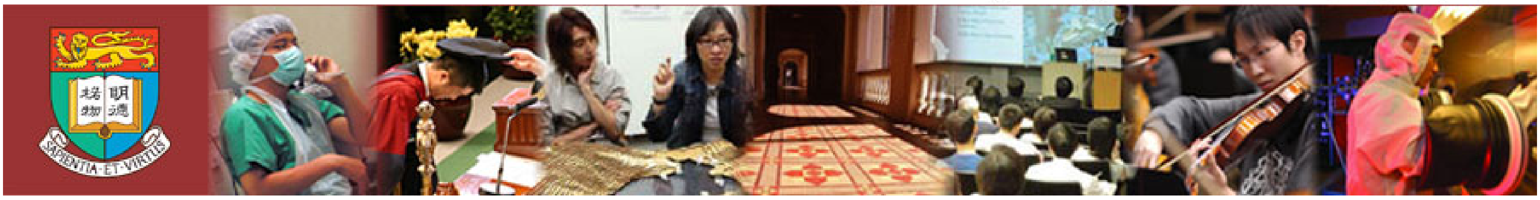

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Role of a BRICS Bank in a Multipolar World: Is China establishing a new International Organization to change the international order or to legitimize Chinese FDI?

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Capstone Project Report submitted in partial fulfillment of the requirements of the Master of International and Public Affairs

Department of Politics and Public Administration

The University of Hong Kong

2015

I declared that this Capstone Project Report, entitled "Role of a BRICS Bank in a Multipolar World: Is China establishing a new International Organization to change the international order or to legitimize Chinese FDI?", represents our own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

Mami Fujita
Kuan Yu Oh
Albert Ming Tao Poon
Annette Rossi

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Abstract

This paper considers whether a BRICS bank is part of an evolution of China's power play as the geopolitical landscape moves from the bipolar world to a multipolar world. The paper looks as factors such as (i) the constitution of the BRICS Bank, (ii) its potential challenges, (iii) the multilateral power plays between US and China, (iv) whether China will be viewed as a threat, (v) a BRICS Bank versus the AIIB, (vi) China's role in such an institution, (vii) the fight for influence in the African continent, and (viii) possible paths such an institution will take. The paper believes that a BRICS Bank is one step along the way for China to establish the norm of itself being regarded as a global power in a multipolar world.

Background

The IMF is dominated by members of the European Union (EU), and the World Bank by the United States (U.S.). The Asian Development Bank (ADB) is predominantly funded by Japan. In a multipolar world with emerging new powers like China and India, the BRICS Bank could become the multilateral organization where countries can exert their influence and drive the agenda through projects the institution chooses to undertake in developing countries. Although there has been much speculation on the potential of such an institution, few has written in detail on the implications of a BRICS Bank in a multipolar world. Our capstone thesis attempts to review existing literature and contribute to the discussion based on the evidence collected.

The idea of a BRICS Bank has been widely reported in the media and is a result of the redistribution of global economic power from the bipolar world, post-WWII and Bretton Woods to the multipolar world of the present time. However if such an entity were to come into existence, what will it look like? What are the implications in a multipolar world and how will it function and interact with incumbent institutions? Is this a façade in a power struggle between old and new economic and political tsars? This paper strives to answer these questions in a systematic and empirical manner to contribute to the discussion that so far, has not directly addressed these issues in a holistic manner.

Declining Influence of Advanced Economies

G7 Economies versus Emerging Market Economies

In this section we look at the differences between developed and emerging market economies. We proxy developed economies with the G7 countries consisting of Canada, France, Germany, Italy, Japan, United Kingdom ("**UK**") and United States of America ("**USA**"). At the time of the G7's founding, the combined GDP of the member countries represented about half of the world's GDP[1]. Emerging Market Economies are broken into two categories, BRICS consisting of Brazil, Russia, India, China and South Africa, and MINT consisting of Mexico, Indonesia, Nigeria and Turkey. The term BRICS was coined by Jim O'Neil, then Chief Economist of Goldman Sachs who predicted these countries would overtake the six largest western economies by 2041, which was later revised to 2032[2]. In 2013 Jim O'Neil

[1] https://www.gov.uk/government/news/what-is-the-g7
[2] Tett (2010)

identified another group of economies which he coined MINT that had similar demographic and economic prospects as BRICS[3].

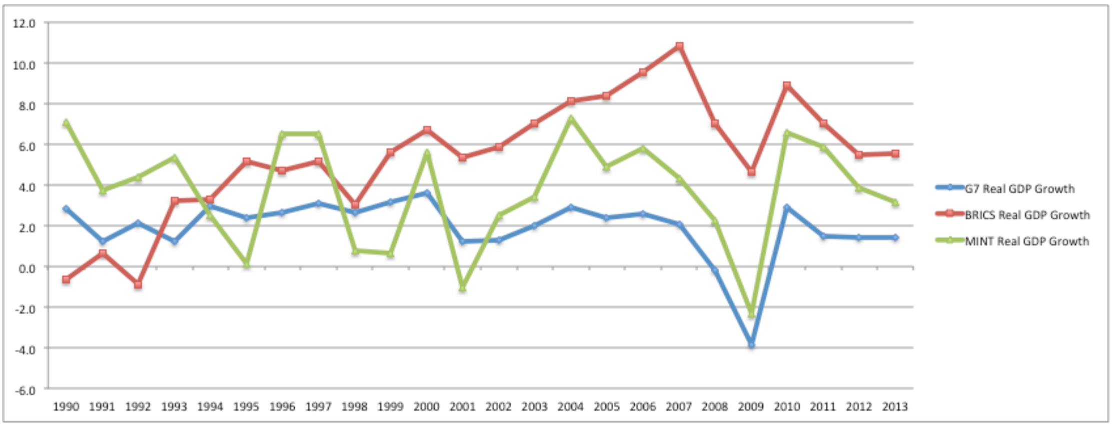
This section compares the economic performance and demography between G7, MINT and BRICS groupings, and individual countries that form the BRICS group. General findings includes (i) there is only a subtle difference in economic performance between BRICS and MINT group of countries, (ii) MINT group of countries are able to economically achieve such economic performance with a far small population, (iii) G7 group of countries still have a great led in high value industrial production proxies by Services Value-Added, and (iv) the proportion of urban population in MINT economies are higher than BRICS economies. However the political maturity and situation of these countries need to be considered in order to justify whether the rewards are commensurate to the risks in investing into these countries.

Economy

GDP

Figure 1: Real GDP Growth (%, Constant 2005 US Dollars)

[3] Lexicon (2015)

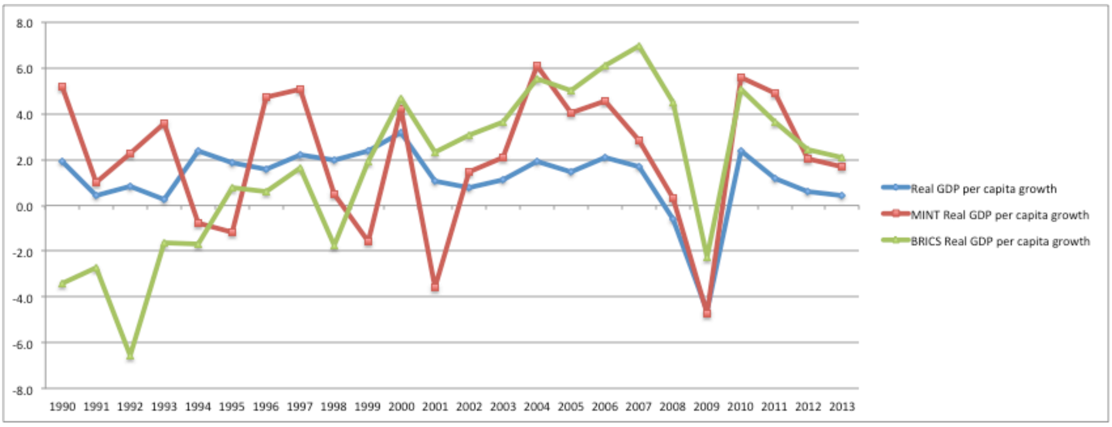


Source: World Bank

The G7 economies grew at a slower pace compared to BRICS and MINT economies, although the volatility of the growth is much smaller. The trend growth rate for G7 economies during 1990-2013 is approximately 2%. The BRICS economies have been growing at a more rapid rate with real economic growth increasing at a pace of 1% per year. Unlike MINT economies, BRICS economic growth slowed during the global financial crisis in 2009 ("**GFC**") rather than falling into a recession, however BRICS economic growth have not recovered to its original trajectory post-GFC. MINT economies exhibit the most volatile economic growth profile during 1990-2013 with economic growth rates ranging from approximately 7% to -2% during the period. MINT and G7 economies fell into recession during the GFC albeit the magnitude for MINT economies was not as extreme, and both G7 and MINT economies rebounded to trend growth trajectories post-GFC.

GDP Per Capita

Figure 2: Real GDP per capita Growth (%, Constant 2005 US Dollars)



Source: World Bank

The trend growth rate of G7 GDP per capita averaged 1.2% p.a. during 1990-2013 which was not a significantly lower growth rate when compared to BRICS GDP per capita average growth rate of 1.7% p.a. during the period and the volatility associated with the growth was much lower. MINT economies grew at a faster average growth rate of 2.1% p.a. during the period although the volatility of the growth was more significant. All economic grouping fell into a recession during the GFC when using GDP per capita as a standard for measuring economic growth but BRICS economies were more resilient than G7 and MINT economies.

Economic Mix

Agriculture

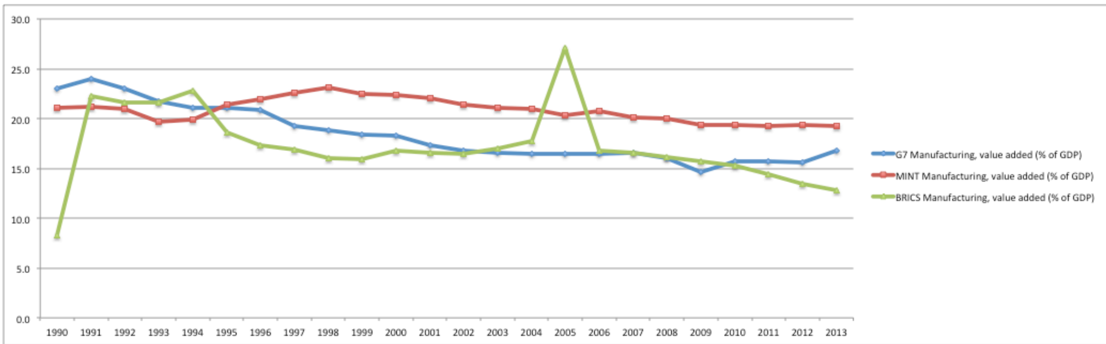
Figure 3: Agriculture Value-Add, Percentage of GDP

Source: World Bank

The agriculture value-added is the lowest for G7 economies and highest for MINT economies. This is not unexpected as developed economies have greater production focus in higher value-added products compared to developing economies. However the interesting observations from Figure 3 are (i) there remains a significant average 14 percentage point gap between G7 economies and BRICS and MINT economies in terms of shifting to higher value-added production because during 1990-2013 (“**the period**”), (ii) BRICS economies have made a greater transition away from agricultural production than MINT economies, and (iii) there is an economic shift towards for higher value-added economic activity after the GFC with MINT economies has narrowing its agriculture value-added gap with BRICS economies.

Manufacturing

Figure 4: Manufacturing Value-Add, Percentage of GDP



Source: World Bank

The trend of manufacturing activity had been at a declining trend in the G7 economies since 1990 until the GFC where there has been a pickup of manufacturing activity at the expense of BRICS economies. After 2009, there was a been a steady decline in the US Dollar ("**USD**") with the trade weighted U.S. Dollar Index declining from 114.3 in March 2009 to a low of 94.2 in August 2011 and ended 2013 at the 102 index level[4]. The Euro ("**EUR**") has similarly declined with the trade weighted EUR index falling from a peak of 114. 4 in December 2008 to a low of 94.6 in July 2012 and ended 2013 at the 104.1 level[5]. The MINT economies manufacturing value-added have remained stable post-GFC suggesting there might be reallocation of manufacturing activity from BRICS to MINT countries.

Services

Figure 5: Services Value-Add, Percentage of GDP

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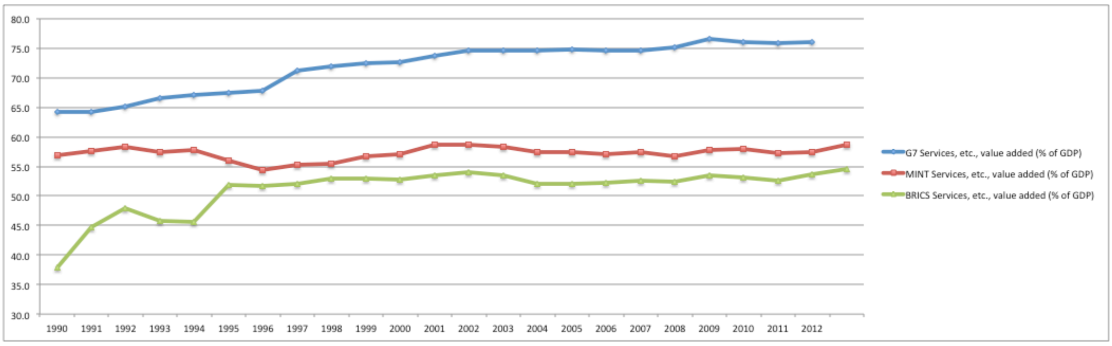
[4] https://research.stlouisfed.org/fred2/series/TWEXB
[5] https://www.ecb.europa.eu/stats/exchange/effective/html/index.en.html



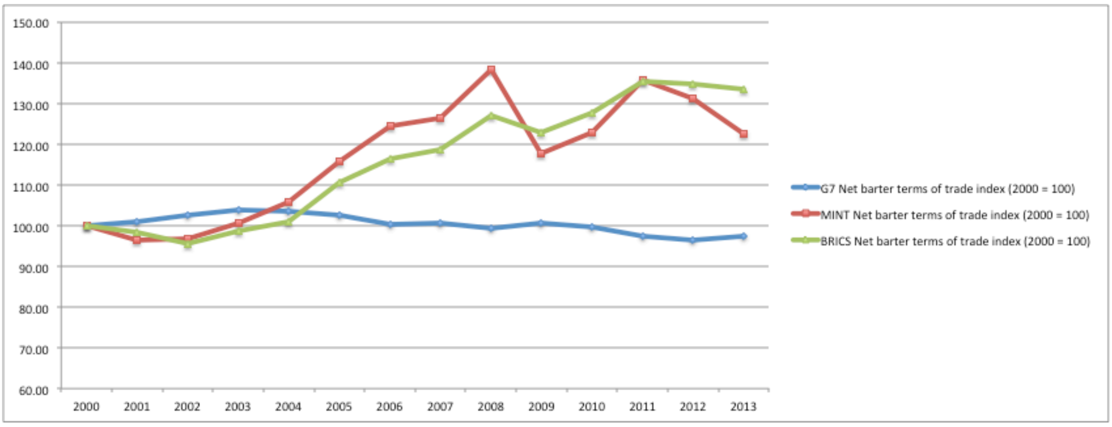
Source: World Bank

During 1990-2013 the G7 economies have continued to add on its capabilities in the services sector with services value-added growing from under 65% of GDP to over 75% of GDP. Since the ascension of China into the WTO in 2000, China has been dubbed as the world's manufacturer with its abundance of factories, supply chain network, scale of production and cheap labor in its coastal cities[6]. However services value-added in MINT economies have progressed ahead of BRICS economies during the period albeit BRICS have caught up to narrow that gap.

Terms of Trade

Figure 6: Terms of Trade

[6] Noble (2012), http://blogs.ft.com/beyond-brics/2012/01/25/reshoring-five-reasons-why-china-will-remain-the worlds-factory/



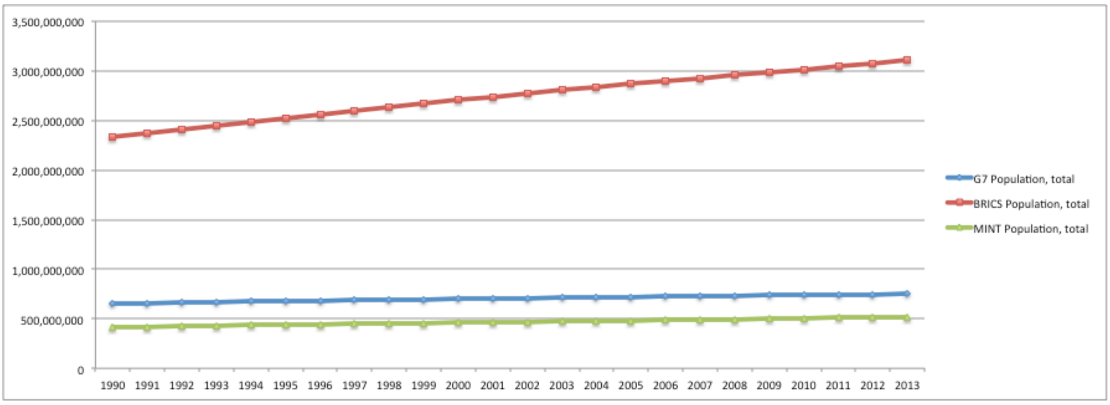
Source: World Bank

G7 economies have less favorable terms of trade statistics compared to MINT and BRICS economies because being services based economies, it imports more than it exports. One such example is the consistent trade deficit between the USA and China. This is predominantly due to the measurement of terms of trade because measures the relationship between the value of exported and imported goods. However the inherent weakness of such measure is it does not necessarily take into account the value-added in the manufacturing process from various countries, rather only the country of export and the country of import. One example is the Apple iPhone that is designed in the USA with parts sourced globally and manufactured in China. Under the terms of trade measurement, USA would import the iPhone from China with no credit given to the services value-added in the manufacturing process. Therefore in BRICS and MINT countries where cheaper labor was abundant during the period, this has helped its terms of trade position.

Population and Demography

Population

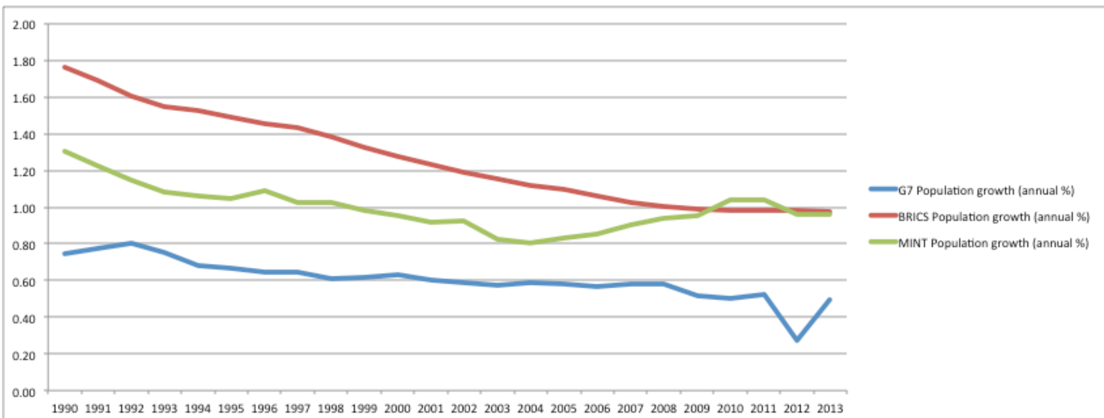
Figure 7: Total Population, Number of People



Source: World Bank

The most populous country grouping is BRICS with China and India as constituent members. MINT has the smallest population of the grouping with Indonesia being the only populous constituent. One of the reasons Jim O'Neil considered BRICS as the next economic powerhouse is the large population size, which would drive the market potential of these countries for consumption of products. As will be discussed below, the household consumption potential is yet to be realized in countries like China.

Figure 8: Population Growth Rate (%)

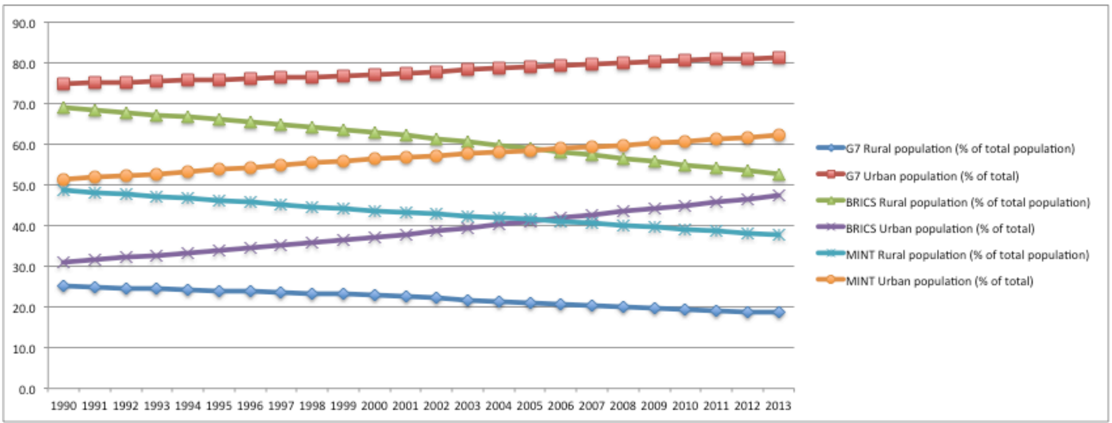


Source: World Bank

G7 economies have the lowest population growth rate at approximate 0.5% p.a. This compares to MINT and BRICS countries that had higher population growth rates which has declined steadily during the period to stabilize at 1.0% p.a. The decline in population growth presents a demography and economic problem for ranging from lack of supply of labor in the future to small number of taxpayers to fund government social safety net programs albeit this more of an issue for G7 countries rather than a MINT and BRICS countries.

Urban and Rural Mix

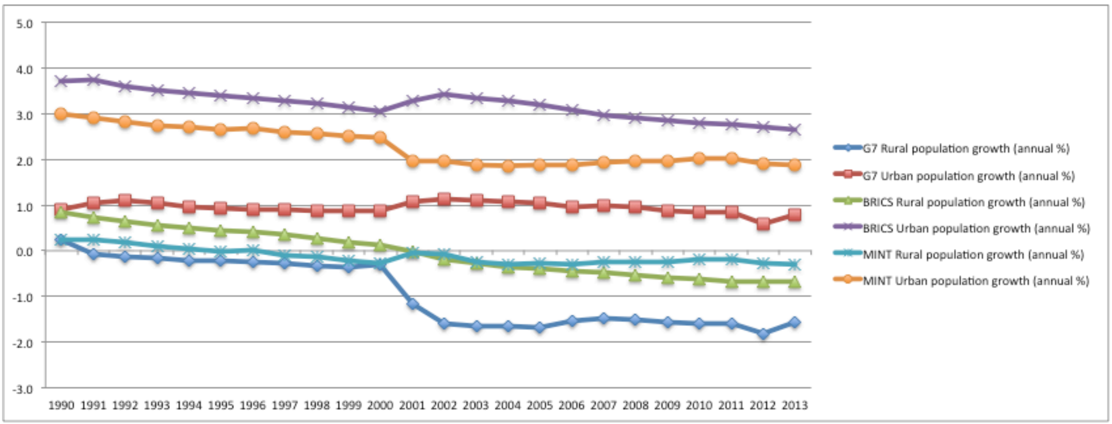
Figure 9: Urban and Rural Population Mix, Percentage of Population



Source: World Bank

The G7 have the highest proportion of its population living in urban areas during the period. It is interesting to observe that BRICS population mix is converging to be equally distributed between rural and urban whilst MINT population mix has progress ahead of BRICS with the continued shift in the population moving to urban centers. These have implications for employment, i.e. whether there are enough jobs in urban areas to support such a population shift and food security, i.e. with less farmers where would all the agricultural products come from?

Figure 10: Rural and Urban Population Growth (%)

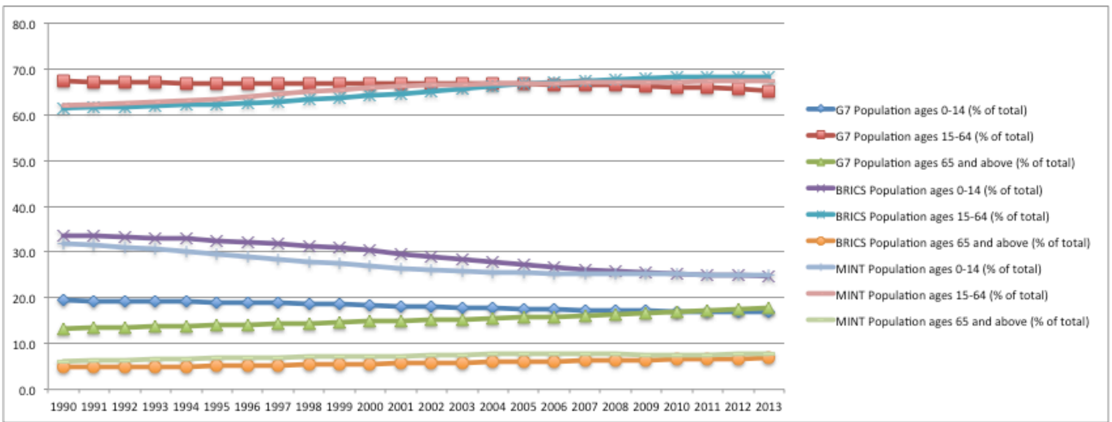


Source: World Bank

In G7 countries, the population growth is taking place in urban areas compared to rural areas where there is negative population growth. There is a similar trend for BRICS and MINT albeit the negative population growth is less extreme for MINT.

Age

Figure 11: Population Age Mix, Percentage of Population

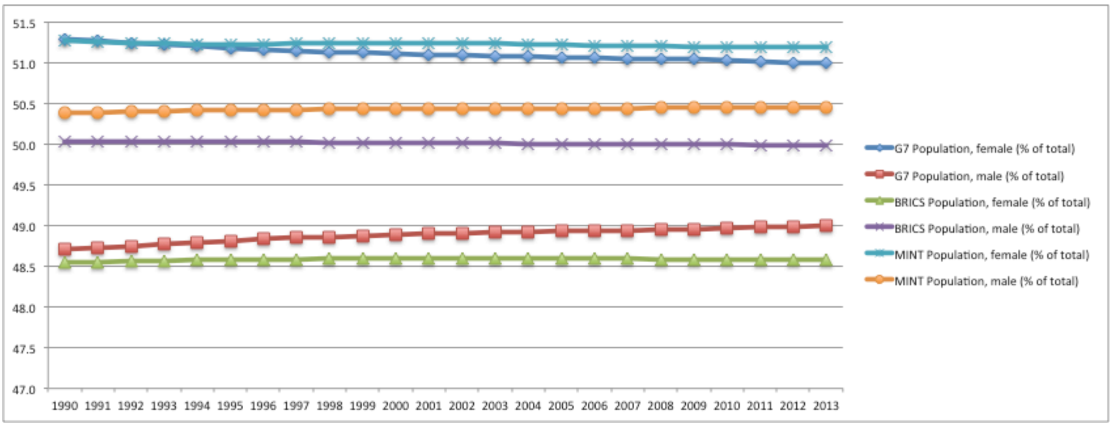


Source: World Bank

The G7, BRICS and MINT countries exhibit similar structures of age distribution in the population. During the period the working age population of 15-64 years old form the largest segment of the population whilst 0-14 years old form a declining proportion of the population and, 65 years old and over is relatively stable. This age structure presents problems as discussed above in the “Population” especially when the 15-64 years old segment moves on to 65 years old and over category.

