

Institutionalizing South-South Cooperation: Towards a New Paradigm?

BACKGROUND RESEARCH PAPER

Oliver Stuenkel

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Institutionalizing South-South Cooperation: Towards a New Paradigm?¹

Oliver Stuenkel (oliver.stuenkel@fgv.br)

Introduction

What influence do attempts to emerging powers² to institutionalize South-South Economic Cooperation (SSEC)³ have on established multilateral institutions in a multipolar world? What principles and paradigms, in comparison to existing structures, is South-South cooperation based? These questions have gained growing importance since the end of the Cold War, when emerging powers in the Global South began to try to diversify their partnerships. Since then, an important element of their diversification strategy has focused on strengthening ties with other developing countries.

While developing countries articulated their desire for greater cooperation since the Bandung conference in 1955 as they sought to promote economic and cultural cooperation on the basis of mutual interest and respect, it is quite clear that the challenge that today's rising powers pose to global governance is of a qualitatively different nature to that of previous Third World political movements, such as the Non-aligned Movement the G-77⁴, and their efforts in the 1970s to set an agenda for a 'New International Economic Order'. There is thus a fundamental difference between historical and contemporary SSEC regarding their

¹ Oliver Stuenkel (oliver.stuenkel@fgv.br) is Assistant Professor of International Relations and Coordinator of the School of Social Science (CPDOC) at Fundação Getulio Vargas (FGV) in São Paulo, Brazil

² There is no consensus on what constitutes an emerging power or a rising power. While China is at times called a rising power (see, for example, Ikenberry, G. John. *The Future of the Liberal World Order*, Foreign Affairs, Vol. 90, No. 3, 2011, pp. 56-68, and Ann Florini, *Rising Asian Powers and Changing Global Governance*, International Studies Review, Vol. 13, No. 1, 2011, pp. 24-33), others argue that it is well-established within today's institutions such as the UN Security Council (Johnston, Alastair Iain, *Is China a Status Quo Power?* International Security, Spring 2003, Vol. 27, No. 4, pp. 5-56). Brazil and India are at times called 'middle powers' (Alden Chris and Marco Antonio Vieira, *The new diplomacy of the South: South Africa, Brazil, India and trilateralism*, Third World Quarterly, Vol. 26, 2005, No 7, pp. 1077-1095), 'rising powers' (See, for example, Hurrell, Andrew. *Lula's Brazil: a rising power, but going where?* Current History, February 2008) or emerging powers (Cohen, Stephen Philip. *India: Emerging Power*, Brookings Institution Press, Washington, 2002), the latter two of which will be used interchangeably here, as is commonly done. See, for example: Schweller, Randall. *Emerging Powers in an Age of Disorder*, Global Governance, 17, 2011, pp. 285–297.

³ SSEC can cover trade, finance (e.g., loans from national development banks; financial market development), investment (FDI) and technology and knowledge transfer. Keohane defines multilateralism as "the practice of coordinating national policies in groups of three or more states." (Keohane, Robert O. *Multilateralism: An Agenda for Research*, International Journal 45, Autumn 1990, p. 731.) Ruggie adds that "what is distinctive about multilateralism is not merely that it coordinates national policies in groups of three or more states, which is something that other organizational forms also do, but that it does so on the basis of certain principles of ordering relations among those states." (Ruggie, John Gerard. *Multilateralism: the Anatomy of an Institution*, International Organization, Vol. 46, No. 3, Summer, 1992, pp. 561-598) I define multilateral principles here as universality, non-discrimination, inclusiveness and transparency. The practice of multilateralism by the liberal democracies after World War II was, although highly imperfect, based on a set of principles of conduct which rendered segments of the post-war international order into more cooperative settings, such as the United Nations. A readiness to give up some sovereignty or to cooperate on the basis of reciprocity are also important elements of multilateralism.

⁴ For the South-South Cooperation principles see <http://www.g77.org/doc/Declaration2009.htm> , paragraph 70, as reaffirmed in the Ministerial Declaration of the 33rd Annual Meeting of the Ministers of Foreign Affairs of the Member States of the Group of 77 and China, 25 September 2009, New York, USA.

relationship with and attitude to West-led international economic institutions. Emerging powers in the Global South share the fact that their recent growth owes much to their extensive and increasing international engagement, rather than to any partial withdrawal or ‘de-linkage’ from the global economy.⁵ At the same time, the assumption that the less advanced economies could progress by de-linking from the advanced economies remains valid for some proponents.⁶

The past two decades have seen a surge in South-South economic cooperation— including trade, investment, development assistance and other financial flows.⁷ For example, Brazil’s trade with Africa increased between 2000 and 2012 from US\$4 bn. to US\$28 bn. Brazil has now 37 embassies on the African continent, more than the United Kingdom. China has turned into Africa’s most important trading partner. China has also become Brazil’s, South Africa and India’s most important trading partner over the past years, in a clear signal that South-South trade was growing at consistently higher rates than North-South trade. Trade between Africa and the BRICS has grown so fast that it now even exceeds intra-BRICS trade.⁸ The value of exports from developing countries to other developing countries (“South-South” trade) now exceeds exports from poor countries to rich ones (“South-North” trade).⁹ By comparison, in 1985, South-South trade only accounted for 7 percent of overall trade.¹⁰ Furthermore, China, India and Brazil are also increasingly active as so-called ‘emerging donors’, both in Africa and in their respective neighborhood, and the past years have witnessed an unprecedented growth of what can be called ‘South–South aid.’¹¹ Finally, several groupings have emerged over the past decade where countries from the Global South seek to discuss issues ranging from domestic challenges such as health care and education to global topics such as climate change and the reform of global governance structures.

Its growing scale, intensity, and modalities of SSEC have called for institutional frameworks to sustain these linkages. This is also the case because it is believed that there is considerable potential for even further growth in SSEC over the coming decades, as they remain – compared to North-South cooperation – largely underdeveloped. Interesting indicators are direct international intra-South flight connections, which remain far less frequent than between the South and the North. Traditionally, trade and transport ties have been strongest between established powers (Europe and North America) and emerging powers, but not

⁵ Gray, Kevin and Craig N. Murphy. *Introduction: rising powers and the future of global governance*, Third World Quarterly, Volume 34, Issue 2, 2013.

⁶ Moore, Candice. *BRICS Partnership: A Case of South-South Cooperation?* Institute for Global Dialogue, 2012.

⁷ Jha, Shikha and Peter McCawley. *South–South Economic Linkages: An Overview*, ADB Economics Working Paper Series, No. 270, August 2011.

⁸ Stevens, Jeremy and Simon Freemantle. *BRICS trade is flourishing, and Africa remains a pivot*, Africa Macro Standard Bank, EM10&Africa, February 12, 2013.

⁹ O for a beaker full of the warm South, *The Economist*, January 19, 2013; <http://www.economist.com/news/finance-and-economics/21569747-poor-countries-other-poor-countries-matter-more-rich-ones-o-beaker>

¹⁰ *Handbook of Statistics Online*, United Nations Conference on Trade and Development, UNCTAD website, 2009, at <http://www.unctad.org/Templates/Page.asp?intItemID=1890&lang=1>

¹¹ Quadira, Fahimul. *Rising Donors and the New Narrative of ‘South–South’ Cooperation: what prospects for changing the landscape of development assistance programmes?* Third World Quarterly, Volume 34, Issue 2, 2013.

between emerging powers. The general expectations of growing South-South relations are the main driver of new structures such as the BRICS¹², IBSA¹³ and BASIC¹⁴ groupings.

