution on Libya (UNSCR 1970) that imposed sanctions, an arms embargo, provided for humanitarian access, and referred the matter to the International Criminal Court (ICC) passed unanimously in February. However, as the crisis escalated, with urging from the League of Arab States, the members authorized on 17 March UN Security Council Resolution 1973 approving a military operation to impose a "no-fly zone" to protect civilians in Libya. All of the BRICS (minus South Africa which voted "yes") and Germany abstained and subsequently complained that the mandate was exceeded when it morphed into "regime change." Critical of the military operation, Brazil issued a paper arguing that the use of force in support of the new R2P norm needed to be subjected to higher standards and accountability, for

---

[54] Gareth Evans, Ramesh Thakur, and Robert A. Pape, "Correspondence: Humanitarian Intervention and the Responsibility to Protect," *International Security*, Vol. 37, No. 4, Spring 2013; Andrew Garwood-Gowers, "The BRICS and the responsibility to protect: lessons from the Libyan and Syrian crises," in Vasilka Sancin and Masa Kovic Dine (eds.), *Responsibility to Protect in Theory and Practice*, Ljubljana, Slovenia, GV Založba, 2013; Joel Wuthnow, *Chinese Diplomacy and the UN Security Council: Beyond the Veto*, Routledge, 2012, pp. 29-30.
[55] Voeten, "Outside Options and the Logic of Security Council Action; Voeten, "Political Origins of the UNSC's Ability to Legitimize;" Stone, *Controlling Institutions.*
[56] Thomas G. Weiss, "The Illusion of UN Security Council Reform," *Washington Quarterly*, Vol. 26, No. 4, Autumn 2003.
[57] This discussion draws on Roberts 2013.

"Responsibility While Protecting."[58] However, this proved a non-starter for those countries actually undertaking the military burden of intervention.

Meanwhile, Russia and China were probably disturbed by the rapid dislodging of Gaddafi and the costs to their interests. According to the Chinese government, 75 Chinese enterprises operating 50 joint projects were affected by the conflict in Libya. Nearly 36,000 workers were forced to leave, abandoning materials, machines, and vehicles for projects valued in billions of dollars.[59] A well-connected Chinese academic official later remarked that it would not be surprising, if in future incidents, China decided to intervene on the side of the government to protect its people, property, and interests.[60]

When the UNSC subsequently turned to the escalating crisis in Syria in October 2011, the BRICS refused to support a draft resolution condemning the "grave and systematic human rights violations" committed by Syrian forces against civilians. In early 2012 India and South Africa (after Brazil's term ended) did vote for resolutions that endorsed international efforts to facilitate a Syrian-led political transition to a democratic political system, but Russia and China vetoed these on grounds that the international community should not force Assad from office. Then the draft resolution in July 2012 threatening sanctions if the Syrian government failed to comply with the Annan Plan was vetoed by Russia and China with South Africa abstaining while India broke ranks and voted yes.

The record shows that the BRICS countries coordinated their positions, and were often obstructive on sanctions or the use of force. Susan Rice, then the US Permanent Representative to the UN, questioned the voting of the three democratic BRICS as not always "consistent with their own democratic institutions and stated values." For the US and other UNSC members, she added, this was "a very interesting opportunity to see how they respond to the issues of the day…[;] we've learned a lot and, frankly, not all of it encouraging."[61] Such concerns parallel the

---

[58] Government of Brazil, "Responsibility while Protecting: Elements for the Development and Promotion of a Concept," (A/66/551–S/2011/701), 11 November 2011, <http://www.un.int/brazil/speech/Concept-Paper-%20RwP.pdf>, (accessed on 4 January 2013).
[59] Jingjing Huang, "China counting financial losses in Libya," *Global Times*, 4 March 2011, <http://www.globaltimes.cn/china/diplomacy/2011-03/629817.html>, (accessed on 6 January 2013); Ying Ding, "Out of Libya," *Beijing Review*, 8 March 2011, <http://www.china.org.cn/world/2011-03/08/content_22082446.htm>, (accessed on 6 January 2013).
[60] National Committee on American Foreign Policy, "New Team in Beijing, New Term for Obama: How to Improve U.S.-China Relations," Author's notes on panel discussion, Waldorf Astoria, New York, 6 May 2013.
[61] Howard LaFranchi, "Syria vote may prove costly for three countries seeking more UN clout," *The Christian Science Monitor*, 5 October 2011, < http://www.csmonitor.com/USA/Foreign-Policy/2011/1005/Syria-vote-may-prove-costly-for-three-countries-seeking-more-UN-clout> (accessed on 4 January 2013).

