

## The BRICS Challenge for Global Economy Institutions. The Meaning of the New Development Bank



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**Abstract.** Global economy institutions are now acknowledged to be in crisis be they the IMF, the World Bank or the WTO. The increasing role of the BRICS as a group aiming for global governance rule setting marks a substantial shift in our understanding of that system. In the path toward this aim, BRICS countries clearly moved from an “Voice or Exit” posture to an of “Voice and Exit” and then to the open creation of an alternative to “Global West” generated economic institutions. By doing so they demonstrated the accumulation of structural power leading to the creation of the New Development Bank. In turn, this creation allowed the BRICS countries to strengthen their structural power. The diminishing share of the “global West” in the world GDP and the growth experienced by “emerging powers” like China and India has pushed toward obsolescence most of the global economy institutions that were generated in the past-Second World War and the Cold War. Global economy governance has fallen from “Global West” hands partly because of these objective changes and partly because of subjective factors like an ill-fated US policy, a generalization of the practice of unilateral – hence illegal – sanctions, and partly because a reluctance, and even an open opposition, to reform existing global economy institutions. Countries from the “Global South” are now looking to BRICS countries and their structural power with an increasing sympathy.

**Key words:** BRICS, exit, global economy, global governance, Global West, Global South, international institutions, international monetary system, multilateralism, New Development Bank, structural power, voice.

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## Introduction

The challenge BRICS countries are presenting to “Global West” generated economic institutions is now becoming more and more acknowledged. In the wake of the 16th BRICS Summit that has taken place in Kazan from October 22 to 24, 2024 it is time to look at this topic generated literature.

It is now widely accepted that institutions of the global economy, to one degree or another, are in crisis. At different levels, whether the IMF, the World Bank or the WTO, these institutions are finding it increasingly difficult to adapt to a rapidly changing world and an unstable geopolitical situation. One of the main reasons for this situation is the emergence of a large group of countries which are now questioning the model of global governance and the balances established at the end of the Second World War. The emergence of BRICS, and since January 2024 of BRICS+, is the cumulative result of a long history of dissatisfaction with the functioning of these institutions of the global economy. The Kazan 2024 summit, the 16th BRICS summit, has showed the increasing leverage of this organization. Could BRICS+ develop new institutions capable of challenging or replacing global institutions emerging from the Bretton Woods framework? This is an important question arising from the growing importance of BRICS.

The growing role of BRICS as a group aiming to establish rules for regional and even global governance marks a substantial shift in our understanding of the international system (Duggan et al., 2021). Two clearly divergent attitudes have existed. The first has seen the BRICS+ working towards a redistribution of power within global governance but without major changes to the rules of the game. In this scenario the BRICS were mostly supporting Western values and norms, but tried to exercise a growing influence in their implementation. This attitude lost its appeal by the end of the 2010's. The second attitude has seen BRICS and BRICS+ clearly questioning Western

values and norms and trying to make their own set of values and norms to dominate at least at a regional level, but now more and more at a global level. The transition from the first to the second attitude has been the determining fact of the recent years, at least since the COVID-19 crisis.

For more than ten years there has been a debate in the academic world which focuses either on the role of BRICS+ in the transformation of the hierarchy of the world order but in a logic where these countries play the established game, or which focuses on the national sources of formation of the preferences of the nations which form BRICS, which implies an analysis of the position of the different States in this global game and their possibility of modifying its content and its form. This paper will use two theoretical notions, Susan Strange's structural power and Alfred Hirschman “voice or exit” to envision the power of BRICS+ countries to “change the rules of the game”. It will specifically examine how the BRICS-created New Development Bank (NBD), till 2024 the BRICS' main attempt at institutional strengthening, could challenge, or complement, existing global institutions, as a case study.

The paper will be organized as follow. In a first part, we will examine the crisis – latent or open – of international economic institutions (IMF, World Bank and WTO), and in a second part, we will examine the rise to power of the BRICS and their transformation into BRICS+. In a third part we will then mobilize the theories of structural power of Susan Strange and the articulation between the logics of “voice” and “exit” (or defection) of Alfred Hirschman, and will focus on their relevance to our subject. Finally, the fourth part will examine how the creation of the NBD constitutes both an application of the logic of “exit” and can also be analyzed in terms of structural power, and how this NBD is different, and can represents an alternative to existing international financial institutions.

### The institutions of the global economy in crisis

The institutions supposed to govern the world economy, some of which emerged from Bretton Woods like the IMF and the World Bank, or from American hegemony such as the WTO, have gone through a prolonged period of crisis and inconsistency (Sinclair, 2012). They failed the promise of a good governance of the global economy for all (Mearsheimer, 1995).

The crisis of international economic organizations began more than 25 years ago, when the IMF proved incapable of stopping the Korean and then Asian crisis of 1997 (Wade, 1998). The rejection by the United States of the Japanese proposal to create an “Asian Monetary Fund” was not accompanied by a strengthening of the IMF’s capacity for action. If this failure demonstrated at the time the weakness of non-American institutional capacities, it also showed that dissatisfaction with the “Western-centric” functioning of the IMF was significant (Lipsky, 2003; Narine, 2003). The renewed inability of the IMF to prevent the rapid spread of the 2008 crisis (the so-called “subprime” crisis (Bibow, 2010; Conway, 2006)) confirmed the crisis of governance in the global financial world (Boughton, 2006; Dreher, Vaubel, 2004).

This crisis is paradoxically coupled with a latent crisis of the dollar, resulting from the very political implementation of US measures, such as the Foreign Corrupt Practices Act<sup>1</sup> and the Foreign Account Tax Compliance Act<sup>2</sup> and from the decision of the American authorities to consider that any use of the dollar would automatically bring foreign companies under American law. This was severely restricting the notion that the US Dollar was a kind of “common goods” that could be used by anyone to trade or invest. As the US Dollar was the main instrument IMF used these measures had direct impact on the credibility of the IMF. A French

parliamentary report written in 2016<sup>3</sup> shows that the main problem comes from the fact that transactions must necessarily go through an American bank to “purchase” dollars, thus falling under American law. These measures have therefore accelerated the phenomenon of crisis in international governance institutions. But this crisis was also indirectly affected by the politization of the “big three” rating agencies and by the fact that powers belonging to what can be called the “Global West” had opposed to really open the door to emerging countries like China and India (Kuznetsov, 2022). Countries of the “Global West” have tried to maximise what can be called a “financial rent”, sometimes coupled to what amounts to a “technological rent”<sup>4</sup>. This was raising the issue of the international financial institutions reformability with a direct impact on the global economic governance (Larionova, Kirton, 2018; Larionova, Shelepov, 2022). The fact that the expansion of the eurozone economy is now fast declining and the weakening of the competitive advantages of European union has led to a weak position of the Euro in the International Monetary System (Polivach, 2020; Shchegoleva, Malsagova; 2020), concentrating all the problems on the US Dollar and its governance.