The African Union (AU), the Association of Southeast Asian Nations (ASEAN), the Shanghai Cooperation Organization (SCO), Mercosur, the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and the South Atlantic Peace and Cooperation Zone (ZPCAS) are other institutional structures, some of which have attained importance in both the economic and the political realm – principally the AU, ASEAN and Mercosur. In addition, the South America- Africa Summits (ASA) and the South America – Arab countries Summits (ASPA) are part of an increasingly complex institutional structure of SSC.

Yet generally speaking, existing structures are regarded to be tailored towards the modalities of North-South cooperation, and few of them of accorded high priority to strengthening South-South cooperation. In the same way, there are few regional institutional arrangements that promote South-South cooperation.

The rise of more institutionalized forms of SSC has led to debates on their implications for multilateralism in global governance.

On the one hand, some argue that it undermines the spirit of multilateralism and risk further fragmentation of institutional frameworks for international cooperation. Realist thinkers in particular would not expect existing multilateral structures to withstand significant shifts of power. Liberal thinkers, on the other hand, would expect emerging actors to integrate into existing structures or respect established principles. They also believe that if new institutions arise, this would foster innovative modalities of problem-solving ('best practices') and policy coordination in the era of multipolarity.

This leads to the policy-relevant question of how these newly born institutional arrangements position them in relation to existing multilateral institutions – will they cultivate healthy competition to improve the efficiency and robustness of existing multilateral institutions, or will they exacerbate coordination problem breeding inward-looking bloc thinking? How do the principles and modalities of SSC institutions differ from the existing framework, what implication they bring for global governance, and what strategic actions can be done to foster synergies between SSC institutions and existing multilateral ones?

This paper seeks to develop a conceptual framework of recent attempts to establish SSEC institutional structures that may facilitate their evaluation in the larger context of multilateralism. Perhaps one of the most important questions regarding the growing attempts to institutionalize South-South Cooperation is how they relate to existing multilateral institutions, and in how far it already presents an attempt to establish new development paradigms. For example, will the BRICS Development Bank, an institution agreed upon

¹² Grouping that includes Brazil, Russia, India, China and South Africa.

¹³ Grouping that includes India, Brazil and South Africa.

¹⁴ Grouping that includes Brazil, South Africa, India and China.

during the 5th BRICS Summit in Durban, operate, regarding its lending instruments and conditionalities, under premises radically different from those of the World Bank? What are the other ideas emerging powers are introducing in the context of new institutional arrangements that may change the way we think about development and multilateralism? Or are these new institutions merely an extension of “best practices” developed in existing institutions, filling a gap that existing ones cannot fill due to a lack of resources?

This relates to the larger question of whether and how South-South cooperation qualitatively differs from South-North cooperation, and how these differences can be translated into clear norms and rules that sustain an institutional framework – thus allowing for a real conversation to take place. Many analyses of South-South cooperation are based on the implicit and somewhat vague assumption that trade between Southern states would be less exploitative than that between the South and the North; and, the belief that economic interactions between states of the South would be more responsive to the development needs of the South. The idea of South-South co-operation evokes a positive image of solidarity between developing countries through the exchange of resources, technology, and knowledge. According to that narrative, South-South cooperation aims to discover and exploit the principle of ‘complementarity’ in production, consumption, trade, investment, and technological and development cooperation. These processes may in turn generate forward and backward linkages, which eventually may produce positive synergies across Southern economies.¹⁵ These assumptions have tangible consequences. For example, in World Trade Organization (WTO) circles and discussions, South-South trade is often viewed as invariably positive— not to be disturbed and certainly to be enhanced. Any measure that might lessen the flow of South-South trade is viewed negatively, almost to be avoided at all costs.¹⁶ As a consequence, there is strong enthusiasm for South-South cooperation, leading to its inclusion on many countries’ foreign policy agendas, in the strategic planning of various organizations, and in the research agendas of some scholars.

However, this narrative is not entirely uncontested. For example, critics of the assumption that South-South cooperation is always beneficial for all those involved have pointed to what they call the BRICS’ “Scramble for Africa”, indicating that South-South cooperation is increasingly similar to North-South trade as emerging power such as Brazil, India and China are transforming themselves into major poles of the global economy, and as disparities within the Global South increase.¹⁷ As Bond argues, like the meeting in Berlin in 1884–85, the 5th BRICS summit that took place in March 2013 in Durban, South Africa – during with the BRICS decided to create their own development bank - sought to “carve up Africa”, unburdened by ‘Western’ concerns about democracy and human rights.¹⁸ It seems clear that

¹⁵ See, for example: *South-South Cooperation: Issues and Emerging Challenges*, Conference of Southern Providers, April 2013.

¹⁶ Kwa, Aileen. *The Challenges Confronting South-South Trade*. In *South-South Cooperation: The Same Old Game or a New Paradigm?* International Policy Centre for Inclusive Growth, Number 20, p. 9.

¹⁷ Ladd, Paul. *Between a rock and a hard place*. In *South-South Cooperation: The Same Old Game or a New Paradigm?* International Policy Centre for Inclusive Growth, Number 20 p. 5.

¹⁸ Gray, Kevin and Craig N. Murphy. *Introduction: rising powers and the future of global governance*, *Third World Quarterly*, Volume 34, Issue 2, 2013.

South-South cooperation cannot be delinked from power and politics – especially since we are witnessing an increasing hierarchization of the Global South. It is thus perhaps unsurprising that the most recent models of South-South cooperation are not occurring in the context of large groupings such as the G77, but small outfits such as IBSA and BRICS, made up some of those countries with the most successful economic trajectory over the past decades. This question is not new. Prior to the 2nd BRIC Summit in Brasília, in 2010, Rathin Roy, head of IPC-IG, a joint project between UNDP and the Brazilian government to promote South-South Cooperation, asked:

Will the rise of the emerging economies portend just a broadening of the “great game”, the only result being a little more elbow room for developing countries in their engagement with the G-20 economies? Or will the global South seize this opportunity to forge a new and more inclusive paradigm that secures faster and more sustainable development for all citizens?(...) Can we look forward to exciting paradigm shifts in the discourses on global trade, aid, development cooperation and the rhetoric of best practice? Will emergent regional and global plurilateral groupings afford new avenues for effective development cooperation?¹⁹

In order to answer these questions, which have gained growing importance over the past years, this paper will look at the characteristics of new arrangements that can be classified as South-South Cooperation and compare them, as far as possible, with existing institutions. The focus will lie on the BRICS grouping, with a particular focus on the BRICS Development Bank, the BRICS Contingency Reserve Arrangement, and the IBSA Dialogue Forum as representatives of ‘new’ institutional set-ups in the realm of South-South cooperation.²⁰ The section of the BRICS Development Bank will be complemented by an analysis of the Latin American Development Bank (CAF), an outfit that, contrary to the more recent initiatives, exists since 1968. According to policy makers involved in the creation of the BRICS Bank, the Latin American Development Bank is frequently referred to as a model.²¹

These cases have been chosen primarily because they have emerged, over the past decade, as the pillars of emerging powers’ attempts to strengthen ties amongst each other. Arguably, they are the initiatives to which participating governments ascribe the greatest importance. Since 2009, for example, not a single BRICS leader has missed a yearly summit (as has been the case during G20 Summits, for example) underlining that the grouping represents a key element of participating countries’ attempts to institutionalize South-South cooperation. The institutions mentioned will be assessed within the analytical framework that categorizes

¹⁹ Introduction. Rathin Roy. Introduction. South-South Cooperation: The Same Old Game or a New Paradigm? International Policy Centre for Inclusive Growth, Number 20, p. 2.

²⁰ With the creation of alternative institutional structures, South-South cooperation is no longer limited to the fields of trade and industrial development, but has expanded to sectors such as education, health and social protection. In Silva, Michelle Morais de Sá. *How Did We Get Here? The Pathways of South-South Cooperation*, 2010. In South-South Cooperation: The Same Old Game or a New Paradigm? International Policy Centre for Inclusive Growth, Number 20, p. 4.