EU's apprehensions that it is losing influence to China, Russia and their associates and therefore less able to win support at the UN for multilateral action on human rights and justice.[62]

As noteworthy as these revelations are, it is important not to draw overly firm conclusions about the degree of BRICS solidarity on the basis of a limited number of cases. The BRICS do share a common stake in defending the international norms of state sovereignty, independence, and territorial integrity from what they see as excessive use of force and coercion by the US and Europeans to achieve their strategic and humanitarian goals.[63] However, even the autocratic BRICS countries have supported or abstained on sanctions and other measures so long as their direct interests are assured – in instances ranging from sanctioning Libya and referring Qaddafi to the ICC to supporting limited sanctions against North Korea and Iran.[64] Overall, major powers are reluctant to commit to precise thresholds that must be reached to justify interventions, as evident in Syria even after apparent use of chemical weapons in early 2013. Consequently, there has been more common ground and consistency in voting patterns than would seem likely among the diverse permanent members. Even in the 1980s the rates of affirmative votes shared by the autocratic powers with the Western UNSC members were above 91 percent (with only two vetoes by the USSR). During the 1990s, China abstained twice as often as Russia but its voting affinity with the US soared to 92.1 percent while Russia's overall affirmative rate with the P-5 was 96.4 percent. Between 1990 and 2011, veto use on average declined to slightly over one per year for all P-5 members. Thus, it is premature to conclude that 2011 is a harbinger of change, marking the start of a more assertive BRICS bloc obstructing Western attempts to use coercion in support of humanitarian action. Moreover, any signal to this effect could undercut the standing of the BRICS democracies with the US and Europeans, and leave them out in the cold.

IV. Global economic governance: The BRICS in search of formal and informal influence

The international relations theories discussed above suggested that rising powers will desire a larger share in global governance, both in terms of formal power, as in access to leadership positions and votes, and in terms of informal influence within IGOs and in framing the international debates on key issues. The circumstances of the BRICS' rise to international prominence suggest that their increase in relative capabilities has been duly noted by the traditional powers. The BRICS group has been particularly noticeable as a club within the club of the financial G20. After the September 2008 crash of US investment bank Lehman Brothers induced financial ripples in all major global markets, the US and other major powers realized that they would need more coordinated macroeconomic firepower than the G7 alone could muster, and thus convened the first financial G20 leaders' summit in Washington, D.C. By the end of 2009, the financial G20 – increasingly referred to as the "major economies" G20 -- had

---

[62] See for example, European Parliament, Committee on Foreign Affairs, "Report on the EU foreign policy towards the BRICS and other emerging powers: objectives and strategies" (2011/2111(INI), A7-0010/2012), 10 January 2012.
[63] Roberts, "Introduction," *Polity Forum.*
[64] Wuthnow, *Chinese Diplomacy*.

explicitly declared itself the replacement for the G7/G8 as the senior coordinating body for global economic governance.[65]

Leadership of the Bretton Woods twins

Intellectuals from a number of developing countries--prominently including India, the only one of the original four BRICS whose head of government, Prime Minister Manmohan Singh, was a professional economist with long experience interacting with the IMF and World Bank--for years had been critical of the informal process of reserving the right for dominant countries to appoint the head of the so-called Bretton Woods twins, with the Fund managing director position going to a Western European, and the Bank presidency to an American.[66] Having a national occupying either chairperson position has been presumed to confer considerable informal influence in setting the direction for the multilateral organization.