The IMF was clearly the most exposed to criticism institution (Syed, Sukar, 2018; Hackler et al., 2020). It is well known that structural adjustment policies have aroused much anger and discontent in many countries (Bussmann, Schneider, 2007; Hartzell et al., 2010). This started in the 1980s (Walton, Ragin, 1990; Walton, Seddon, 1994) and has continued unabated until today. The IMF’s policies

<sup>3</sup> <http://www.assemblee-nationale.fr/14/rap-info/i4082.asp>. A more recent report from the French National Assembly is also available: *Rétablir la souveraineté de la France et de l’Europe et protéger nos entreprises des lois et mesures à portée extraterritoriale*, Paris, Assemblée Nationale, 26 juin 2019. Available at: <https://www.vie-publique.fr/sites/default/files/rapport/pdf/194000532.pdf>

<sup>4</sup> Transformation of the global economy: Opportunities and risks for Russia. Report. Published July 2024. Available at: <https://ecfor.ru/publication/transformatsiya-mirovoi-ekonomiki/>

<sup>1</sup> <https://www.justice.gov/criminal/criminal-fraud/foreign-corrupt-practices-act>

<sup>2</sup> <https://home.treasury.gov/policy-issues/tax-policy/foreign-account-tax-compliance-act>

reflect a substantial rhetorical and political continuity with neoliberalism (Weisbrot et al., 2009b), even if one can note – but mainly for European countries – pronounced discontinuities in these two areas (Gabel, 2003). But the IMF is struggling today to maintain its capacity to implement structural adjustment policies and to remain the benchmark in many countries (Gabel, 2011).

The question of a possible reform of the IMF has become central since the subprime crisis (Weisbrot, Johnson, 2009) and the rise to power of emerging countries, including China but also India. However, attempts to reform this institution have remained limited (Weisbrot et al., 2009a). The end result is that, in the “Global South”, the legitimacy of the IMF has been significantly eroded and the demand for an alternative organization has become increasingly evident. It is true that analysts have long suspected that politics plays a large part in the International Monetary Fund’s lending operations (Bird, 1996; Thacker, 1999) and that that organization could be largely influenced by the U.S. Treasury (Sapir, 2000a). This hypothesis has certainly not been sufficiently specified, but it would be largely consistent with the notion of “hegemony” (Cohen, 1986; Keohane, 1984; Schoultz, 1982). Clearly, political alignment with the United States, the IMF’s largest shareholder, increases a country’s likelihood of receiving an IMF loan<sup>5</sup>, or of benefiting from more favorable conditionality clauses (Sapir, 2000a). One would have thought that the end of the Cold War would have brought about a change on this point (Killick, 1995). This was not the case and it would be a mistake to think that the IMF would have become less politicized since the end of the Cold War. In fact, work suggests that political influence has actually increased since 1990 (Soo, Russett, 1996). The behavior of multilateral

organizations always remains determined by the political interests of their most powerful member states.

China has attempted to increase its influence within the IMF (Ferdinand, Wang, 2013) and has been, to some extent, successful in doing so. A good example of such collaboration is the entry of the Renminbi (RMB) into the Special Drawing Rights basket in 2016<sup>6</sup>. Much like the United States and other developed Western economies, China has also made decisions regarding its collaboration with international financial institutions (IFIs) based on its own interests and objectives regarding key economic and political issues, with a long-term project of internationalization of its currency (Cohen, 2012). In fact, when China’s interests and objectives converge with those of the IMF, its collaboration with the IMF tends to produce an outcome that meets China’s needs. However, if China and the IMF have divergent interests and objectives, the result of their collaboration, or more precisely their non-collaboration, can prove significantly destabilizing (Kent, 2007). China’s relationship with the IMF in reality depends heavily on its relationship with the United States (Foot, Walter, 2011). Since Obama’s second term and Trump’s presidency, the deterioration of these relations has made relations with the IMF increasingly problematic. This trend has continued under Biden’s presidency<sup>7</sup> (Kim, 2023). Yet the IMF remains responsible for regulating, for better or worse, global finances and debts. Despite the strong discontent it has aroused, no new institution has so far emerged to challenge its domination. However, this could change with the creation of the New Development Bank.

<sup>5</sup> Rowlands D. (1995). Political and Economic Determinants of IMF Conditional Credit Arrangements: 1973–1989” (Manuscript, Norman Paterson School of International Affairs, Carleton University, Ottawa, Ont.)

<sup>6</sup> Donnah S., Anderlini J. IMF poised to admit China’s renminbi in elite currency basket. Available at: <http://www.ft.com/intl/cms/s/0/fd81211a-96a9-11e5-9228-87e603d47bdc.html#axzz48GqVm2L2>.

<sup>7</sup> Li M., Hernandez B. US-China relations in the Biden Era: A timeline. Available at: <https://www.china-briefing.com/news/us-china-relations-in-the-biden-era-a-timeline/>

The World Bank has also faced deep criticism since the 1990s<sup>8</sup> (Bello, Guttal, 2005; Girdwood, 2007; Rappleye, Leang, 2018; McCormack, 2018). Disenchantment with the policies of the World Bank is not new (Collier, 1997; Easterly, 2002), nor are calls for a reform of this institution (Mosley et al., 1995). Its alignment with American policy was one of the points that many critics noted (Andersen et al., 2006; Clark, Dolan, 2021).

For most of the post-war period, the Bank enjoyed a near-monopoly in two areas: financing and knowledge of development problems and processes. Although the World Bank retains its importance in development knowledge, the development finance sector has become more competitive thanks to the creation of a series of new institutions by emerging countries (Güven, 2017). The risk that the World Bank will become just another aid agency run by rich countries to help poorer countries has been clearly identified (Birdsall, Subramanian, 2007; Birdsall, Scott, 2016). Some national state-owned giants, such as the China Development Bank and China Exim Bank (Kopiński, Qian, 2014), have reportedly (at least in some years) provided more loans to Africa than the World Bank. This situation obviously raises embarrassing questions.

The COVID-19 crisis, which is now seen as one of the clearest wake-up calls for the survival of multilateralism, has only added to pressure<sup>9</sup>; rich countries channeling their resources and attention inward rather than displaying a particular desire to fight the pandemic outside their borders<sup>10</sup>. In fact, the World Bank is struggling to find a response to the questioning of its legitimacy and the crisis of

irrelevance that have haunted it for years. Clearly, the BRICS New Development Bank (NDB) could be one of the possible players to challenge the supremacy of the World Bank (Kanbur, 2017).

Then, there is also the WTO which has reached the end of its potential as we saw with the failure of the “Doha Round” (Stephen, 2019). At the time of its establishment in 1995<sup>11</sup>, two of the main functions of the World Trade Organization were to “provide a forum for negotiations among its members regarding their multilateral trading relations”<sup>12</sup> and to “manage the Understanding on Rules and Regulations and procedures governing the settlement of disputes”<sup>13</sup>. The latter function was carried out by the Dispute Settlement Body (DSB), described as the “crown jewel” and “central pillar of the multilateral trading system”<sup>14</sup> (Creamer, 2019).

But very quickly, the so-called “developing” or “emerging” countries increasingly had the feeling that they were the losers of the Uruguay Round, that they had obtained a bad agreement and that they had to give much for a deceptive reward. For example, they quickly realized that the agreement on agriculture and the agreement on textiles and clothing were far from giving them access to the market of developed countries, which was in fact one of the reasons why they joined the WTO (Jones, 2009). The attempt to launch the “Doha Round” therefore ended in a resounding failure. Overall, the negotiations were so divisive and unsuccessful that it is now common to speak of the “death of the Doha Round”. In response, more and more states have turned to bilateral and regional economic partnerships. The recent conclusion of such agreements, also called “new

<sup>8</sup> Woods N. (2003). Unelected governments: Making the IMF and World Bank more accountable. Available at: <https://www.brookings.edu/articles/unelected-government-making-the-imf-and-the-world-bank-more-accountable/>; Why the World Bank must do better at Doing Business. Available at: <http://www.ituc-csi.org/why-the-world-bank-must-do-better?lang=en/>

<sup>9</sup> <https://www.bloomberg.com/news/videos/2020-05-21/reinhart-says-covid-19-is-the-last-nail-in-the-coffin-of-globalization-video>

<sup>10</sup> Guterres A. (2020). Global wake-up call. Available at: <https://www.un.org/en/coronavirus/global-wake-call>

<sup>11</sup> On replacement of the GATT by the WTO, see Sapir J. (2022). *Le Protectionnisme*. Paris: PUF, Coll. Que-Sais-Je.