²¹ Interviews with South African, India and Brazilian policy makers involved in the creation of the BRICS Development Bank, 2013.

institutional structures according to issue focus and degree of formality and institutionalization, thematic focus (single or multi-thematic), and whether the institutions are capable of developing binding rules and norms that determine participating countries. This last question is perhaps the key litmus test regarding the degree of institutionalization of South-South cooperation.

The case of intra-BRICS cooperation

The BRICS grouping stands out as it includes a considerable and little known degree of multi-level cooperation between governments. This occurred partly due to its rather peculiar genesis: The BRIC label (then still without the capital S) emerged as an investment category in 2001, and only five years after the terms creation, in 2006, did policy makers from the BRICs²² countries begin to use it as a political coordination framework in the context of South-South cooperation. Informal meetings by the BRICs diplomats in 2006 and 2007 at the sidelines of the UN General Assembly went largely unnoticed, both within the BRICs and abroad.²³

The first meetings of BRICs representatives must be seen in the context of the beginning of the Western economic crisis – in effect, the crisis provided an ideal opportunity for the BRICs to develop common positions. In 2009 alone, BRICs Finance Ministers met three times. It was not only the crisis, but also the BRICs' capacity to respond – principally by providing the IMF with more funds – that allowed the group to adopt such an assertive stance. The historic IMF quota reforms of 2010 delivered a direct result of the BRICs' call for change.²⁴ It thus can be argued that it was only this very specific scenario – an economically struggling core and a prospering periphery – that allowed the BRICs grouping to assume the initiative and influence the global debate about how to respond to the crisis and about which changes were necessary in the global structure. Yet rather than establishing separate mechanisms of South-South cooperation, the BRICS preferred to preserve and reform the existing structures. The BRICS – which in late 2010 had invited South Africa as a fifth member – thus called for a redistribution of power in existing institutions towards emerging powers, but they notably refrained from articulating a new development paradigm or sought to undermine existing economic multilateral institutions, such as the World Bank or the IMF.

Since then, the BRICS have sought to coordinate their perspectives at G20 Summits – the BRICS' leaders convened prior to the G20 in June 2012 in Los Cabos (Mexico) to align their positions. While the BRICs' capacity to coordinate their positions during the G20 Summits has been mixed since the first summit in 2008, there are signs that this cooperation is set to continue – even though there is uncertainty about the continued relevance of the G20 itself.²⁵

²² South Africa joined the BRICs grouping in late 2010. Since then, it is called BRICS, with a capital “S”

²³ Reis, Maria Edileuza Fontenele. *BRICS: surgimento e evolução*. In *O Brasil, os BRICS e a Agenda Internacional*, Fundação Alexandre de Gusmão, Brasília, 2012, p. 36.

²⁴ Gros, Daniel. *The case for IMF Quota Reform*, Council on Foreign Relations Expert Roundup, October 11, 2012.

²⁵ Stuenkel, Oliver. *Can the BRICS cooperate in the G20? A view from Brazil*. SAIIA Occasional paper, December 2012.

At the same time, the BRICS' transformation into a political grouping are incipient at best, yet in some areas they have moved far beyond what is commonly thought – regarding IMF and World Bank voting behavior, for example, the BRICS have developed a relatively sophisticated coordination process that significantly increases their bargaining power in these multilateral bodies. And indeed, there are some signs that established powers have attempted to make existing institutions more attractive for emerging powers to reduce incentives to set up new institutions that could potentially undermine the multilateral principles of universality, inclusiveness and transparency, according to which today's structures mostly operate.

Still, in many other cases cooperation between the BRICS fails to materialize either because each member's position is too different, or due to limited organizational capacity that makes any meaningful cooperation difficult to implement. For example, Brazil and India have sought to distinguish themselves from China in their attempt to strengthen their economic presence in Africa – for example by seeking to boost skills transfer by hiring local workers for large infrastructure projects. There have been no attempts to establish a framework of rules regarding transparency and effectiveness to coordinate the BRICS' individual strategies as donors of development and humanitarian aid and loans.

Yet in addition to the yearly summits, numerous BRICS working groups and regular ministry-level meetings in areas such as finance, trade, and development cooperation have been established over the past two years, creating an unprecedented degree of interaction – more than fifty official meetings- between the BRICS countries. In addition, BRICS Competition Authorities, summit sherpas, Central Bank heads, urbanization experts, think tank representatives and business people began to convene regularly. The BRICS grouping thus serves as an important vehicle and channel to strengthen and slowly institutionalize SSEC between these five countries.

Interestingly enough, attempts to create links between emerging actors in the Global South have rarely been taken seriously by European and US-American analysts. This has occurred in particular with the BRICS grouping. Indeed, from the very beginning, many observers from the Global North pointed out that despite the acronym's attractiveness and its capacity to offer an easy account of a new distribution of global power, the category was inadequate for a more rigorous analysis given that the differences between the BRICS far outweighed their commonalities.²⁶ Yet despite such claims, the BRICS grouping matters because it may, in theory, undo one of the most important arguments in favor of enduring U.S. hegemony – namely, the assumption that China, India, Russia and other emerging powers will rather focus on competing against each other than unite against the United States. Indeed, the inclusion of Russia – arguably not an emerging power – is at times seen as proof that the BRICS' main objective is not to foster South-South cooperation, but to establish a counterpole to the United States. It is hard to deny that, despite the rhetoric of growing institutionalization of South-South cooperation, the BRICS may thus simply part of the cycle of the rise and fall of powers.

²⁶ Hurrell, Andrew. *Hegemony, liberalism and global power: What space for would-be great powers?*, *International Affairs*, Vol. 82, No. 1. 2006, p. 2.

In this context, realist thinkers such as Schweller and Pu argue that the formation of the BRICS alliance can be seen as the initial stage of the delegitimization of global order and the multilateral institutions that sustain it. In their view, growing SSEC amounts to balancing behavior against the United States and other established powers – and South-South cooperation tends to weaken existing multilateral structures and the principles that sustain them.²⁷ In the same way, Stephens predicts that the rising powers will not “play by the West’s rules.”²⁸ He expects rising powers to use their “newfound status to pursue alternative visions of world order”²⁹ and challenge the status quo, for example by joining hands with other rising powers and mounting a counter-hegemonic coalition.³⁰ Rising powers could create a parallel system with, as Weber puts it, “its own distinctive set of rules, institutions, and currencies of power, rejecting key tenets of liberal internationalism.”³¹ In the same way, Krasner expects that once the balance of power moves against the West, emerging powers will create different principles³², for example by introducing countervailing power against the U.S.-led Bretton Woods institutions.³³

Yet critics of this perspective argue that rather than undermining global order, South-South cooperation is largely based on the same principles that guide established structures – with the only difference that it invariably leads to a shift of power. Therefore, new institutional frameworks merely complement existing entities and pose no threat to their existence. Rather, they are a sign that emerging powers in the Global South are willing to share the costs and responsibilities of global system maintenance and of achieving jointly established goals such as the Millennium Development Goals (MDGs).

And indeed, based on the evidence gathered, there is little evidence to suggest that the BRICS grouping – one of the most visible institutional elements in the universe of South-South cooperation – seeks to weaken existing development paradigms in any fundamental way. Rather, one of the most important aims has been to increase each member’s bargaining capacity within existing institutions such as the World Bank and the International Monetary Fund. In this sense, the BRICS grouping does not seek to undermine or substitute existing structures. Quite to the contrary, the BRICS nations systematically voice their support for structures such as the UN and the G20, and their desire to reform the World Bank and the IMF should be seen as an attempt to strengthen the institution, not weaken it.