So it was natural that in April of 2011 the BRICS, anticipating the end of the term of World Bank president Robert Zoellick in 2012, proclaimed their desire to end the *de facto* Western monopoly on appointing the heads of the two Bretton Woods institutions. The next month they unexpectedly got their first opportunity to exert collective influence, when IMF Managing Director Dominique Strauss-Kahn suddenly resigned over alleged improprieties. The BRICS' IMF directors for their respective countries quickly issued a statement reiterating their desire for an open, competitive, merit-based process. Mexican central bank president Agustín Carstens became the first declared candidate, followed by French finance minister Christine Lagarde, and former IMF deputy managing director and then Israeli central bank president, Stanley Fischer. Although Fischer, a dual US and Israeli citizen, had strong support in sub-Saharan Africa and elsewhere in the developing world, the race quickly devolved to a two person contest between Carstens and Lagarde. Breaking with past tradition, both candidates embraced the opportunity to campaign openly and globally. Lagarde immediately focused on wooing the BRICS, as she traveled in rapid succession to Brazil, China, India, and Russia—all of whom refrained from early endorsement of either principal candidate. Russia briefly promoted the central bank governor of Kazakhstan and in the same week spoke out, together with its BRICS partners, against tradition prevailing over merit. Then at the G8 summit, Russia agreed that Christine Lagarde was a fine candidate. The IMF election, carried out within the executive board and with weighted voting reflecting country quotas, not unexpectedly went to Lagarde. Nonetheless, the election was considerably more open and competitive than any previous process to choose the heads of the international financial institutions.

The next year's vote for the new World Bank president was much the same story. Early entrants to the race were former Colombian finance minister and prominent left-leaning

---

[65] On the financial G20 see Colin I. Bradford(ed.), *Global Leadership in Transition: Making the G20 More Effective and Responsive,* Washington, D.C.: Brookings, 2011.
[66] Devesh Kapur, "The Changing Anatomy of Governance at the World Bank," in Jonathan R. Pincus and Jeffry A. Winters (eds.), *Reinventing the World Bank,* Ithaca, Cornell University Press, 2002; Arvind Subramanian and Devesh Kapur, "Who Should Lead the World Bank?," *Project Syndicate,* 17 February 2012. At <www.project-syndicate.org>, accessed May 2013.

economist, José António Ocampo, and former World Bank neoclassical economist and current Nigerian finance minister, Ngozi Okonjo-Iweala, the latter nominated and strongly supported by South Africa. The US nominated Korean-American university president and public health specialist, Jim Yong Kim. Again both developing country candidates complained that the selection process was insufficiently merit-based, particularly given that Kim was not an economist.[67] However, and in contrast to earlier nomination years, candidate Kim, like candidate Lagarde the previous year, visited various constituencies and discreetly campaigned on his own behalf. Once again, the BRICS demurred from declaring early for any candidate. Moreover, on the same day that Ocampo withdrew in favor of Okonjo-Iweala, hoping to force the hand of pro-diversity waverers, Russia abruptly endorsed Dr. Kim, who was formally selected three days later, on April 16, 2012.

In both of these cases, opinions on the BRICS role were mixed, with some commentators concluding that the group was so weak and divided that it could not even agree to support a joint candidate. Others stressed that these elections for heads of the major international financial institutions had been the most open and competitive to date—speculating also that the individual BRICS might well have cleverly concluded some backroom *quid pro quo* deals from the traditional powers along the way. It also was noted that, for the first time, neither global financial governance position had gone to a Caucasian male.

Formal votes in the Bretton Woods twins

The larger existential dilemma shared by both the World Bank and the IMF is that, in a world of globalized capital, they are simply too small. If they wish to retain their influence in shaping global economic models, then they must locate additional funds. The obvious sources for increases in capital subscriptions are the large emerging economies in the financial G20, and particularly the BRICS. The large emerging powers also took a hit in 2008-9 from the international crisis, but most, including the BRICS, quickly bounced back.[68] Even prior to the crisis the emerging powers were becoming more important in global finance, and the lingering turmoil in advanced countries, especially Western Europe, has only underscored this. For example, in 2010, there were five Chinese, three Brazilian, and one Russian bank among the top 25 banks globally ranked by profits—and the two top slots were held by Chinese institutions.[69] Since 2009 China has been the largest foreign sovereign owner of US Treasury securities, replacing Japan.

