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## The rise of emerging powers in the global development finance architecture: The case of the BRICS and the New Development Bank

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Although the ascent of the BRICS and the NDB represents a challenge to the Western-dominated world order, there is little evidence to suggest that the BRICS grouping has intentions to overhaul the current global order. Nevertheless, the decision by the BRICS countries to establish the NDB has not only underscored the growing institutionalisation of the BRICS grouping, it has also potentially heralded the emergence of a counterweight to the traditional international financial institutions. The BRICS grouping is poised to play a key role in reforming the global financial system and in shaping a new development agenda. However, the new regime order that will evolve will not necessarily supplant the Bretton Woods institutions. The degree to which the BRICS countries will be able to assume a global leadership role will be contingent upon their willingness and ability to address their domestic socio-economic vulnerabilities as well as their sometimes conflicting interests and values.

**Keywords:** BRICS; New Development Bank; international financial institutions; regime; hegemon

### Introduction

The rise of non-Western emerging powers such as Brazil, Russia, India and China is a reality that has shaped South Africa's foreign policy under President Jacob Zuma's administration. South Africa's foreign policy under President Nelson Mandela was renowned for its strong emphasis on human rights. Africanism was the leitmotif of President Thabo Mbeki's external policy. Under the Jacob Zuma presidency, foreign policy has been characterised by South Africa's growing integration with the BRIC (Brazil, Russia, India and China) countries.

This article is not aimed at making any value judgement on the character or effectiveness of the various foreign policy approaches; it merely seeks to contextualise South Africa's involvement in the BRICS and the New Development Bank (NDB). Using the BRICS and the NDB as a case study, this article examines the ascendancy of emerging powers in the global development finance architecture. In particular, it assesses the the degree to which the emergence of the BRICS and the NDB will impact the contemporary global financial order.

The article advances two arguments. The first is that, although the rise of the BRICS represents a challenge to the Western-dominated global order, there is little evidence to suggest that the BRICS grouping has designs to overhaul the contemporary global system. On the contrary, the BRICS countries have shown no desire to

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supplant the existing global institutions but to make them receptive to different voices and influences. Secondly, the article contends that the move by the BRICS countries to establish their own development bank is significant. Not only does it underscore the increasing institutionalisation of the BRICS grouping, it also represents a much-needed move to fortify the global financial architecture. Moreover, this move does provide political leverage to the BRICS countries' efforts to make global financial institutions more equitable. In this context, the NDB potentially heralds the emergence of a counterweight to the traditional international financial institutions (IFIs).

The paper is made up of four sections. The first briefly traces the historical evolution of the BRICS grouping. The second segment discusses the NDB, focusing on the rationale for its establishment and governance structures. The third analyses the extent to which the rise of the BRICS grouping and the NDB will influence the current world order. The conclusion synthesises and distils the salient insights of the article, and sketches the future prospects of the BRICS countries and the NDB.

### **The emergence of the BRICS**

The emergence of the BRICS can be traced to a study, titled *Dreaming with the BRICs: The Path to 2050*, produced by the investment bank Goldman Sachs, under the stewardship of the bank's then chief economist Jim O'Neill. The study chronicled the shifts in the structure of the global economy. It concluded that developing countries such as Brazil, Russia, India and China were on an upward trajectory and were scaling the heights of the global economy based on social and economic indicators, such as demographic trends and economic growth rates.<sup>1</sup> The grouping was initially known as 'BRIC' before the inclusion of South Africa in 2010.

This BRICS designation was subsequently appropriated by the leaders of these countries, who then constructed a shared platform for cooperation. The BRICS countries took advantage of the spotlight cast upon them by the positive narrative of their rise in the Goldman Sachs report to establish a forum for collective action: an alternative force to the G7 group of countries which was formed in the mid-1970s and has been dominated by Western countries. The BRICS crystallised in ways that sought to reinforce their diplomatic and economic weight on the global stage.

Despite the criticism that there is not much that BRICS countries share in common, there are clear political objectives these countries seek to pursue. They are all dissatisfied with and critical of Western dominance of multilateral institutions, and the perceived refusal of the West to share global power. The BRICS grouping's disenchantment with the contemporary global system has reinforced its desire to amplify its voice and strengthen its representation in IFIs.