<sup>12</sup> WTO, Marrakesh Agreement Establishing the World Trade Organization, 15 April 1994, 1867 UNTS 154, Arts. III.2 and III.3

<sup>13</sup> WTO, Understanding on Rules and Procedures Governing the Settlement of Disputes, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 33 ILM 1197, 15 April 1994

<sup>14</sup> Payosova G., Hufbauer C., Schott J.J. (2018). The Dispute Settlement Crisis in the World Trade Organization: Causes and Cures. Policy Brief, 18-5.

generation agreements”, such as the Trans-Pacific Partnership Agreement or the ill-fated CETA or Comprehensive Economic and Trade Agreement between the European Union and Canada, as well as the long-lasting negotiations on The Regional Comprehensive Economic Partnership, led by China and including 16 states in Asia and Oceania, are probably the best examples of this trend<sup>15</sup>.

The result has been a considerable increase in regional agreements that violate WTO principles. From 2009 to 2022 their number increased from 287 to 577<sup>16</sup>. This is both clear an indicator of the WTO crisis and a confirmation of the growing weight of regionalism (Lebedeva, Kuznetsov, 2019; Izotov, 2021). The number of of new protectionist measures introduced against other countries increased too (Kuznetsov, 2022, p. 191). Was the reduction in global trade the result of these measures or, to the contrary, was these measures a reaction to the stagnation and decline of the global trade is still to be demonstrated (Sapir, 2021).

It is now clear that the institutions of the global economy are in crisis, whether open or latent. It is, at the same time, the product of the crisis of the “Washington Consensus” with which the IMF and the World Bank were associated (Sapir, 2000b), the result of a radical change in the balance of economic powers since the 1990s, of prolonged or too late reforms and the emergence of a new collective actor, the BRICS. This actor is now powerful enough to bring about significant changes in the governance structure of the global economy. In the fight for radical reform of global economic institutions, it could call for either a greater share of existing institutions or a complete change in the rules and norms defining those institutions. In fact, both directions are causing a major crisis in existing institutions. But a crisis never end by itself.

Indeed, the crisis and even the collapse of institutions dating from the period of domination

<sup>15</sup> Harding R., Reed J. Asia-Pacific countries sign one of the largest free trade deals in history. Available at: <https://www.ft.com/content/2dff91bd-ceeb-4567-9f9f-c50b7876adce>

<sup>16</sup> WTO. Regional Trade Agreement Database. Available at: <http://rtais.wto.org/UI/charts.aspx>

of the “Collective West” will not be complete until new institutions are created to replace the old ones. In fact, what we call a “crisis” is the period of time between the inability of old institutions to play their usual role and the emergence of new institutions that could replace them<sup>17</sup>.

We must then look at possible schemes for institutional creation, and in particular on the case of the New Development Bank.

### **From BRICs to BRICS+: Two decades of progress**

The emergence of the BRICS, then the BRICS+, was certainly the most important event of the last twenty years (Cochrane, Zaidan, 2024). The accession of four new countries in January 2024, and the probable accessions in the coming years, show the dynamism and the power of attraction of this organization<sup>18</sup>. This has been recently acknowledged by the European think tank “Bruegel” itself<sup>19</sup>. We must therefore examine BRICS progress over the past years to understand the underlying currents that have strained the institutions of the global economy.

The acronym BRIC – Brazil, Russia, India, China – was introduced into our popular language by Jim O’Neill, an economist at Goldman Sachs twenty years ago<sup>20</sup>. His article analyzed the spectacular economic growth that this group of countries would experience, as well as the implications of these future trends for the international political economy. A process which began in 2006 alongside the UN General Assembly and was institutionalized in 2009 during the first meeting in Yekaterinburg, the 16th

<sup>17</sup> A. Gramsci: “The crisis consists precisely in the fact that the old dies and the new cannot be born: during this interregnum we observe the most varied morbid phenomena”. In Gallimard, Paris (ed. R. Paris) translation of Gramsci, *Cahiers de Prisons*, Cahier 3, §34, p. 283.

<sup>18</sup> Hancock T., Cohen M. How BRICS became a club that others want to join. Available at: <https://www.bloomberg.com/news/articles/2023-11-03/how-brics-became-real-and-invited-saudis-iran-egypt-uae-ethiopia-argentina>

<sup>19</sup> Garcia-Herrero A. BRICS is becoming a more solid construction. Available at: <https://www.bruegel.org/first-glance/brics-becoming-more-solid-construction>

<sup>20</sup> O’Neill J. (2001). Building better global economic BRICs. Available at: <https://www.goldmansachs.com/insights/archive/building-better.html>

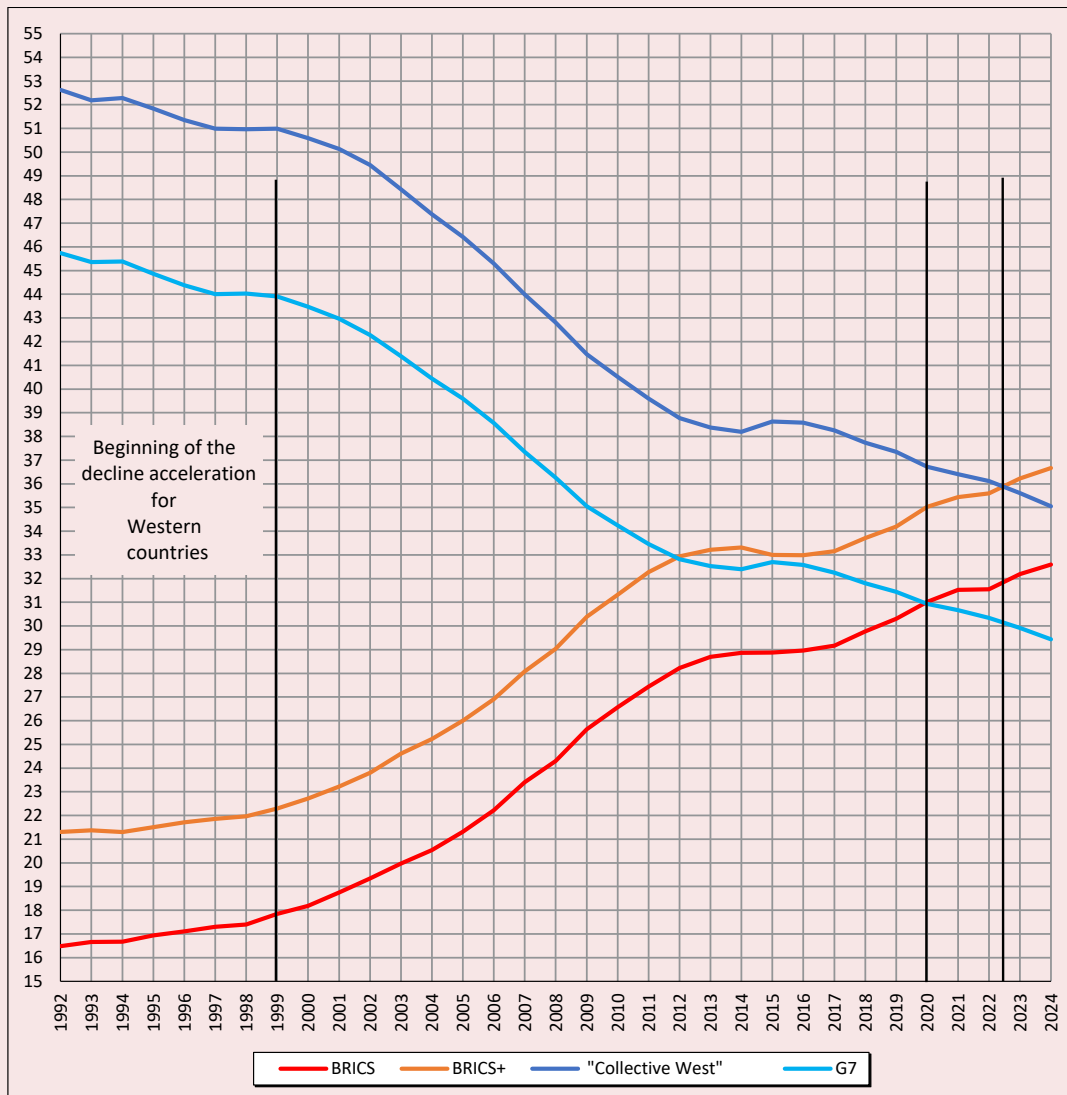
having taken place in October 2024 in Kazan. The impact of this new organization considerably increased in a world where regionalism was increasingly more relevant (Kuznetsov, 2020). The development of this new trend of regionalism (Voskressenski, Koller, 2019), the result of failures of a “Global West” led globalization was probably instrumental in the development and the success of the BRICS (Shlykov, 2017; Voskressenski et al., 2017).