But while the advanced industrial countries covet the financial resources of the BRICS, they resist yielding political control over the lending policies of the World Bank and the IMF. The root of the traditional powers' formal dominance of the Bretton Woods twins lies in the

---

[67] James Fontanella-Khan, "BRICS nations threaten IMF funding," *Financial Times,* 29 March 2012.
[68] Carol Wise, Leslie Elliott Armijo, and Saori Katada (eds.), *Unexpected Outcomes: How Emerging Markets Survived the Global Financial Crisis*, Washington, D.C., The Brookings Institution, Forthcoming 2014.
[69] Philip Alexander, Philip, "Top 1000 Banks 2011," *The Banker*, 30 June 2011.

distribution of quotas—capital subscriptions and their associated voting rights—among countries. The basic patterns of quota allocations were determined at the 1944 conference in Bretton Woods, New Hampshire, as the soon to be victorious Allies sought to design viable and enduring postwar global governance institutions. Quotas were roughly proportional to the economic and other power resources each founding member country controlled. As of 2008, and prior to the current recent rounds of quota renegotiations, the US held a 15 percent quota in the World Bank and a 17.41 percent quota at the IMF. In both institutions, a super-majority (ranging from 70 to 85 percent, depending on the type of issue) has been required for significant decisions, implying that the US plus one or two key allies has always had an effective veto.

Quota redistribution—popularly known as the debate over "chairs and shares"—has been a longstanding demand of developing countries.[70] In the aftermath of the global financial crisis, both the BRICS club and the first Obama administration in the US-have sought to make "reform" of the international financial institutions an issue that could work for them. New quota negotiation rounds began in late 2008 in both the Bank and the Fund, as well as in five other regional development banks to which the US and other major powers contribute.[71] The BRICS found seemingly easy agreement on the broad topic of linking increased contributions (capital subscriptions) to quota reform: developing and transitional countries deserve a larger say in how the Bank and the Fund are run. Already by early 2009, IMF Managing Director Dominque Strauss-Kahn had requested that total IMF resources be doubled or tripled to $500 billion or even $750 billion, which he and others hoped would be pledged by the world leaders planning to attend the second financial G20 Summit in London in late April 2009. In mid-March 2009, and even in advance of their first leaders' summit in June of that year, the BRICS issued a joint communique explicitly linking quota readjustment to an expansion of their financial contributions to the IMF and the World Bank, and they have repeated this demand on successive occasions. When the IMF announced its first ever bond issue in early 2009, the four BRICs quickly promised to invest up to $80 billion, with China contributing $50 billion, and the others $10 billion each.[72]

Through the years each new general capital increase round for both international financial institutions has been enormously slow and subject to much wrangling over allocation formulae, and the rounds whose negotiations began in 2008 have been no exception.[73] For example, the US has favored a calculation of economic size based on GDP calculated at market rates, which

[70] Kapur, "The Changing Anatomy of Governance;" Edwin M. Truman (ed.), *Reforming the IMF for the 21st Century,* Washington, D.C., Peterson Institute of International Economics, April 2006.
[71] Martin A. Weiss, "Multilateral Development Banks: General Capital Increases," Washington, D.C., Congressional Research Service, 27 January 2012; Robert H. Wade, "Emerging World Order: From Multipolarity to Multilateralism in the World Bank, IMF, and G20," *Politics & Society* Vol. 39, No 3, 31 August 2011.
[72] Bob Davis, "Brazil, China, and Russia Consider IMF's First Bond Offering," *Wall Street Journal,* 25 April 2009; IMF, "Bolstering the IMF's Lending Capacity," updated to June 18, 2012, at: <http://www.imf.org/external/np/exr/faq/contribution.htm>.
[73] Truman, *Reforming the IMF*; Wade, "Emerging World Order."