Gender Mix

Figure 12: Population Gender Mix, Percentage of Population

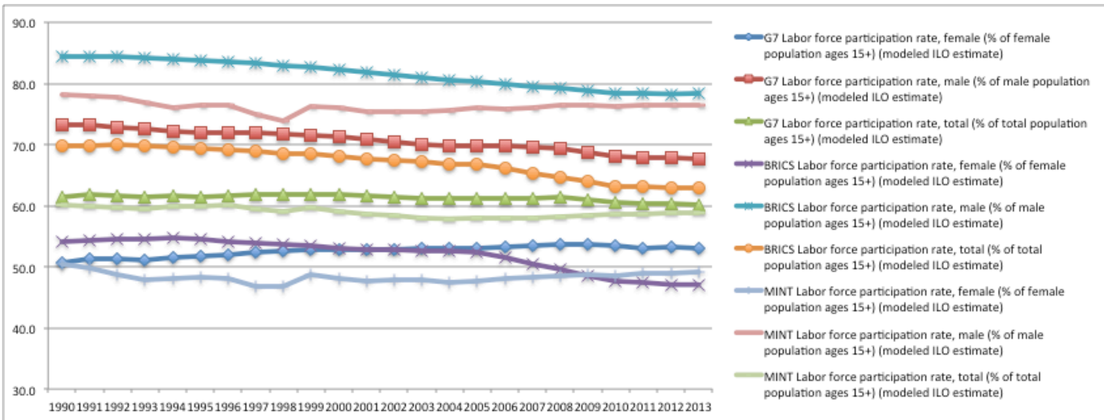


Source: World Bank

BRICS have an even distribution of male and females in their population whilst G7 countries have more females and MINT have more males. As will be discussed below, the gender mix in the population and labor force participation rates will have implications for the potential production capacities for these economies.

Labor Force Participation

Figure 13: Labor Force Participation Rate, (% of Population Aged 15+)

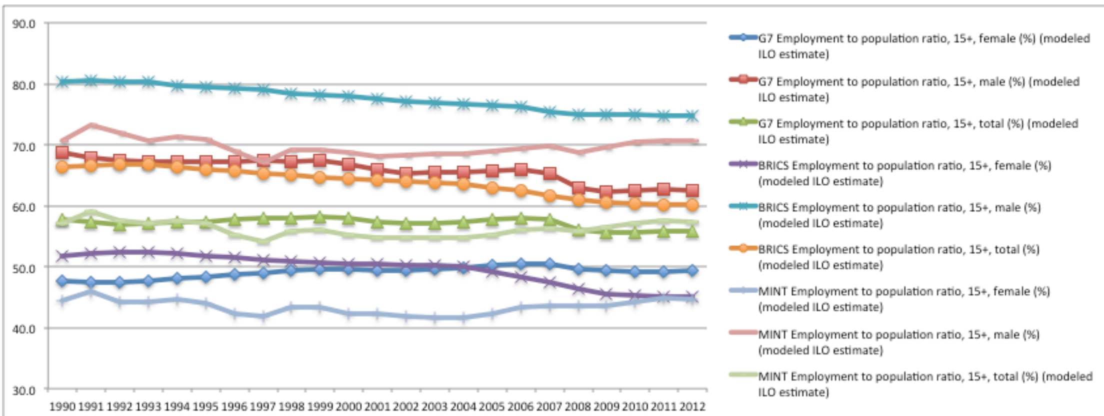


Source: World Bank

BRICS have a higher labor force participation rate compared to MINT and G7 group albeit the difference is less significant compared to the beginning of the period. Female labor force participation is the highest in the G7 group and the lowest in BRICS. Male labor force participation is the highest in BRICS and the lowest in the G7 group with the gap becoming more significant over time.

Employment

Figure 14: Employment Rate, (% of Population Aged 15+)

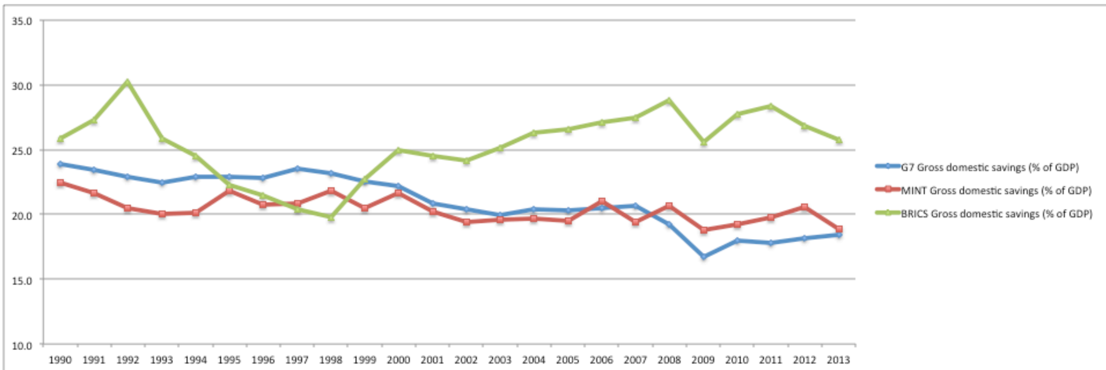


Source: World Bank

BRICS have a higher employment rate compared to MINT and G7 group albeit the difference is less significant compared to the beginning of the period. Female employment rate is the highest in the G7 group and the lowest in BRICS and MINT groups. Male labor force participation is the highest in BRICS and the lowest in the G7 group with the gap becoming more significant over time.

Savings and Household Consumption

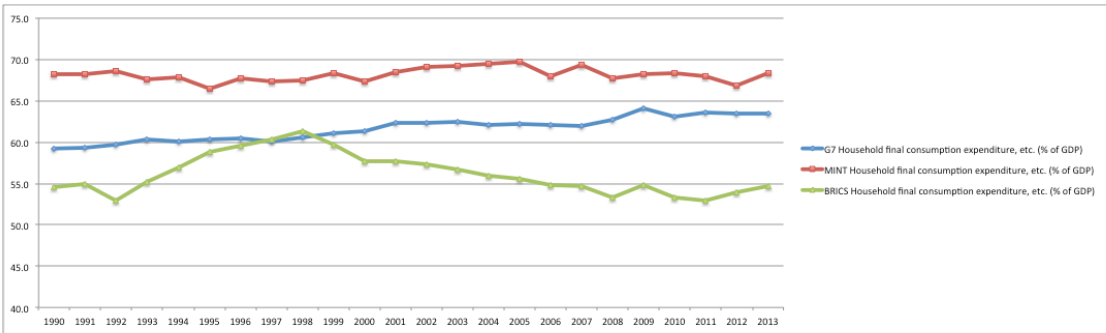
Figure 15: Savings Rate, Percentage of GDP



Source: World Bank

BRICS countries have the highest savings rate compared to MINT and G7 groups. This has implication for future capital flows as the size of the savings pool will determine the capital available for future investments.

Figure 16: Household Consumption, Percentage of GDP



Source: World Bank

MINT has the highest household consumption level compared to BRICS with the lowest. As discussed above, such a consumption gap represents the potential market of consumers as these countries continue to open up their markets to foreign imported goods.

Political Situation

Figure N: Political Assessment

Country Groupings	Countries	Voice and Accountability		Political Stability and Absence of Terrorism/Violence		Government Effectiveness		Regulatory Quality		Rule of Law		Control of Corruption	
		1996	2013	1996	2013	1996	2013	1996	2013	1996	2013	1996	2013
G7	Canada	1.62	1.46	1.16	1.03	1.88	1.77	1.43	1.71	1.63	1.74	2.20	1.87
G7	France	1.31	1.20	0.82	0.42	1.42	1.47	0.93	1.15	1.45	1.40	1.26	1.30
G7	Germany	1.33	1.41	1.21	0.93	1.84	1.52	1.38	1.55	1.57	1.62	1.99	1.78
G7	Italy	1.13	0.93	1.04	0.51	0.82	0.45	0.83	0.77	0.98	0.36	0.36	-0.04
G7	Japan	1.05	1.10	1.11	0.98	0.96	1.59	0.69	1.10	1.32	1.41	1.05	1.65
G7	United Kingdom	1.29	1.32	0.92	0.48	1.88	1.47	2.02	1.77	1.59	1.67	2.12	1.68
G7	United States	1.37	1.08	0.87	0.61	1.71	1.50	1.59	1.26	1.45	1.54	1.57	1.28
BRICS	Brazil	0.09	0.37	-0.25	-0.28	-0.15	-0.08	0.41	0.07	-0.33	-0.12	-0.07	-0.12
BRICS	Russian Federation	0.30	-1.01	-1.23	-0.75	-0.52	-0.36	-0.28	-0.37	-0.87	-0.78	-1.02	-0.99
BRICS	India	0.40	0.41	-0.91	-1.19	-0.08	-0.19	-0.44	-0.47	0.26	-0.10	-0.40	-0.56
BRICS	China	-1.29	-1.58	-0.17	-0.55	-0.25	-0.03	-0.14	-0.31	-0.43	-0.46	-0.25	-0.35
BRICS	South Africa	0.85	0.58	-0.43	-0.06	0.88	0.43	0.34	0.41	-0.01	0.13	0.76	-0.12
MINT	Mexico	-0.08	0.08	-0.97	-0.74	0.07	0.31	0.39	0.46	-0.76	-0.58	-0.45	-0.48
MINT	Indonesia	-0.81	0.00	-1.18	-0.50	-0.42	-0.24	0.19	-0.20	-0.37	-0.55	-0.56	-0.62
MINT	Nigeria	-1.66	-0.74	-1.17	-2.08	-0.98	-1.01	-0.82	-0.71	-1.26	-1.16	-1.15	-1.20
MINT	Turkey	-0.20	-0.26	-1.27	-1.19	-0.01	0.37	0.23	0.42	-0.17	0.08	-0.23	0.11

Source: World Governance Indicators, World Bank

The political situation in G7 countries is far more stable than BRICS and MINT according to the World Banks World Governance Indicators, albeit the degree of freedom in G7 countries have decline due to (i) measures to combat terrorism, (ii) poorer economic conditions after the GFC, and (iii) more civil disobedience due to austerity policies and income inequality

BRICS and MINT countries are gradually improving their governance measures with significant progress made in Turkey and Brazil.

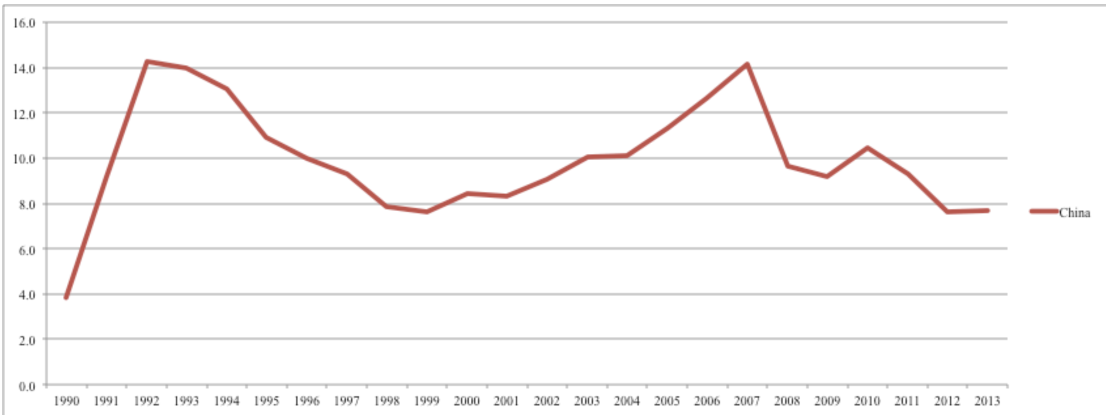
BRICS Countries

<u>CHINA</u>

Economy

GDP

Figure 17: China's Real GDP Growth 1990-2013 (%, Constant 2005 US Dollars)

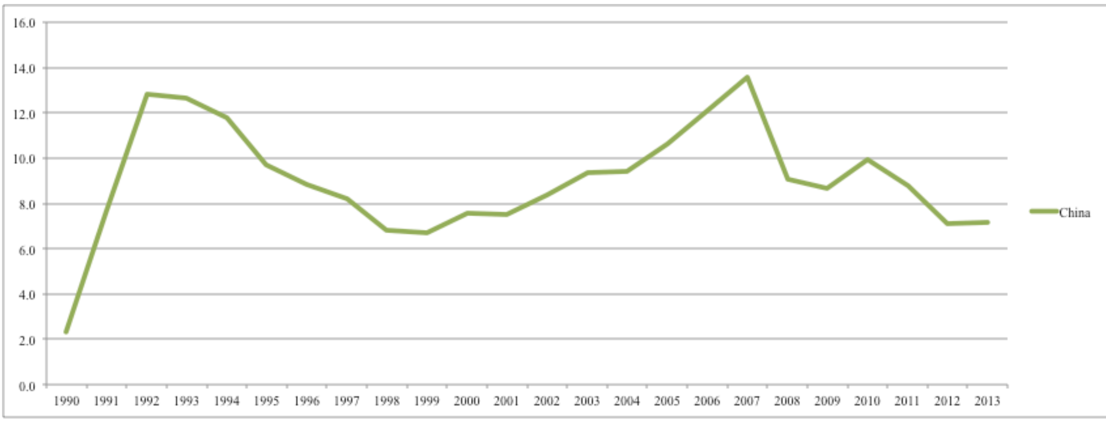


Source: World Bank

China's real GDP growth was the strongest amongst its BRICS peers. The economy grew, on average, by 9.9%, hitting a peak of 14.2% in 1992 and low of 3.8% in 1990. China's economy benefited from its ascension to the World Trade Organization that opened up market access for its products after 2000. However China's economy is in transition having progress from government and export led growth to consumer driven growth.

GDP Per Capita

Figure 18: China's GDP Per Capita Growth (%, Constant 2005 US Dollars)



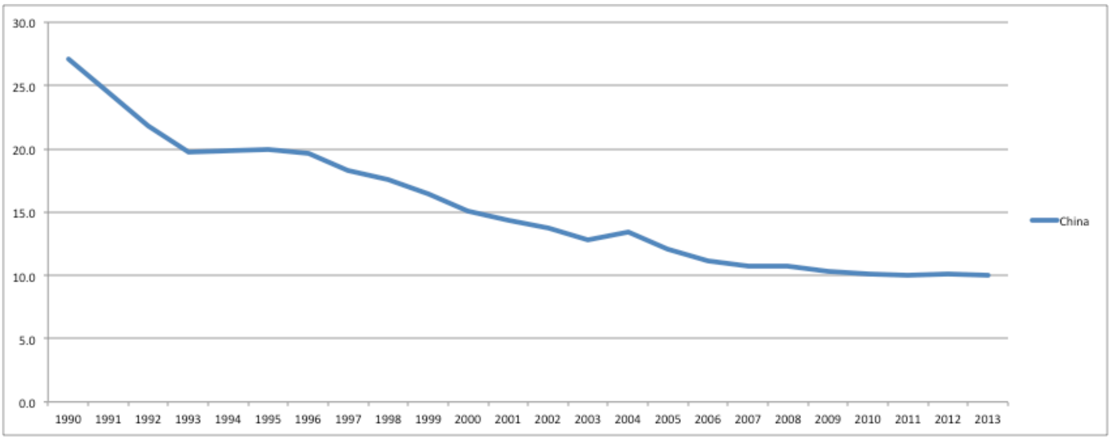
Source: World Bank

China's real GDP per capita growth was the strongest amongst its BRICS peers. GDP per capita grew, on average, by 9.0%, hitting a peak of 13.6% in 2007 and low of 2.3% in 1990.

Economic Mix

Agriculture

Figure 19: China's Agriculture Value-Add, Percentage of GDP

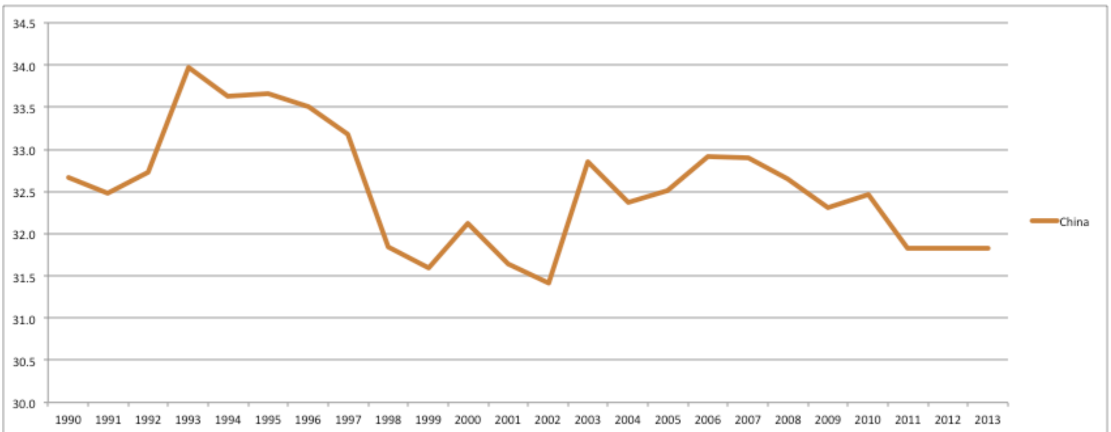


Source: World Bank

China's Agriculture Value-Added was below average amongst its BRICS peers. Agriculture Value-Added averaged 15.4% of GDP, hitting a peak of 27.1% in 1990 and low of 10.0% in 2013.

Manufacturing

Figure 20: China's Manufacturing Value-Add, Percentage of GDP

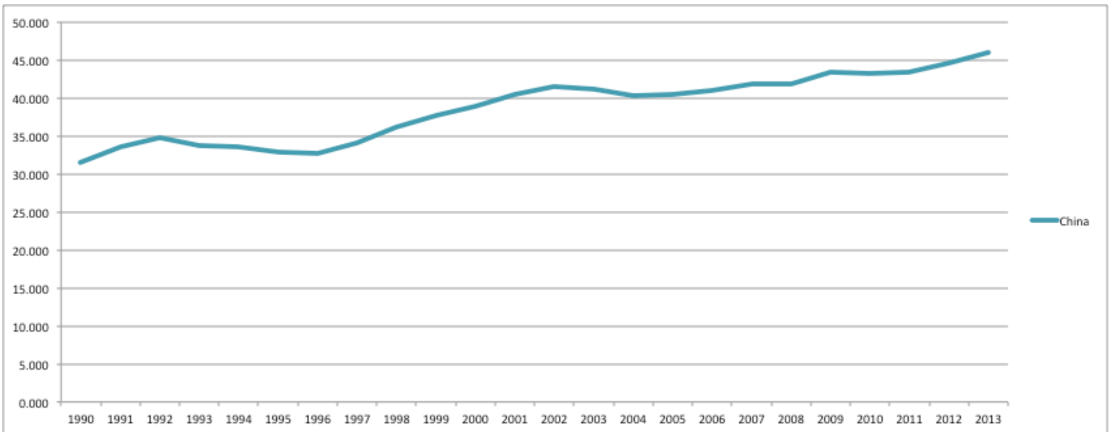


Source: World Bank

China's Manufacturing Value-Added was the highest amongst its BRICS peers. China's Manufacturing Value-Added averaged 32.5% of GDP, hitting a peak of 34.0% in 1993 and low of 31.4% in 2002. China's Manufacturing Value-Added benefitted from its ascension to the WTO and the outsourcing trend which increase the number and production scale of factories along coastal cities.

Services

Figure 21: China's Services Value-Add, Percentage of GDP

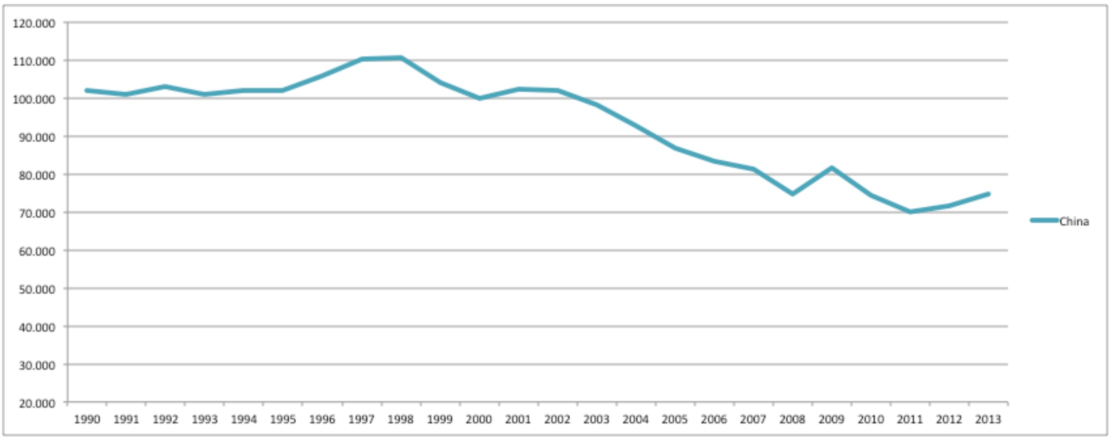


Source: World Bank

China's Services Value-Added was the lowest amongst its BRICS peers. China's Services Value-Added averaged 38.7% of GDP, hitting a peak of 46.1% in 2013 and low of 31.5% in 1990.

Terms of Trade

Figure 22: China's Terms of Trade

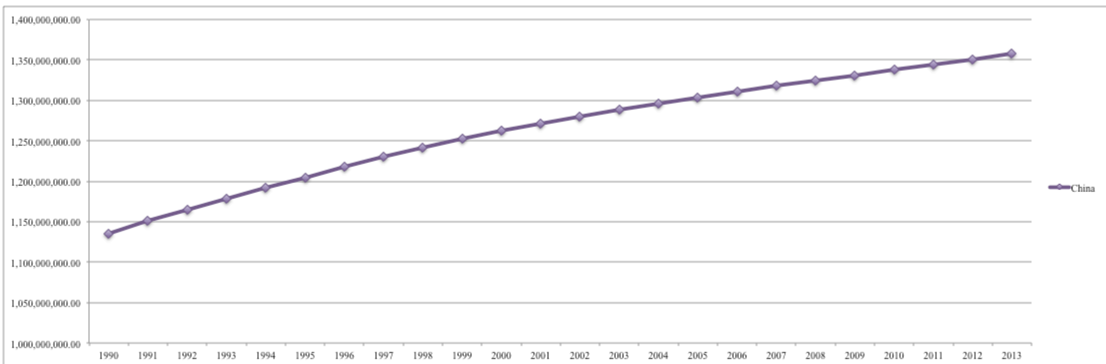


Source: World Bank

China's Terms of Trade Index was the lowest amongst its BRICS peers. China's Terms of Trade Index averaged 85.3, hitting a peak of 102.2 in 2001 and low of 70.1 in 2011.

Population and Demography

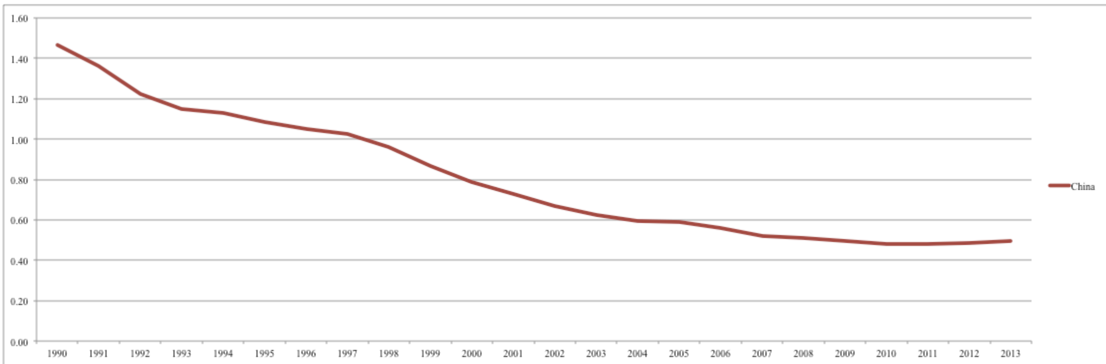
Figure 23: China's Total Population, Number of People



Source: World Bank

China’s population was the highest amongst its BRICS peers. China’s population averaged 1.3 billion people, hitting a peak of 1.4 billion people in 2013 and low of 1.1 billion people in 1990.

Figure 24: China’s Population Growth Rate (%)

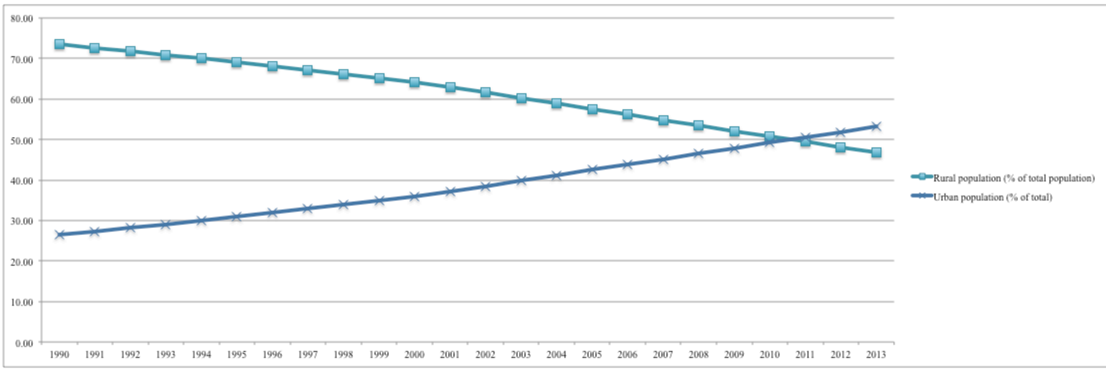


Source: World Bank

China’s population growth was below average amongst its BRICS peers. China’s population grew, on average, by 0.8%, hitting a peak of 1.5% in 1990 and low of 0.5% in 2013.