²⁷ Schweller, Randall L. and Xiaoyu Pu. *After Unipolarity. China’s Vision of International Order in an Era of U.S. Decline*, International Security, Vol. 36, No. 1, Summer 2011, p. 44.

²⁸ Stephens, Philip (2010). Rising Powers do not want to play by the west’s rules. Financial Times, May 20, 2010

²⁹ Narlikar, Amrita (2006). Bargaining for a Rise. *Internationale Politik*, 2006

³⁰ Sikri, Rajiv (2007). India’s Foreign Policy Priorities over the Coming Decade. *Opinion Asia*, 2007

Guimarães distinguishes between “normal” and “confrontational” states, categorizing Brazil as one of the latter. (Guimarães, Samuel Pinheiro (2006). *Desafios brasileiros na era dos gigantes*. Rio de Janeiro: Contraponto, 2006)

³¹ Barma, Nazneen, Ely Ratner and Steve Weber (2007). *A World Without the West*. National Interest, 2007. The authors identify a “third way” between alignment and confrontation, yet their scenario contains many elements of confrontation, as it is hardly possible to simply “ignore” the Western-dominated system without causing considerable friction.

³² Krasner, Stephen D. (1985). *Structural Conflict: The Third World Against Global Liberalism*. Berkeley: University of California Press, 1985

³³ Messner, Dirk and John Humphrey (2006). China and India in the Global Governance Arena. Conference Paper. Seventh Annual Global Development Conference: At the Nexus of Global Chance. Pre-Conference Workshop on Asian and Other Drivers of Global Chance. January 18-19, 2006

The BRICS grouping can thus be characterized as a very recent consultation platform with a broad issue focus and a relatively low degree of formality and institutionalization – particularly in comparison to established multilateral institutions. As a consequence, it has no binding rules, and membership therefore comes at virtually no cost. Despite the BRICS’ proposal of a development bank as an alternative to the World Bank, the BRICS initiative can be viewed more as a case of seeking a place at the table of global neoliberal economic governance, than a concerted effort to institutionalize South-South cooperation under fundamentally different paradigms.³⁴ This reflects the fact that despite their misgivings – many of them justified – emerging powers have benefitted enormously from today’s multilateral structures.

While the benefits of intra-BRICS cooperation are real, Murphy and Gray rightly argue that “the strong discourse of ‘South–South cooperation’ deployed by many of the rising powers might more accurately be seen as rhetoric with which to negotiate a stronger bargaining position within the US-centered world order.”³⁵

The BRICS Development Bank

The planned BRICS Development Bank may put that assessment into question. In 2011, during the 3rd BRICS Summit in Sanya, a study group was put together comprising representatives of the BRICS respective development banks – the BNDES³⁶, China Development Bank (CDB), the Bank for Development and Foreign Economic Affairs (Vnesheconombank, Russia), the Export-Import Bank of India (Eximbank, India) and the Development Bank of Southern Africa (DBSA) – with the goal to discuss ways to strengthen cooperation between them.³⁷

During the 4th BRICS Summit in New Delhi in 2012, leaders agreed to study the possibility of a joint development bank. In the following 12 months, a group of policy makers hailing from each country's Ministry of Finance and Foreign Ministry convened regularly and wrote a viability report, which was presented a year later, during the 5th BRICS Summit in Durban. There, the BRICS decided to move ahead and begin the process of setting up the institution aimed at "mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries". The BRICS bank would be the first large multilateral lender to emerge since the European Bank for Reconstruction and Development in 1991.

³⁴ Gray, Kevin and Craig N. Murphy. *Introduction: rising powers and the future of global governance*, Third World Quarterly, Volume 34, Issue 2, 2013.

³⁵ *Idem.*

³⁶ In 2010, the Bank disbursed the equivalent of US\$ 96.3 billion, a figure notably higher than other international development institutions, such as the World Bank, which disbursed US\$ 18.6 billion; the Inter-American Development Bank, US\$ 11.4 billion; and the Andean Development Corporation (CAF), US\$ 4.6 billion.

³⁷ BNDES website. BNDES signs agreement with BRICS development Banks. April 14, 2011; http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/Press/Noticias/2011/20110414_BNDES_BRICS.html

However, few details were revealed regarding how much each country would pay: "The initial contribution to the bank should be substantial and sufficient for the bank to be effective in financing infrastructure" the eThekweni Declaration reads.

This development is highly significant, for it is the first step towards institutionalizing the BRICS outfit, fundamentally altering its characteristics of a non-binding, informal consultation group. While most details about the Bank still need to be resolved, it is clear that operating such an institution will require the BRICS to agree on a set of guiding rules and norms. It will provide a unique opportunity to develop new development paradigms and, perhaps, start a global conversation between established lenders and rising powers about the future of development. The BRICS Bank could also be an important motor for change within established institutions such as the World Bank.

Over the past years, Nicholas Stern, Joseph Stiglitz, Amar Bhattacharya, and Mattia Romani have campaigned globally for such a bank - and it is largely based on their proposals that the Indian government chose to promote the issue within the BRICS framework in 2011. At the heart of their argument was the fact that currently many developing countries have large foreign exchange reserves and the question is whether these reserves can be beneficially pooled so that more of the savings can be invested rather than hoarded.

As the four economists point out in a recent article,²

*A new development bank is clearly needed. The infrastructure requirements in emerging-market economies and low-income countries are huge — 1.4-billion people still have no reliable electricity, 900-million lack access to clean water and 2.6-billion do not have adequate sanitation. About 2-billion people will move to cities in the next 25 years. Policy makers must ensure the investments are environmentally sustainable. To meet these and the other challenges, infrastructure spending will have to rise from about \$800bn to at least \$2-trillion a year in the coming decades or it will be impossible to achieve long-term poverty reduction and inclusive growth.*³⁸

Many emerging markets and all low-income countries require a major step increase in infrastructure investment to alleviate growth constraints, respond to urbanization pressures and meet their crucial development, inclusion and environmental goals.³⁹ In 2009, the World Bank estimated that Africa needs to invest 93 billion US-dollars in infrastructure every year to meeting national development targets.⁴⁰ The scale of infrastructure necessary to foster growth, overcome poverty and promote environmental and climate responsibility in emerging and developing countries, which are rapidly urbanizing, requires a step-change, perhaps of the order of \$1tn a year, in investment over the coming decades. In April 2012, shortly after the

³⁸ Nicholas Stern, Amar Bhattacharya, Mattia Romani, Joseph E. Stiglitz. A New World's New Development Bank. Project Syndicate. May 1, 2013

³⁹ Bhattacharya, Amar; Mattia Romani and Nicholas Stern. *Infrastructure for development: meeting the Challenge*, Policy paper, June 2012.

⁴⁰ *Africa's Infrastructure: A Time for Transformation*, World Bank, November 2009.

5th BRICS Leaders' Summit, where the Bank was first proposed, Romani, Stern and Stiglitz argued that such a new institution was "an idea whose time has come for a world in which emerging market and developing countries are becoming the drivers of growth and the drivers of savings."⁴¹

Since the summit in Durban in March 2013, the BRICS have set up an implementation committee to discuss the details of the Bank. Substantive details are unlikely to emerge before 2014, when the 6th BRICS Summit will take place in Fortaleza in Brazil. One institution studied carefully by the committee is the Latin American Development Bank (CAF), a 18-nation institution which funds more Latin American infrastructure than the World Bank and the Inter-American Development Bank combined. One particularly important detail about CAF is that, unlike the rest of the multilateral lenders in Latin America, it is the only one financed almost entirely by the same countries to which it lends.⁴² With the amendment of CAF's Articles of Agreement, other Latin American and Caribbean nations have been incorporated as members with the same rights as the founding nations. Under this amendment to the Agreement, which was executed in 2007, Argentina, Brazil, Panama, Paraguay, and Uruguay became member countries.