makes its economy appear relatively larger, while most developing countries would prefer to assess GDP at purchasing power parity—by which measure their economies are relatively larger. The current, and theoretically quite arbitrary, compromise is a 60-40 percent blend of market and PPP calculations of relative economic size. In the IMF, whose quota formula always has incorporated a greater range of variables, groups of countries doggedly argue for allocation rules that favor themselves, panning or championing such variables as their national share in global foreign exchange reserves, the openness of their economies in trade and/or finance (measured variously), or even their comparative sensitivity to annual fluctuations in trade--an odd but historically-included variable that allocates votes to the vulnerable rather than the powerful.[74]

In 2009 and early 2010 the Obama administration, committed to finding additional capital for the international financial institutions, decided to twist the arms of Western European leaders, in order to get agreement on quota reallocation away from Western Europe and toward the emerging powers.[75] Prompted by continuous pressure from both the BRICS and the US Obama administration, the executive directors at both major international financial institutions (IFIs) completed torturous negotiations resulting in 2010 multilateral capital increase and reallocation deals that included a 3.3 percent quota reallocation away from the advanced industrial (Part I) countries and toward developing (Part II) countries in the World Bank, and a 6 percent readjustment between roughly the same groups in the IMF. The major beneficiaries were the emerging powers, including China, Brazil, Mexico, and India, leading some poorer countries and their advocates to cry foul. Unfortunately, by the time the provisional deals for the Bank and the Fund were announced in April 2010, US support for them already had unraveled. The US Senate Foreign Relations Committee's report, introduced by the senior Republican member, Richard Lugar, recommended against any capital increase for any of the international financial institutions until they tackled the "invidious corruption that has thwarted so many development projects," while also recommending that they "should concentrate more clearly on 'putting themselves out of business'' by creating stable, self-sustaining economic growth in their client countries."[76] Eventually the Obama administration gave up, declining in both 2012 and 2013 even to submit the package to Congress—and thus rendering the entire complex deal moot.[77] In October 2012, newly appointed World Bank President Kim announced that the time was not favorable for a capital increase.[78] IMF Managing Director Lagarde meanwhile threw herself into promoting a new capital-cum-quota renegotiating round, recognizing however that the emerging

---

[74] New Rules for Global Finance (New Rules). Online document collection on IMF quota reform, <http://www.new-rules.org/what-we-do/imf-governance-reform/imf-quota-reform>, (accessed May 2013).
[75] Douglas Rediker, "Losing at the IMF," *Foreign Policy,* 10 October 2012; Johannes F. Linn, "Charting a New Course for the World Bank: Three Options for its New President," Washington, D.C.: The Brookings Institution, 17 April 2012.
[76] U.S. Government, Senate Committee on Foreign Relations, "The International Financial Institutions: A Call for Change," Washington, D.C.. 111th Congress, 2nd session, 10 March 2010, p. 1.
[77] Rediker, "Losing at the IMF;" Linn, "Charting a New Course."
[78] Sandrine Rastello, "World Bank's Kim Sees 'No Appetite' to Increase Capital," Bloomberg News, 4 October 2012, at <www.bloomberg.org>

powers were unenthusiastic about allocating additional funds to an institution whose five largest borrowers as of 2012—Greece, Portugal, Ireland, Romania, and Ukraine—had incomes per capita mostly higher than theirs.[79] At the G20 Summit in Los Cabos, Mexico in June 2012 the BRICS again pledged their willingness to increase their contributions to the IFIs by $75 billion—but reiterated that they expected the quota readjustments to also go forward.[80]