During these three fateful years, the world was faced with a major financial crisis, known as the “subprime crisis”, which neither the United States

nor the IMF could manage or even control (Sapir, 2009). In retrospect, it is clear that this sparked the desire of the four countries to try to organize a better system of governance of currency and trade (Nayyar, 2016). In 2011, South Africa joined this group of countries as the most economically successful country in the Global South, bringing the BRICs into the BRICS.

With this addition, the BRICS countries represented 26% of the world’s landmass and total global GDP (in PPP) rising from 25.6% in 2009 to 32.2% at the end of 2023 (Figure). The assertion

BRICS and BRICS+ shares in world GDP in PPP compared to Western countries



Source: IMF.

that the BRICS represent the interests of the “global majority” is gaining credibility<sup>21</sup>. The creation of the BRICs, then BRICS, was greeted with both a certain skepticism and cautious enthusiasm depending on the opinions of different authors, being variously described as a sort of “loose association”, a “Potemkin village” for some<sup>22</sup>, or “club of coincidences of interest” (Saran, 2015). Quite clearly the “Global West” has been uneasy with BRICS development (Pavlenko, 2009). However, over time, this group has grown significantly in influence. This has been confirmed at the 16th BRICS summit in Kazan where a status of “partner countries” has been englobing now 13 countries<sup>23</sup>.

These are undoubtedly countries with common economic aspirations and similar ideas about the type of multilateralism and the changes in the global political economy that would be necessary to achieve it. In a sense, the BRICS could be seen as a continuation of the so-called “Primakov Doctrine” as explained by S.V. Lavrov<sup>24</sup>. Clearly, this organization is playing a considerable role in the Russian foreign policy, well before the beginning of armed operations in Ukraine in 2022 (Kadyshev, 2010; Larionov, 2012; Il'in et al., 2013). Nevertheless, it is these underlying economic aspirations that have served to reinvigorate capital flows within and between BRICS countries amid a financial vacuum in a post-financial crisis world (Radulescu et al., 2014). In fact, BRICS has grown, attracting more and more countries. In 2023, during the 15th summit, the organization decides to admit 6 new countries. Even though only five of these

<sup>21</sup> BRICS expresses interests of global majority, says Russian Presidential Aide Ushakov. Available at: <https://brics-russia2024.ru/en/interview/yuriy-ushakov-briks-na-dele-vyrazhaet-interesy-mirovogo-bolshinstva/>

<sup>22</sup> Pomeranz W. Why Russia needs the BRICS. Available at: <https://globalpublicsquare.blogs.cnn.com/2013/09/03/why-russia-needs-the-brics>

<sup>23</sup> <http://www.republicworld.com/world-news/kazan-declara%on-adopted-at-brics-summit>

<sup>24</sup> Lavrov S.V. In the near future, historians will formulate such a concept as the “Primakov doctrine”. ITAR-TASS. Available at: <http://itar-tass.com/politika/1537769>

countries accepted (for political reasons, Argentina declined the invitation), the BRICS transformed into BRICS+ on January 1, 2024 with a common GDP (in PPP) of 36.2%. The BRICS have become the equal of the G7, and the BRICS+ have reduced the gap with what we can today call the “collective West”. The possible accession of Saudi Arabia and the formal accession of Iran naturally has an important political, but also commercial, significance<sup>25</sup>.

But it will be a mistake to think that BRICS are only concerned with trade, money and finance. BRICS can be seen as a tool to foster technological cooperation to enable countries to overcome what has been called the “technological rent” of the “Global West” (Edler et al., 2023). The development of technological sovereignty has been defined by a lot of countries as a priority target. But, technological sovereignty could be better reached by cooperation than by an ill-fated return to autarky (March, Schieferdecker, 2023; Gareev, 2023). In this context, the BRICS relevance for Russia could be quite an important one (Dezhina, Gareev, 2024). Quite clearly the BRICS could foster cooperation and collaboration (de Oliveira et al., 2018), enabling country members to strengthen their technological sovereignty (Rensburg et al., 2015; Sidorova, 2018). The development of relations between Brazil and India (Lema et al., 2015), and of course between China and Russia is exemplifying this process Gao Jixiang, Jiang Jing, 2022; Changjun, Kolesov, 2022). Such a cooperation could also have a specific aspect, like cooperation on the “Arctic Route” which could have a considerable importance for both Russia and China (Yaxin Wang, 2023).

In the meantime, it was clear that “globalization” had entered a deep crisis (Sapir, 2015), a crisis that was recognized even in the Bretton Woods organizations. Carmen Reinhart, the World Bank’s

<sup>25</sup> Harmon R. How Saudi Arabia’s BRICS membership could affect trade in the region. Available at: <https://www.logisticsmiddleeast.com/business/how-saudi-arabias-brics-membership-could-affect-trade-in-the-region>



chief economist, went so far as to say that the COVID-19 pandemic was the “...final nail in the coffin of globalization”<sup>26</sup>. BRICS then became an ambitious bloc with its own internal dynamics that held annual summits, had diplomatic ambitions, engaged in large-scale infrastructure projects within their national borders as well as transnational projects. in their regions. BRICS flexed its economic might by creating a new lending institution – the New Development Bank which admitted countries not yet BRICS members<sup>27</sup> – and by challenging the hegemony of European and North American countries in international finance. This creation was very important. This is the first institutional creation in this extremely sensitive area not generated by Western countries.

The underlying economic aspirations of the BRICS carried with them the questioning and even the replacement, of the Bretton Woods institutions. The NDB served to reinvigorate capital flows within and between BRICS countries amid a financial vacuum in a post-financial crisis world. In 2017, almost a decade after the 2008 financial crisis, BRICS accounted for 19% of global investment flows (Garcia, Bond, 2019). Much of these financial flows have been channeled into capital-intensive infrastructure projects. The regional role of BRICS is now obvious (Chakraborty, 2018), and it is slowly expanding towards a global role<sup>28</sup> (Loewe, 2016).

The BRICS countries, however, have experienced a radical transformation of their political-economic structure since the 1990s. A common denominator between the heterogeneous

experiences of economic development of these countries and their position as economically successful countries has been the way in which the state has actively taken policy measures to mobilize resources, trade policies, public procurement, promotion of public demand and provision of financial support (Santiago, 2020).