Fundamental questions about the bank, however, remain, such as:

1. Will there be a physical secretariat or will it be a 'virtual bank', akin to a network among the BRICS' national development banks? Brazilian officials suggest the bank should have a lean structure, like CAF.⁴³ If there will be a secretariat, where will it be? Pretoria and Shanghai are informal candidates, though both Russia and Delhi is said to be against the latter.
2. Will each country contribute the same amount (the talk is currently of 10 billion US-Dollars) or will members contribute according to the size of their economy? South Africa is said to prefer the latter, India the former as it fears China's dominance. Why, Indian policy makers ask, did South Africa seek to become a BRICS member if it is unwilling to make a serious commitment now?
3. Will the bank be controlled by emerging powers alone or will established powers be allowed to have a minority stake?
4. Will the bank invest only within BRICS countries or also outside, i.e., in Africa? India is said to prefer to former, as it requires massive infrastructure investment, and it would be far more comfortable taking loans from a BRICS Development Bank than a Chinese-controlled bank.

⁴¹ Romani, Mattia; Nicholas Stern and Joseph Stiglitz. *Brics bank is a fine idea whose time has come*, Financial Times, April 5, 2012.

⁴² 97% of CAF's assets are provided by the 16 Latin American and Caribbean countries that make up its membership, with the remainder from Spain and Portugal.

⁴³ Henry Mance. *Global shift: A bank of and for the Brics is in the air*. Financial Times. September 23, 2012

5. How will the Bank obtain a triple A credit rating? Here, the example of CAF may be instructive: CAF is at times described as a “model of efficiency”, which is one of the reasons that has enabled it to attain an investment grade credit rating – despite being composed of members that are not investment grade. 14 private banks among its members have increased its market discipline.⁴⁴

6. What role a BRICS development bank would play, alongside existing institutions such as the World Bank, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank? Will the bank develop lending paradigms that differ from those created by the World Bank and other established banks? This one is perhaps the most important question of all. Some say that the bank will avoid the conditionalities the World Bank and the IMF attach to their loans. This could lead Western observers to accuse the BRICS Development Bank of providing “rogue loans” and undermine the West’s attempts to promote good governance in the developing world.

Early discussions suggest that the focus of the BRICS Bank’s investments will be in infrastructure and energy. Mwase and Yang argue that the concentration of BRIC financing in infrastructure could have large positive growth effects by addressing infrastructure deficits in very poor countries, raising productivity by reducing business costs for tradables and nontradables sectors alike, and supporting expansion in trade and investment.⁴⁵ Yet critics point out that this would be a return to the infrastructure-focused aid that traditional donors abandoned when they shifted towards social sector spending. In addition, some are concerned about the impact on debt sustainability, subsidized export credits received by some BRIC firms and labor practices.⁴⁶ There has also been a shift in Chinese and Indian funding to agricultural development, debt relief, and preferential market access. BRICS countries’ development support has also emphasized technical assistance particularly in agriculture and health.⁴⁷

As diplomats of the five BRICS countries have argued during interviews the BRICS Development Bank will most likely follow a set of norms and rules that have guided the BRICS countries’ individual development strategies. Among them is the focus on mutual benefits without the attachments of policy conditionalities in governance, economic policy or institutional reform. All BRICS stress the importance of ‘national sovereignty’ and development partners’ responsibility for their own long-term development. In addition, the BRICS often focus on trade as a basis for development, and design financial assistance (aid) to facilitate and complement foreign direct investment. This includes ‘tied aid’, a practice established donors increasingly seek to avoid.⁴⁸ BRIC financing often complements Foreign Direct Investment (FDI) and comes as part of a complex “package”, involving multi-year

⁴⁴ Mander, Benedict. Multinational lending: Mutual aid works for Latin America. Financial Times. September 23, 2012

⁴⁵ Nkunde Mwase and Yongzheng Yang. BRICs’ Philosophies for Development Financing and Their Implications for LICs. IMF Working Paper. March 2012. WP/12/74, page 3

⁴⁶ Brautigam, D., 2010, *The Dragon’s Gift: The Real Story of China in Africa* (Oxford University Press).

⁴⁷ *What next for the BRICS bank?* Institute of Development Studies, Issue 3, May 2013.

⁴⁸ Idem.

financing including grants, loans, and lines of credit with various participants.⁴⁹ This makes it so hard to distinguish between aid and FDI projects. Finally, the BRICS tend to focus on micro sustainability of individual projects while traditional donors care more about long-run debt sustainability.⁵⁰ In this respect, the new institution would indeed fundamentally differ from established norms. Regarding aid, the BRICS have shown reluctance in engaging in major multilateral efforts that can constrain their freedom of maneuver in terms of aid policy. They have refrained from strongly endorsing any specific development humanitarian principles that are standard policy for DAC donors or allowing their discourse on humanitarianism or development to be shaped by strong connections with other donors.

An interesting exception to this trend has been Brazil's embrace of the Good Humanitarian Donorship Initiative (GHD), a group of (mostly Western) countries that has agreed to a set of broad principles to encourage donor accountability and aid effectiveness in humanitarian action. When asked about this apparent paradox, Brazilian decision makers point out that there is nothing in these principles that contradicts the broad ideas they defend about what humanitarianism should be all about. In private, however, some of them dismissed Brazilian membership as irrelevant, because there are no enforcement mechanisms and guidelines are vague enough for their own views to fit in comfortably within the framework. According to them, there is no cost of being a member of GHD, but some legitimacy benefits.

In addition to the aspects mentioned above, the discussion about the BRICS Bank may have been partly launched as a threat and bargaining chip to accelerate the reform process of the World Bank and the IMF according to the BRICS' wishes. By imposing its candidate in 2012, the United States missed a chance to boost the World Bank's legitimacy among emerging powers, like Brazil, who believe the Bank's governance no longer reflects today's global distribution of power. The decision may therefore have strengthened those who seek to create alternative institutions such as the BRICS Development Bank.⁵¹ In the same way, several high-profile critics censured the move, and called on the United States and Europe to "behave as if it really is a World Bank."⁵²

Despite occasional rhetoric about new paradigms, there is little so far that indicates that the ideas promoted by proponents of the BRICS Development Bank are truly innovative. As Dani Rodrik points out,

(...) it is disappointing that (the BRICS) have chosen to focus on infrastructure finance as their first major area of collaboration. This approach represents a 1950's view of economic development, which has long been superseded by a more variegated perspective that recognizes a multiplicity of constraints – everything

⁴⁹ Nkunde Mwase and Yongzheng Yang. BRICs' Philosophies for Development Financing and Their Implications for LICs. IMF Working Paper. March 2012. WP/12/74, page 3

⁵⁰ Nkunde Mwase and Yongzheng Yang. BRICs' Philosophies for Development Financing and Their Implications for LICs. IMF Working Paper. March 2012. WP/12/74, page 3

⁵¹ Stuenkel, Oliver. *Does Kim Signal World Bank Changes?* Council on Foreign Relations, April 18, 2012.

⁵² Bourguignon, François; Nicholas Stern and Joseph Stiglitz. *End the monopoly: let's make it a real World Bank at last*, Financial Times, March 18, 2012.

*from poor governance to market failures – of varying importance in different countries.*⁵³

The BRICS Contingency Reserve Arrangement

While discussions around the 5th BRICS Summit in Durban were dominated by the creation of the BRICS Development Bank, another important decision was overlooked by many: The leaders of the BRICS decided to create a US\$ 100 billion Contingency Reserve Arrangement (CRA) to tackle any possible financial crisis in the emerging economies. Contrary to the Development Bank, the contingency fund requires far fewer political negotiations, and it can be expected to start operating very soon. The countries need a year to pass the relevant legislation, but policy makers believe that they will be able to reach a final agreement when BRICS gather in Fortaleza (Brazil) next year.