The manner in which the BRICS grouping has evolved broadly conforms to two central 'constructivist' tenets: first, shared ideas, as opposed to material forces, have primacy over determining the structures of human association; second, the identities of purposive actors are a function of shared ideas and are not decreed by nature.<sup>2</sup> The countries that constitute the G7 did not begin with positively asserted common interests, but emerged as a reaction to a world whose financial and economic pillars were perceived to be unstable. The G7 would later evolve to become the intellectual guardian of the International Monetary Fund (IMF), presiding over 'nearly all the policy innovations within the Fund.'<sup>3</sup>

In the same vein, it is possible to see in the BRICS the potential for policy innovation both in existing multilateral structures as well as those that it creates in parallel to the existing ones. One such policy innovation is the NDB set up by the BRICS grouping as well as the emerging global landscape of infrastructure financing.

### **The New Development Bank**

If there were any doubts about the seriousness of the BRICS to realise substantive agreements, which is one of the key signifiers of an international regime, as well as their commitment to emerge as an equal interlocutor with the West, the creation of the NDB should dispel such doubts. Some experts had long proposed the establishment of a Development Bank for Infrastructure and Sustainable Development, which would offer credit lines and help to 'reduce and absorb part of the upfront risk, finance key bottlenecks in the project pipeline, and generate sufficient knowledge and reputation through scale'.<sup>4</sup>

The conception of the NDB began ahead of the BRICS New Delhi Summit in 2012. Its ultimate realisation in 2015 in the wake of the Seventh BRICS Summit hosted by the Russian government in Ufa underlined a commitment towards greater institutionalisation of the BRICS processes and convergence towards shared interests. It also signalled a desire to create a counter-weight to Western institutional and ideational power in multilateral institutions. The impetus for the formation of the NDB stemmed from the realisation that emerging markets and developing countries had huge infrastructure deficits that were not attracting the requisite scale of financing from Western institutions.<sup>5</sup>

At one level, the challenge of poor infrastructure in emerging economies and developing countries is a sign of market failure. However, at another level it is a consequence of historical neglect that reflects asymmetries of power, in terms of both material and ideational resources, in the global economic system. For a long time, the international monetary system and lending decisions have reflected the preponderance of Western development ideas. The rise of China, with its material capabilities and its commitment to forge closer relationships with other emerging economies and developing countries, has somewhat shifted global power dynamics. China has provided a platform for developing countries to challenge Western dominance in the global financial system.

The BRICS grouping, and particularly the NDB, is a clear expression of this dynamic. According to Romani, Stern and Stiglitz: 'such a bank could play a strong role in rebalancing the world economy by channelling hard earned savings in emerging markets and developing countries to more productive uses than funding bubbles in rich-country housing markets'.<sup>6</sup> The BRICS countries have realised that it makes little sense to depend on the largesse of advanced industrial economies that have a vested political interest in maintaining the status quo. They have thus formed their own development bank as a way to indirectly push for reforms in global financial institutions; the bank serves as a mechanism for drawing resources outside of the framework of existing IFIs – notably the IMF and the World Bank – in order meet infrastructure needs and address sustainable development challenges.

As stated earlier, the idea of a BRICS bank was first introduced at the BRICS New Delhi Summit in 2012. The Delhi Summit heralded a watershed moment in the global financial system: for the first time, it became clear that the BRICS countries were moving beyond the role of merely a diplomatic club, becoming a serious grouping

with a clear international reform agenda. The Delhi Summit took place under the theme: 'BRICS Partnership for Global Stability, Security and Prosperity'.<sup>7</sup> This happened against the backdrop of faltering global economic recovery, the Eurozone crisis, and mounting concerns about sustainable development and climate change. Furthermore, it occurred within the context of growing frustration among developing countries at the slow pace of reform within the Western-controlled IFIs. Underlining the BRICS countries' intent, the Delhi Declaration asserted:

We therefore call for a more representative international financial architecture with an increase in the voice and representation of developing countries and the establishment and improvement of a just international monetary system that can serve the interests of all countries and support the development of emerging and developing economies.<sup>8</sup>

The Delhi Summit conceived the idea of the NDB but did not frame its institutional architecture; this was left to finance ministers and central bank governors to hammer out. Apart from the ground-breaking announcement of the intent to establish the NDB, the Delhi Declaration made a critical observation of the state of the global economy as well as the deficiencies of established IFIs. The following pronouncements in the Delhi Declaration are worth highlighting: the need to enhance the flow of development finance to emerging and developing economies, with innovative lending tools deployed by the World Bank, and the need for reforms in the IFIs, in particular with respect to selecting the heads of the World Bank and the IMF, their governance and the representation of the emerging economies and developing countries in these institutions.<sup>9</sup>

Following the initial deliberations on the bank at the Fourth BRICS Summit in New Delhi, the decision to establish the NDB was eventually agreed at the Fifth BRICS Summit, held in Durban in March 2013. Hosted under the theme 'BRICS and Africa: Partnership for Development, Integration, and Industrialisation', the Durban Summit articulated South Africa's sensitivity to broader African development interests. Moreover, it placed emphasis on solidarity within the BRICS and with other emerging and developing countries. It also emphasised the importance of deepening cooperation around infrastructure development. Furthermore, an accent was placed on long-term coordination within the BRICS around issues related to global politics and economy.