The role of the state in economic development has taken different forms in the BRICS countries (Di Maio, 2015), but it has been, and remains, undoubtedly important. Through this dimension in their development, these countries are now launching both an implicit and explicit challenge to the global economic institutions created by and oriented towards the West. However, such a challenge must be defined. Will it be adaptive or radical in nature and how will it accommodate the growing structural power of BRICS?

#### **Institutional power and institutional strengthening**

But what is the true nature of the challenge posed by BRICS (and now BRICS+)? To understand the dynamics at play, it is appropriate to take up here theoretical elements of International Political Economy but also other theories. Two major concepts are emerging with a high heuristic potential, the one of “structural power”, mostly associated to Susan Strange’s name, and the one of “Voice” and “Exit” associated to Alfred Hirschman’s one.

BRICS and BRICS+ are both a political grouping and an economic grouping. The economic and political power of this group has increased in recent years, but more specifically since 2020 and the COVID-19 crisis. Symbolically, and to a certain extent, they can be considered representative of what is now called the “Global South”<sup>29</sup>.

<sup>26</sup> <https://www.bloomberg.com/news/articles/2020-05-21/reinhart-says-pandemic-is-last-nail-in-globalization-s-coffin>; <https://www.hks.harvard.edu/centers/mrcbg/programs/growthpolicy/reinhart-says-covid-19-last-nail-coffin-globalization-carmen>

<sup>27</sup> NDB admits Egypt as new member. Press Release on 29th December 2021. Available at: [https://www.ndb.int/press\\_release/ndb-admits-egypt-as-new-member](https://www.ndb.int/press_release/ndb-admits-egypt-as-new-member)

<sup>28</sup> <https://www.banque-france.fr/en/publications-and-statistics/publications/expansion-brics-what-are-potential-consequences-global-economy#:~:text=With%20the%20expansion%2C%20the%20new,of%20commitment%20to%20inclusive%20multilateralism>

<sup>29</sup> Carvalho L.R. BRICS: The global south challenging the status-quo. Available at: <https://globaleurope.eu/globalization/brics-the-global-south-challenging-the-status-quo/>; Expansion of BRICS: What are the potential consequences for the global economy? Available at: <https://www.banque-france.fr/en/publications-and-statistics/publications/expansion-brics-what-are-potential-consequences-global-economy>

It is in this context that the creation of the New Development Bank must be appreciated. One might have thought that the NDB would be a sort of internal arrangement aimed at encouraging investment and trade within the BRICS perimeter (Morozkina, 2015). But BRICS members decided from the outset to make the NDB a multilateral institution capable of operating beyond the BRICS perimeter. This decision changed the meaning of the creation of the NDB. The NDB then developed partnerships with different States and financial institutions, but on a very pragmatic basis (Nanwani, 2024), aiming to gradually expand its reach. It developed a specific program for the ecological transition and then competed directly with the World Bank (Braga et al., 2022). The creation of the NDB was therefore the first, and so far most, important attempt at institutional strengthening of the BRICS. It can be argued that the NDB is both a symptom and a source of structural power for the BRICS. This first involves reviewing what “structural power” is and how this concept should be used.

Structural power (Fairfield, 2015; Culppeper, 2015; Hayward, 2018; Godefroid et al., 2024) is generally considered to be power located among its obligatory, institutional and relational dimensions inherent in “a social structure beyond any conscious exercise” (Barnett, Duvall, 2005). This structural power contrasts sharply with relational power, which emphasizes efforts to maximize values within a given set of institutional structures. Structural power emphasizes a meta-power that refers to efforts to change institutions (or change the game). It is clear that the BRICS+ are trying here to question, modify and perhaps even change global governance (Stuenkel, 2016).

Susan Strange is certainly the author who has devoted the most effort to reintroducing the notion of power in international economics and she contributed to the creation of International Political Economy (Cohen, 2008). But while she rightly argued that power was and remains central to the

international political economy (Poast, 2019), she also attempted to define and refine the notion of “power.”

Susan Strange defines structural power as the power to shape and determine the structures of the global political economy within which other states (Strange, 1994), their political and legal institutions, and their economic enterprises interact. This can be understood as the power to define the rules of the game or the explicit or implicit norms of behavior. Strange then identifies four key power structures in the global economy which are (1) security, (2) production, (3) finance and (4) knowledge. Among these, it defined the financial structure as the core of global economic governance, hence the relevance of international financial markets (which can acquire their own dynamics (Strange, 1986; Strange, 1998)) and of a multilateral development bank like the NDB, especially since the latter was not created by Western Powers. This is particularly important considering that “structural power” has a close connection with the concept of “hegemony” (Katzenstein et al., 1998). It also argues that the financial structure of the global economy rests on two pillars, the political economy structures through which credit is created and in which power is shared by governments and banks, and a second pillar consisting of national monetary systems creating the global superstructure (Strange, 1994).

But Susan Strange analysis is not without raising a certain number of questions. The first is that such an approach has an unintentional character. This means that the different strategies of the actors or long-term projects are not taken into account. The second is that it is too narrow and excludes the ability to shape international trade institutions. The third focuses on an insufficient theoretical explanation of the causal mechanisms of structural power.

Yet the notion of “structural power” is of central importance, even more so when we remember that Strange defined it as the power to shape and determine the structures of the global political economy, a power that is now more crucial than

ever. The problems raised undoubtedly concern more than one form of incompleteness of the theory developed by Susan Strange. They do not question the central importance of the concept of structural power. What is really important for us is to understand how the creation of the NDB by the “structural power” of BRICS affected the financial structure visible in the shift from “power to influence” to “power to harm”.

For 15 years we have been confronted with a declining superpower (the United States) which has attempted to maintain a residual capacity to influence international decisions, either by joining forces with other Western countries or through unilateral actions. On the other hand, we have contesting powers, the BRICS countries, which have gradually moved from a form of relative compatibility, which is not an identity, with the old vision of superpower to an obvious incompatibility and even to the expression of openly contradictory opinions. It is this conflict, or at least this clash of divergent interests, that is important here.

No one would dispute that the United States and, globally, the so-called “Collective West” had, and still has, a strong, if largely eroded, structural power of their own, especially regarding the financial structures that they were accustomed to completely dominating. It remains to be seen whether the BRICS countries have reached the point where they, too, will have significant structural power in this area with the capacity to challenge Western hegemony. There has been major a global shift here (Roberts et al., 2017).

Unquestionably, the rise of BRICS in the field of development financing has been significant (Schirm, 2010). As described above, the NDB has developed different types of partnerships, in different areas, and has acquired an extremely important level of competence and credibility. This implies a level of confidence never before experienced by countries attempting to challenge the hegemonic power(s) of the West. This shows that the new actors no longer see the compatibility

of interests and ideas with the old dominant ones.

This is a new and important development. Two of the major BRICS countries, China and India, appeared to share ideas and representations with the “Global West” in the 1990s and early 2000s (Ju, 2018). The same can be said for Russia, at least until the financial crisis of 2008–2010. Whatever conflict of interests may have existed in other areas (and one of the most important was the civil war in the former Yugoslavia and the Kosovo question in 1998–1999), Russia had accepted the American financial hegemony and had tried to make the best use of it. But after the “subprime crisis”, the situation began to quickly change. One author focused on the advice provided by the IMF during the 2008–2010 crisis to explain that a conflict could then have broken out and that this could explain the transition from compatibility to incompatibility (Chin, 2010). In reality, the conflict between Russia and the IMF is much older than that, dating back to the Russian financial crash of 1998 (Sapir, 1998; Sapir, 1999a; Sapir, 1999b). But this conflict did not prevent Russia, once its situation had stabilized, from resorting to global financial markets and, in general, from playing the game of financial globalization at least until 2010/2012. It is therefore from the “subprime crisis” that an awareness of the incompatibility of Russia’s interests with the hegemony exercised by the United States in the financial and commercial fields dates. Here we must take up the possible reasons for a policy of “rupture”, we will call it below a policy of “exit”, on the part of the BRICS countries.