The set-up of a reserve pool is easier because it needs no physical structure to function. Each country's central bank will keep the fund's reserves as part of its own reserves. Only in moments of crisis in one of the member countries' economies will the contingency fund begin to operate, acting as a cushion or back-up. Considering the increasing frequency and magnitude of global financial crises over the past decades, the addition of another fund that major countries can rapidly mobilize in times of crisis is bound to provide investor confidence.

China is expected to contribute a share of 41 billion US-dollars, followed by Brazil, Russia and India with 18 billion US-dollars each, and South Africa with 5 billion. Worries about an unequal distribution of power within the arrangement are unnecessary because unlike in the proposed BRICS Development Bank, where voting rights are established on the basis of the financial contribution of each country, the vote of China, Brazil, India or Russia will be enough to authorize the disbursement of funds, making South Africa the only actor that does not exert full control over the fund.

For several observers, the creation of a \$100 billion contingency relief arrangement is a bid to sow the seeds of an alternate financial structure for developing countries, arguing that it could present a direct challenge to the IMF. After the 5th Summit, the Indian media hailed the creation of the CRA as "a major win for India's campaign to reform global financial architecture."

Yet such an interpretation is largely unfounded - for now. This is mainly so because \$100bn fund is relatively small by global standards. The BRICS countries control almost \$5tn in international reserves, and if they were to contribute 16% of their reserves to a contingency fund the resulting CRA would total \$800bn against \$780bn in resources at the IMF. Of course, a CRA of 100 bn. could be the stepping stone of something far larger, which could then truly undermine today's global financial order.

⁵³ Rodrik, Dani. *What the World Needs from the BRICS*, Project Syndicate, April 10, 2013.

At the same time, arrangements similar to the BRICS CRA already exist and have not undermined the IMF. The BRICS' CRA is closely modeled on the Chiang Mai Initiative signed in May 2000 between the Association of Southeastern Asian Nations (ASEAN) countries as well as China, Japan and South Korea. The aim of the initiative is to strengthen the region's capacity to protect itself against risks in the global economy. It is intended to provide a supply of emergency liquidity to member countries facing currency crises—and avoid the need to depend on the IMF, which is seen, until today, as having abused its power in its emergency loans during the Asian financial crisis of 1997–98. The crisis is often referred to in the region as “the IMF crisis.”⁵⁴ After establishing a headquarters in Singapore in 2009, the CMI was renamed the Chiang Mai Initiative Multilateralization (CMIM).

However, ultimate proof that the CMIM is not a threat to the IMF is the rule that a country under the CMIM umbrella could only access a small proportion of its line of emergency credit without being forced to enter into negotiations with the IMF for a standby agreement. Only 30% of a member's quota is accessible without an IMF program. For the remaining 70% the member state must agree to an IMF program, including the much-loathed policy prescriptions.

In this sense the Chiang Mai Initiative Multilateralization is far from a counterweight to current IMF-led order. Unless the BRICS' CRA explicitly eliminates such an arrangement with the IMF, it too will be nested within the current system.

Funds have never been disbursed under the CMIM framework - when South Korea needed emergency liquidity in late 2008, it went directly to the U.S. central bank, so avoiding the humiliation of yet again having to deal with the IMF. In the same way, Indonesia preferred not to deal with CMIM (i.e. IMF) and requested help from Japan.⁵⁵

The BRICS' CRA is in many ways more courageous than the CMIM because it creates a global network, making it potentially far more powerful: A regional crisis in Brazil, for example, could be easily dealt with by the other BRICS, which may not be affected at all, thus reducing the risk that the crisis could globalize.

The key question, as with most other attempts to institutionalize South-South cooperation, is in how far the BRICS can establish clear norms and rules - for example, about whether CRA disbursements will be tied to policy conditionalities. If so, what will they look like? According to which paradigms will they be developed, if not following an IMF-inspired logic? Can the BRICS establish criteria according to which disbursements will be provided without replicated the much-disliked IMF? It is only once these rules are spelled out that a proper comparison between existing institutions and the BRICS' initiative is possible.

Contrary the BRICS grouping prior to the 5th BRICS Summit in Durban, which had a very low degree of institutionalization, two initiatives within the BRICS context – the development

⁵⁴ Wade, Robert. *The Art of Power Maintenance: How Western States Keep the Lead in Global Organizations*, Challenge, vol. 56, no. 1, January/February 2013, pp. 5–39.

⁵⁵ Idem.

bank and the contingency reserve arrangement (CRA) symbolize important steps towards institutionalizing South-South cooperation in two important areas. While the BRICS Development Bank will have a physical organizational structure, the CRA will function within existing national Central Banks and Ministries of Finance. Yet both initiatives will require member governments to establish sophisticated channels of communication, leading to an unprecedented degree of institutionalization of South-South cooperation.

IBSA

The “IBSA Dialogue Forum” was established following negotiations among India (Atal Bihari Vajpayee), Brazil (Luiz Inácio Lula da Silva) and South Africa (Thabo Mbeki) during the 2003 Group of Eight (G8) summit in Evian in France, on June. The three had been invited to the summit as observers but the invitation was merely symbolic. “What is the use of being invited for dessert at the banquet of the powerful?” as Lula later said. “We do not want to participate only to eat the dessert; we want to eat the main course, dessert and then coffee.”⁵⁶

Only three days later, Yashwant Sinha (External affairs minister of India), Celso Amorim (Foreign minister of Brazil) and Nkosazana Dlamini-Zuma (Foreign minister of South Africa) met in Brasilia, in what they called a “pioneer meeting”, and formalized the IBSA Dialogue Forum through the adoption of the “Brasilia Declaration”.⁵⁷

In this declaration, they

*agreed on the need to reform the United Nations, in particular the Security Council. In this regard, they stressed the necessity of expanding the Security Council in both permanent and non-permanent member categories, with the participation of developing countries in both categories.*⁵⁸

The need to reform the UN Security Council would become a principal *leitmotif* of all subsequent IBSA summits.

In addition, they

*identified the trilateral cooperation among themselves as an important tool for achieving the promotion of social and economic development and they emphasized their intention to give greater impetus to cooperation among their countries.*⁵⁹

However, few analysts believed the outfit had much potential. The first IBSA Summit was dealt with by the international media with neglect. Indeed, from the very beginning, many

⁵⁶ Phelan, Daniel Kurtz. *Guest post: defending the IBSA model*, Beyondbrics, April 29, 2013.

⁵⁷ Brasilia Declaration. June 6, 2003.

At http://www.ibsa-trilateral.org/index.php?option=com_content&task=view&id=48&Itemid=27

⁵⁸ Idem, paragraph 4.

⁵⁹ Idem, paragraph 9.

observers pointed out that despite the acronym's attractiveness and its capacity to offer an easy account of a new distribution of global power, the category was inadequate for a more rigorous analysis given that the differences between the BRICS far outweighed their commonalities. During the first years after its creation, few academics wrote about the outfit. This is largely due to IBSA's flexible structure. Rather than having a secretariat or an organizational structure, the consultations take place among senior officials (focal point)⁶⁰, ministers (trilateral joint commission)⁶¹ and heads of state and/or government (summit)⁶². Further down the scale, there are interactions between academics, business leaders and civil society.⁶³

Yet ten years and on, and at its 6th summit, the IBSA bloc has turned into an interesting platform for the three emerging powers to engage, allowing them to debate, coordinate and articulate a range of domestic and geopolitical issues. Contrary to most alliances, the link between the three countries is not geographical, but situational, turning it into one of the more innovative constructs in international politics in the last decade. Its key motivation is the joint belief that, aside from their increasing individual importance in global affairs, all three IBSA members' opinions on several issues overlap, pointing to mutual benefits through cooperation. Summit declarations have included issues as varied as climate change, trade policy, nuclear policy and military intervention. In addition, 16 working groups areas such as Transport; Health; Education; Defense; Science & Technology; Trade & Investment; Culture; Agriculture; Energy; Public Administration and Governance, Revenue Administration, Human Settlement, Environment and Social Development have been set up.