Urban and Rural Mix

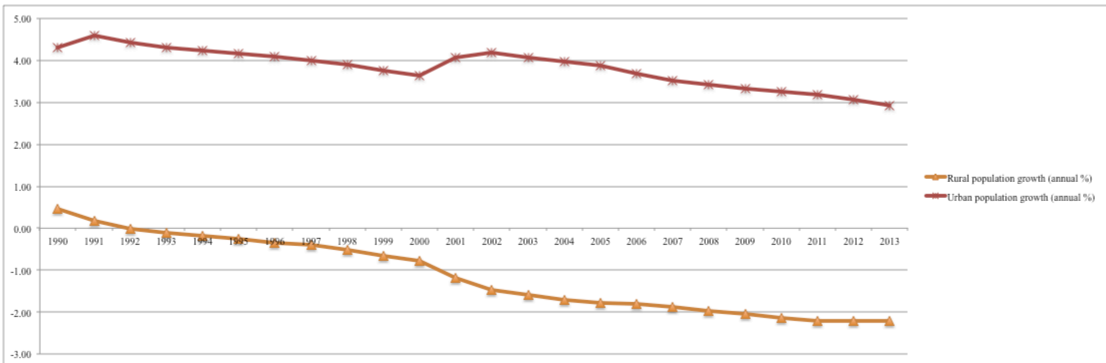
Figure 25: China’s Urban and Rural Population Mix, Percentage of Population



Source: World Bank

China’s urban and rural population mix was the average amongst its BRICS peers. China’s urban and rural population mix averaged 61.3% and 38.7% for rural and urban population respectively, with people living in urban areas hitting a peak of 53.2% and the population living in rural areas hitting a low of 46.8% in 2013.

Figure 26: China’s Rural and Urban Population Growth (%)



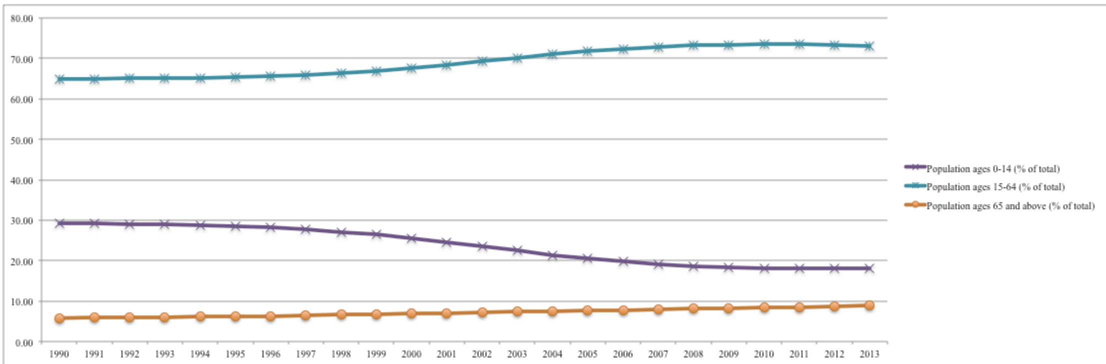
Source: World Bank

China’s urban and rural population growth was the highest and below average respectivel amongst its BRICS peers. China’s urban and rural population grew, on average, by 3.8% anc

-1.1%, urban population growth hitting a peak of 4.6% in 1991 and rural population growth hitting a low of 2.2% in 2013.

Age

Figure 27: China's Population Age Mix, Percentage of Population

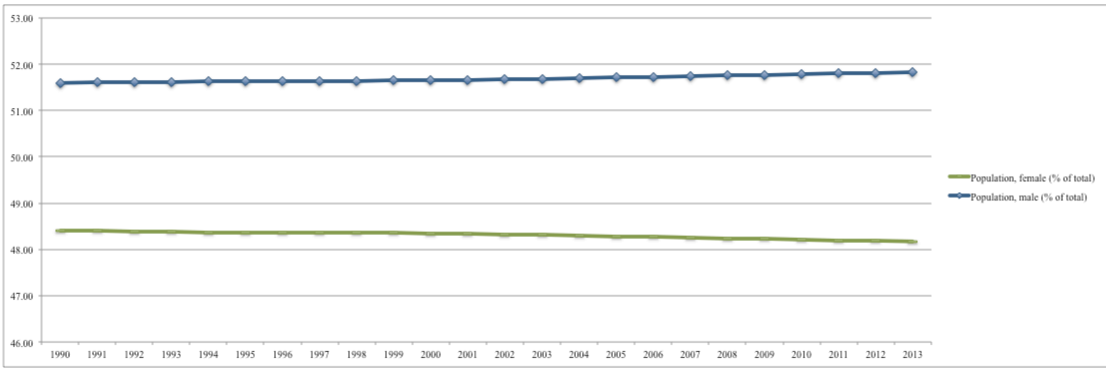


Source: World Bank

China's population age mix was below average for 0-14 year's old category, average for 15-64 years old and 65 years and older categories amongst its BRICS peers. China's population mix for 15-64 years old averaged 69.1%, peaking of 73.5% in 2010 and hitting a low of 64.9% in 1990.

Gender Mix

Figure 28: China's Population Gender Mix, Percentage of Population

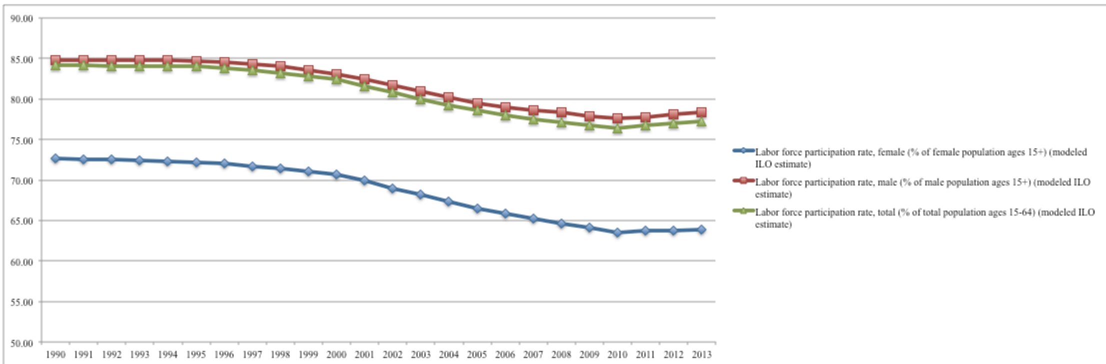


Source: World Bank

China’s population gender mix was jointly the highest with Russia for male amongst its BRICS peers. China’s population gender mix averaged 50.8% for male, with the male population hitting a peak of 50.9% in 2013 and a low of 50.7% in 1990.

Labor Force Participation

Figure 29: China’s Labor Force Participation Rate, (% of Population Aged 15+)

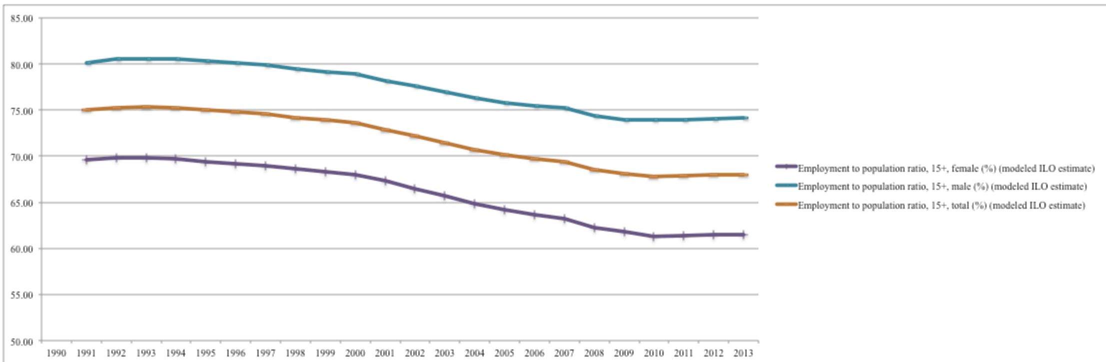


Source: World Bank

China’s labor force participation rate was the highest amongst its BRICS peers. China’s labor force participation rate averaged 75.3%, with the labor force participation rate hitting a peak of 78.9% in 1990 and a low of 70.7% in 2010.

Employment

Figure 30: China’s Employment Rate, (% of Population Aged 15+)

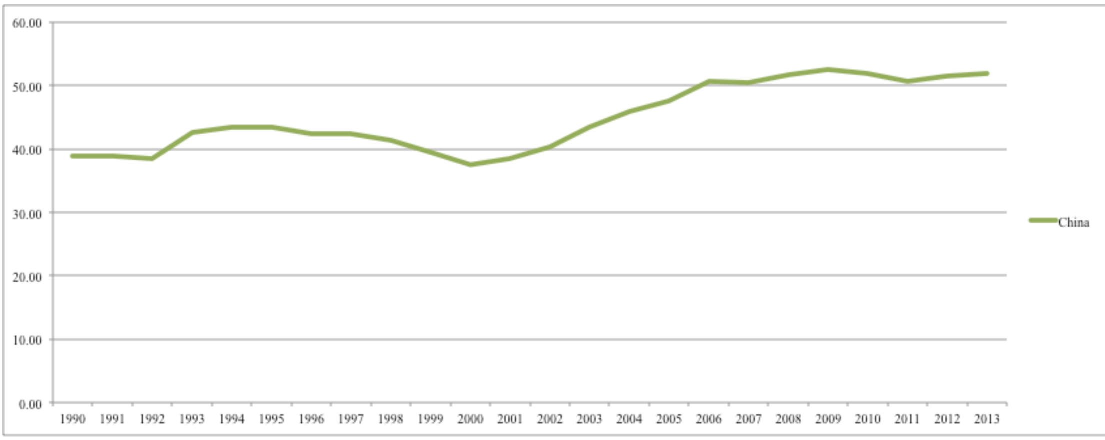


Source: World Bank

China’s employment rate was the highest amongst its BRICS peers. China’s employment rate averaged 65.9%, with the employment rate hitting a peak of 69.8% in 1992 and a low of 61.3% in 2010.

Savings and Household Consumption

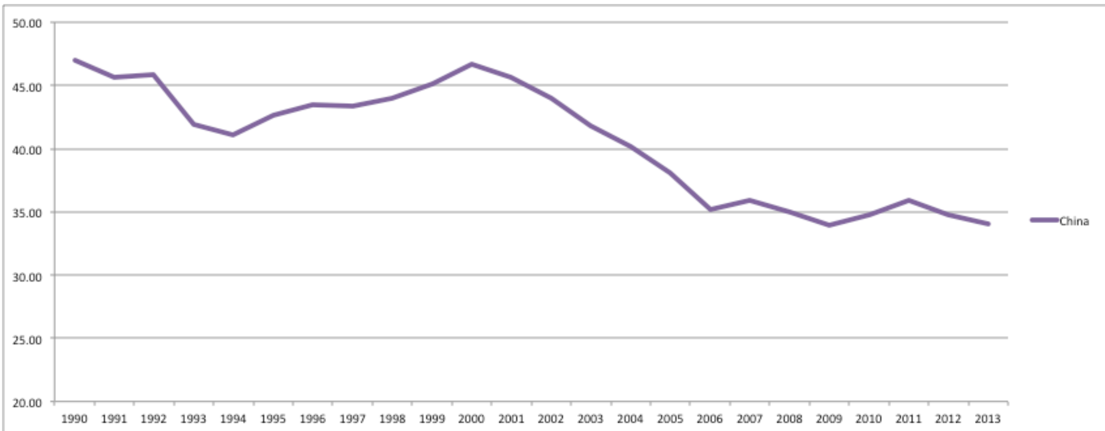
Figure 31: China’s Savings Rate, Percentage of GDP



Source: World Bank

China's savings rate is the highest amongst its BRICS peers. China's savings rate averaged 44.9%, with the savings rate hitting a peak of 52.7% in 2009 and savings rate hitting a low of 37.5% in 2000.

Figure 32: China's Household Consumption, Percentage of GDP



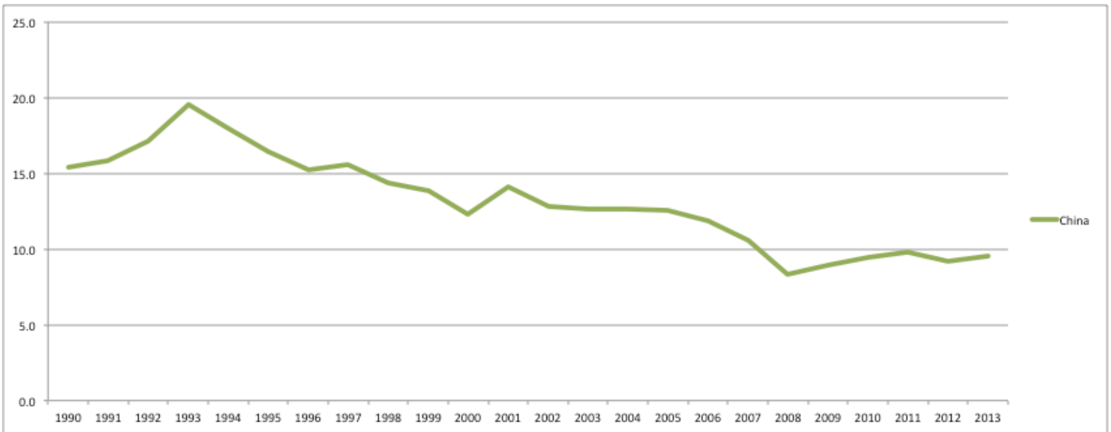
Source: World Bank

China's household consumption was the lowest amongst its BRICS peers. China's household consumption averaged 40.7%, with the household consumption hitting a peak of 47.0% in 1990 and household consumption hitting a low of 33.9% in 2009.

Level of Indebtedness

Absolute Indebtedness

Figure 33: China’s External Debt Stock, Percentage of GNI

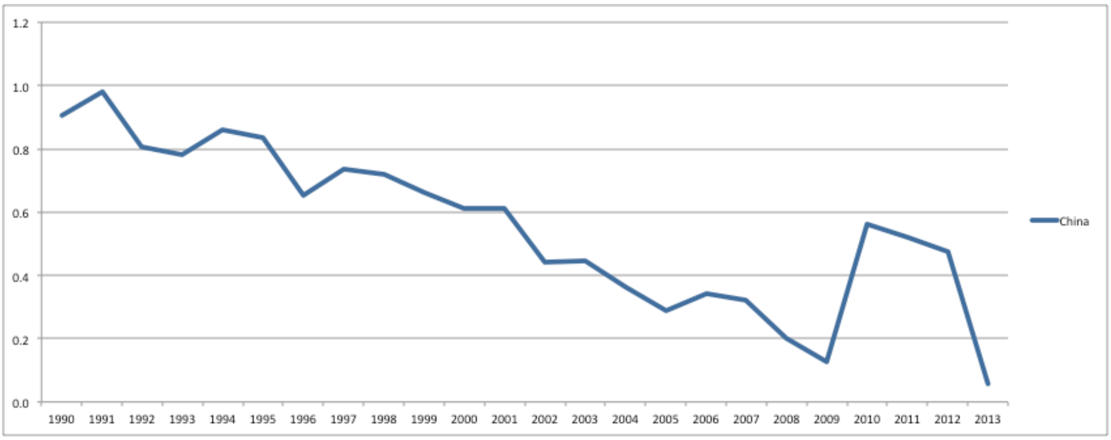


Source: World Bank

China’s level of indebtedness was the lowest amongst its BRICS peers. China’s level of indebtedness averaged 13.2%, with the level of indebtedness hitting a peak of 19.5% in 1993 and level of indebtedness hitting a low of 8.3% in 2008.

Ability to Repay Debt Interest

Figure N: China’s Interest Payment on External Debt, Percentage of GNI



Source: World Bank

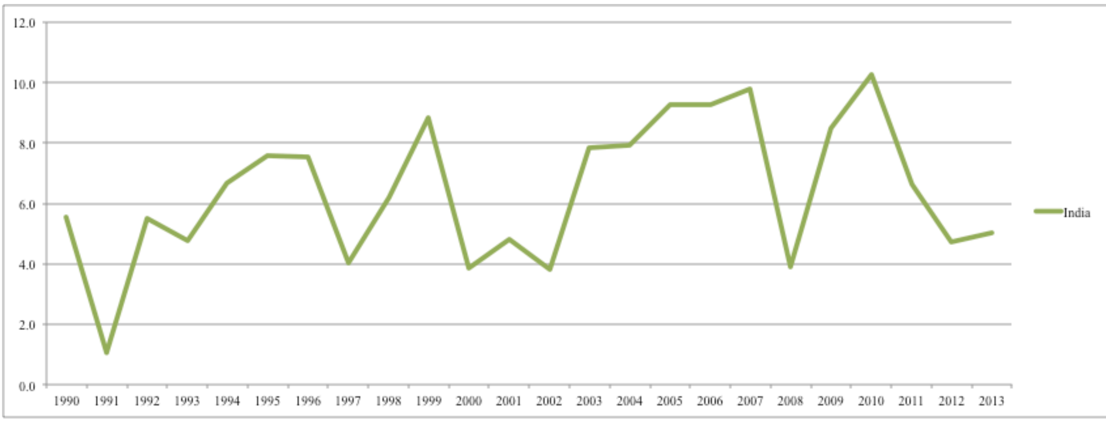
China's ability to service its debt was the highest amongst its BRICS peers. China's interest payments on external debt (% of GNI) averaged 0.56%, hitting a peak of 0.98% in 1991 and a low of 0.06% in 2013.

INDIA

Economy

GDP

Figure 34: India's Real GDP Growth 1990-2013 (%, Constant 2005 US Dollars)

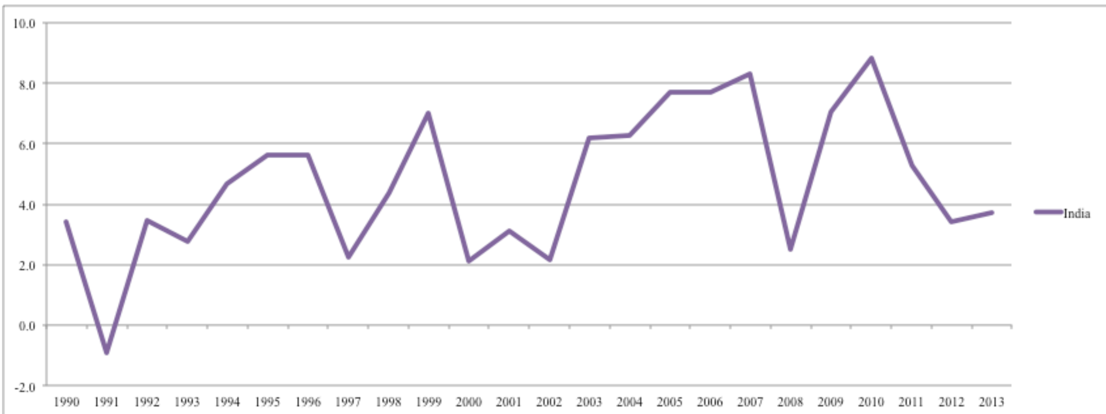


Source: World Bank

India's real GDP growth was above average amongst its BRICS peers. The economy grew, on average, by 6.4%, hitting a peak of 10.3% in 2010 and low of 1.1% in 1991. India's economy benefited from continued industrialization of its economy driven by the outsourcing trends and government measures to reduce poverty levels.

GDP Per Capita

Figure 35: India's GDP Per Capita Growth (%, Constant 2005 US Dollars)



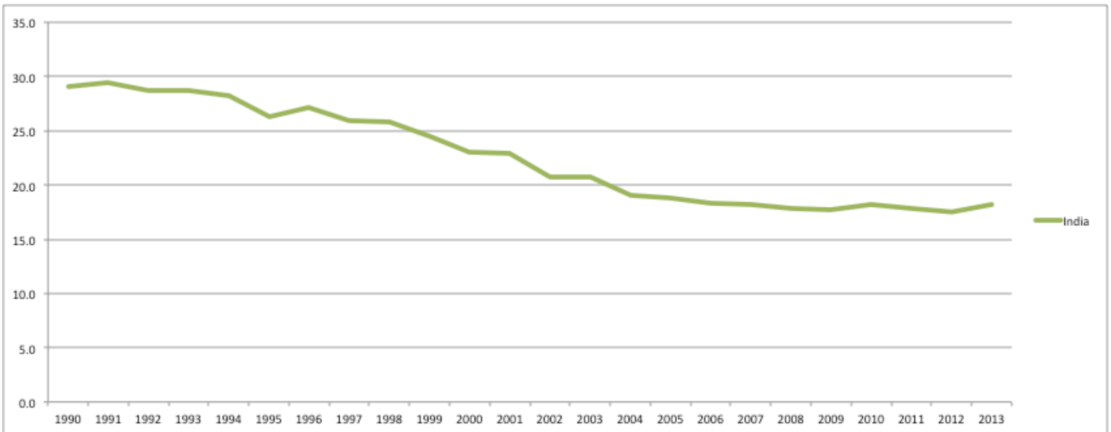
Source: World Bank

India’s real GDP per capita growth was above average amongst its BRICS peers. Real GDP per capita grew, on average, by 4.7%, hitting a peak of 8.8% in 2010 and low of -0.9% in 1991.

Economic Mix

Agriculture

Figure 36: India’s Agriculture Value-Add, Percentage of GDP

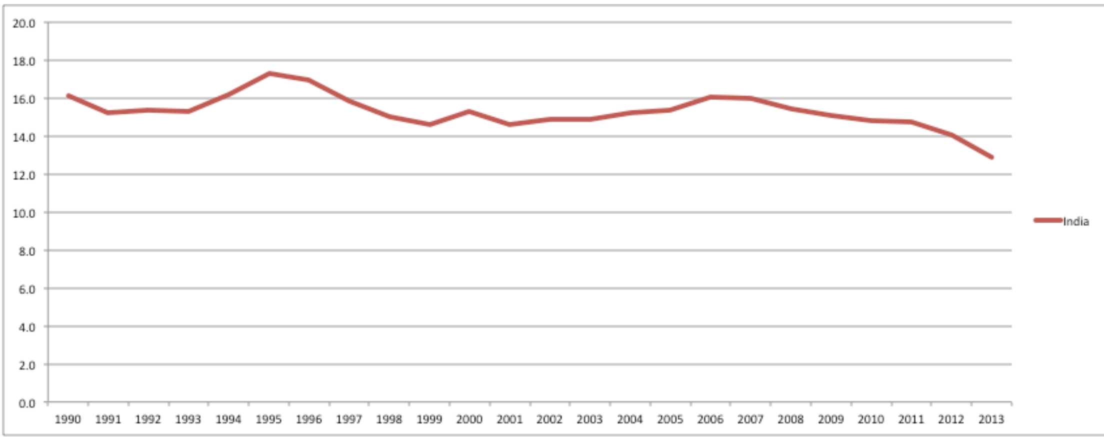


Source: World Bank

India’s Agriculture Value-Added was the highest amongst its BRICS peers. Agriculture Value-Added averaged 22.6%, hitting a peak of 29.4% in 1991 and low of 17.5% in 2012.

Manufacturing

Figure 37: India’s Manufacturing Value-Add, Percentage of GDP

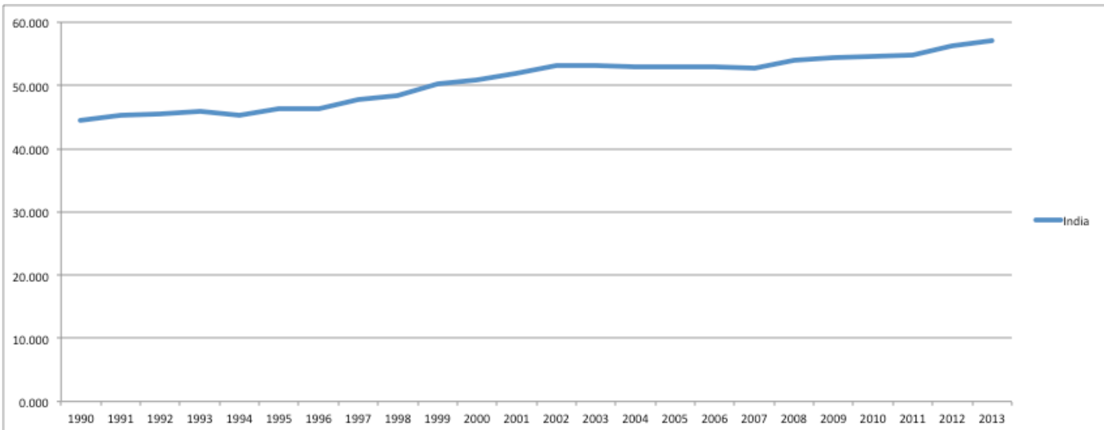


Source: World Bank

India's Manufacturing Value-Added was the lowest amongst its BRICS peers. India's Manufacturing Value-Added averaged 15.3%, hitting a peak of 17.3% in 1995 and low of 12.9% in 2013.

Services

Figure 38: India's Services Value-Add, Percentage of GDP

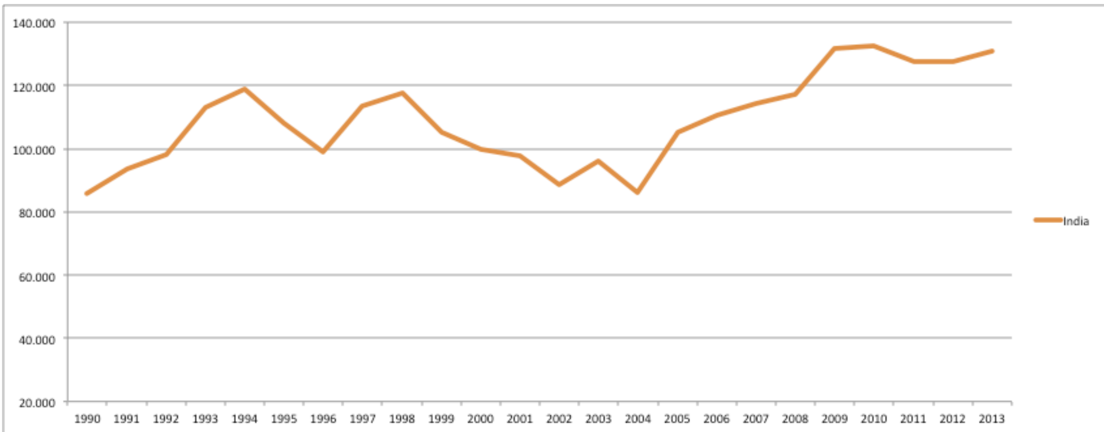


Source: World Bank

India’s Services Value-Added was below average amongst its BRICS peers. India’s Services Value-Added averaged 50.7%, hitting a peak of 57.0% in 2013 and low of 44.5% in 1990.