A possible explanation lies in the failure of Western states, and in particular the United States, to deal with this crisis. This assessment could have been shared at least by China, India and Russia, and could have convinced China to build what has been called the “Great Wall of Money” (Chin, 2014). This was noticed to a certain extent by B. Bernanke himself<sup>30</sup>.

<sup>30</sup> Bernanke B. (2015). China’s gold star. Available at: <http://www.brookings.edu/blogs/ben-bernanke/posts/2015/12/01-chinas-gold-star>.

Another possible explanation could be the trend towards increasing politicization of the economy, which became evident since 2014–2016, first with the implementation of sanctions against Russia (2014), Iran, then with the trend to the unilateral use of the dollar position by the United States which was described at the beginning of the first part of this article.

Whatever the dominant cause, and it must be remembered that the two can combine, the change is now evident. Even though we are still quite far from the talk of “de-dollarization” and the creation of a “common BRICS currency”<sup>31</sup>, it is clear that the BRICS countries have assumed an offensive stance against the post-Bretton Woods world order.

Strange’s structural power approach focuses on determining the social capabilities of different actors. This approach, when complemented by a constructivist approach to international normative structures, can prove very useful when considering the new role of BRICS in global governance. We can see a step towards a good institutional indicator of BRICS performance in global economic governance.

Yet fully analyzing the emergence of BRICS in global governance requires a new structural approach to power. Here we should mention Douglass North who could give us some clues about the trade-off that underlies the process of creating a new institution versus the process of attempting to change, or evolve, the existing institution (North, 1990). But it is even more fruitful to rely on Alfred Hirschman’s concept of “exit pressure against the use of voice”. This concept allows us to understand the path taken by BRICS countries in using their growing “structural power”. It enables us to better understand the evolution of their position toward “Global West” generated institutions from the beginning in 2005 to the current situation.

<sup>31</sup> BRICS currency “plausible alternative” to dollar hegemony. Available at: <https://www.globaltimes.cn/page/202305/1290700.html>

Hirschman’s concept is centered on the exit-voice pair, to which can be added “loyalty” (Hirschman, 1970). It implies that the cost of leaving a group or a given institution is represented by the risk of a situation of fragmented multilateralism, and where the cost of an insufficient “voice” would mean a reduced capacity to influence the principles and procedures of development financing, and then to accept decisions which are not good for its own interests.

This couple is established when one member demands increased decision-making power and is ready to assume the cost by increasing the resources it puts into the system while being authorized to do so by the dominant actors (here “the Collective West” or what we call the “Global West”). In the present case of BRICS, their demand for increased decision-making power within global governance institutions increased their latent discontent to the extent that the dominant countries seemed unwilling to listen to their “voice”. This led to the search for alternative means to strengthen their power by creating institutions parallel to the institutions established, directed and generated by the West.

The New Development Bank, seen from this angle, can be seen as a materialization of the “exit” option. BRICS countries have chosen an alternative option rather than trying to influence – through “voice” – existing institutions. But they did so at the cost of fragmented multilateralism. What is interesting then is why the BRICS countries have chosen this option and explored it further in recent years. During the initial phase of BRICS existence (2006–2012), it seems that they tried to make Western countries listen to them. In fact, they were not taken seriously, at least at first.

A possible interpretation could be that, seeing their demands for more equality within international institutions globally rejected or ignored and on the other hand the inability of the United States and other countries to calm and control the

“crisis of subprimes”, the BRICS countries have deliberately chosen an exit strategy. But, even after making this choice, they tried to present the NDB as complementary to existing financial institutions (Shetiya, 2017), as a kind of mixed strategy combining “voice AND exit”, at least until 2016/17, before turning away from it and to start challenging them directly. This would mean that BRICS countries exercised a considerable degree of caution and only decided on a full “exit” strategy after being convinced that no other options existed.

This also raises the question of understanding why the countries of the “Global West” neither knew nor wanted to hear the demands of these countries and locked themselves into their certainties of always being able to have the means of control over the global economy. The announcement at the BRICS 16th summit in Kazan<sup>32</sup> of the creation of the BRICS-Clear system<sup>33</sup>, of a common BRICS company for insurance and re-insurance<sup>34</sup> and the organization of a foodstuff market to complement and even replace the Chicago’s one is showing that BRICS structural power is indeed on the rise. It confirms that adoption of an “exit” strategy has become the main way for BRICS countries, even if they still commit to some other institutions, like the United Nations Organisation<sup>35</sup>, but with making some strong recommendations for them, a good

example of a “voice” strategy backed by the previous example of an “exit” one. It seems then that BRICS countries are aware of the “Global West” residual structural power and don’t want to enter into a logic of global confrontation.

### **What is the New Development Bank for in this context ?**

We must then gradually move from economics to politics, more or less along the same path as Susan Strange described. In the long struggle to make global governance just and fair toward “Global South” countries (Larionova, Shelepov, 2022), could the New Development Bank play a decisive role? Is the New Development Bank really different in its structure and practices from the international institution<sup>36</sup> generated by the “Global West” and does it represent a real alternative<sup>37</sup>? In other words, is the difference limited to the fact that the NDB is a “non-Western” institution OR is the NDB also different because it relies on different rules, and perhaps more favorable to emerging countries?

The Bretton Woods institutions were created under American hegemony. Even if it is less clear for the WTO, we can say that American influence was extremely strong in the passage of the GATT as it existed in the early 1960s and the WTO. Their weight was very strong in the establishment of internal rules of the WTO. This is not surprising if we consider the balance of power in 1944 or the early 1980s. We must not forget the importance of the “Washington Consensus” in shaping the decisions of the IMF and the World Bank in the 1990s. This had serious consequences, particularly in Russia (Sapir, 2000b). But the creation of the

<sup>32</sup> Kazan Declaration: “Strengthening Multilateralism for Just Global Development and Security”. Available at: <http://static.kremlin.ru/media/events/files/en/RosOySvLzGaJtmx2wYFv01N4NSPZploG.pdf>; <https://www.mea.gov.in/bilateral-documents.htm?dtl/38450/Kazan+Declaration++Strengthening+Multilateralism+For+Just+Global++Development+And+Security>

<sup>33</sup> Kazan Declaration, #65, #66, #67; BRICS states to study possibility of establishing BRICS Clear infrastructure – Declaration. Available at: <https://tass.com/world/1860743>; BRICS summit: Key takeaways from the Kazan declaration. Available at: <https://www.reuters.com/world/factobox-main-points-brics-declaration-2024-10-23/>; Ledger Insights – Blockchain for business. BRICS+ expands plans from DLT payments to DLT clearing and depository”. Available at: <https://www.ledgerinsights.com/brics-expands-plans-from-dlt-payments-to-dlt-clearing-and-depository/>

<sup>34</sup> Kazan Declaration, #66.

<sup>35</sup> Kazan Declaration, #8, #11, #15.