Through these varied negotiations, the BRICS were able to hang together reasonably well. They have not yet achieved their aims of greater voting power in the IFIs, but they have demonstrated that they are a force to be reckoned with. Moreover, and despite some objective intra-BRICS interest conflicts, club members have demonstrated some willingness to make tactical concessions for the sake of group cohesion. For example, in the World Bank, Russia, historically grouped with the wealthy countries and with a significantly smaller country since the breakup of the Soviet Union, would lose rather than gain under most possible adjustment schemes. Russia nonetheless has supported the principle of readjustment in favor of Part II (borrower) countries. Of course, when the 2010 deal on World Bank quota readjustment was about to be struck, Russia, along with Saudi Arabia, successfully threatened to scuttle the whole bargain unless a backdoor fix was found to keep their shares from falling (Wade 2011, 362). Moreover, in the World Bank negotiations leading up to the 2010 provisional deal, China chose to behave as a benevolent hegemon, not pushing in the World Bank negotiations for the maximum readjustment in its favor that it arguably could have claimed by virtue of economic size, but instead generously insisting that other countries receive additional increments (Wade 2011, 362). One also could interpret the initial announcements, at their New Delhi (2012) and Durban (2013) summits, of the BRICS' intention to establish their own BRICS development bank as raising the specter of an outside option.

The "currency war"– of words

Perhaps the most interesting test case of intra-BRICS solidarity—and the skill of China in being able to profit from this—has been over the question of relative currency values, or "global imbalances," as this source of tension is often referred to in the US and Western Europe. On the one hand, the exchange-rate-and-trade-balance nexus lies at the heart of contemporary United States-China rivalries. Many US academics and a clear majority of US economic policymakers

---

[79] International Monetary Fund (IMF). *Financial Statements, Quarter ended January 31, 2013.* Washington, D.C. : IMF, 2013, p. 9.

[80] Krista Mahr, "After the G20: Can the BRICS Save the Day?," *Time*, June 22, 2012; see also Oliver Stuenkel, "The Case for IMF Quota Reform," Council on Foreign Relations Online, 10 October 2012, at <www.cfr.org>. The commitments pledged in response to the crisis are not permanent quotas, but bilateral standby credit lines under the New Arrangements to Borrow (NAB) facility, to be activated as needed. The pledges are in the IMF's virtual basket of currencies known as Special Drawing Rights (SDRs). As of July 1, 2013, the IMF had total pledges worth US $556 billion (SDR 370 billion), including $104 billion from the US, $99 billion from Japan, $47 billion from China, and about $13 billion each from Brazil, India, and Russia. IMF, "IMF Standing Borrowing Arrangements," IMF Factsheet, Washington, D.C.: IMF, April 2013.

are convinced that Chinese capital controls and central bank market interventions have been designed not to protect China's domestic economy from unhealthy volatility, as Chinese officials claim, but instead to hold the value of China's currency artificially low, thus fueling China's enormously successful exports of manufactures.[81] In 2007, China's current account surplus reached its zenith, at fully 10 percent of Chinese GDP. By the third quarter of 2012 global slowing had brought China's external surplus down to only 2.6 percent of GDP, yet the IMF still found this level worrisome.[82] Chinese authorities, of course, have consistently denied that their export surplus revealed evidence of exporting economic problems abroad, instead blaming lack of competitiveness and/or irresponsible macroeconomic policies in their trading partners.

On the other hand, and this is the interesting puzzle piece, China's BRICS partners also believe themselves to have suffered from the China's export juggernaut, and have sometimes criticized Chinese currency policies. India in particular has a significant bilateral trade deficit with China ($39.4 billion in FY 2011-12). Brazil has a reliable bilateral surplus ($10.5 billion in 2011), but worries because its imports from China are manufactures, while it mainly sells commodities to China. Moreover, Brazilian policymakers have become increasingly worried about Chinese trade competition in South America, the most important destination for Brazil's manufactured exports.[83] Nonetheless, since Brazil's finance minister first publicly proclaimed his fears of an international "currency war" in September 2010, the BRICS, notably including both Brazil and India, have tended to support the Chinese position that the major offenders to the implied norm of responsible currency policies have been the US, Western Europe (the European Central Bank and the British), and in 2013 also Japan.

Vocal public support from the other BRICS on the currency levels issue, arguably in defiance of their own immediate best interests, has been an important resource for China to call upon in dealing with the US. Thus far, US presidents, aware of the gamut of different spheres in which the two countries interact (for example, in attempting to restrain North Korean adventurism), successfully have dissuaded the US Congress from labeling China a "currency manipulator," which would automatically trigger trade sanctions. Instead US executive branch officials have tried repeatedly to get the financial G20 and/or the IMF to censure China—and the Chinese have employed their bureaucratic in-fighting skills to push back. In this on-going *sub rosa* tussle, the US tries to gain support from its major allies, the other G7 countries, while China attempts to keep the BRICS in its corner.