Terms of Trade

Figure 39: India’s Terms of Trade

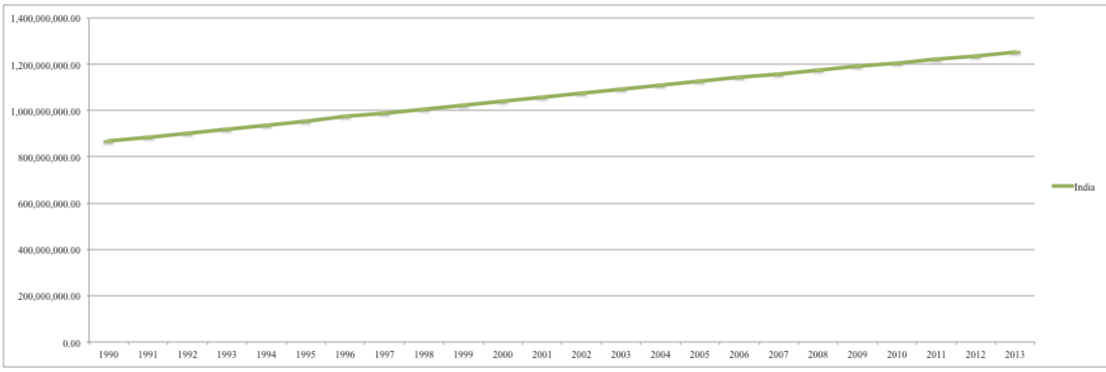


Source: World Bank

India’s Terms of Trade was below average amongst its BRICS peers. India’s Terms of Trade Index averaged 111.9, hitting a peak of 132.5 in 2010 and low of 86.2 in 2004.

Population and Demography

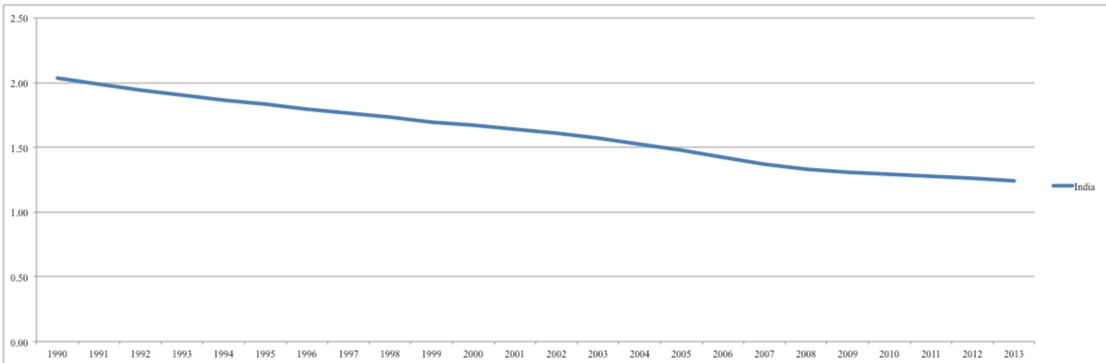
Figure 40: India’s Total Population



Source: World Bank

India's is the second most populous country amongst its BRICS peers. India's population averaged 1.1 billion people, hitting a peak of 1.3 billion people in 2013 and low of 868.9 million people in 1990.

Figure N: India's Population Growth (%)

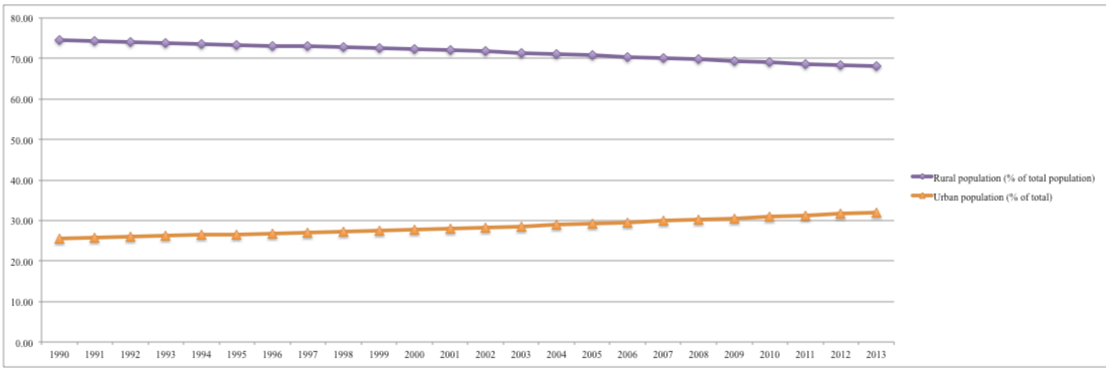


Source: World Bank

India's population growth was above the average amongst its BRICS peers. India's population grew, on average, by 1.6%, hitting a peak of 2.0% in 1990 and low of 1.2% in 2013.

Urban and Rural Mix

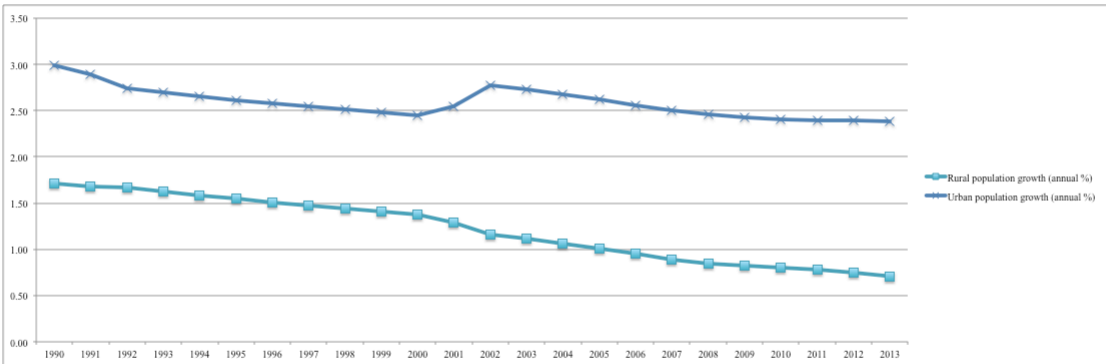
Figure 41: India's Urban and Rural Population Mix, Percentage of Population



Source: World Bank

India's the highest proportion of rural population and lowest proportion of urban population amongst its BRICS peers. India's urban and rural population mix averaged 71.6% and 28.4% for rural and urban population proportion respectively, with people living in urban areas hitting a peak of 32% and the population living in rural areas hitting a low of 68% in 2013.

Figure 42: India's Rural and Urban Population Growth



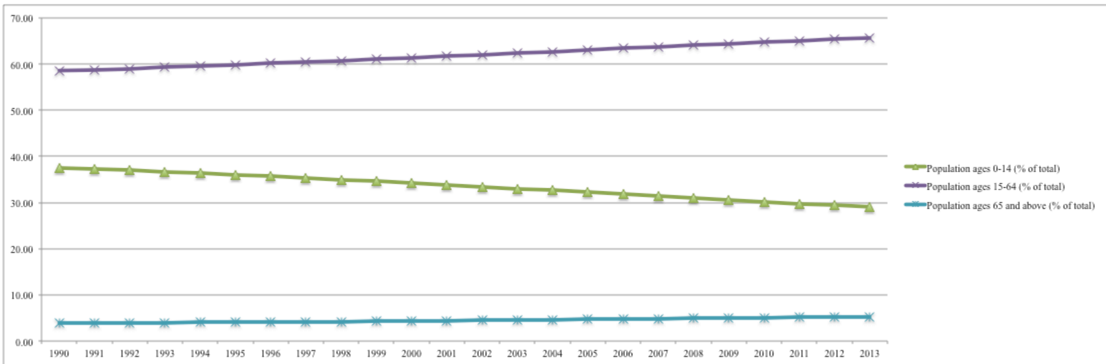
Source: World Bank

India's rural and urban population growth was the highest and below the average amongst it

BRICS peers. India's urban and rural population grew, on average, by 1.2% and 2.6% respec tively, with urban population growth hitting a peak of 3.0% in 1990 and rural population growth hitting a low of 0.7% in 2013.

Age

Figure 43: India’s Population Age Mix, Percentage of Population

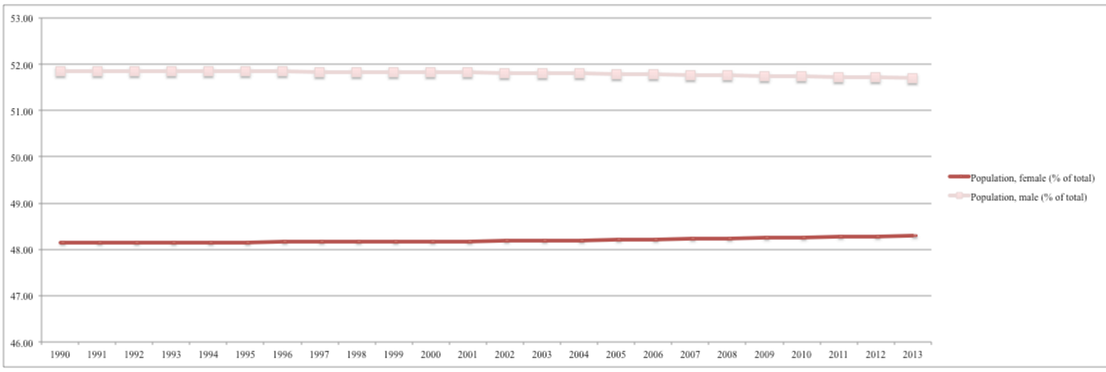


Source: World Bank

India’s population has the highest proportion 0-14 year olds amongst its BRICS peers. India’s population mix for 0-14 year olds averaged 33.5%, peaked at 37.5% in 1990 and hitting a low of 29.1% in 2013.

Gender Mix

Figure 44: India’s Population Gender Mix, Percentage of Population

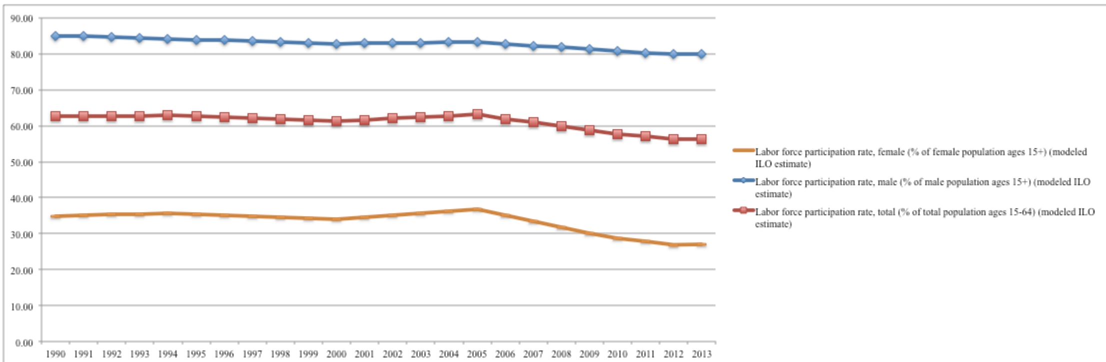


Source: World Bank

India's population gender mix was below the average for amongst its BRICS peers. India's population gender mix averaged 49.2% for male and 48.2 for females, with the female population hitting a peak of 48.3% and the male population hitting a low of 49.1% in 2013.

Labor Force Participation

Figure 45: India's Labor Force Participation Rate, (% of Population Aged 15+)

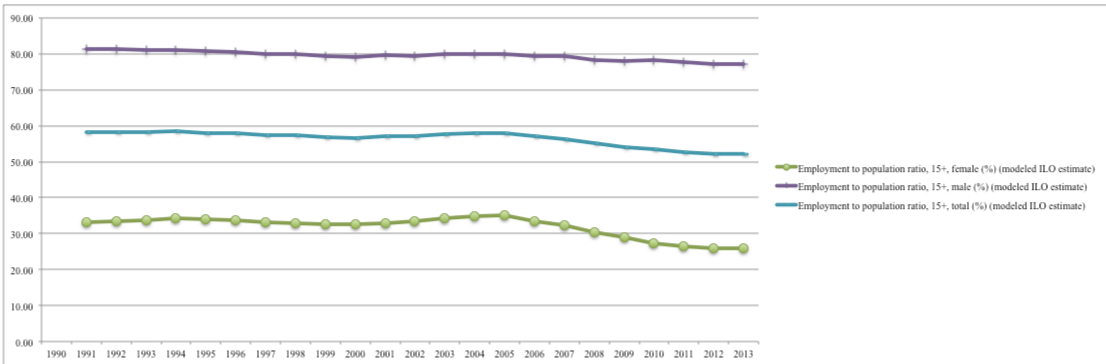


Source: World Bank

India’s labor force participation rate was below the average amongst its BRICS peers. India’s labor force participation rate averaged 59.0%, with the labor force participation rate hitting a peak of 60.9% in 2003 and a low of 54.1% in 2012.

Employment

Figure 46: India’s Employment Rate, (% of Population Aged 15+)

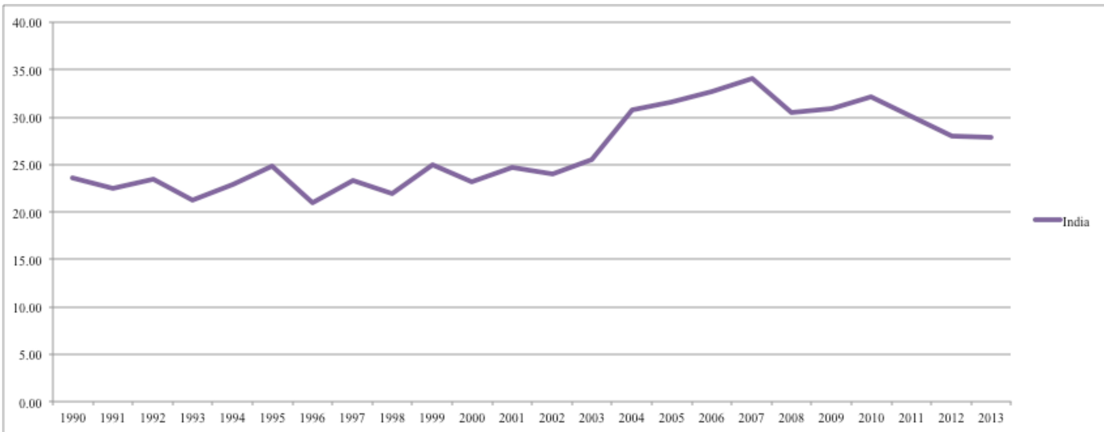


Source: World Bank

India’s employment rate was below the average amongst its BRICS peers. India’s employment rate averaged 56.5%, with the employment participation rate hitting a peak of 58.6% in 1994 and a low of 52.2% in 2013.

Savings and Household Consumption

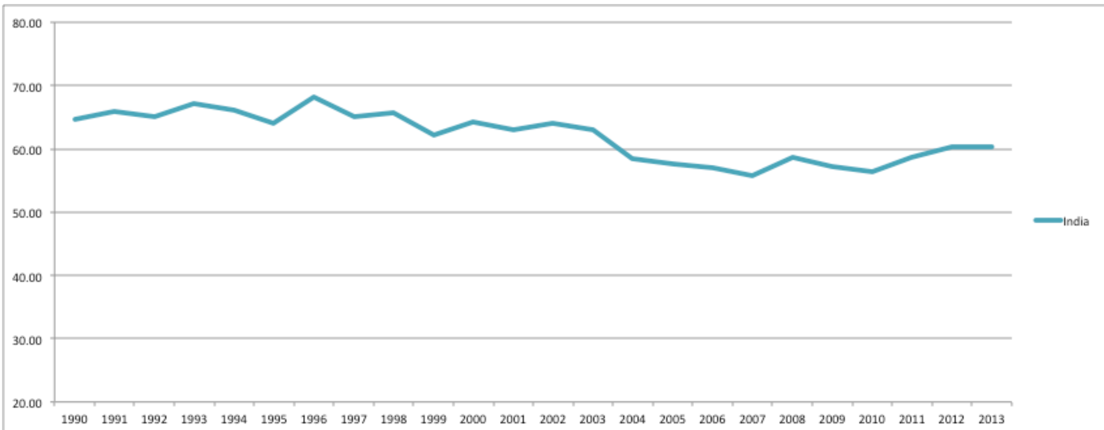
Figure 47: India’s Savings Rate, Percentage of GDP



Source: World Bank

India's savings rate was above average amongst its BRICS peers. India's savings rate averaged 26.5%, with the savings rate hitting a peak of 34.0% in 2007 and savings rate hitting a low of 20.9% in 1996.

Figure 48: India's Household Consumption, Percentage of GDP



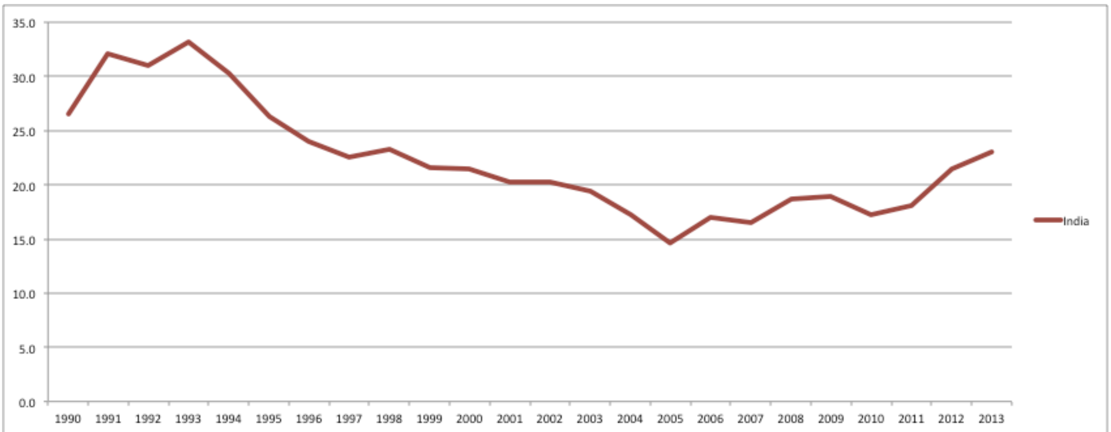
Source World Bank

India's household consumption is the highest amongst its BRICS peers. India's household consumption averaged 62.0%, with the household consumption hitting a peak of 68.2% in 1996 and household consumption hitting a low of 55.7% in 2007.

Level of Indebtedness

Absolute Indebtedness

Figure 49: India's External Debt Stock, Percentage of GNI

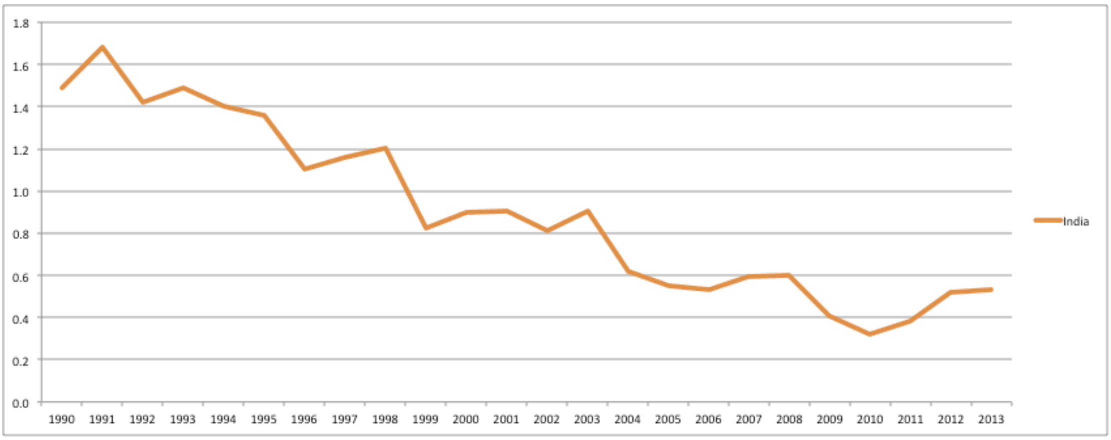


Source: World Bank

India's level of indebtedness was above average amongst its BRICS peers. India's level of indebtedness averaged 22.3%, with the level of indebtedness hitting a peak of 33.2% in 1993 and level of indebtedness hitting a low of 14.6% in 2005.

Ability to Repay Debt Interest

Figure 50: India's Interest Payment on External Debt, Percentage of GNI



Source: World Bank

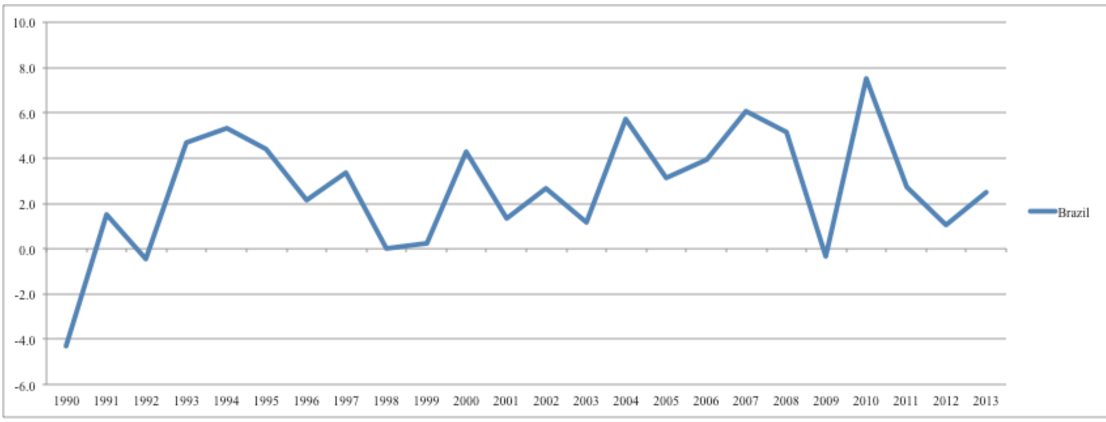
India's ability to service its debt was above average amongst its BRICS peers. India's interest payments on external debt (% of GNI) averaged 0.9%, hitting a peak of 1.7% in 1991 and a low of 0.3% in 2010.

BRAZIL

Economy

GDP

Figure 51: Brazil's Real GDP Growth 1990-2013 (%, Constant 2005 US Dollars)

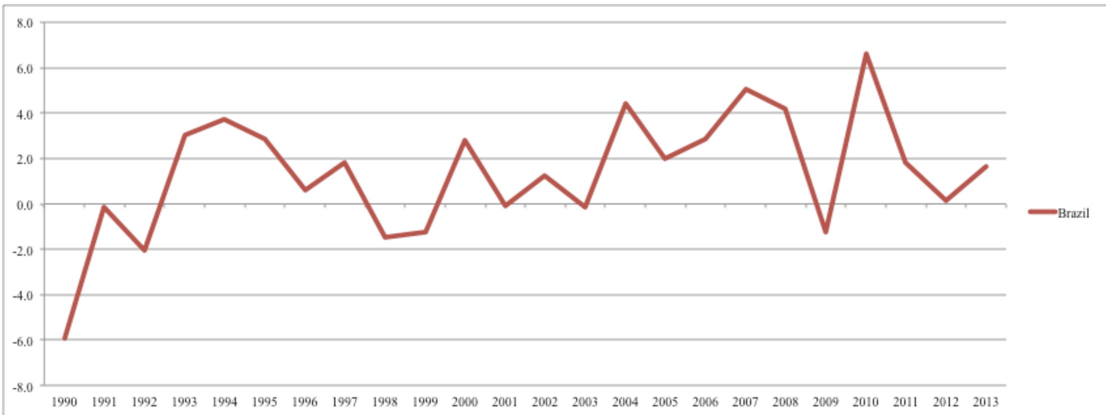


Source: World Bank

Brazil's real GDP growth is the below average amongst its BRICS peers. The economy grew, on average, by 2.7%, hitting a peak of 7.5% in 2010 and low of -4.3% in 1990. Brazil's economy benefited from the commodity super-cycle at the turn of the millennia[7].

GDP Per Capita

Figure 52: Brazil's GDP Per Capita Growth (%, Constant 2005 US Dollars)



Source: World Bank

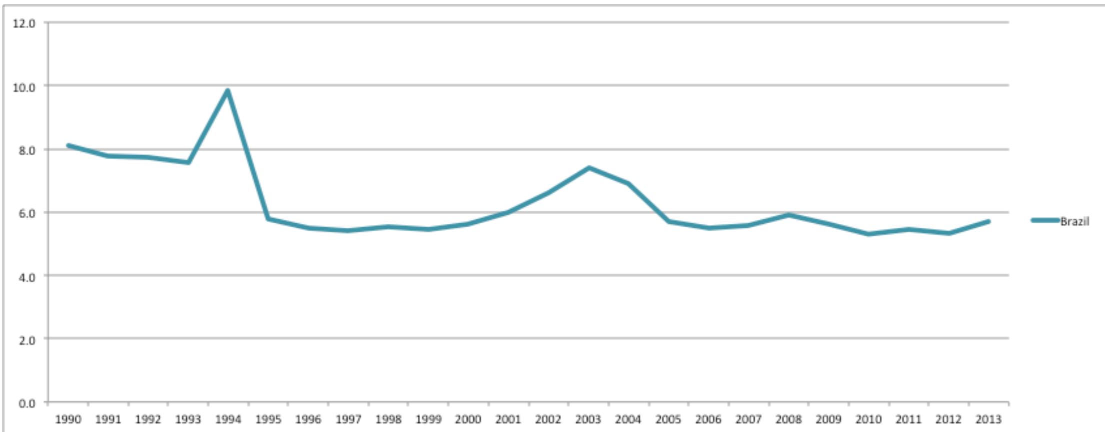
[7] Cardoso and Teles (2009)

Brazil’s real GDP per capita growth was below average amongst its BRICS peers. Real GDP per capita grew, on average, by 1.4%, hitting a peak of 6.6% in 2010 and low of -5.9% in 1990.