Apart from geopolitical undercurrents, the theme of infrastructure received strong attention, with a particular focus on Africa's infrastructure deficits and industrialisation imperatives. At the Durban Summit, the finance ministers and central bank governors of the BRICS countries presented a report on their work towards the creation of the NDB. However, they had not concluded their negotiations on the modalities of the bank. They also had the additional task of exploring the creation of a financial safety net through the establishment of a contingent reserve arrangement (CRA) that would forestall short-term liquidity pressures. In addition to the main BRICS Summit agenda in Durban, there was also a special retreat for BRICS leaders and select African leaders under the theme 'Unlocking Africa's Potential: BRICS and Africa Cooperation on Infrastructure'. More specifically, the declaration highlighted the need for increased support towards the Programme for Infrastructure Development in Africa (PIDA), the African Union Action Plan 2010-2015; New Partnerships for Africa's Development Presidential Infrastructure Championing Initiative, and the Regional Infrastructure Master Plans.<sup>10</sup>

It can be surmised from this that both the NDB and the CRA are institutional forms that are geared towards responding to a deficient international monetary system, thereby gradually laying out the basis for a parallel regime order. Through these instruments, the BRICS countries are seeking to achieve three outcomes. First, they seek to address concerns that directly affect them and their regions with respect to infrastructure gaps. Second, they seek to reach out to other developing countries and emerging economies with a view to augment their bargaining capacity *vis-à-vis* Western powers. Third, the BRICS seek to strengthen their agenda-setting capacity in multilateral processes, while also elaborating new rules and norms. The first two intended outcomes are tactical, and possible to realise in the short to medium term, whereas the third one is a long-term objective and is contingent upon the BRICS countries' ability to fortify their soft (knowledge) and material power resources. The recent call for the NDB to define itself as a knowledge bank, in addition to infrastructure financing, should be understood against this perspective.

Subsequent to the 2013 Durban Summit, more substantive undertakings on the NDB and a CRA have been made. The agreements on the NDB and CRA were signed during the Sixth BRICS Summit hosted by Brazil in Fortaleza in July 2014. A great deal of preparatory work was carried out ahead of the summit. Brazil prepared the NDB's Draft Charter, while Russia drafted an intergovernmental agreement on the NDB's creation.<sup>11</sup> It was at the Fortaleza Summit where the BRICS countries announced plans to establish their own development bank. Armed with \$50 billion in seed capital, the NDB's core function would be to provide an alternative source of financing for the infrastructure needs of the BRICS countries and other emerging economies. Accompanying the NDB would be a \$100 billion CRA, which would be used to combat currency crises and provide emergency relief to BRICS countries facing short-term credit crises or balance-of-payments difficulties.<sup>12</sup>

It was also decided that South Africa would host the BRICS' Africa Regional Centre. According to a senior government official working closely on the BRICS, the NDB will make a vital contribution in terms of providing an alternative source of finance to address the economy's ever increasing development needs.<sup>13</sup> As such, South Africa sees the financial contribution made by the BRICS countries to the NDB as an investment towards the future. The need to spur growth was central to South Africa's support for the establishment of the NDB. Given that the South African government's own budget is insufficient to finance the country's infrastructure needs, the NDB will provide an opportunity for South Africa to obtain additional finance.<sup>14</sup>

South Africa has also argued that the NDB could play a pivotal role in financing infrastructure projects on the African continent, with a view to promoting structural transformation in resource-dependent economies in Africa and to stimulating progress in regional integration. The Africa Regional Centre could potentially drive BRICS projects in support of PIDA. In 2012, African Heads of State adopted the PIDA as a strategic framework that will run through 2040 in order to develop continental (cross-border) infrastructure (Energy, Transport, ICT and Trans-boundary Water Resources). PIDA's main purpose is to strengthen the consensus and ownership of large cross-border infrastructure projects that integrate energy, transportation and water development on a continental scale. PIDA's projects, until 2040, are estimated to be worth \$360 billion. For its 51 priority action projects, the cost estimate stands at \$68 billion from 2012 to 2020, or \$7.5 billion in expenditure per year.<sup>15</sup> Since PIDA spending represents about 17% of the anticipated \$45 billion annual increase

in infrastructure spending, the manner in which it complements other infrastructure spending on the continent is critical.<sup>16</sup>