The US has consistently tried to enlist the IMF in its battles to paint China as the guilty party in generating global trade and currency mismatches—while China has adamantly resisted being so labeled. Thus for example in August 2007, the IMF announced a plan to monitor global

[81] See, for example, Steven Dunaway, "Global Imbalances and the Financial Crisis," Washington, D.C.: Council on Foreign Relations, March 2009.
[82] Nick Edwards, "Urbanisation key to curing China imbalances-report," *Financial Times,* 15 November 2012.
[83] Russia has a small surplus with China, while South Africa hopes for substantial inward direct investment, so these two countries are less conflicted over the issue.

imbalances.[84] The Chinese correctly understood this as primarily aimed at themselves--which they found particularly unfair given the concurrent suspicion greeting their plans to invest some of their excess cash in the US through sovereign wealth fund purchases of real assets such as infrastructure facilities (ports) and manufacturing plants.[85] In November 2010, the Korean hosts of the fifth G20 Summit in Seoul tried to get agreement to implement a proposal, widely attributed to US Treasury Secretary Geithner although he denied authorship, to discuss "trade imbalances." The Chinese (but also the Germans, another strongly trade surplus country) adamantly refused to engage in any such dialogue in the context of the G20. By late 2010, large economies' G20 members Brazil, China, Germany, and Russia all were publicly criticizing US monetary expansion, and India and South Africa later joined the rising chorus. In April 2011, the IMF once again announced a plan to provide data on trade imbalances, which the US desired, but that same month also proposed a framework for how to deploy selective, temporary controls on inward capital flows (gratifying China, Brazil, and India, among others).

Some observers see China's clear goal as promoting the renminbi (RMB) as a global transactions and reserve currency, alongside the USD and the euro. Nonetheless, the Chinese themselves remain ambivalent about how quickly they might want to move in this direction, as there would be a number of difficulties generated for their current development model.[86] Meanwhile the BRICS have in their summits in 2011 (in Sanya, China), 2012 (New Delhi, India), and 2013 (Durban, South Africa) taken incremental steps to enhance their bilateral and multilateral financial cooperation, such as pledging to invoice more of their intra-BRICS trade and credits in local currency and taking initial steps to establish their own multilateral development bank.[87] These steps represent movement toward significant monetary cooperation—but they also mask potential conflicts. For example, local currency invoicing of trade saves on the service fees associated with converting transactions, even temporarily and electronically, into US dollars, but it is not at all clear that China's BRICS trading partners would not rather have dollars for their goods than renminbi. If the proposed BRICS bank made RMB-denominated loans, this effectively would require borrowers to spend this currency on Chinese goods, and also to earn back RMB to repay the loan, which would not necessarily be easy.

Meanwhile, the "war" of words and phrases employed to discuss currency levels, capital controls, and similar issues in the global economic governance institutions goes forward. These skirmishes will continue, and the BRICS club will likely remain a useful ally for China in its rivalry with the United States.

---

[84] David Robinson, "IMF-backed Plan to Cut Global Imbalances," *IMF Survey,* August 7, 2007.
[85] Edwin M. Truman, "The Rise of Sovereign Wealth Funds: Impacts on US Foreign Policy and Economic Interests," Testimony before the Committee on Foreign Affairs, U.S. House of Representatives, Washington, D.C., 21 May 2008; Benjamin J. Cohen, "Sovereign Wealth Funds and National Security: The Great Tradeoff," Unpublished paper, 20 August 2008.
[86] Ulrich Volz, "All Politics is Local: Prospects of the Renminbi to become a Global Currency," Unpublished paper, January 2013.
[87] BRICS Information Centre, BRICS Official Documents, Summits; see also Cynthia Roberts, "Building the New World Order BRIC by BRIC," *The European Financial Review*, February-March 2011.