Economic Mix

Agriculture

Figure 53: Brazil’s Agriculture Value-Add, Percentage of GDP

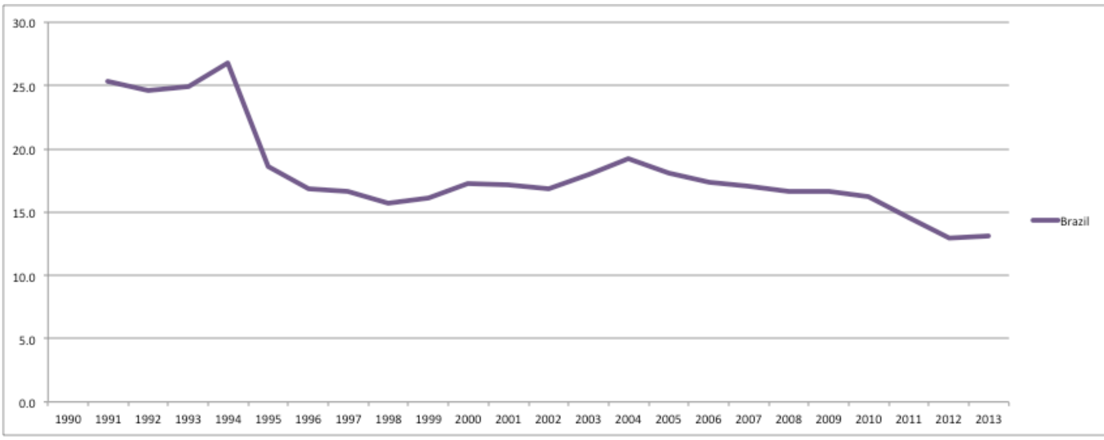


Source: World Bank

Brazil’s Agriculture Value-Added was below average amongst its BRICS peers. Agriculture Value-Added averaged 6.3%, hitting a peak of 9.9% in 1994 and low of 5.3% in 2010.

Manufacturing

Figure 54: Brazil’s Manufacturing Value-Add, Percentage of GDP

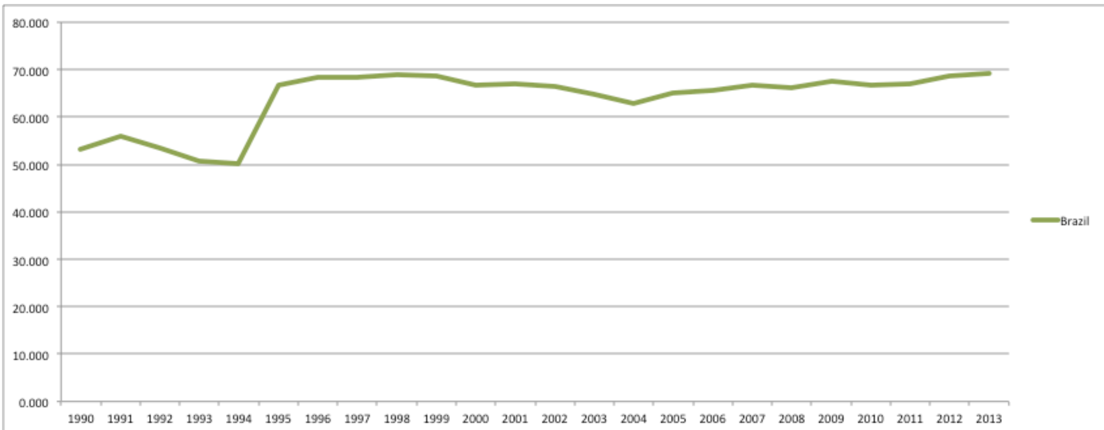


Source: World Bank

Brazil's Manufacturing Value-Added was above average amongst its BRICS peers. Brazil's Manufacturing Value-Added averaged 18.1%, hitting a peak of 26.8% in 1994 and low of 13.0% in 2012.

Services

Figure 55: Brazil's Services Value-Add, Percentage of GDP

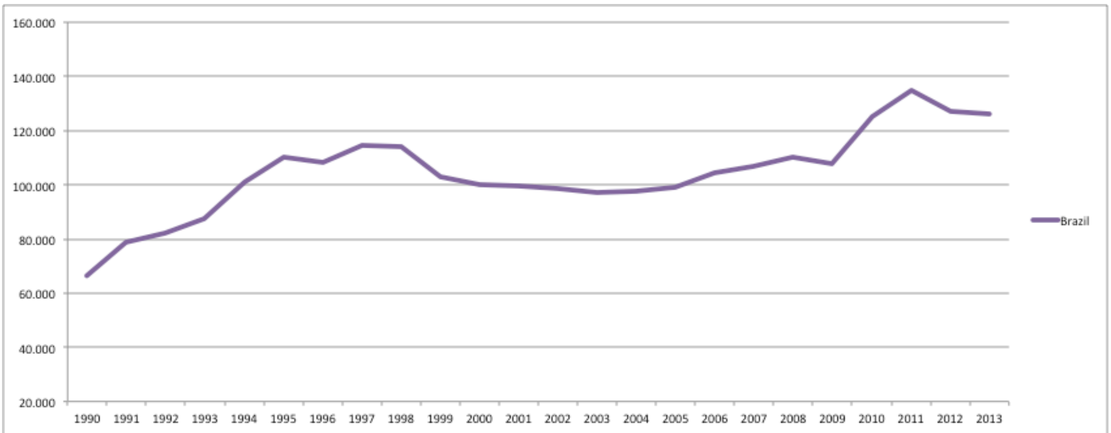


Source: World Bank

Brazil's Services Value-Added was jointly the highest with South Africa amongst its BRICS peers. Brazil's Services Value-Added averaged 64.0%, hitting a peak of 69.3% in 2013 and low of 50.1% in 1993.

Terms of Trade

Figure 56: Brazil's Terms of Trade

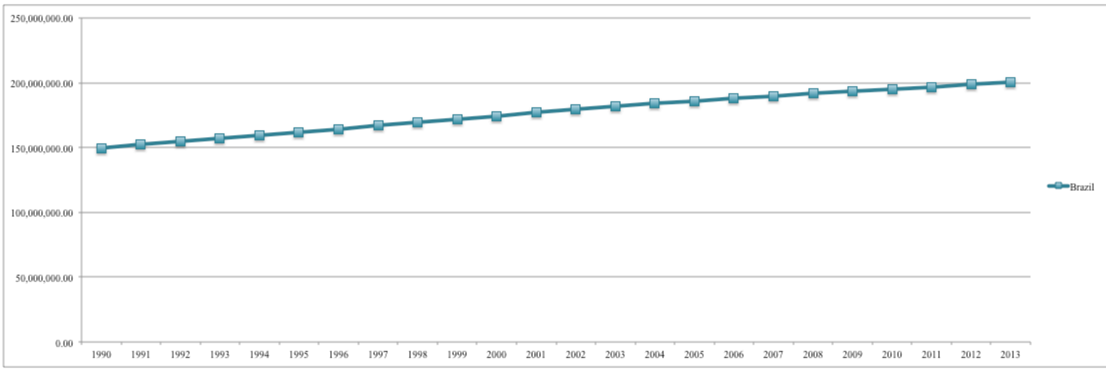


Source: World Bank

Brazil's Terms of Trade was below average amongst its BRICS peers. Brazil's Terms of Trade Index averaged 109.6, hitting a peak of 134.9 in 2011 and low of 97.0 in 2003.

Population and Demography

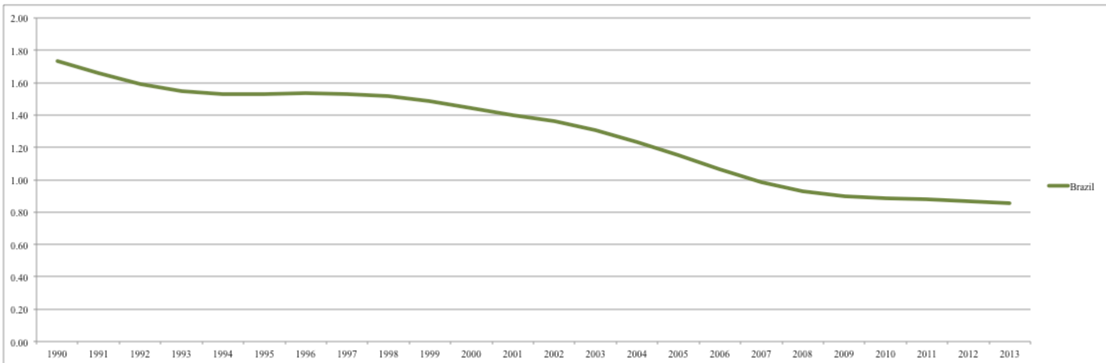
Figure 57: Brazil's Total Population



Source: World Bank

Brazil’s population was below the average amongst its BRICS peers. Brazil’s population averaged 176.9 million people, hitting a peak of 200.4 million people in 2013 and low of 149.6 million people in 1990.

Figure 58: Brazil’s Population Growth

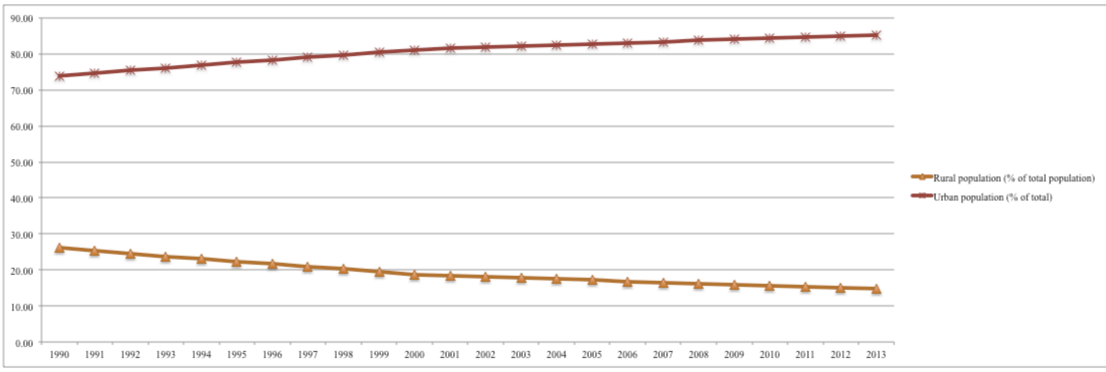


Source: World Bank

Brazil’s population growth was the average amongst its BRICS peers. Brazil’s population grew, on average, by 1.3%, hitting a peak of 1.7% in 1990 and low of 0.9% in 2013.

Urban and Rural Mix

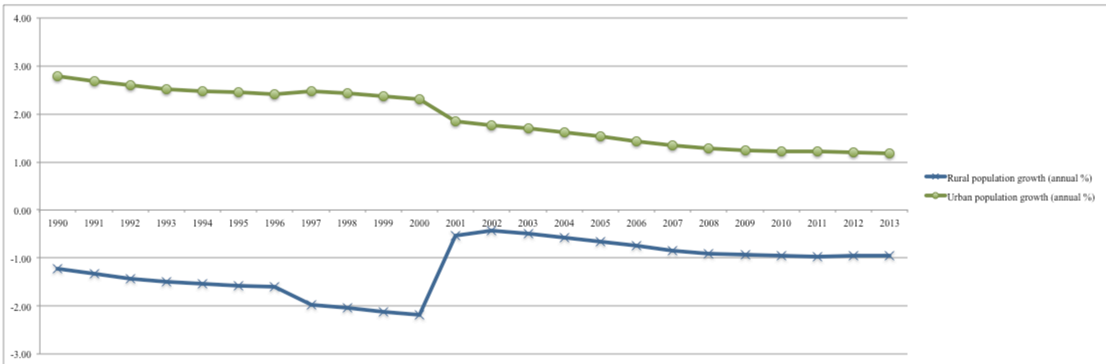
Figure 59: Brazil's Urban and Rural Population Mix, Percentage of Population



Source: World Bank

Brazil has the highest urban population and the lowest rural population amongst its BRICS peers. Brazil's urban and rural population mix averaged 80.7% and 19.3% respectively, with people living in urban areas hitting a peak of 85.2% and the population living in rural areas hitting a low of 14.8% in 2013.

Figure 60: Brazil's Rural and Urban Population Growth

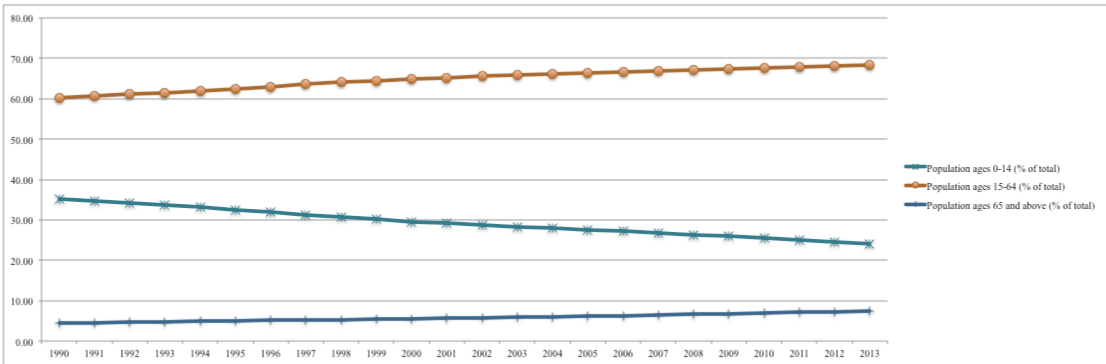


Source: World Bank

Brazil has the highest negative growth for its rural population and an urban populatio growth rate that was below the average amongst its BRICS peers. Brazil's urban and rura population grew, on average, 1.9% and -1.2% respectively. Urban population growth hit a peak of 2.8% in 1990 and rural population growth hit a low of -2.2% in 2000.

Age

Figure 61: Brazil's Population Age Mix, Percentage of Population

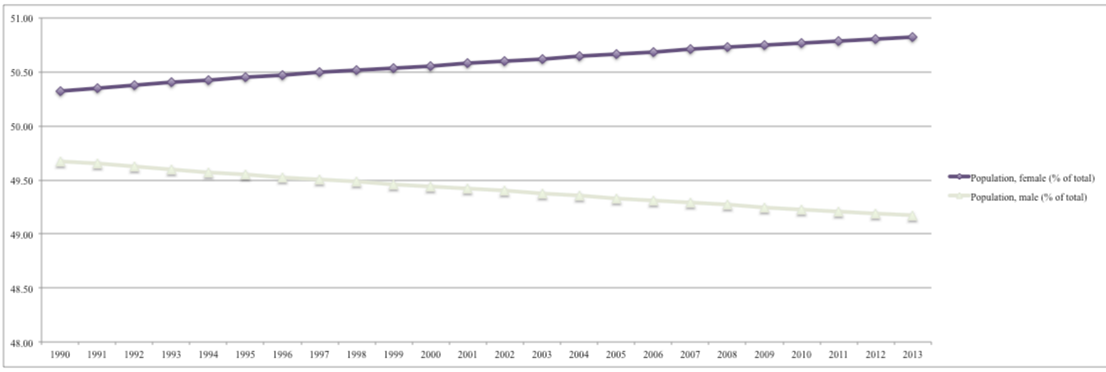


Source: World Bank

Brazil's population age mix for all age categories were the average amongst its BRICS peers. Brazil's population for age groups of 0-14, 15-64 and, 65+ averaged 29.3%, 64.9% and 5.8% respectively. The population mix for 0-14, 15-64 and, 65+ peaked at 35.3%, 68.4% and 7.5% in 1990, 2013 and 2013 respectively whilst hitting a low of 24.1%, 60.3% and 4.5% in 2013, 1990 and 1990 respectively.

Gender Mix

Figure 62: Brazil's Population Gender Mix, Percentage of Population

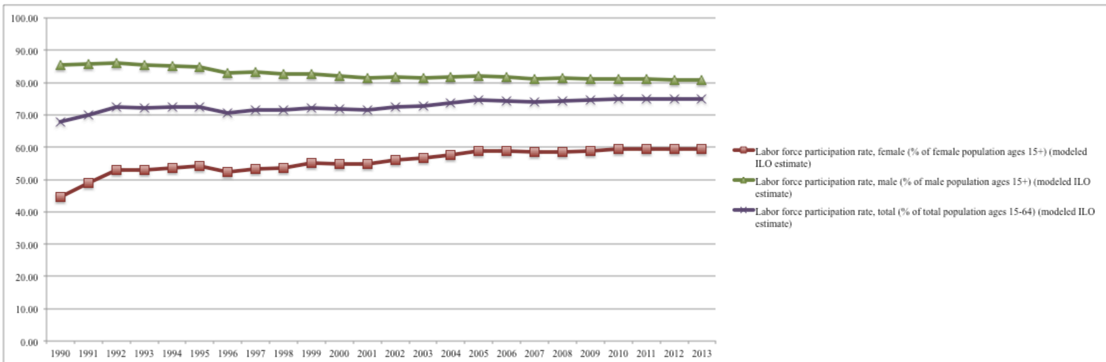


Source: World Bank

Brazil’s population of female and male was above and below the average amongst its BRICS peers respectively. Brazil’s population gender mix averaged 50.6% for females and 49.2% for males. The female and male population hit a peak of 50.8% and 49.3% in 2013 and 1990 respectively, and a low of 50.3% and 49.1% in 1990 and 2013 respectively.

Labor Force Participation

Figure 63: Brazil’s Labor Force Participation Rate, (% of Population Aged 15+)

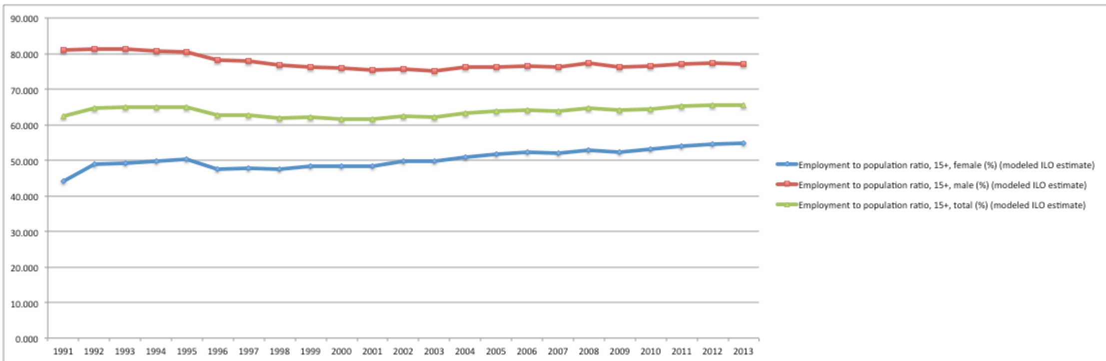


Source: World Bank

Brazil’s labor force participation rate was above the average amongst its BRICS peers. Brazil’s labor force participation rate averaged 68.8%, with the labor force participation rate hitting a peak of 70.2% in 2005 and a low of 64.6% in 1990.

Employment

Figure 64: Brazil’s Employment Rate, (% of Population Aged 15+)

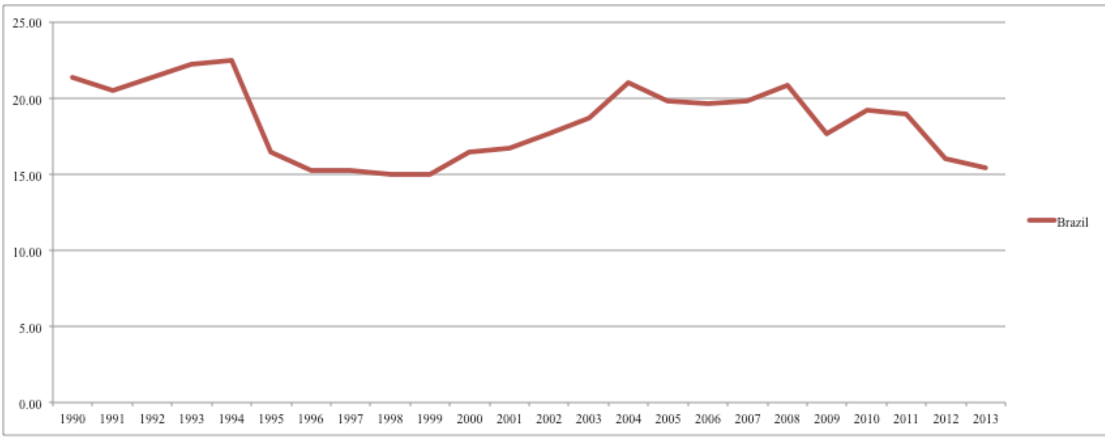


Source: World Bank

Brazil’s employment rate was above the average amongst its BRICS peers. Brazil’s employment rate averaged 63.6%, with the employment participation rate hitting a peak of 65.6% in 2012 and 2013 and a low of 61.5% in 2001.

Savings and Household Consumption

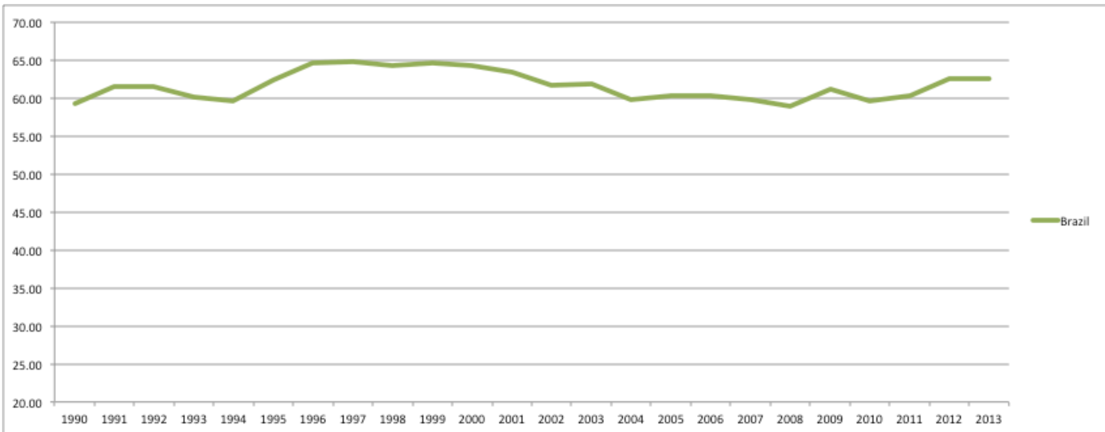
Figure 65 Brazil’s Savings Rate, Percentage of GDP



Source: World Bank

Brazil’s savings rate was the lowest amongst its BRICS peers. Brazil’s savings rate averaged 18.5%, with the savings rate hitting a peak of 22.5% in 1994 and savings rate hitting a low of 15.0% in 1999.

Figure 66: Brazil’s Household Consumption, Percentage of GDP



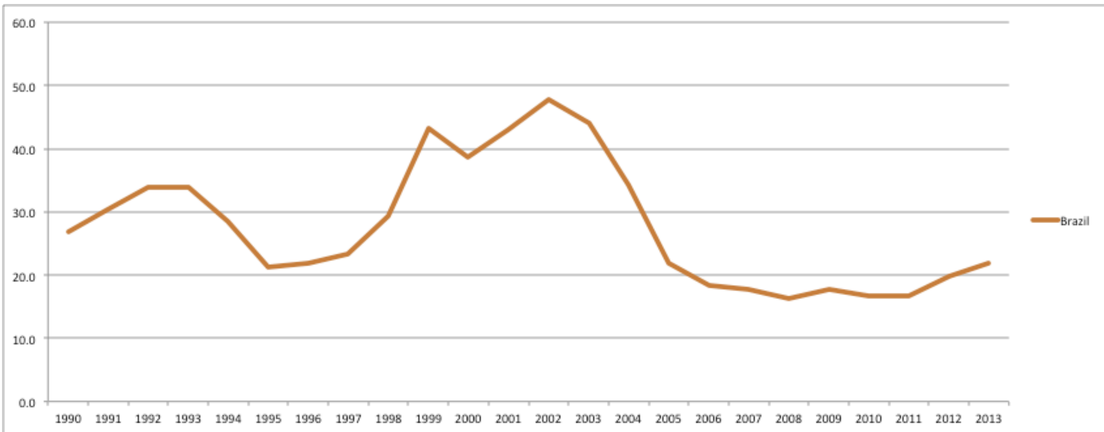
Source World Bank

Brazil’s household consumption was above average amongst its BRICS peers. Brazil’s household consumption averaged 61.7%, with the household consumption hitting a peak of 64.9% in 1997 and household consumption hitting a low of 58.9% in 2008.

Level of Indebtedness

Absolute Indebtedness

Figure 67: Brazil's External Debt Stock, Percentage of GNI

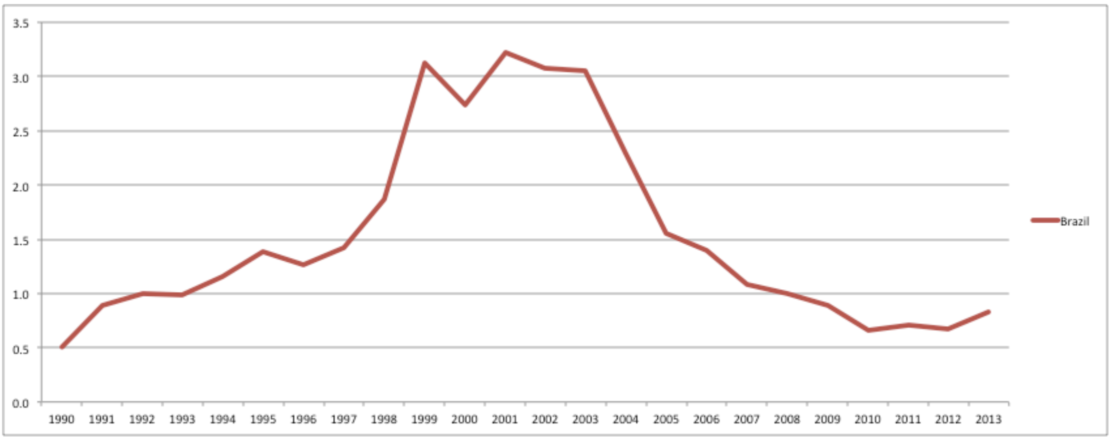


Source: World Bank

Brazil's level of indebtedness was the highest amongst its BRICS peers. Brazil's level of indebtedness averaged 27.8%, with the level of indebtedness hitting a peak of 47.7% in 2002 and level of indebtedness hitting a low of 16.3% in 2008.

Ability to Repay Debt Interest

Figure 68: Brazil's Interest Payment on External Debt, Percentage of GNI



Source: World Bank

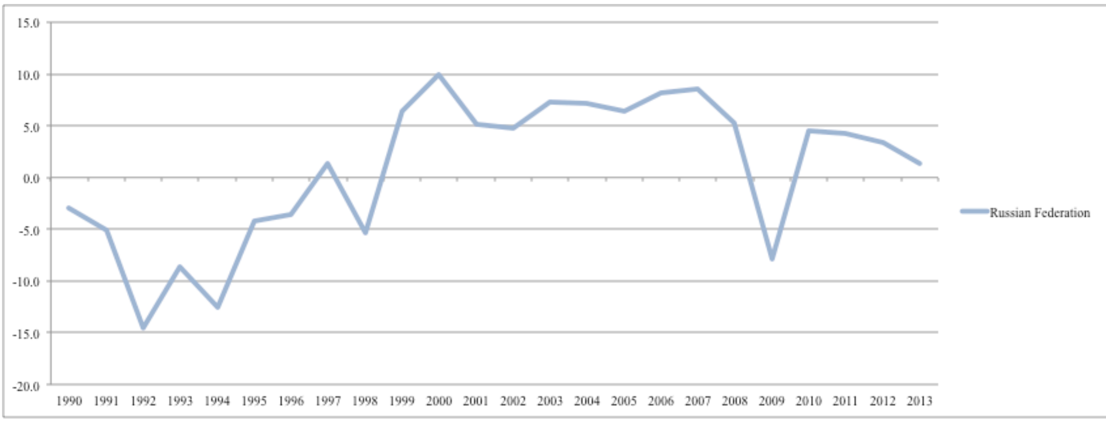
Brazil's ability to service its debt was the lowest amongst its BRICS peers. Brazil's interest payment (% of GNI) averaged 1.5%, hitting a peak of 3.2% in 2001 and a low of 0.5% in 1990.