PIDA is intended to support economic integration in Africa. Infrastructure deficiencies are seen as competitive disadvantages as they hinder intra-regional trade flows and make it harder to take advantage of regional markets. Currently, the bulk of infrastructure spending in African countries, about two-thirds, comes from domestic sources. African governments, infrastructure users, the private sector and external sources (outside of overseas development aid) are said to contribute a combined \$45 billion.<sup>17</sup> With respect to the four areas of prioritisation, PIDA highlights energy, which takes the lion's share at \$40 billion (60%), followed by transport (roads, railroads, ports and airports) at \$25.4 billion (37%), and water at \$1.7 billion (2.5%). The information and communications technology (ICT) sector accounts for only \$0.5 billion.<sup>18</sup> These areas are regarded as both public and private sector challenges. PIDA's blueprints assume that 'the average economic growth rate for African countries will be 6% a year between 2010 and 2040, driven by a surging population, increasing levels of education and technology absorption'.<sup>19</sup>

At the Seventh BRICS Summit held in Ufa, Russia, in July 2015 further diplomatic progress was made. Apart from affirming the critical role of the NDB and the CRA, the summit agreed on deepening economic cooperation across various areas: trade and investment; manufacturing and mineral processing; energy; agriculture; and science, technology and innovation, as well as ICT.

In addition, key agreements were concluded on the governance structures of the NDB. These include the board of governors, the board of directors (responsible for the conduct of the general operations of the bank), as well as the president and vice presidents. Russia was designated as the first chair of the board of governors for the bank, Brazil as chair of the board of directors and India as first president. The bank is headquartered in Shanghai.<sup>20</sup>

The NDB may not necessarily go it alone in financing large-scale projects. It is likely to structure its financing modalities in a blended manner to bring together private and public sources of funding, or in a manner similar to syndicated finance, mobilising a range of financing sources: private equity funds, sovereign wealth funds and development finance. The NDB has expressed preference for financing projects that involve more than one country, possibly cross-border infrastructure projects. The overall effect would be to reduce risk and uncertainty while increasing the flow of investment into infrastructure at early stages of development. This is an area in which the World Bank is seen to have not been effective.

## **The BRICS and the NDB: the end of the Western-dominated global order?**

### ***BRICS as a regime type***

China so far has emerged as the potential challenger of American dominance of the global system, using its financial muscle to create parallel and competing institutions such as the Asia Infrastructure Investment Bank. There is, however, little evidence that China, or its BRICS counterparts for that matter, has designs to overhaul the existing Western-dominated global architecture and replace it with normatively different governance arrangements. On the contrary, the BRICS countries have demonstrated a commitment not to supplant the existing global institutions but to make them receptive to different voices and influences. They have, for example, consciously engaged

with the processes of globalisation, using market reforms to facilitate the openness of their economies and, to varying degrees, actively participated in international trade.<sup>21</sup> Beyond their dissatisfaction with Western dominance of international institutions, the BRICS countries appear to have little in common. In this context, it can be deduced that their non-hegemonic narrative as well as pragmatic cooperation on financial and economic matters are the glue that holds them together.

In a substantive sense, the BRICS grouping can be seen as reflecting multiple power centres. This is a central feature of the global system in the twenty-first century: no single power can claim unquestioned authority on global issues. To the extent that it establishes a cooperative arrangement that reinforces multi-polarity, the BRICS grouping can be regarded as a type of international regime, albeit an exclusive one, if one uses Stephen Krasner's definition of regime as constituted by the convergence of actor expectations.

As Krasner puts it, 'International regimes are defined as principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area.'<sup>22</sup> The notion of 'international regime' helps as a heuristic device for understanding ways in which this group of mostly powerful countries is evolving a new institutional paradigm that seeks to improve rather than replace the existing one established on Western dominance, across the dimensions of international finance, security and development.