<sup>36</sup> Kasahara S. BRICS New Development Bank: Its birth & major implications to international political economy. Available at: <https://www.semanticscholar.org/paper/BRICS-New-Development-Bank%3A-Its-Birth-%26-Major-to-Kasahara/01ab0d7c433df04b4ecc4a71c44ddc0998eb1eb6>

<sup>37</sup> Toussain E. Are the BRICS and their New Development Bank offering alternatives to the World Bank, the IMF and the policies promoted by the traditional imperialist powers? Available at: <https://www.cadm.org/Are-the-BRICS-and-their-New-Development-Bank-offering-alternatives-to-the-World>

NDB took place in a very different context and we must go back to the creation of the NDB and its development.

As we have already said, the creation of a New Development Bank was first considered by the BRICS countries in 2012, but the formal agreement was not signed until 2014 in Fortaleza and the inaugural meeting of the board of directors took place on July 7, 2015<sup>38</sup>. The NDB became operational in 2016 with its headquarters in Shanghai<sup>39</sup>. It opened its first regional offices, the first dedicated to Africa<sup>40</sup>, in 2017, followed by a second regional office in 2019 in São Paulo, then another office in India and Russia. In 2021, it welcomed two additional members (Bangladesh, United Arab Emirates) and a third in 2023 (Egypt). At that time, these new members were not members of BRICS. Uruguay also had the status of a “potential member”, which was admitted by the Board of Governors of the NDB and will officially become a member country once it deposits its instruments of accession<sup>41</sup>. The NDB has an initial authorized capital of 100 billion USD, divided into one million shares with a par value of one hundred thousand dollars each.

The founding members of NDB carried out an initial subscription of five hundred thousand shares for a total of 50 billion USD, including one hundred thousand shares corresponding to a paid-up capital of 10 billion USD and four hundred thousand shares corresponding to a callable capital of 40 billion USD. The initial subscribed capital was distributed equally among the founding members. Membership in the Bank is open to all members of the United Nations, which means that the bank expects a large number of future memberships. The bank’s strategy

<sup>38</sup> Agreement on the New Development Bank – Fortaleza, July 15. Available at: <https://www.ndb.int/wp-content/themes/ndb/pdf/Agreement-on-the-NewDevelopment-Bank.pdf>

<sup>39</sup> <https://www.wsj.com/articles/brics-agree-to-base-development-bank-in-shanghai-1405453660>

<sup>40</sup> <https://www.ndb.int/about-ndb/history/>

<sup>41</sup> <https://www.ndb.int/about-ndb/members/>

was quickly defined and objectives were set for the years to come<sup>42</sup>. It signed its first loan at the end of 2016<sup>43</sup> and its loan portfolio quickly grew with the development of sovereign loans and loans with sovereign guarantee<sup>44</sup>. Emphasis was placed on national development and partnership with other financial institutions<sup>45</sup>. We are therefore facing an institution which aims to be truly international (not limited to the members of the BRICS) and which, at least in its texts, does not pose itself as an alternative, even if it begins, in reality, to constitute one.

It now remains to be seen what the diffusion of power is within the NDB. We can think that the diffusion of the power of this new institution could be conditioned on two main factors: first the size of the shareholders (China could appear as the dominant power) and then the relations between borrowers and lenders (Humphrey, 2014). But if these criteria are to be applied to the NDB, we see that the composition of the bank has a much more multilateral perspective than that of the IMF or the World Bank. The distribution of shareholding, initially equally between each BRICS member, bears witness to this. In addition, there is a community criterion which fits well into the perspective of an emerging market economy. The fact that there is no main shareholder and that the power of the NDB is not exercised in a single common region is one of the proofs of this (Cooper, 2017). The NDB presents itself as a unique case

<sup>42</sup> NDB’s General Strategy: 2017–2021. Available at: <https://www.ndb.int/wpcontent/uploads/2017/08/NDB-Strategy.pdf>

<sup>43</sup> <https://web.archive.org/web/20161230160655/http://www.ndb.int/NDB-SIGN%20-FIRST-LOAN-AGREEMENT-FOR-FINANCING.php#parentHorizontalTab2>

<sup>44</sup> New Development Bank policy on sovereign loans & loans with sovereign guarantee. Available at: <https://www.ndb.int/wpcontent/uploads/2017/02/Policy-on-Sovereign-Loansand-Loans-with-SovereignGuarantee.pdf>

<sup>45</sup> New Development Bank policy on partnerships with national development banks. Available at: <https://www.ndb.int/wpcontent/uploads/2017/02/Policy-on-Partnershipswith-National-Development-Banks.pdf>

among international financial organizations because it is not polarized, neither formally nor informally, by a single “dominant” country, but is in reality “multi-polarized”.

In terms of the borrower-lender relationship, existing multilateral development financial institutions have generally established two forms of mutually exclusive relationships: the borrower-lender relationship and the borrower-borrower relationship<sup>46</sup>. The first is strictly a dependency relationship that results in benefits for the lender. The NDB presents a non-mutually exclusive situation and is open to both types of scenarios. The bank’s borrowing strategy is both borrower-lender and borrower-borrower<sup>47</sup>, through the guarantees it grants. This has led to the development of financial products that bank members and non-members can access at market value<sup>48</sup>. The NDB therefore differs from the classic institutional paradigm established in other international financial institutions as observed by Chris Humphrey (Humphrey, 2015). These two conditions have become important variables that impact the level of power diffusion.

The structural power approach then provides a good framework for defining the interests and capabilities of shareholders (the BRICS themselves) and the new power relations created via lending programs that have new alternative practices, as shown in a very informative table that can be found in the recent article by (Duggan et al., 2022). From an analysis based on the memoranda of understanding on the lender’s side, they show that the structure of the NDB differs significantly from that of other Multilateral Development Banks

or MDBs (Hooijmaaijers, 2021). Its architecture is clearly innovative (Acioly da Silva, 2019). This contribute to shape the NDB’s strategy, not only in financial terms but also in terms of medium and long-term objectives. The NDB presents what is today a unique and homogeneous structure, where the shareholding structure of the historical (and founding) NDB members amounts to just over 18% per member, meaning that each of the BRICS shares a equal power. This allows each of its members to set an agenda with priorities for emerging economies. The NDB is quite obviously the materialization of emerging powers challenge to the “Global West” dominated global governance (Stephen, 2014). The same could be said of the China-led Asian Infrastructure Investment Bank (AIIB) that is frequently associated to the NDB (Andronova, Shelepov, 2019; Larionova, Kirton, 2018).

But the NDB also differs from the AIIB. While both banks were conceptually born from non-Western powers, China is dominant within the AIIB while the NDB focuses on equal shareholder power. It is also important to note that the NDB’s lending strategy differs from that of other MDBs, and in particular the World Bank. MDBs are providers of financial resources and, from this point of view, all that matters is how shareholders satisfy formal or informal economic and political conditions. The shareholder structure of Multilateral Development Banks has, in fact, a significant impact on the determination of the actions of these banks (Humphrey, 2016). Borrowing countries with recurring borrowing and having recorded fiscal improvements can modify the conditions required for trade. This results in an increase in the “voice” of these specific borrowers in MDB decision-making processes and a breakdown in borrower equality. The NDB, because it creates an alternative outside the current system of MDBs which until now defined the system of global economic governance, connects the two parties and offers the countries of

<sup>46</sup> New Development Bank policy on loans without sovereign guarantee to national financial intermediaries. Available at: <https://www.ndb.int/wpcontent/uploads/2017/02/ndb-policy-on-loans-without-sovereignguarantee-to-nationalfinancial-intermediaries-20160121.pdf>

<sup>47</sup> New Development Bank policy on loans to international organizations. Available at: <https://www.ndb.int/wp-content/uploads/2019/09/Policy-on-Loans-toInternational-Organisations.pdf>

<sup>48</sup> New Development Bank projects. Available at: <https://www.ndb.int/projects/list-of-allprojects/page/3/>

the “Global South” an alternative which possibly strengthens their capacity to negotiation whether with the IMF or the World Bank when it does not allow them to bypass these last two institutions.