RUSSIA

Economy

GDP

Figure 69: Russia's Real GDP Growth 1990-2013 (%, Constant 2005 US Dollars)

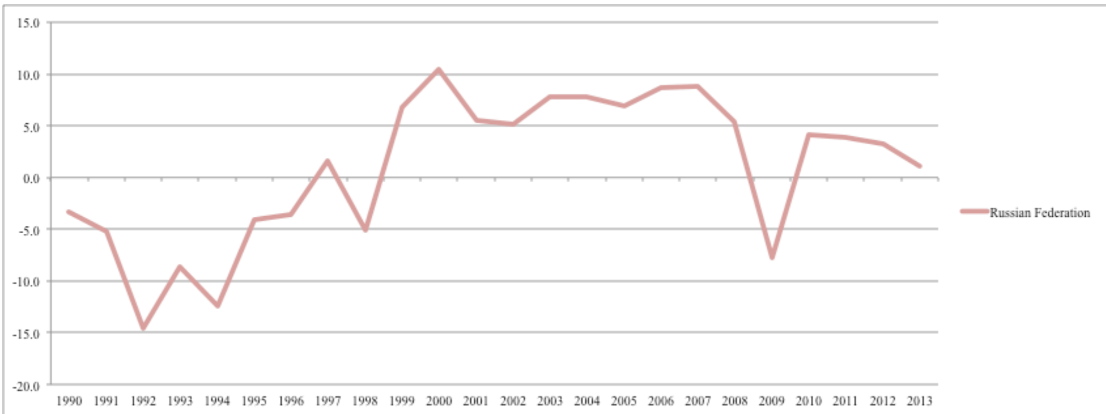


Source: World Bank

Russia's real GDP growth was the weakest amongst its BRICS peers. The economy grew, on average, by 0.8%, hitting a peak of 10.0% in 2000 and low of -14.5% in 1992. Russia's economy benefited high oil prices at the turn of the millennia.

GDP Per Capita

Figure 70: Russia's GDP Per Capita Growth (%, Constant 2005 US Dollars)



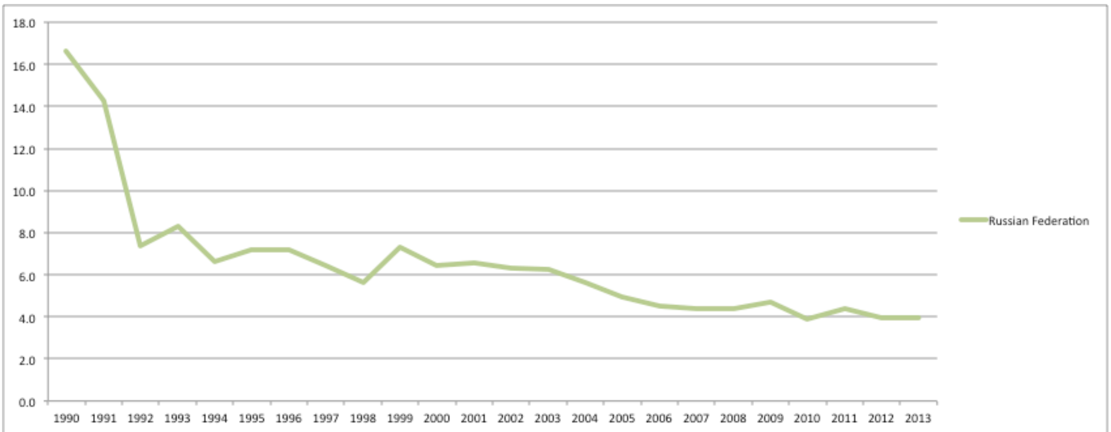
Source: World Bank

Russia's real GDP per capita growth was below average amongst its BRICS peers. The economy grew, on average, by 0.9%, hitting a peak of 10.5% in 2000 and low of -14.6% in 1992.

Economic Mix

Agriculture

Figure 71: Russia's Agriculture Value-Add, Percentage of GDP

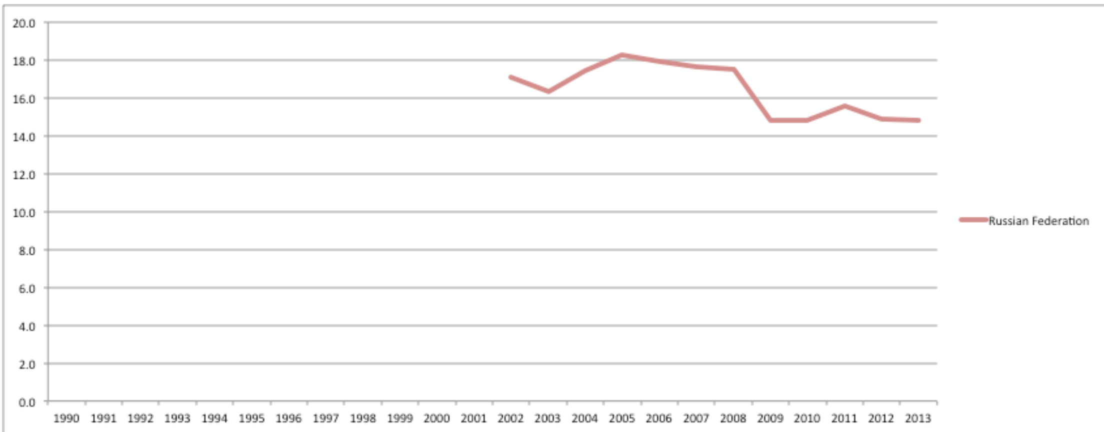


Source: World Bank

Russia's Agriculture Value-Added was below the average amongst its BRICS peers. Agriculture Value-Added averaged 6.6%, hitting a peak of 16.6% in 1990 and low of 3.9% in 2012.

Manufacturing

Figure 72: Russia's Manufacturing Value-Add, Percentage of GDP

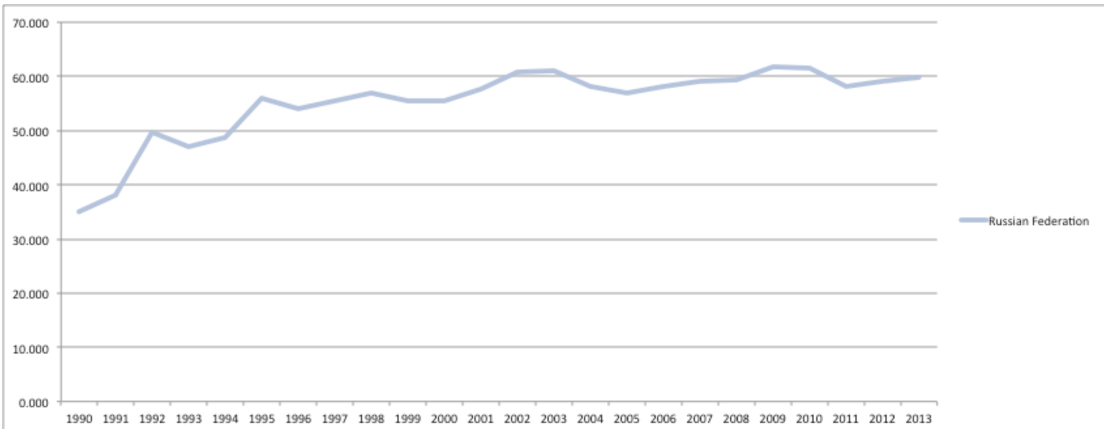


Source: World Bank

Russia's Manufacturing Value-Added was below the average amongst its BRICS peers. Russia's Manufacturing Value-Added averaged 16.4%, hitting a peak of 18.3% in 2005 and low of 14.8% in 2013.

Services

Figure 73: Russia's Services Value-Add, Percentage of GDP

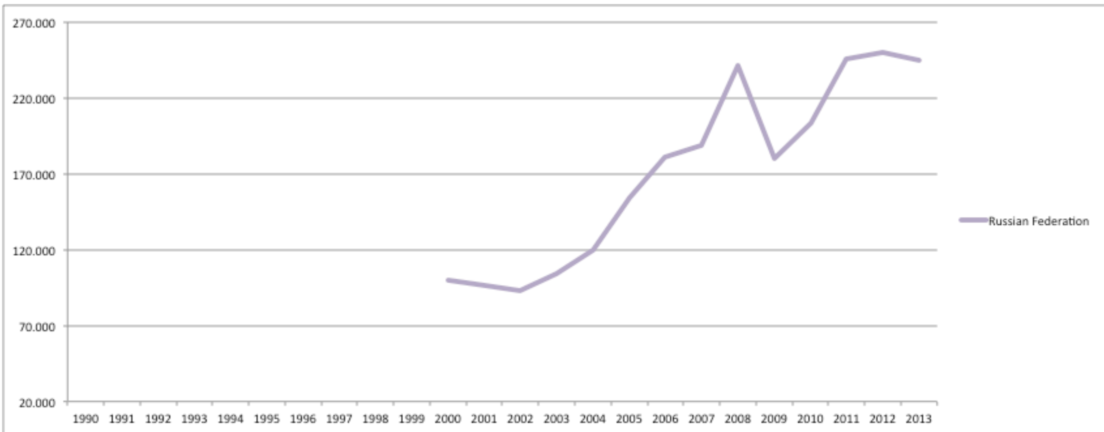


Source: World Bank

Russia's Services Value-Added was above average amongst its BRICS peers. Russia's Services Value-Added averaged 55.2%, hitting a peak of 61.7% in 2009 and low of 35.0% in 1990.

Terms of Trade

Figure 74: Russia's Terms of Trade

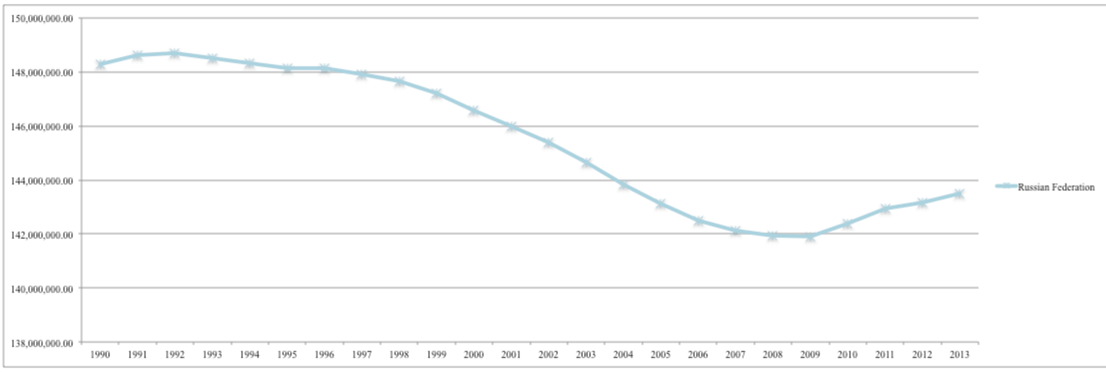


Source: World Bank

Russia's Terms of Trade was the highest amongst its BRICS peers. Russia's Terms of Trade Index averaged 171.7, hitting a peak of 250 in 2012 and low of 92.9 in 2002.

Population and Demography

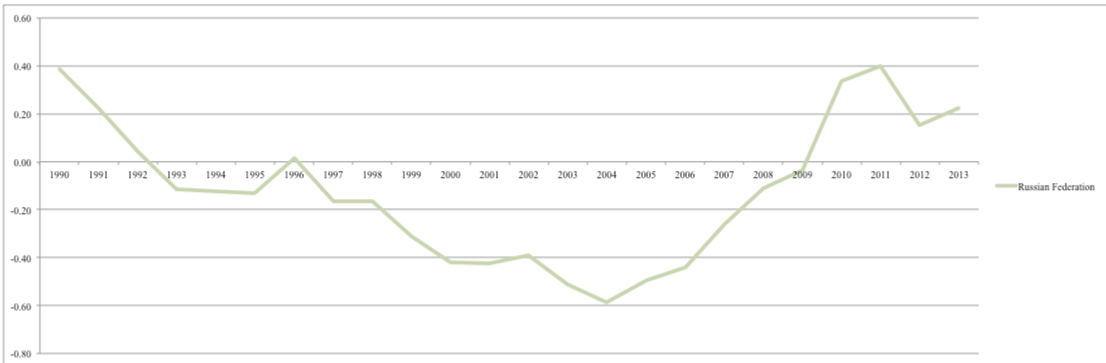
Figure 75: Russia's Total Population



Source: World Bank

Russia's population was below the average amongst its BRICS peers. Russia's population averaged 145.5 million people, hitting a peak of 148.7 million people in 1992 and low of 141.9 million people in 2009.

Figure 76: Russia's Population Growth

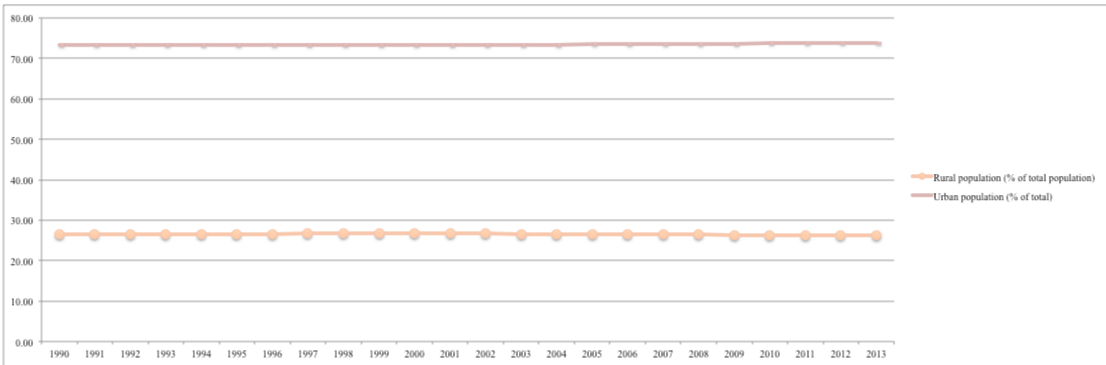


Source: World Bank

Russia's population growth was the lowest amongst its BRICS peers. Russia's populatio grew, on average, by -0.1% p.a., hitting a peak of 0.4% p.a. in 1990 and low of -0.6% p.a. i 2004.

Urban and Rural Mix

Figure 77: Russia's Urban and Rural Population Mix, Percentage of Population



Source: World Bank

Russia has the second highest urban and second lowest rural population mix amongst its BRICS peers. Russia's urban and rural population mix averaged 73.5% and 26.5% respectively, with people living in urban areas hitting a peak of 73.9% and the population living in rural areas hitting a low of 26.1% in 2013.

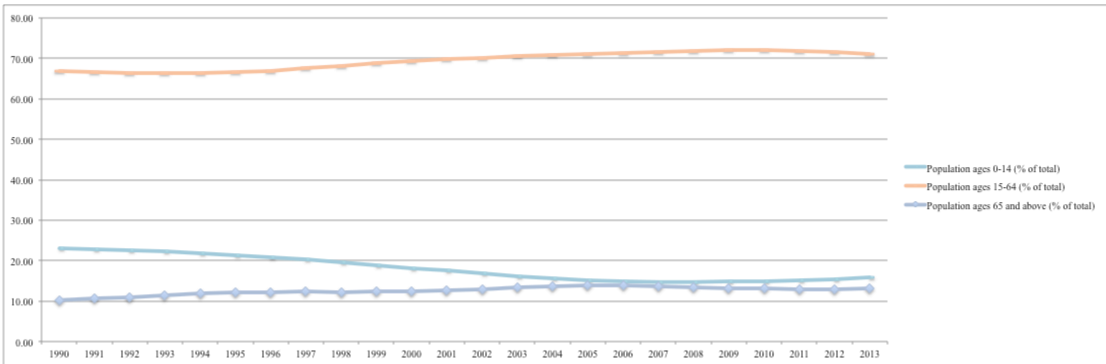
Figure 78: Russia's Rural and Urban Population Growth

Source: World Bank

Russia has the lowest urban and a below average rural population growth amongst its BRICS peers. Russia's urban and rural population grew, on average, by -0.1% p.a. and -0.2% p.a. respectively. Urban population growth hit a peak of 0.5% in 2011 and rural population growth hitting a low of -0.8% in 2004.

Age

Figure 79: Russia's Population Age Mix, Percentage of Population

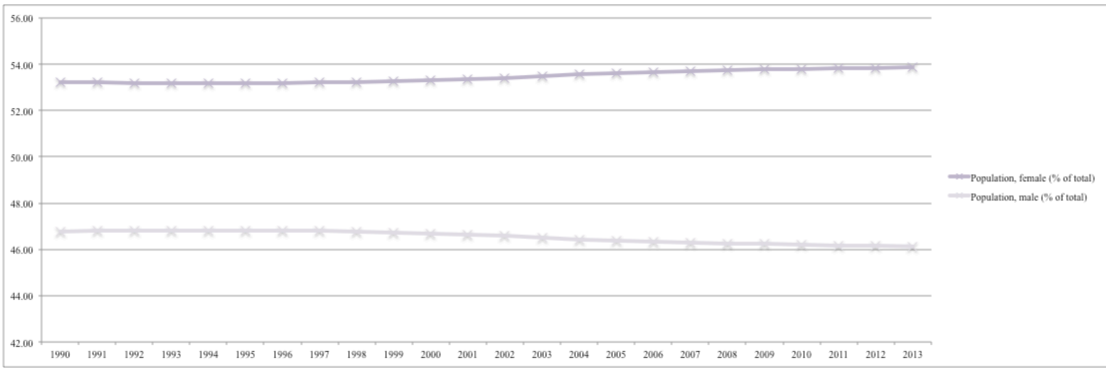


Source: World Bank

Russia has the largest proportion of 15-64 year old and 65 years and over population, and a below average proportion of 0-14 year old amongst its BRICS peers. Russia's population mix for 0-14 year old, 15-64 year old, and 65 years and over averaged 18.0%, 69.4% and 12.6% respectively, peaking of 23.0%, 72.0% and 13.8% in 1990, 2010 and 2005 respectively, and hitting a low of 14.7%, 66.4% and 10.2% in 2008, 1993 and 1990 respectively.

Gender Mix

Figure 80: Russia's Population Gender Mix, Percentage of Population

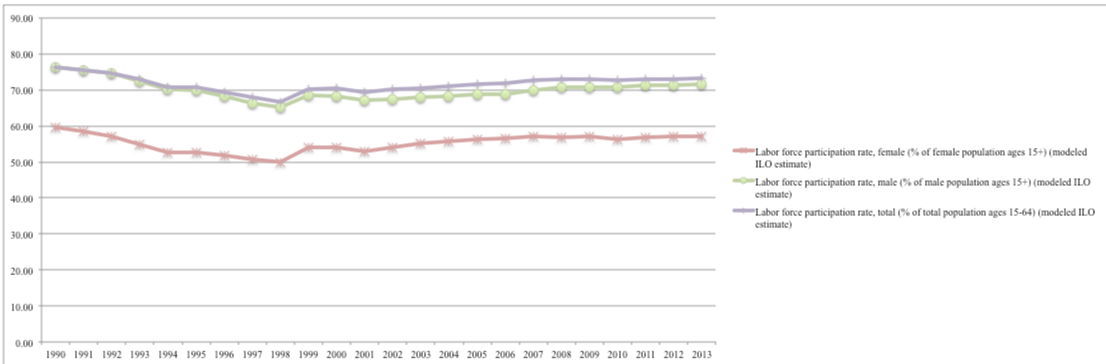


Source: World Bank

Russia has the largest population of females and male (jointly with China) amongst its BRICS peers. Russia's female and male population averaged 53.5% and 50.8% respectively, with the female and male population hitting a peak of 53.9% and 50.9% in 2013 and a low of 53.2% and 50.7% in 1993 and 1990 respectively.

Labor Force Participation

Figure 81: Russia's Labor Force Participation Rate, (% of Population Aged 15+)

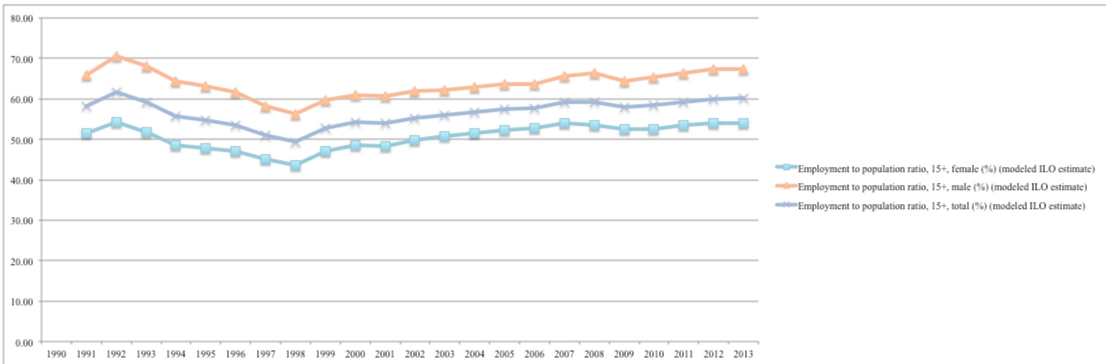


Source: World Bank

Russia's labor force participation rate was below the average amongst its BRICS peers. Russia's labor force participation rate averaged 62.0%, with the labor force participation rate hitting a peak of 67.2% in 1990 and a low of 57.0% in 1998.

Employment

Figure 82: Russia's Employment Rate, Percentage of Population Aged 15+



Source: World Bank

Russia's employment rate was below the average amongst its BRICS peers. Russia's employment rate averaged 56.6%, with the employment participation rate hitting a peak of 61.7% in 1992 and a low of 49.4% in 1998.

Savings and Household Consumption

Figure 83: Russia's Savings Rate, Percentage of GDP

Source: World Bank

Russia had the second highest savings rate amongst its BRICS peers. Russia's savings rate averaged 32.1%, with the savings rate hitting a peak of 48.7% in 1992 and savings rate hitting a low of 21.6% in 1998.

Figure 84: Russia's Household Consumption, Percentage of GDP

Source World Bank

Russia's household consumption second lowest amongst its BRICS peers. Russia's household consumption averaged 49.8%, with the household consumption hitting a peak of 59.6% in 1998 and household consumption hitting a low of 37.5% in 1992.

Indebtedness

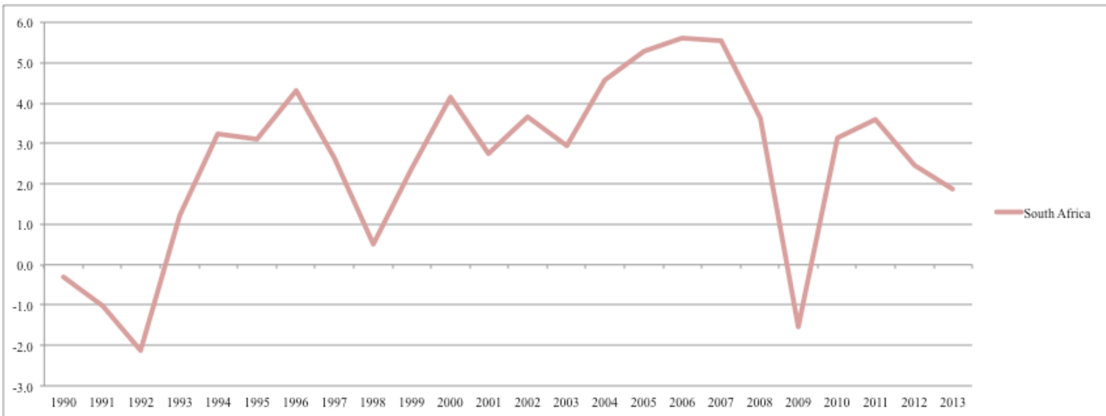
Russia data on indebtedness is unavailable on the World Bank Development Indicators.

SOUTH AFRICA

Economy

GDP

Figure 85: South Africa's Real GDP Growth 1990-2013 (%, Constant 2005 US Dollars)



Source: World Bank

South Africa's real GDP growth was below average amongst its BRICS peers. The economy grew, on average, by 2.6%, hitting a peak of 5.6% in 2006 and low of -2.1% in 1992. South Africa's economy benefited investment in large-scale infrastructure projects, financial services reform and the commodity super-cycle at the turn of the millennia.

GDP Per Capita

Figure 86: South Africa's GDP Per Capita Growth (%, Constant 2005 US Dollars)

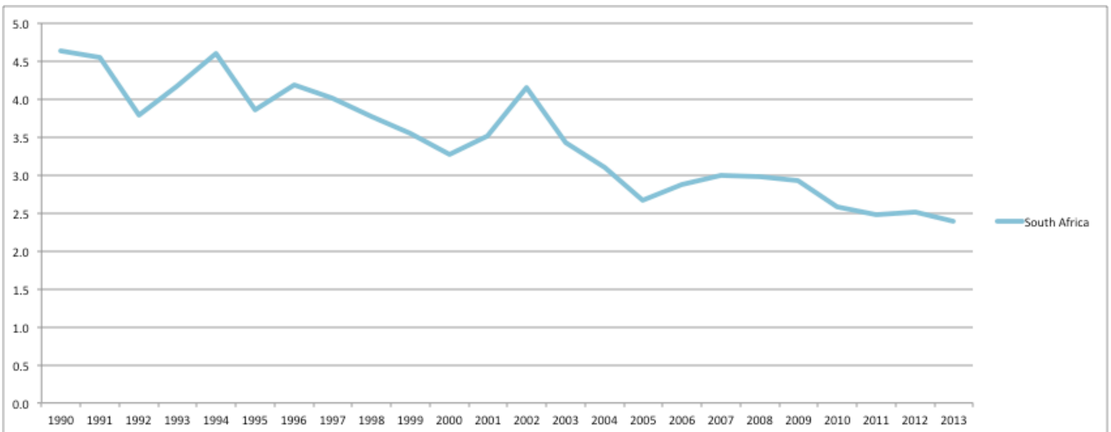
Source: World Bank

South Africa's real GDP per capita growth was the weakest amongst its BRICS peers. The economy grew, on average, by 0.8%, hitting a peak of 4.2% in 2006 and 2007, and low of -4.2% in 1992.