According to Young, regimes are social structures or 'human artefacts' that 'may be more or less formally articulated, and they may not be accompanied by explicit organisational arrangements'.<sup>23</sup> This is akin to the social constructivist characterisation alluded to earlier, where associations are socially constructed agencies. Regimes such as the BRICS are institutional mechanisms – formal or informal – that are socially constructed for a specific purpose, and they evolve over time. Just like the G7 today is not the same, in substance and form of its agenda, as the one formed in the mid-1970s, the BRICS may yet evolve in varying structures and shapes. Regimes arise as 'a response to coordination problems or situations in which the pursuit of interests defined in narrow individual terms characteristically leads to socially undesirable outcomes'.<sup>24</sup> They also 'are more than temporary arrangements that change with every shift in power or interests'.<sup>25</sup>

There are, at the least, two types of regimes: those that are 'imposed orders' and those that are 'negotiated orders'.<sup>26</sup> Imposed orders could be said to be synonymous with a hegemonic framework, where there is a single power that writes the rules of the international system and carries the costs, and in turn expects other countries to acquiesce to such rules and play by them. Such expected acquiescence is informed by an awareness of the reciprocity that other countries have to make on account of the costs borne by the hegemon. The existence of international regimes that are anchored on one hegemon has been the preoccupation of 'Hegemonic Stability Theory' from the 1970s.<sup>27</sup> Negotiated orders, on the other hand, are more spontaneous and non-hegemonic. For Keohane, they are 'voluntary' mechanisms – a factor that does not imply 'equality of situation or outcomes'.<sup>28</sup>

Regimes are driven by an urge to create a stable framework within which mutual expectations can be negotiated and fulfilled. They are, as Keohane notes, instruments by which substantive agreements can be established.<sup>29</sup> In the case of the BRICS, there was a set of issues that triggered the formation of this alternative regime bloc. At its core, it was a response to the deficit of representation in key international institutions, the skewed distribution of power in favour of the West and the developmental



challenges that still plague much of the developing world. As such, American hegemony has been perceived to be weakening; American leadership is no longer seen as adequate in addressing the multiple problems of global financial instability, growing regional insecurity and the development challenges of the non-Western world.

### ***BRICS as a non-hegemonic institution***

Poor or deficient infrastructure is a key manifestation of the aforesaid developmental challenges. The need to address that challenge lends a powerful rationale for the BRICS to pool their financial resources. However, this does not imply that the emerging international regime exemplified in the BRICS will replace the waning post-1945 hegemonic order. Rather, it suggests that global power is becoming more diffused and that diffusion has spawned multiple instruments, including the BRICS-created NDB. Although China has ambitions to become a global hegemon, it is 'in no hurry to displace the U.S. as the number 1 power in the world and to carry the burden that is part and parcel of that position'.<sup>30</sup>

China has not as yet reached a level of readiness to assume the role of global leadership. As former Chinese Premier Wen Jiabao pointed out: 'Precisely by not raising our banner or taking the lead internationally we've been able to expand our room for manoeuvre in international affairs... there is no reason altogether to alter this policy'.<sup>31</sup> Even so, it is worth stating that China is a subtle power maximiser; it is only that it would not want to thrust itself in the global limelight just yet, preferring to bide its time.

For their part, China's BRICS counterparts also have no interest in overhauling the pillars of Western dominance. On the contrary, they want to amplify their voice and participation in global governance; they want to be recognised as equal partners to the G7 countries. They have been clamouring to shape global events, and in China they have found a significant partner with which to champion their cause. Like China, the other BRICS countries have a desire to shape the evolving global architecture, as seen in the communiqués of the various BRICS summits. From these one can discern a distinct voice that diverges from the dominant Western positions on the global system, the Middle East tensions, developments in the multilateral trading system, climate change and the reform of the IFIs, among others.

Furthermore, the BRICS grouping perceives economic gains in integrating with the Chinese economy via trade and investment flows. As such, the BRICS countries have maximisation of power and economic gains as core motivating factors for their cooperation outside of the traditional arrangements, without necessarily jettisoning outright the formal institutional processes that still reflect Western dominance. As Kenneth Waltz would suggest, theirs is no different from the primal instincts of states – to seek security – in both political–diplomatic and economic terms.<sup>32</sup>

It is worth pointing out that these countries are not seeking to simply maintain their positions in the international system, as Waltz's core realist argument would hold, but they are seeking to improve their diplomatic and economic fortunes away from the periphery to the centre. In the realist tradition, this growing multipolarity could very well signal potential instability in the global system as this could trigger competition,<sup>33</sup> unless there is an intervening order in the form of deeper cooperation between the two major powers – the US and China. So far, the relationship between these two major powers seems to have been characterised more by competition than by cooperation, as efforts at financing infrastructure development show. For example, the