This approach is interesting because it allows us to define the conditions that determine real change in terms of power structure. Of course, NDB is new in terms of its operations history, having started lending in late 2016 but it has reached a non-return point on its trajectory (Trajber-Waisbich, Borges, 2020). There are then some limitations to using this bank as a case study. But the relevance of this case study is inescapable as the NDB has seen its power and influence grow steadily over the past year. What is more, its symbolic dimension, as the first international financial institution created by countries belonging to what we today call the “Global South”, gives the NDB a special place within international financial institutions, being both a complement AND a challenge to already existing financial institutions. This promotes new rules and standards. But it is not the only issue related to the NDB creation.

The NDB has frequently seen as a possible challenge to the dollar<sup>49</sup>, in the wake of what is called a regionalization of the global economy (Novoselov, Faleev, 2023), and with the open aim in several countries to regain their global sovereignty (Arnold, 2020). The fact that the international monetary system has become dysfunctional is an open secret for years (Kondratov, 2015; Kondratov, 2017). The potential for what is called “de-dollarization” is quite important (Saaida,

2024; Liu, Papa, 2022; Aggarwal, 2020; Guliyeva, Rzayeva, 2017), and the more so when it is coupled with regional growth and an important impact on global growth (Parinenko, 2020). The BRICS have already fostered payment in national currencies for intra-BRICS trade but it raised some problems of compensation (Karataev et al., 2017). The fact that in a multi-polar world the dominant position of the US was to be contested has been acknowledged by different authors (Guttmann, 2022; Levy-Yeyati, 2021; Li, 2023; Eichengreen, 2011), and the fact that it has been the target of some BRICS member is also obvious (Chen, 2023). However, such an aim could induce tremendous political consequences (Saaida, 2023), even if it could help other developing countries (Pham, 2017). The current Kazan summit (October 2024) decisions to implement the BRICS-Clear clearing system, combined to the creation of a BRICS insurance and re-insurance compagnie, is the actual proof that this organization harbours, more or less quietly great ambitions.

We have now to go back to the institutional generation capacity of BRICS countries and of their “structural power”. As a matter of fact we are probably beyond the “Voice or Exit” or the “Voice and Exit” strategy of the past years (Mazenda, Ncwadi, 2016). BRICS countries have most probably “crossed the Rubicon” and their path is now an open alternative (if not already leading to a kind of conflict) with the one of the “Global West”. The NDB therefore presents itself as a unique case for assessing the “structural power” of the BRICS. Talks about the Bretton Woods institutions failure or obsolescence have been aplenty. Still, so far it has just been talks. No country, or group of country, had the “structural power” to develop alternative institutions. The fact that BRICS achieved that with the NDB creation means two things. First, the “Global West” structural power has been seriously eroded since the 1997–1998 financial crisis. Remember that the USA has been able, by the to block a Japanese attempt to create a kind of “Asiatic

<sup>49</sup> Petro-Yuan or Petro-BRICS: The need for better alternative reserve currencies to break dollar dominance. Available at: <https://www.forbesindia.com/article/bharatiya-vidya-bhavan039s-spji...r-alternative-reserve-currencies-to-break-dollar-dominance/84063/1>; O’Neill J. A BRIC threat to the dollar? Available at: <https://www.project-syndicate.org/commentary/brics-plus-and-the-future-of-dollar-dominance-by-jim-o-neill-2023-04>; Russia, China plan to counter dollar dominance with BRICS payment system. Available at: <https://www.domain-b.com/economy/world-economy/russia-china-plan-to-counter-dollar-dominance-with-brics-payment-system>



IMF". But the NDB existence also shows that this BRICS "structural power" is very real and could be compared to that of the countries of the "Global West".

But, if the NDB creation confirms that now BRICS structural power is at least comparable to the one of the "Global West" there is another face to the coin. By its existence, and the financial operations it conducts, the NDB seems sufficiently different from those of other MDBs for it to have become an important pole of attraction, at least for the countries of what we call the "Global South" (Thirlwell, 2014; Thompson, de Wet, 2017). The fact that the "Global South" as reacted so well to BRICS initiatives since 2022/2023, and particularly to Kazan summit decisions and the creation of an official status of "partnership" to the BRICS gives us an indication of how well BRICS initiatives contained in the NDB creation and expansion have been received. This power of attraction therefore allows now the BRICS to strengthen their "structural power". Therefore, the analysis goes beyond the classic "cause-consequence" framework and becomes dialectical. If the "structural power" of the BRICS was sufficient for them to create and develop an institution like the New Development Bank, this in return boost them and gives them additional "structural power" of which only the future will tell us how it will be implemented.

### Conclusion

The development of the global economy since the late 1990s has led to dramatic changes in the balance of political and economic power. Far from signifying an "end of History", the end of the Cold War generated significant changes which now bring conflicts of interest, but also conflicts of representation and therefore clashes over norms and rules. The importance of these conflicts should not be underestimated. They will probably structure the world in the next twenty years.

The emergence of BRICS+ symbolizes one of the possible new structuring of the world. The fact that the BRICS+ countries were pushed into a logic

of open protest against the world dominated by the "Collective West", while initially they were just looking for acceptable modifications to this world, says as much about the rise in power of these countries than on the lack of intelligence of the G-7 countries which did not know how, and undoubtedly did not want to, grant them the place that logically deserved them in international institutions. The current logic of confrontation is largely the product of this incapacity, or this ill will.

The decreasing share of the G-7 and the "Global West" in global GDP and conversely the growth that "emerging powers" like China and India have experienced have probably pushed most economic institutions towards obsolescence. Global crises caused by the Second World War and the Cold War. The governance of the world economy fell into the hands of the West partly because of these objective changes and partly because of subjective factors such as unfortunate American policy, a generalization of the practice of unilateral sanctions – therefore illegal – and in part because of a reluctance, if not outright opposition, to reform existing global economic institutions in time. In the negotiation game between countries' use of "voice" and that of "exit" from the existing system, the solution of "exit" has slowly become dominant due to the combination of these factors.

It should be remembered that the BRICS countries were initially extremely reluctant to choose an "exit" strategy. If their "voices" had been listened to and heard in the early 2000s, it is likely that they would not have chosen such a strategy. But the "exit" option is not, and cannot be, complete until new institutions are created. The disappearance of "old" institutions is never complete before "new" institutions appear.

In this process, the impact of BRICS has been decisive. The fact that the BRICS countries have started to flex their muscles in terms of institution building with the creation of the NDB and now with the 16th BRICS summit in Kazan is extremely important. It is not a surprise that these countries

have focused on one financial institution – the NDB – which aims at supplementing and may be one day as replacing both the IMF and the World Bank. The New Development Bank, with its different set of rules and standards, probably shows that the collapse institutions created by the West is an unavoidable fact in the next 15 or 20 years to come. In this regard, the creation of the NDB constitutes a strategic turning point of prime importance. It is both a sign of the “structural power” acquired by these countries and an instrument for developing and strengthening this same structural power.

The choice of an “exit” strategy by the BRICS countries, and now BRICS+, does not, however, resolve one last question. Will the global economy move towards stabilized fragmentation, implying that “Western” institutions could survive, albeit in a reduced form, to manage the fragment represented by the “Western” economy, or new institutions, coming from the “Global South”, will they be able to confer on these countries the hegemony which would subsequently allow them to reunify the world economy around new rules of governance.

This remains to be seen and is part of history that remains to be written.

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