Economic Mix

Agriculture

Figure 87: South Africa's Agriculture Value-Add, Percentage of GDP

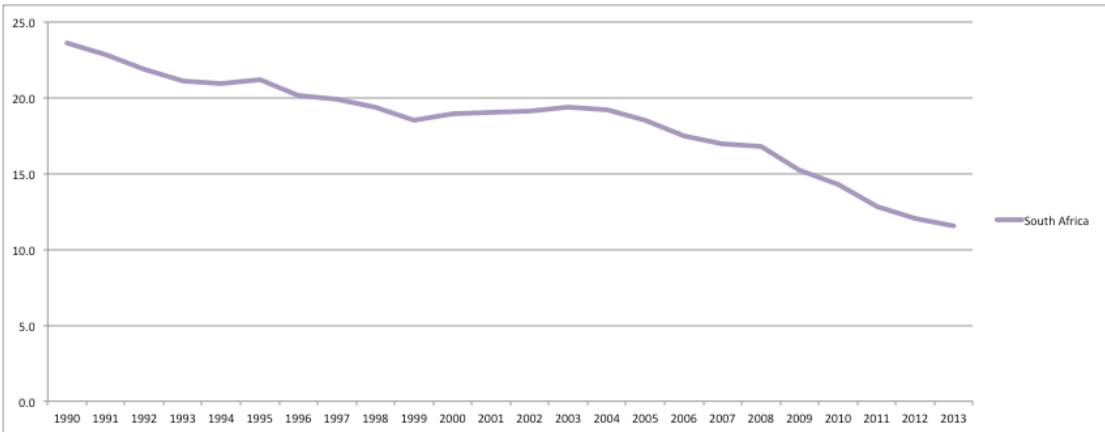


Source: World Bank

South Africa's Agriculture Value-Added was the lowest amongst its BRICS peers. Agriculture Value-Added averaged 3.5%, hitting a peak of 4.6% in 1990 and low of 2.4% in 2013.

Manufacturing

Figure 88: South Africa's Manufacturing Value-Add, Percentage of GDP

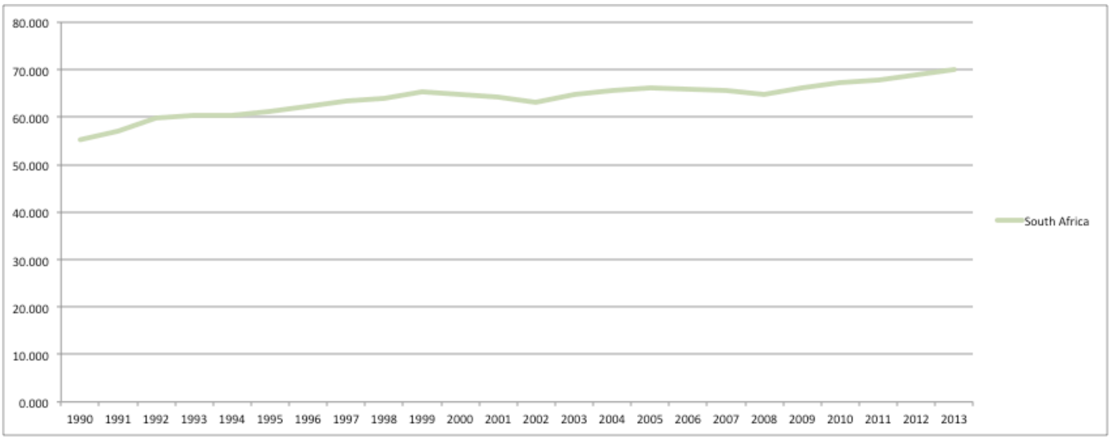


Source: World Bank

South Africa's Manufacturing Value-Added was above the average amongst its BRICS peers. South Africa's Manufacturing Value-Added averaged 18%, 4%, hitting a peak of 23.6% in 1990 and low of 11.6% in 2013.

Services

Figure 89: South Africa's Services Value-Add, Percentage of GDP

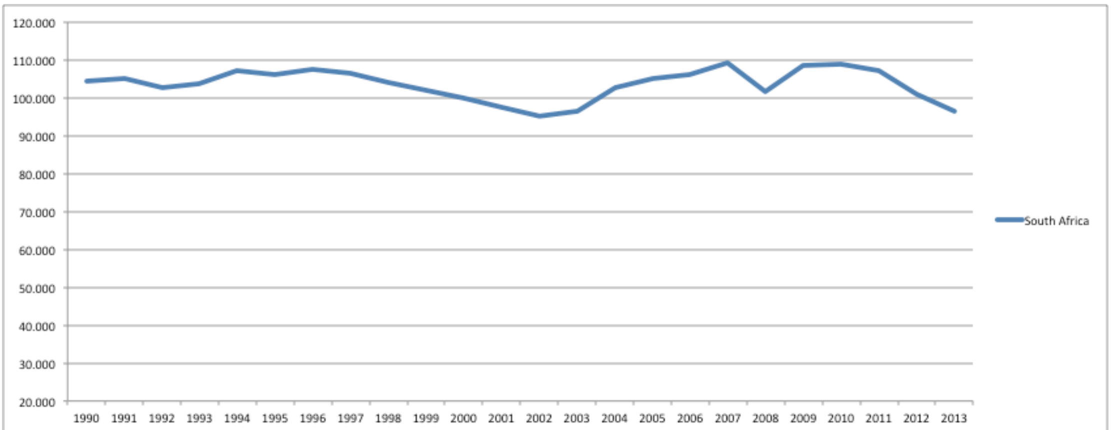


Source: World Bank

South Africa's Services Value-Added was jointly the highest with Brazil amongst its BRICS peers. South Africa's Services Value-Added averaged 64%, hitting a peak of 70.0% in 2013 and low of 55.3% in 1990.

Terms of Trade

Figure 90: South Africa's Terms of Trade

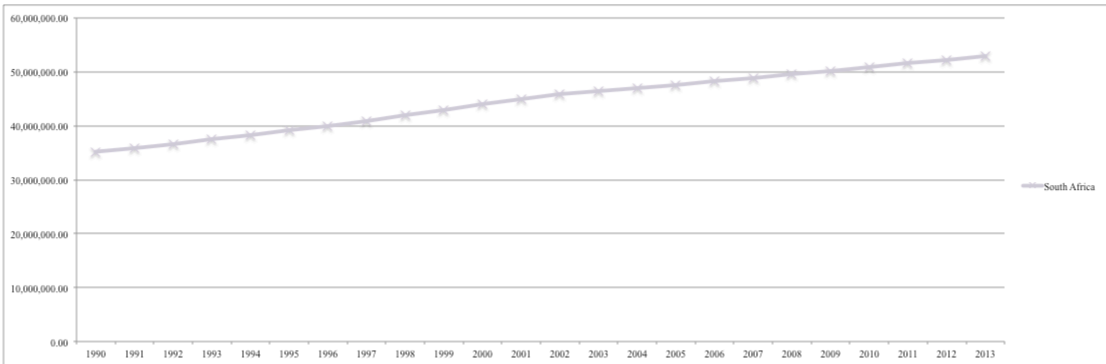


Source: World Bank

South Africa’s Terms of Trade was below the average amongst its BRICS peers. South Africa’s Terms of Trade Index averaged 102.6, hitting a peak of 109.5 in 2007 and low of 95.2 in 2002.

Population and Demography

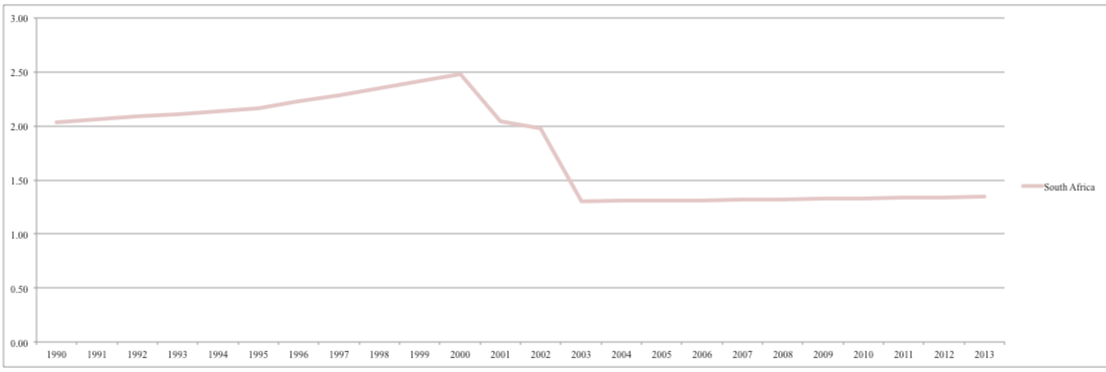
Figure 91: South Africa’s Total Population



Source: World Bank

South Africa’s has the smallest population amongst its BRICS peers. South Africa’s population averaged 44.5 million people, hitting a peak of 53.0 million people in 2013 and low of 35.2 million people in 1990.

Figure 92: South Africa’s Population Growth

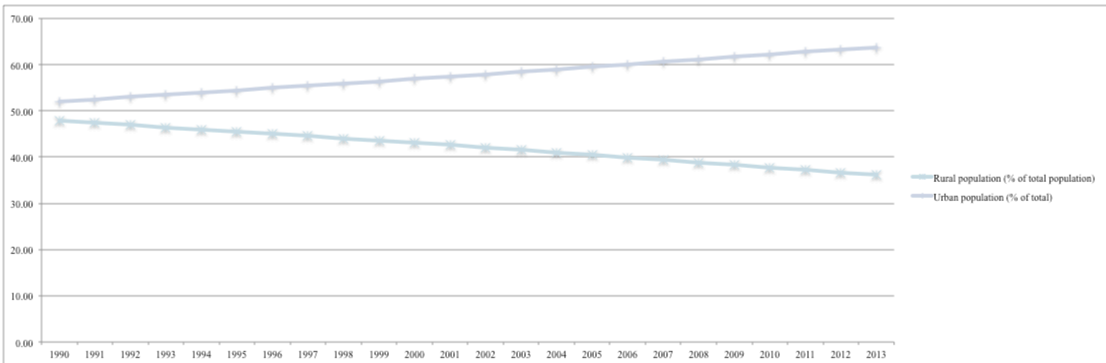


Source: World Bank

South Africa’s population growth was above the average amongst its BRICS peers. South Africa’s population grew, on average, by 1.8% p.a., hitting a peak of 2.5% p.a. in 2000 and low of 1.3% p.a. in 2003.

Urban and Rural Mix

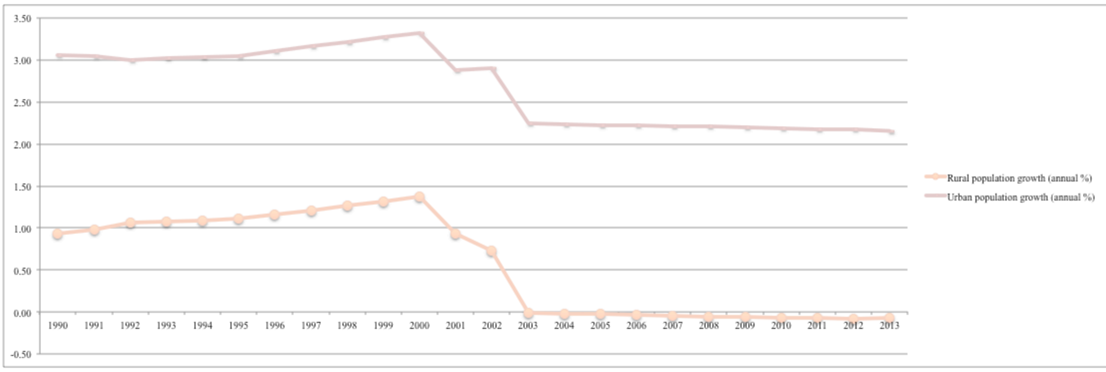
Figure 93: South Africa’s Urban and Rural Population Mix, Percentage of Population



Source: World Bank

South Africa’s urban and rural population mixes were above and below the average amongs its BRICS peers respectively. South Africa’s urban and rural population averaged 57.8% anc 42.2% of total population respectively. People living in urban areas hitting a peak of 63.8% and the population living in rural areas hit a low of 36.2% in 2013.

Figure 94: South Africa's Rural and Urban Population Growth

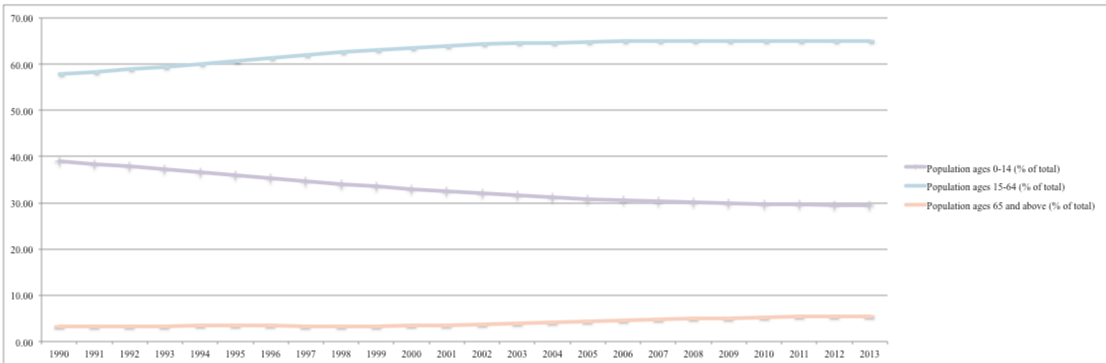


Source: World Bank

South Africa's has the second highest rural and urban population growth rate amongst its BRICS peers. South Africa's urban and rural population grew, on average, by 2.7% and 0.6% respectively, with urban population growth hitting a peak of 3.3% in 2000 and rural population growth hitting a low of -0.1% in 2012.

Age

Figure 95: South Africa's Population Age Mix, Percentage of Population

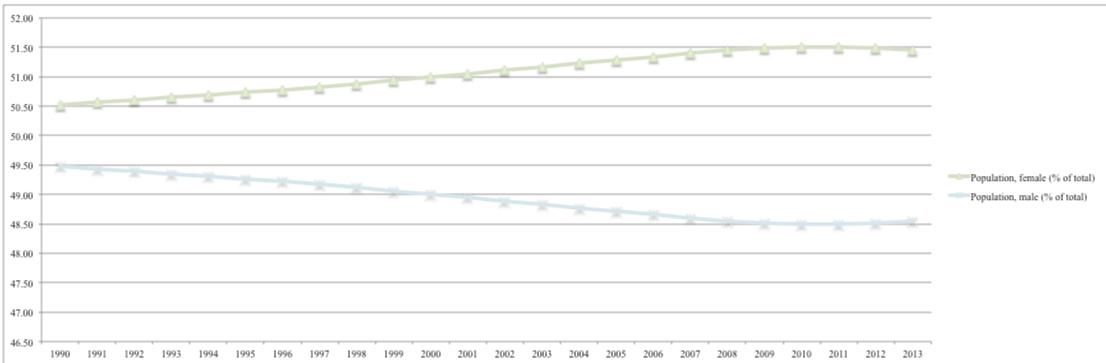


Source: World Bank

South Africa has the second highest proportion of 0-14 year old population and below the average proportion of 15-64 year old, and 65 years and over in its population amongst its BRICS peers. South Africa's population of 0-14 year old, 15-64 year old, and 65 years and over averaged 33%, 62.9% and 4.1% respectively. The proportion of 0-14 year old, 15-64 year old, and 65 years and over peaked at 38.9%, 65.1% and 5.5% in 1990, 2009 and 2013 respectively whilst hitting a low of 29.5%, 57.9% and 3.2% in 2013, 1990 and 1990 respectively.

Gender Mix

Figure 96: South Africa's Population Gender Mix, Percentage of Population



Source: World Bank

South Africa has the second highest proportion of female and below average proportion of males in its population mix amongst its BRICS peers. South Africa's ratio of female and male averaged 51.1% and 49.2% respectively. The population for female and male hit a peak of 51.5% and 49.3% in 2011 and 1990 respectively, and a low of 50.5% and 49.1% in 1990 and 2013 respectively.

Labor Force Participation

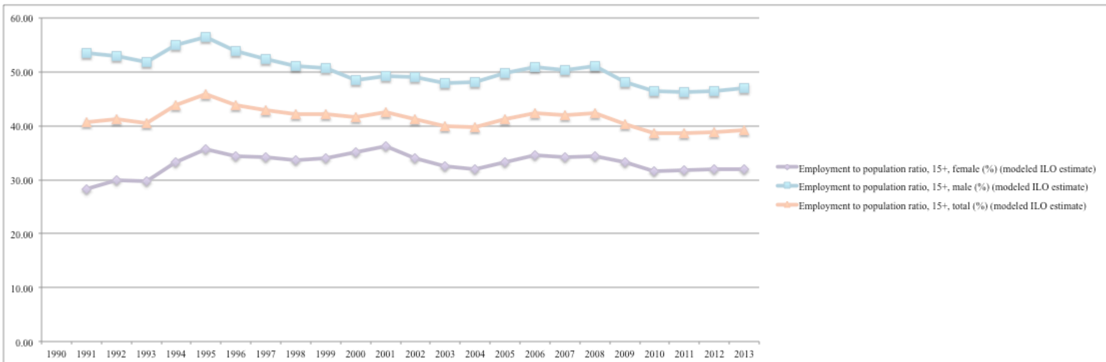
Figure 97: South Africa’s Labor Force Participation Rate, (% of Population Aged 15+)

Source: World Bank

South Africa’s labor force participation rate was below the average amongst its BRICS peers. South Africa’s labor force participation rate averaged 54.4%, with the labor force participation rate hitting a peak of 57.0% in 2001 and a low of 51.3% in 2010 and 2011.

Employment

Figure 98: South Africa’s Employment Rate, (% of Population Aged 15+)

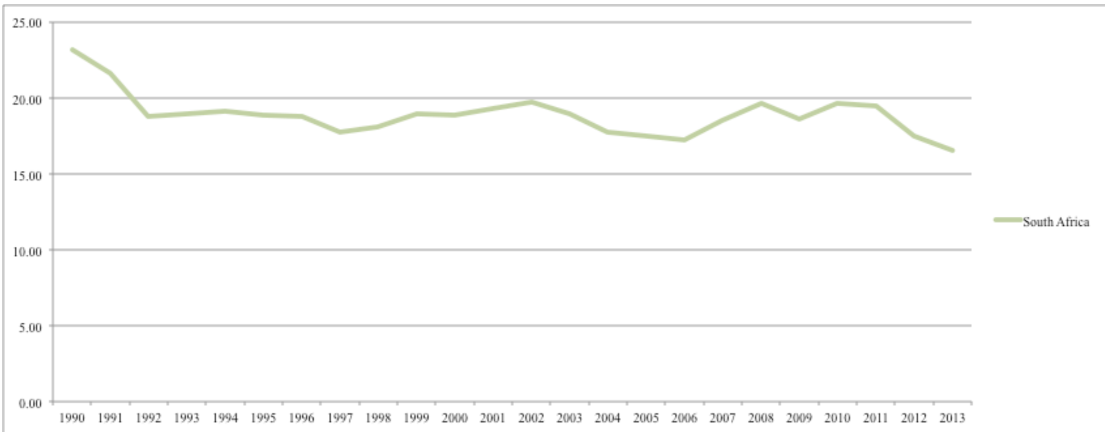


Source: World Bank

South Africa's employment rate was below the average amongst its BRICS peers. South Africa's employment rate averaged 45.4%, with the employment participation rate hitting a peak of 50.2% in 2001 and a low of 39.4% in 1990.

Savings and Household Consumption

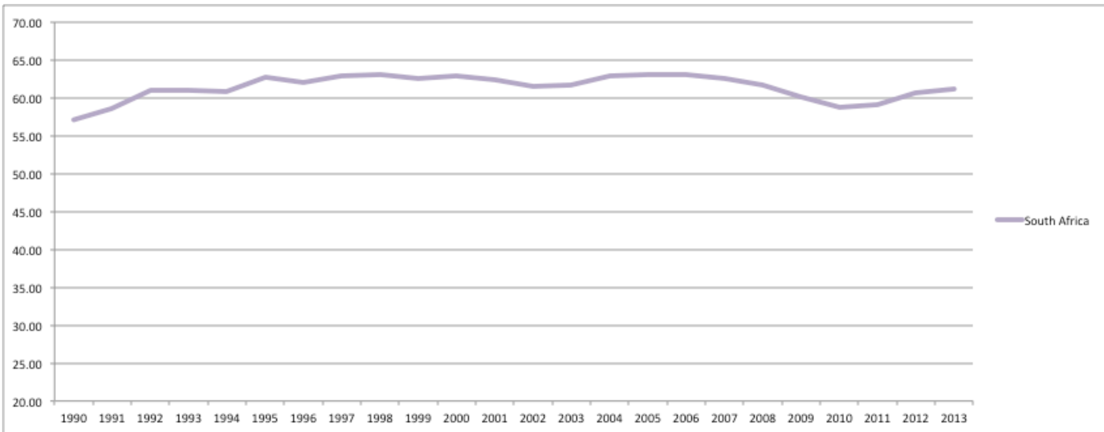
Figure 99: South Africa's Savings Rate, Percentage of GDP



Source: World Bank

South Africa's savings rate was below the average amongst its BRICS peers. South Africa's savings rate averaged 18.9%, with the savings rate hitting a peak of 23.2% in 1990 and savings rate hitting a low of 16.6% in 2013.

Figure 100: South Africa's Household Consumption, Percentage of GDP



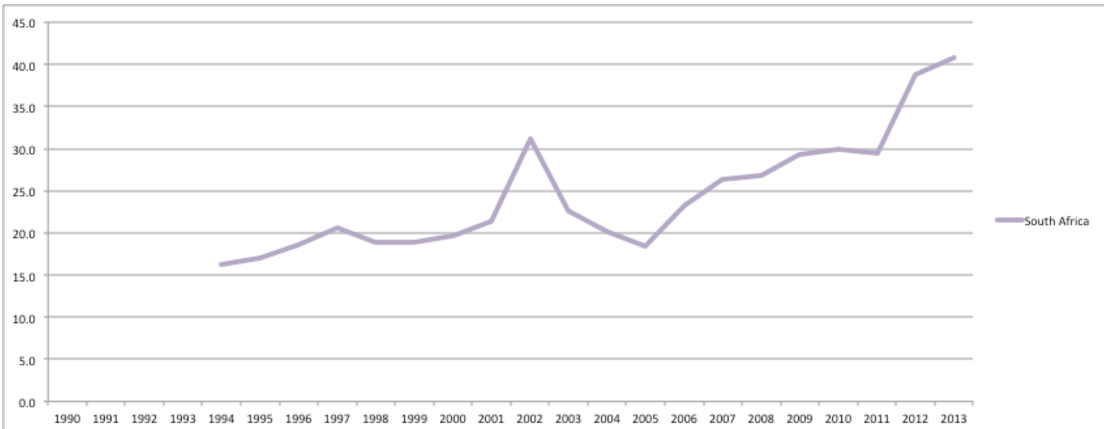
Source World Bank

South Africa's household consumption was above the average amongst its BRICS peers. South Africa's household consumption averaged 61.4%, with the household consumption hitting a peak of 63.1% in 2006 and household consumption hitting a low of 57.1% in 1990.

Level of Indebtedness

Absolute Indebtedness

Figure 101: South Africa's External Debt Stock, Percentage of GNI

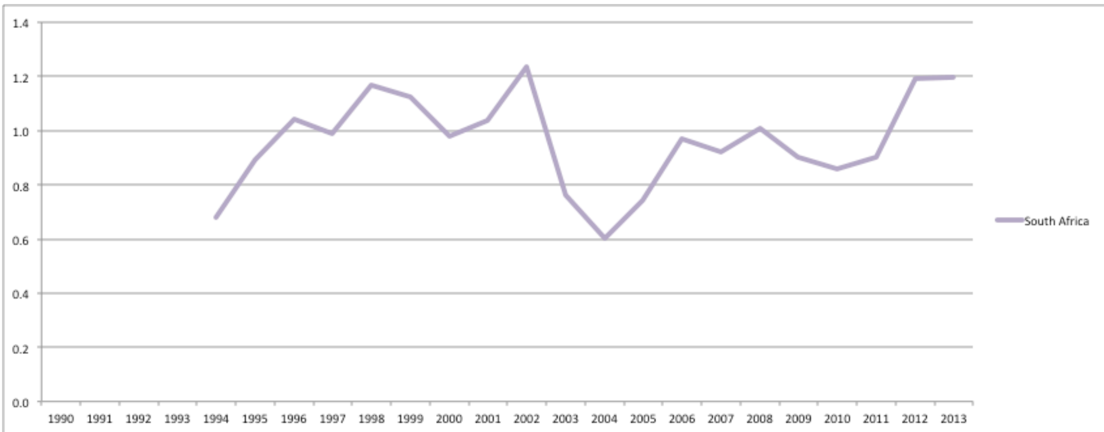


Source: World Bank

South Africa's level of indebtedness was above the average amongst its BRICS peers. South Africa's level of indebtedness averaged 24.4%, with the level of indebtedness hitting a peak of 40.7% in 2013 and level of indebtedness hitting a low of 16.3% in 1990.

Ability to Repay Debt Interest

Figure 102: South Africa's Interest Payment on External Debt, Percentage of GNI



Source: World Bank

South Africa's ability to service its debt was the average amongst its BRICS peers. South Africa's interest payments on external debt (% of GNI) averaged 1.0%, a peak of 1.2% in 2002 and a low of 0.6% in 2004.

China's International Presence

What has been China's history of participation in status-quo international organizations? During the Mao Zedong (**"Chairman Mao"**) era, due to the internal political upheaval and political ideology, China has had very little interaction with the outside world. Given China's deep sense of historical grievance from nearly a century of humiliation, deep rooted sense of insecurity and the political climate of the Cold War, China found itself isolated from the Bretton Woods international system that is dominated by the US. Instead, due to ideological affinity, China aligned itself with the Soviet Union and the non-aligned movement. In 1965, China even called for an alternative "revolutionary United Nations" because it viewed the United Nations as a puppet of the Western World (Shield 2013 P151). Throughout this period, China only joined one significant international organization – the United Nations in 1971. For the following decade, China rarely exercised its veto power with the United Nation Security Council. (Abdera 2014 P95).

After Deng Xiaoping (**"Chairman Deng"**) took over leadership of the CCP and consolidated his power by the early 1980s, China abandoned its isolationist policies in favor of a more passive position vis-a-vis international organizations. In the early 1980s, China joined international organizations such as Asian Development Bank (ADB), International Monetary Fund (IMF) and the World Bank. In return, China received significant support from these organizations (Shield 2013 P151). With increased access to foreign capital and markets, China gained tremendous benefits from this international order and its economy grew while it continued watching and learning from the West.