In addition, India, Brazil and South Africa contribute \$ 1 million annually to the IBSA Fund, created in 2003. It is managed by the UNDP's Special Unit for South-South Cooperation. Projects are executed by U.N. agencies and its partners with a focus on national ownership. The India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund) received the 2010 Millennium Development Goals (MDG) Award for South-South Cooperation. IBSA initiatives have included projects in Haiti, Guinea Bissau, Cape Verde, Burundi, Palestine, Cambodia and Lao PDR. While this can be seen as a significant step towards institutionalizing South-South cooperation, the Fund is far too small to have a systemic impact.

⁶⁰ Senior Officials from the Foreign Offices of the three countries dealing with IBSA are the designated Focal Points; Secretary (West), assisted by Joint Secretary (MER), Ministry of External Affairs, is the IBSA Focal Point for India. Focal Points meet once a year for a standalone meeting and also meet prior to the Trilateral Commission.

⁶¹ The Brasilia Declaration established a Trilateral Commission at the level of Foreign Ministers. The Commission meets regularly; the first meeting of the Trilateral Commission was held in New Delhi on 4 – 5 March 2004. The 7th meeting of the Commission was also held in New Delhi on 8th March, 2011; 8th Meeting is due in South Africa. In addition, Foreign Ministers meet regularly before every IBSA Summit as well as on the sidelines of UNGA in New York.

⁶² Five IBSA Summit have been held so far: 1st IBSA Summit in Brasilia on 13 September 2006; the 2nd in South Africa on 17 October 2007, the 3rd in New Delhi on 15 October 2008, 4th in Brasilia on 15 April 2010 and the 5th in Pretoria on 18 October 2011. The 6th Summit is due in India in June 2013.

⁶³ Arkhangelskaya, Alexandra A. *India, Brazil and South Africa Dialogue Forum: A Bridge between Three Continents Challenges, Achievements and Policy Options*, The Nordic Africa Institute, p. 1.

IBSAMAR

IBSAMAR I took place between 5 to 16 May in 2008 off South African waters. An Initial Planning Conference (IPC) for Exercise IBSAMAR II was held in Mumbai, India over the period 12-16 October 2009.⁶⁴ IBSAMAR is steered by the Joint Work Group for Defense, which is one of 16 Joint Working Groups of the three nations looking into various cooperation initiatives. Indian Navy participated in India-Brazil-South Africa Maritime (IBSAMAR 2010) exercises being conducted in the Indian Ocean region off Durban. IBSAMAR II had 11 ships taking part from the navies of India, Brazil and South Africa. As the Times of India commented then, “the trilateral naval war games, IBSAMAR, will be part of the strategic initiative launched under the IBSA framework to bring together the maritime forces of three dynamic democracies and economies from three continents under one umbrella.”⁶⁵ During the IBSAMAR exercise in 2010, the three navies conducted anti-air and anti-submarine warfare, as also visit-board-search-seizure operations and anti-piracy drills. In October 2012, IBSAMAR III, held in the international waters off the South African navy’s main naval base at Simon's Town, included a disaster exercise simulating a military incursion into a small coastal community that required the involvement of security personnel, firefighters and medical teams. The disaster exercise occurred prior to a combined Special Forces hostage-release demonstration. Military exercises point to yet another key area in which IBSA cooperates more closely than the BRICS outfit.⁶⁶ According to Fledes, “the low level of institutionalization is not limiting military-to-military cooperation in terms of common war games and personnel exchange, but it might pose an obstacle to IBSA playing a stronger political role in global security affairs.”⁶⁷ IBSAMAR could at some point become a relevant actor in humanitarian missions. For now, however, ties have to institutionalize further to begin discussing how IBSAMAR can engage internationally.

At the same time, IBSA is not without its critics. Skeptics have argued that national interests diverge too much for the three to agree on what matters – even though, it must be noted, members of the IBSA grouping should in principle be more aligned than the BRICS, given that they are all vibrant democracies and aspiring regional leaders. The working groups have yet to produce any tangible results. The IBSA Summit Declarations often contain many truisms, but little to impress international observers. For example, while some had hoped for a breakthrough on the project to launch a joint space satellite in 2011, the Tshwane document merely noted that India had agreed to host more meetings to debate the matter. Chris Landsberg concludes that “while IBSA can boast clear positions on a host of strategic issues, these have to date taken the form more of declarations, statements and pronouncements rather

⁶⁴ *Integração sul-americana em Defesa: Perspectivas e Desafios*, Análise COMDEFESA, February 2, 2010.

⁶⁵ *Navies of India, Brazil, SA to conduct wargames*, The Times of India, August 12, 2010.

⁶⁶ *Global Insider: IBSA Countries Take Tentative Steps Toward Defense Cooperation*, World Politics Review, December 2012.

⁶⁷ Idem.

than strategies, tactics and plans of action.”⁶⁸ Many analyses written about IBSA are therefore of aspirational nature and point to the great potential of the grouping.

As Paulo Sotero points out, IBSA, as an alliance of three highly diverse democratic societies, “might best be viewed as a laboratory for exploring the future of democracy and international cooperation in the Global South.”⁶⁹ Indeed, there are few groupings that provide any blueprint regarding where IBSA may be headed in the future.

In order to increase IBSA's importance, economic ties, still low, need to be strengthened. The fact that trade links have increased despite the crisis are laudable (they are about to reach \$20 billion), but far from enough. An FTA would be a crucial step in the right direction, but prospects for that remain quite dim. Visa waiver programs, like the one that exists between Brazil and Russia, would facilitate cooperation further and strengthen tourism among the three. Transport links also need to be improved. Furthermore, IBSA could conduct joint peacekeeping training programs.

In 2012, IBSA representatives travelled to Damascus to attempt to negotiate a political solution to the conflict in Syria; yet they have not been successful. The lack of deeper institutionalization can be largely explained by the dominance of the BRICS grouping – which, since South Africa's inclusion in 2011, makes IBSA look redundant to many. While IBSA may continue to matter on some issues such as human rights, civil society and accountability, the BRICS grouping can be expected to slowly replace IBSA on most matters of SSEC.

IBSA can therefore be characterized as both a strategic alliance for the pursuit of the common interests of emerging powers in global institutions, and also as a platform for interregional South-South cooperation.⁷⁰ While established prior to the BRICS grouping, it remain far less visible internationally as it does not include China. Similarly to BRICS, however, it has a broad thematic focus and new topics may be expected to be added to the IBSA framework.

When comparing IBSA to traditional multilateral outfit, the major difference is the trilateral grouping's lack of institutionalization, despite the fact that IBSA was created in 2003. While the range of activities has markedly increased, there are no sign that the group will develop binding rules and norms. This is perhaps the most fundamental difference between traditional multilateral institutions and new endeavors to institutionalize South-South cooperation.

Conclusion: Towards new paradigms?

⁶⁸ Landsberg, Chris. *IBSA's Political Origins, Significance and Challenges*. In *India-Brazil-South Africa in a Multipolar World Synopsis*, Policy Studies Bulletin, Center for Policy Studies (CPS), Vol. 8, Number 2, June 2006, pp. 4-7, p. 5.

⁶⁹ Sotero, Paulo. *Emerging Powers: India, Brazil and South Africa (IBSA) and the future of south-south cooperation*, Special Report, Woodrow Wilson International Center for Scholars, August 2009, p. 2.