V. Conclusions and Possible Futures

This chapter set out the task of discerning how the rise of emerging powers might affect existing, Western-dominated, global governance regimes. We looked for evidence that the BRICS club is "making a difference" first by reference to shifting patterns of material capabilities and then by reference to theory explaining what the BRICS, as rational actors, might seek to do in order to expand their influence in existing global governance regimes. The chapter then examined both the security and financial governance arenas through the lens of this analytical framework. Our analysis suggests these conclusions.

First, an underlying interstate shift in material capabilities is indeed underway, and at some point in the future there will be two dominant powers: the United States and China. In many dimensions of power, of course, especially those shaped by existing economic, political and military capabilities, the world today is still shaped by American primacy and Western institutions. Thus, it is not surprising that none of the emerging powers is directly provoking or balancing against the US. Nonetheless, America's preeminent position in both hard and soft dimensions of power will be challenged as rising states increase their own political, economic and military capabilities, and develop the concomitant bargaining power that propels international institutions in different directions and in pursuit of new agendas. For the foreseeable future, China will dwarf the other emerging powers combined, and thus should be expected to play a key role in shaping the BRICS' agenda and other coalitions it chooses to support.

Second, BRICS policymakers are eager to enhance their global influence by discovering common preferences that they can join forces to pursue. The BRICS' principal collective goal thus far has been the creation of greater on-going global influence for themselves. Instead of dismissing the BRICS-as trivial for their limited achievements thus far, it makes more sense to conceptualize them as in the process of building capacity, adjusting to China's looming presence within the club itself, and working through common positions. It remains to be seen whether the BRICS in the future will coordinate to tackle important global issues, such as climate change and building effective domestic institutions that might be emulated in the developing world.

Third, it appears likely that the BRICS organization itself functions most readily as an "outside option" for China to employ to exercise leverage within the major existing global governance institutions, particularly in the economic sphere, as with China's desire to sideline discussions of global imbalances and deflect criticisms of itself in the IMF or G20. Since there is intrinsically a lesser commonality of interests and policy preferences among the BRICS today than among the US and its major allies (essentially the G7), we expect in the future either to see the conscious construction of a larger intra-BRICS set of shared views and preferences – or to observe cracks within the group as other members increasingly see their interests as competitive with the rise of China.

Fourth, the BRICS' preferences, singly and jointly, for global governance turn on reform and evolution, not revolution. It is striking is that none of the emerging (or re-emerging in the case of China and Russia) powers has displayed revolutionary aims with respect to reordering the international system, at least so far. They have neither coalesced around the developing world's traditional agenda of redistribution nor developed a radically new alternative model for international order. To varying degrees, all of the rising powers, including the principal challenger, China, benefit from engaging with the existing US-led order. None seeks to pay the costs of constructing a wholesale replacement, although nascent parallel institutions, including the BRICS themselves as a leadership club, and a possible BRICS development bank, are germinating.

Fifth and finally, the BRICS may make a growing difference, but not always and not necessarily in ways that improve global governance or serve the collective good, as perhaps is shown by their collective opposition to Western humanitarian action against the Assad government in Syria—although even in this case the efficacy of direct outside intervention is open to question. Similarly, the incremental development of the BRICS has given China a prominent new club to shield its rise. Given that rising power tends to correlate with rising geopolitical ambition, it follows that China's arrival as a great power is likely to create policy contradictions as it strains old loyalties and diplomatic commitments, for example, to solidarity among developing countries. None of this is entirely good news for a world that faces urgent global challenges that appear to be overwhelming the capacity of existing international institutions to produce meaningful cooperation. But it matters for understanding how the world works.

Table 1. Key global governance clubs, 2013

	G7/G8	UNSC Permanent 5	Major Economies (aka "Financial") G20
Advanced industrial countries	Canada France Germany Italy Japan United Kingdom United States	France United Kingdom United States	Australia Canada France Germany Italy Japan United Kingdom United States EU
BRICS	Russia	China Russia	Brazil China India Russia South Africa
Other emerging economies			Argentina Indonesia Mexico Russia Saudi Arabia South Africa South Korea Turkey