US has tried without success to discourage its traditional allies – such as the UK, France, Germany and Italy – from joining the China-sponsored Asia Infrastructure Investment Bank.<sup>34</sup> In the field of trade the US, in its quest to reassert its position as the pre-eminent global economic power, has been leading efforts to conclude a Trans-Pacific Partnership trade deal, which would include the US, Japan and 10 other major Pacific economies – but exclude China.<sup>35</sup>

## Conclusion

This paper has, using the the BRICS and the NDB as a case study, explored the rise of emerging powers in the global development finance architecture. It has, in particular, analysed the extent to which the emergence of the BRICS and the NDB will shape the contemporary global financial order. It has, firstly, argued that, even though the ascent of BRICS represents a challenge to the Western-dominated world order, there is little evidence to conclude that the BRICS grouping has intentions to overhaul the current global system. The paper has also argued that the decision by the BRICS countries to create the NDB has not only underlined the growing institutionalisation of the BRICS grouping, it has also potentially marked the emergence of a counterweight to the traditional IFIs.

The BRICS may be made up of countries with uneven economic weight, but their pointed focus on making interventions in infrastructure development across the developing world is a demonstration of their economic power potential and their determination to make an impression in the developing world. The NDB is positioning itself to stake a significant role in those areas in which the IFIs are seen to have failed: infrastructure development and improving the international monetary system. Lou Jiwei, China's Finance Minister, remarked during the Ufa Summit that: 'The bank will aim at reform of global economic governance'.<sup>36</sup> While the NDB does not possess the capacity to displace the traditional IFIs in the immediate future, it is nonetheless intent on pushing hard for reforms in these institutions. According to Tito Mboweni, South Africa's former Reserve Bank governor and a non-executive director of the NDB, this initiative is 'driven by a set of shared values and an outlook on development that seeks to counter the current dominant actors'.<sup>37</sup>

As a grouping of influential developing countries, the BRICS are poised to play a key role in reforming the international monetary system and shaping the new development agenda. This is, in our view, a new regime order that will not necessarily replace the Bretton Woods Institutions but will exist parallel to it. The BRICS countries are thinking beyond merely financing infrastructure gaps; they also want to provide a platform for policy learning, in ways that in future could reduce the significance of the World Bank's 'Knowledge Partnership' engagement with middle-income countries.

Even so, if the BRICS grouping is to fulfil its objectives it must overcome scepticism in some quarters about its prospects and address criticisms levelled against it. One critic of the NDB is Martyn Davies, a South African-based China specialist. He has questioned whether the NDB can deliver real benefits for South Africa, and has raised a concern about what he regards as the dominance of a statist approach within the BRICS countries.<sup>38</sup> In his view, the notion of state management of the economy is 'decades out of date'. In this context, he has questioned the need for a state-owned bank. Analysing the current global environment from the perspective of geopolitics and geoeconomics, Davies has spoken of a coalition of values that is taking shape in the world. In his view, this centres on two blocks, the G-8 (now the

G-7 with the world's leading advanced nations shunning Russia) and the BRICS counter-block. With respect to the latter, he has noted that, while the BRICS grouping supposedly represents the collective interests of developing countries, the individual BRICS countries lack commonality along key dimensions such as values and language. As a result, he has pointed out that a key challenge confronting the BRICS will be how to find a coalition of values within this common entity. It could also be argued that the BRICS grouping is inexperienced and has not as yet developed the necessary social capital on which enduring trust could be built.<sup>39</sup>

Nonetheless, the degree of institutionalisation evolving in the BRICS grouping provides strong, if tentative, pointers that this is indeed a regime order in the making. The BRICS countries are well positioned to advocate for the democratisation of global financial institutions to better reflect the voice and needs of all the countries that participate in them. Importantly, they are uniquely placed to evolve new institutions that are more sensitive and responsive to the needs of developing countries.

There is, however, a long road ahead before these countries can mature in this role. They will first need to accumulate knowledge resources, improve their domestic institutions and develop a degree of normative coherence. Further, a global leadership role by the BRICS countries would have to be balanced with clarity of thought and a focus on issues related to inclusive growth and sustainable development. It will not be sufficient to seek to correct uneven power relations in the global sphere without addressing socio-economic vulnerabilities within the BRICS countries. For these countries to have an ideational appeal, project soft power and be seen as credible, the power of their voice in global governance processes should echo their transformative actions domestically.

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