⁷⁰ Fledes, Daniel. *IBSA: South-South Cooperation or Trilateral Diplomacy in World Affairs?* In *South-South Cooperation: The Same Old Game or a New Paradigm?* International Policy Centre for Inclusive Growth, Number 20, p. 16.

As the analysis makes clear, institutional frameworks in the context of SSEC have proliferated, yet the majority remains of informal character, reflecting the challenge emerging powers face when it comes to defining the rules and principles according to which SSEC structures should function. This may be partly due to the enormous differences between rising actors in the Global South.

As this analysis shows, there is some evidence that institutional arrangements that surge in the context of SSEC do not openly undermine existing structures such as the World Bank. Rather, it seems that aside from complementing existing institutions, one of the reasons for contemplating the establishment of alternative SSEC institutions is to use them as a bargaining chip to enhance emerging powers' influence in existing institutions.⁷¹

Looking at the BRICS' historic rhetoric regarding multilateral development institutions, one may come to believe that anti-systemic rhetoric seeks to satisfy the domestic public, and thus serve as a substitute for attempts to undermine existing structures. The BRICS' behavior indicated that they are far more status-quo oriented than their rhetoric suggests. Calls for slight modifications of voting rights in the IMF, for example, are not meant to undermine Bretton Woods institutions – quite to the contrary, the BRICS have been instrumental in the process of keeping current structures alive. Brazil's former President Lula routinely demonized the IMF, but also decided to strengthen the institution by lending money to it.⁷²

Yet at the same time, it is far from clear whether the BRICS Development Bank will not develop lending paradigms that differ from those created by the World Bank and other established banks. Some policy makers from BRICS countries have pointed out that the bank will avoid the conditionalities the World Bank and the IMF attach to their loans. This could lead Western observers to accuse the BRICS Development Bank of providing "rogue loans" and undermine the West's attempts to promote good governance in the developing world.

Will emerging powers' projects such as the BRICS Development thus undermine existing institutions and the principles that sustain them? BRICS policy makers go out of their way to point out that the BRICS Development Bank will "complement" existing institutions - yet why then, skeptics will ask, do they not hand over the money to the World Bank, the IMF or other institutions that are already in place? Why go through the difficult negotiation of creating a new institution?

The answer, clearly, is that while emerging powers seek a larger role within the existing framework, they do not feel established powers are willing to provide them with the adequate power and responsibility. The international aid system, for example, has so far largely failed to include non-Western donors. Emerging donors of development aid are currently reluctant to take part in existing institutions (such as the OECD's Development Assistance Committee (DAC) In addition, reforms at the World Bank and the IMF have been, according to

⁷¹ Stuenkel, Oliver. *Does Kim Signal World Bank Changes?* Council on Foreign Relations, April 18, 2012.

⁷² Stuenkel, Oliver. *Relations with the IMF: Brazil and India must let go of the past*, The Statesman, December 16, 2009.

established actors, too slow and not far-reaching enough. The World Bank remains, despite its name, essentially a Western-dominated institution in the eyes of emerging powers. It is difficult to read the creation of the BRICS Development as anything other than that.

Still, those who argue that emerging powers establish, through South-South cooperation, a series of new paradigms need to answer a series of questions:

First, a classic liberal argument poses a formidable challenge: Why would emerging powers be interested in changing the rules and norms of an order which provides them with so many benefits and few costs? Xiaoyu Pu points out that “socialization into the liberal order has strengthened the miraculous growth of emerging powers such as India and China.”⁷³ Overthrowing the established order is hard, but building a new order that finds followers is even harder and extremely costly. This is particularly important as long as GDP per capita remains significantly lower in China, India and Brazil than in the rich world, which makes their governments less willing to undermine existing paradigms.

Secondly, where will the ideas come from that create the intellectual basis for alternative paradigms? Emerging powers challenge the notion that Western norms are superior to those of the rest of the world, and the rhetoric used during BRICS Summits is clearly revisionist, but South-South Cooperation lacks an overarching coherence that could translate into tangible institutions and structures to replace the current ones. Chinese visions of potential alternatives to current norms and paradigms remain little known, and China makes no full-fledged attempt to promote them abroad. Quadir argues that the Southern donors’ interest in changing the dominant conditionality driven narrative of aid has opened up the possibility for constructing a new aid paradigm that focuses more on the strategic needs of the partner countries than on advancing the ideological interests of the donor countries.⁷⁴ Yet this paradigm remains relatively vague, and ‘emerging donors’ have done too little to institutionalize such aid practices.⁷⁵ As long as new paradigms are not articulated in a clearer way, their chances of finding supporters are limited. Quadir writes that “without assuming a much greater role in providing overseas aid and without building a unified platform based on a shared

⁷³ Pu, Xiaoyu. *Socialization as a Two-Way Process: Emerging Powers and the Diffusion of International Norms*, The Chinese Journal of International Politics, Oxford University Press, 2012.

⁷⁴ Quadira, Fahimul. *Rising Donors and the New Narrative of ‘South–South’ Cooperation: what prospects for changing the landscape of development assistance programmes?* Third World Quarterly, Volume 34, Issue 2, 2013.

⁷⁵ However, institutionalization and the development of common norms and practices may be difficult to achieve. As Quadir points out, “evidence from the past clearly suggests that Southern donors are not always united by a common vision of development. They often pursue an active development agenda based on their distinct conceptualisation of development, which pays little attention to such values as social justice, environmental sustainability, democracy and human rights. Southern donors also place emphasis on different sets of issues and themes that do not necessarily revolve around a core ideological premise. In: Quadira, Fahimul. *Rising Donors and the New Narrative of ‘South–South’ Cooperation: what prospects for changing the landscape of development assistance programmes?* Third World Quarterly, Volume 34, Issue 2, 2013.

development vision, Southern donors will not be able to meaningfully alter the current DAC-dominated aid architecture.”⁷⁶

Judging from emerging powers’ rhetoric, South-South Cooperation is inherently better than North-South cooperation. Yet while praising South-South cooperation unconditionally may work for now, it may also backfire at some point. This is particularly the case in Africa, where growing ties with the Global South are at times seen as a panacea of many problems, and a welcome alternative to North-South cooperation. Systematically holding South-South cooperation to higher standards than North-South cooperation is bound to lead to disappointment among Africans, particularly as long as many areas of South-South cooperation remain largely noninstitutionalized, nontransparent and unregulated. This is particularly the case with development and humanitarian aid as well as lending practices. The BRICS Development Bank is an important step in the right direction, as it will force the leading actors in the Global South to develop rules and norms that will substantiate their claims about the mutual benefits of South-South cooperation.

In the future, the BRICS grouping could be a useful platform to discuss development and humanitarian aid strategies and norms, and perhaps one day turn into an OECD-type organization. That would be an important step towards both institutionalization, and towards assuring that South-South cooperation remains as popular as it is today.

Finally, how can ideas that will provide the framework for new development paradigms emerge when those capable of implementing them have such divergent grievances? The yearly BRICS Summits are productive, but it is also evident that each member’s ideas of what needs to change are unique and finding common denominators is excruciatingly difficult. This would not matter much if China could be expected to be soon as dominant as the United States was in the 1950s – decision-makers in Beijing could develop their very own ideas and attempt to apply them once they felt the time was right. But the 21st century will most likely be much more multipolar, with China, India, the United States, and perhaps Europe and Brazil with norm- and system-shaping capacities. Emerging powers will be unable to avoid these questions as they seek to adopt a more proactive role as norm- and agenda setters.

Still, it cannot be denied that the growing institutional landscape in the context of SSC is a sign of growing discontent among emerging powers which seek a stronger voice in global governance structures, and which often feel that existing structures are too rigid and do not give them the space and responsibility they require.

⁷⁶ Idem.

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