During the Jiang Zemin (**"Chairman Jiang"**) period, China slowly began to lead or co-launch new multilateral initiatives. In 1996, Russia and China co-launched the Shanghai Co-operation Organization (SCO) with the original goal of cooperating on mutual security issues in Central Asia. China slowly assumed the leadership position by enhancing and expanding the SCO's mandate toward economic and development cooperation programs (Abdenu 2014 P95).

By early 2000s, China further sought membership in other international organizations. It wanted to learn about these institutions to enhance its own political and economic development. During this period, China followed the established norms within these organizations and only took selective activist roles (Shield 2013 P150). After 15 years of difficult negotiations China finally joined the World Trade Organization (WTO) in 2001. The demanding application process and stringent WTO rules had a major impact on China's international trade relations and its own domestic economic situation. (Shield 2013 P151)

Until the global financial crisis in 2008, China was an active participant in the WTO Disputes Settlement Body. In fact, China had even better records of compliance with rulings against it than had either the European Union (EU) or the United States (Shield 2013 P151). However, China had also repeatedly failed to follow the WTO's government procurement agreement and continued to face allegations of state-sponsored commercial espionage and unfair government subsidies for its companies (Shield 2013 P152)

During this period, China became more assertive in the WTO and a leading advocate for re form of the IMF and the World Bank. By 2007, China had increased its membership from a single International Governmental Organization (IGO) and 58 Nongovernmental Organiza tion (NGO) s to 49 IGOs and 1568 NGOs. (Abdenur 2014 P95) Fudan University Professor Ren Xiao labeled Chinese action from 2000-2008 as “a reform-minded status quo power”. (Shield 2013 P152)

According to University of Auckland professor Gerald Chan, since the post 2008 financial crisis, China has viewed the current international organizations as “unequal, undemocratic and therefore, unjust”. (Shield 2013 P149) However, China’s engagement in the world economic governance system will always be principled on the realpolitik of national interests. It will remain subordinate to social stability and domestic economic development. China will actively engage in activities where the governance agenda matches its own national needs. In short, China’s view of global economic governance systems must follow the principle of non-interference in the internal affairs of other nations and must not lead to any loss of China’s national sovereignty (Shield 2013 P150).

Through incremental changes during the past sixty years rather than a conscious policy, China improved its diplomatic skills, acquiring knowledge, experience and negotiation styles required to manage multilateral cooperation. In Deng Xiaoping’s era, China acted as a mere follower of rules, however, under President Xi Jinping, China plays an active role in setting global agendas in multilateral institution building. China has risen to become a legitimate global player in international organizations. (Abdenur 2014 P95)

Creation of a BRICS Bank

Since the financial crisis in 2008, emerging and developing countries have led the growth i the world economy. They have dramatically increased their share in global GDP and in glob al economic growth. Led by countries such as Brazil, Russia, India, China and South Afric

(BRICS), their accumulation of foreign exchange reserves have grown remarkably during the last decades. The majority of these financial resources are invested in developed countries, with relatively low yield return. (Griffith-Jones 2014 P1). Analysts have pointed out the need for infrastructure and environmentally sustainable forms of development in many parts of the emerging and developing world, and an estimated $1 trillion dollars are required annually beyond what is being spent (Griffith-Jones 2014 P1). The emerging and developing economies such as BRICS have the necessary capital to create a new development bank that could finance such developmental projects worldwide (Griffith-Jones 2014 P1).

BRICS consider the IMF and the World Bank to be excessively controlled by Western nations. The BRICS government also opposes some of the demands that Western financial institutions place on borrowers, such as conditions that their projects must support gender equality, civil rights and meet ecological standards. Furthermore, these Western institutions do not appreciate the BRICS nations own growing economic and political influence in the world (Weitz 2014 para4). Such an international institution should be viewed as a complement to the existing international institutions such as IMF, ADB and WB. It should not be viewed as a substitute to the existing financial institutions. The new institution would only strengthen the voice of developing economies and provide much needed additional finance for economic development. (Griffith-Jones 2014 P1)

BRIC emerged in 2006 under the initiative of Russian Foreign Minister Sergey Lavrov, and on June 16, 2009, the first summit was held in Yekaterinburg, Russia. Since then, the BRICS heads of state have met annually in Brasilia (2010), Sanya (2011 with the entry of South Africa), New Delhi (2012), Durban (2013) and Fortaleza (2014) (Abdenur 2014 P87). During the last BRICS summit, held in Durban South Africa in 2013, the five heads of state agreed on a new development bank, along with a contingency reserve arrangement, a business council and a think tank council (Abdenur 2014 P88).

On the sixth annual meeting held in Brazil on 2014, the BRICS' collective statement complained that "international governance structures designed within a different power configuration show increasingly evident signs of losing legitimacy and effectiveness, as transitional and ad-hoc arrangements become increasingly prevalent, often at the expense of multilateralism". (Weitz 2014 para 9) Finally at this summit, all five nations agreed to launch two joint financial institutions; alongside the long-discussed National Development Bank or BRICS Bank, the BRICS leaders also proposed establishing a Contingent Reserve Arrangement (CRA). The BRICS bank will provide capital for major national infrastructure and sustainable development projects in developing nations. The National Development Bank had been given $50 billion in initial USD capital, with capital increase to $100 billion USD over time. (China-U.S. Focus, 2014, para2) Brazil, Russia, India, China and South Africa will initially contribute $10 billion USD each to bring the total to $50 billion USD. No member can increase its share of capital without the concurrence of the other four members. Also, the bank members must work on an equal-share voting basis. This was a primary requirement of India. (Victory for Modi, India as BRICS summit clears setting up of a new development bank, 2014, para. 10) Initially, the capital base is only to be used to finance infrastructure and sustainable development projects in the BRICS countries, but other low- and middle-income countries will be able buy in and apply for funding (Desai, 2014, para. 2). The CRA will provide a guideline for currency swaps to help their countries manage short-term liquidity and balance of payment crises. China would commit $41 billion; Brazil, India and Russia would each commit $18 billion and South Africa would commit 5 billion. The headquarters of the bank will be in Shanghai, an Indian will be the first president, a Brazilian will head the

Bank's board of directors, a Russian will be the chair of its governors and the National Development Bank's first regional center will be located in South Africa. (China-U.S. Focus, 2014 para. 1)

Back in 2006, the initial summit meeting focused on the global economic crisis. Today, the expanded agenda includes developmental, technological and political cooperation. The main reason for the group creation was a common interest in reforming the global governance systems. All BRICS members agree that certain developing nations had become the main drivers of regional and/or global economic growth, but the major international organizations remain dominated by the select few countries that initially set the rules at the end of WWII. (Abdenur 2014 P87)

The emerging power of these rising BRICS countries has outpaced increases in their voice in the World Bank and the IMF. In recent years, South-South economic cooperation has increased dramatically. African countries' most important trading partner is now China. Brazil now has more embassies in Africa than does the United Kingdom. The value of South-South trade now exceeds North-South trade by $2.2 trillion. China, Brazil, and India are all becoming larger donors to the lower income countries of the Southern region. Realistically speaking, the BRICS bank is the result of a two-decades-long process of greater economic engagement among developing countries. (Desai, 2014 para 3)

Why is there a need for a BRICS Bank?

China and its fellow members are seen as rogues who exploit the system but do not commi to its sustainability. It cannot be denied that the investments for the last fifty years by the

West to the rest of the world are vast, particularly the West's implementation and promotion of liberal ideas, which include free market economy coupled with democracy. From their point of view, financial capitalism is most efficient when all can maximize benefits through market principles. In theory and reality, this system has consequences, such as widening inequality through international trade as those who have open market and resources. Those nations with capital, land and labor are the main beneficiaries, and those who are not willing to offer up their people and resources are pressured to do so, a policy which Marxist systems are resistant to implement.

If China still pays homage to their old Communist belief and identifies itself as a developing country as it often claims, even if just in words and not in deeds, it is to understandable that China opposes the current international regime and this may form some of the impetus to set up new financial institutions for the benefit of the "Third World" or global South. However, is this the only possible reason? To answer the question whether the Bretton Woods regime or Washington Consensus is justifiable for the greater good of all economies is a daunting task, however some insights from International Relations Theory and International Political Economy perspectives could also be drawn from recent developments. For example, are those initiatives by developing countries simply to establish a new regime by offering an alternative source of funds, or more narrowly, to benefit industrialized developing countries by channeling resources from less-endowed states in return for aid, masquerading under the name of South-South cooperation, or something more cooperative and constructive to improve or complement the old regime.

Answers to such question naturally depend on where one stands as regards this controversia topic and may not be the same for all concerned. In this section, this paper examines view:

and data regarding the old regime whose authority might be undermined by the current challenges (i.e. establishment of a BRICS bank), starting from composition and characteristics of the major international financial institutions, namely the IMF, the World Bank Group and the ADB with more regional focus and how those institutions and the countries which comprise them have reacted to current initiatives.

Good Old Regime?

What brought China and the follower states to the idea of those new institutions continues to be a matter of speculation. Many existing institutions may see the BRICS bank and the AIIB as challenges to the current international monetary system with IMF and World Bank at its core. The somewhat unsettling mood is aired from caveats made by those on the West side at the early stage of new bank formulation that the challenge for the AIIB is to "adopt international best practices in procurement and environmental and social standards on its projects and programs" (Xinhua Net, 2014). This brings to mind the US cliché of demanding that China to be a responsible great power (Lake, 1996) and brings to mind the narrative of the "China Threat" theorists of the Realism School of IR Theory. Such ways of thinking may be reduced to three possible explanations: 1.) balance of power, 2.) institutionalization drive, and 3.) transformation of self-image, each of which represents the IR theories – realism, idealism and constructivism, respectively. Before looking closer into the first explanation, this paper will briefly cover the second and third explanations. The second explanation assumes that based on China's growing presence in Asia and beyond, and inter-connectedness within Asia and among the Third World, a new order to govern the non-Western world has been initiated. Putting Brazil and South Africa aside for a while, one can see how far the inter-regional interactions are put forward in Asia. Asian nations have ASEAN (+3), APEC and the East Asia Forum to start with as platforms for regional discourse and, possibly, integration. However, according to Professor Richard W. Hu of the University of Hong Kong, ASEAN is like a taxi without a taxi driver, meaning that the members go around the region to talk, which is an ASEAN way of making consensus, but no one wants to acknowledge (or realizes) the importance of taking leadership to further strengthen institutionalization in the region. Professor Hu contrasts this with the EU, which stands on a firm ground with a parliament, executive council, commission, court of justice, under which it branches out to agencies by industry or by social developmental goal. Having said that, ASEAN is a successful case of a regional institution compared to what African or Latin American states have. Against this backdrop, it would be very difficult to achieve consensus of the entire Third World, among which the trade relationship across the sea is still relatively weak.

In the meantime, the third explanation resorts to the self-image of the developing countries. Concurrently with their socio-economic growth, their mind-set is changing from viewing themselves as dependent states to that of independent states. They are now entering a rebellious phase, where some argue that they are realizing that the West's free market economy and rational actor assumption may not be the best platform to accommodate their needs, at least to the non-Western world. A distinctly China-focused scholar, David C. Kang had identified this point more than a decade ago by saying, "It is an open question whether Asia, with its very different political economy, history, culture, and demographics, will ever function like the European state system." (Kang, 2003). He further developed his view in addressing this problem that "[power-] balancing has not characterized Asian history. In contrast, Asian international relations have historically been hierarchic, more peaceful, and more stable than those of the West" because of the presence of the Middle Kingdom or strong China and its tribute system, and that "As China continues its economic growth and military modernization, the key question will be whether the United States can or will allow China to resume its place at the top of the Asian regional hierarchy" (Kang, 2005). This may be more plausible compared to the second explanation, but still, no concrete evidence has been provided for either explanation or the outcome remains to be seen.

We now turn to the first explanation, a balance of power. Under the US hegemon, developing countries strive for survival through economic and financial dependency on the industrialized economies in the Western world, sometimes in exchange for undemocratic socio-economic systems, which favor those Western powers. After experiencing intermittent downward pressure, such as the Asian Financial Crisis in 1997, economic interdependency has been put forward to create interactions among the Third World countries (or South-South Cooperation) and its presence has been growing considerably in the last two decades – an emergence of, one might say, a new pillar in the international economy. It is not surprising that some countries, namely China, whose huge land and population and blooming industries had become less confined to the thinking of the old 'Dependency Theory' as they enter a self-sustaining development path and feel that with an increasing trade surplus, they deserve a greater voice in the international system. This sentiment was reflected in the speech given by a Chinese delegate from China Centre for Contemporary World Studies (CCCWS) at BRICS 6th Academic Forum, which said "With the development of emerging countries, the monopoly of developed countries on international power and the discourse on global governance has been broken. Developing countries, the emerging ones in particular, have moved gradually from the periphery of global governance to center stage" and concluded, "BRICS can become important bridges for North-South dialogue and South-South cooperation and make greater efforts in narrowing the gap between the North and the South, and improving the representation and voice of developing countries in international economic and financial affairs" (CCCWS, 2014).

Even so, with some flaws found in the current international monetary system, to be discussed later in this paper, it may not be fair to simply call as assertive or aggressive the move against the old regime, as the West may see it. The possibility cannot be excluded of "offensive-realism" being in effect, but these emerging powers may also have some grounds to defend themselves from the reign of the West. This assumption may be difficult to prove, however some facts point out the existence of flaws in the current international monetary system. In the following paragraphs, this paper will present some data on how accumulated flaws have gradually created the conditions for developing countries to defect from the old regime to a new regime to better meet their needs. Among the questions to be asked, is there anything fundamentally wrong in the current system? Does it respond to the needs of developing countries'? This paper will examine the structure of the current systems for possible answers.

Comparison with IMF, World Bank, ADB

In the midst of World War Two, the allies had already begun to strategize about an international financial framework to provide support to postwar expansion of international trade and investment (Weaver, 2011). The United States government not only wanted to prevent the repeat of economic chaos of the 1929 financial crash or 'The Great Depression', it also wanted to ensure its global leadership role in the post war era. John Maynard Keynes became the principal architect of the new international financial framework at the Bretton Woods Conference in 1944 (Weaver, 2011). Representatives from 43 nations met at Bretton Woods

New Hampshire to set up a system of rules, institutions and procedures to regulate international monetary systems. (Toussaint, 2008).

The well-intentioned Bretton Woods organizations were originally to prevent address the causes and prevent another Great Depression or World Wars. To support post-war recovery, a new gold standard was invented at the 1944 Bretton Woods conference. Under the new system, only the US dollar was convertible to gold, and other currencies were pegged to the dollar. The IMF was established to help maintain exchange rate stability and the International Bank for Reconstruction and Development (IBRD) to finance long-term reconstruction projects. However, against the backdrop of the Cold War, the massive expenditures for the Vietnam War depleted the US balance of payments and led to the suspension of dollar convertibility into gold in 1971. Other major economies followed suit, shifting to the floating exchange rate system and thus, abandoning the Bretton Woods in 1973. Under this 'new' system, the only way to defend currency was by interventions by the central banks (open-market operations). The IMF also changed its scope to oversee borrower states' economic policies to prevent financial crises. The conditionality imposed on borrowers in exchange for loans constituted a standard reform package, sometime referred to as Washington Consensus.

IMF

Created at the Bretton Woods Conference in 1944, the IMF was created as a response to the international financial "anarchy", prevalent in the 1930s. It was officially established in 1945 and began operations in 1947. The IMF headquarters is located in Washington D.C. and i began with 29 member states and the aim to reconstruct the international payment systen (Peet, 2003: P57). IMF acts as an international lender. When its member countries are facec with balance of payment problems, they could apply for loans. The objectives of the organi zation as stated in Article I of the original Agreement are: (1) Promote international monetar cooperation. (2) Expand and balance growth of international trade. (3) Promote exchange stability (4) Assist in the creation of a multilateral system of payment. (5) Ensure financial support is available to those member states in need (Peet, 2003: P58).

Conditionality in Development Policy Lending At its creation under the Bretton Woods agreement, member states only require "an effective program for establishing or keeping the stability of the currency of the member country at a realistic exchange rate" (Peet, 2003: P57). However, over the last 70 years, the conditions of the loans were used by the IMF to regulate the economic policies of the member countries. The issue of loan deliverance is not the problem. The problems concern the conditions which are attached to these loans that are creating problems for desperate governments (Peet, 2003: P57). Member states must follow a set of economic policies and prescribed financial measures based on IMF's vision on how to promote economic stability and its ability to make interest and loan repayment. The policies imposed by IMF always require reduction in tariff barriers on imported goods, and usually this has led to unemployment. It has imposed higher interest rates to cool the economy and bring down inflation, which in turn, has created more unemployment. At the same time, it requires member states to reduce government services and remove state subsidies that keep food prices low. These IMF economic policies further create problems such as poverty and unemployment while reducing country's ability to remedy the resulting social problem. Furthermore, the IMF has imposed its own economic models on nations that might want to develop under a different direction. Across the world, IMF loans became the focal point of tension between the societies and the global system, often with national government and the IMF at the center of the controversy. The general view is that IMF imposes conditions that favor repayment at the expense of the working people.

In its report published in 2000, the International Financial Institution Advisory Commission, chaired by Dr. Allan Meltzer, offered some insights on how international financial institutions such as the IMF might better achieve its objectives. Among these insights is the streamlining of IMF conditions as well as strengthening overall focus on crisis prevention. It addressed concerns that the IMF conditions in the past were too wide-ranging and detailed, reducing their effectiveness (Meltzer, 2002; Mikesell, 2001). The committee was established by the US Congress to recommend future US policy toward several multilateral institutions, however, the report's proposals were not adopted. As summarized by Susanne Soederberg, the report shed light on the shortcomings of those institutions and also fundamentally challenged the legitimacy of Neoliberal restructuring of impoverished countries. She also noted that the IMF and World Bank are not neutral and independent public authorities, but rather a conduit to transmit the policy of states, particularly the US (Soederberg, 2004).

World Bank

Just like the IMF, the World Bank was also created in 1944 at the Bretton Woods Conference. The World Bank's headquarters is also located in Washington D. C. and the two organizations have worked very closely with one other for the past 70 years. The World Bank is a member of the United Nations Economic and Social Council. The World Bank consists of the following five specialized institutions: (1) The International Bank for Reconstruction and Development (IBRD). (2) International Development Association (IDA). (3) International Finance Corporation (IFC). (4) Multilateral Investment Guarantee Agency (MIGA). (5) International Centre for Settlement of Investment Disputes (ICSID) (Peet, 2003: P112).

The official goal of the World Bank is poverty reduction worldwide. With a mission statement stating that "our dream is a world without poverty" (Peet, 2003: P111). In order to achieve the goal of world without poverty. The World Bank's has its own theories of development; the World Bank argues that the developing countries must attract foreign investment and rely on borrowing from outside partners in order to lift itself out of poverty. (Toussaint, 2008: P94). World Bank's vision of development forced developing nations to dependent on foreign capital investment, often in the form of loans, which perceived to create a sense of self-sustained development. These loans are always provided by industrialized nations and the World Bank and are used as tools to maintain control over these indebted nations.

One of the other theories of development used by the World Bank is the so called trickle-down effect. The idea is that economic growth should be as strong as possible, that this growth will benefit the wealthy and that this wealth will trickle down to benefit the poor in the long run. However, most historians argue that this practice did not bring the much anticipated economic benefit for the poor. (Toussaint, 2008: P102)

From the mid-1980s, the World Bank has faced criticism for providing money to projects that resulted in major environmental damage. For example, the Polonoroeste project in Brazil was intended to construct a 1500 KM highway and feeder roads into the Amazon region. It was meant to be a classic case of integrated rural development. However, the highway was completed in three years, but the social and governmental support has not been realized. Thousands of people died of malaria because health services were not available. Both the United States and Brazil environmental groups, along with members of United States Congress criticized the World Bank for providing funding for this project without having conducted any environmental assessments. During the IMF/World Bank annual meeting in September 1996 the World Bank was forced to create an Environment Department to consult with NGOs or environmental assessments for future funding projects (Peet, 2003: P135).

ADB

The ADB was founded in 1966 and with the mandate to improve people's lives in Asia and the Far East by alleviating poverty. The most oft-heard criticism of the ADB is that it has controlled by Japan throughout its history, and it works closely with Japan's Ministry of Finance for the Japanese national interest. In fact, all of the ADB presidents have been Japanese. Although the headquarters is located in Manila, Philippines, its board members and directors are largely non-Japanese, and 91% of its borrowing is in US dollars. A part of the reason for the criticism is that, it allocates voting rights in proportion with members' capital subscriptions, and Japan and the US are the largest shareholder with 15.7% and 15.6% of rights (as of 2013) respectively. Japan is undeniably an ally of the US, so we can assume that the bank is under the Western norm. Looking at the borrower's side, 18% of outstanding borrowing still goes to China, 18% to India, following Bangladesh (23%), Pakistan (21%) and Viet Nam (20%). Disbursement ratios in the PRC and India decreased as the ADB's portfolios moved into less developed areas (ADB, 2013).

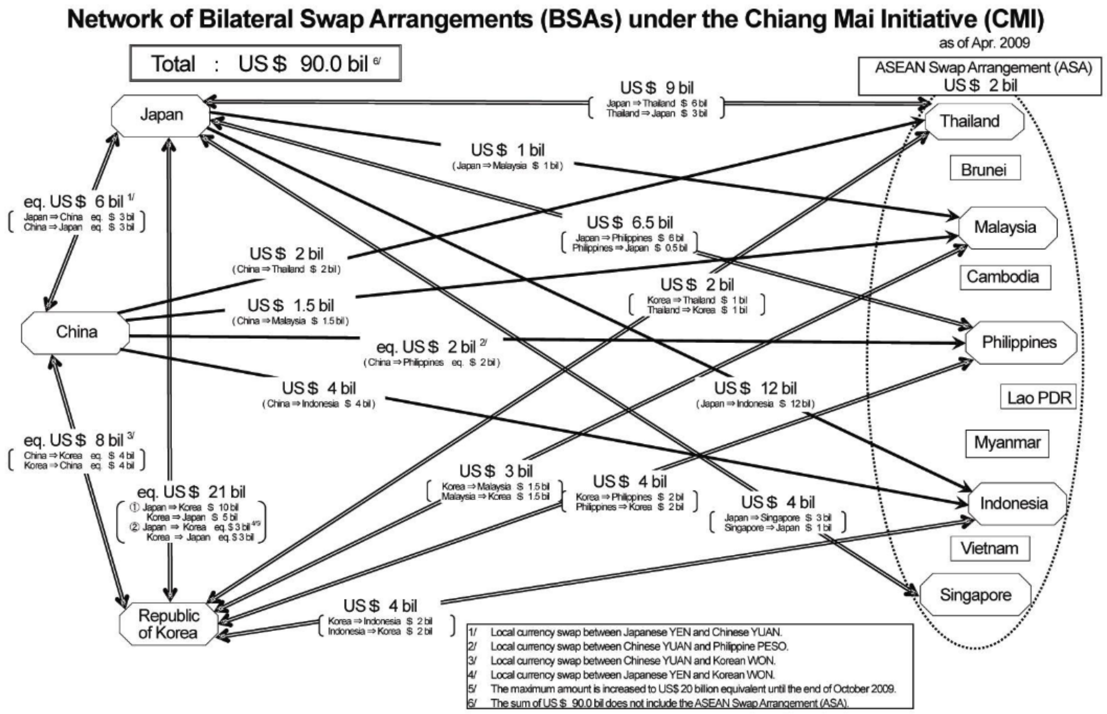
It is reportedly said that the US had urged the developed countries not to join the AIIB, however since some European nations announced possible participation, the situation has changed. The Obama administration proposed that the bank work in a partnership with Washington-backed development institutions, such as the World Bank (WSJ, 2015), which in effect left out their ally, Japan, alone and thus was followed by a comment by the President of the ADB, stating "It is not an option [for the ADB] to confront [the AIIB]". He didn't forget to add that the bank may extend joint financing as long as the ADB's investment criteria are met (SankeiBiz, 2015).

On the other hand, obviously the Department of International Economic and Financial Cooperation under China's Ministry of Finance is engaging itself to "sell" the AIIB, judging from the number of photos recently uploaded onto its website wherein the Chinese (deputy-) finance minister and senior officials from government and financial institutions worldwide are shaking hands at the Boao Forum For Asia Annual Conference 2015. A Japanese news outlet reported that during this chain of meetings with officials, China criticized the ADB as bureaucratic and tangled and that the AIIB must consider the demands of emerging states (Nikkei, 2015).

Looking more broadly at the ASEAN and APEC region, there are many inter-governmental institutions that share similar goals. Not only the ADB but also International Development Association (IDA), an arm of the World Bank Group, and EU institutions play roles. One of the initiatives born from 'Asia for Asia' is called the Chiang Mai Initiative (CMI). During the Asian Financial Crisis in 1997, Thailand, Indonesia and South Korea faced a severe foreign debt crisis and were taught a lesson from the dark side of regional inter-connectedness that the East Asian economies were closely linked to each other and could not afford to ignore what was happening elsewhere within the region. Many in the region came to share an awareness that if they had had known what was happening and has more resources to resolve it, they would not have been hit so severely. To address this problem, the motion to set up an Asian Monetary Fund was made by Japan in 1997. However, it was strongly opposed by the IMF and the US and was subsequently abandoned as there was a morale hazard problem with regards to the IMF program. Yet, it adopted a form more acceptable to the IMF by giving it a central role, and after adjustments to supplement IMF resources, the CMI was agreed on at the ASEAN+3 Finance Ministers' Meeting in Chiang Mai. This was meant to be a safety ne for financial crises and is comprised of swap agreements under which the members are abl to draw up to 30% of their borrowing quota[8] free from IMF conditionality and to full quota under a program tied to IMF program from foreign exchange reserve pools. However, when the financial crisis struck in 2008, some CMI members did not fully utilize the facility. This was largely because the CMI requires time-consuming procedures to actually draw funds as it was a bundle of bilateral agreements by which a country in need of foreign currency (or US dollars) asks its counterparts for those funds. Also, as mentioned earlier, this drawdown is mostly tied to an IMF program. Given the experience with the IMF after the Asian Financial crisis, it is no wonder that Korea avoided IMF-related financing and ended up borrowing more from the US Federal Reserve, which assured US$ 30 billion in contrast to US$ 3.7 billion it could draw from the CMI without an IMF program. Singapore followed suit, borrowing from the US Federal Reserve and Indonesia borrowed from the World Bank. In the end, borrowing from the CMI is seen as "more symbolic than truly effective" while the need for a liquidity support mechanism for the region appeared to become less urgent as the region gradually recovered from the financial crisis (ADBI, 2010).

Figure 103: Bilateral Swap Arrangement Network

[8] Its own contribution multiplied by an agreed multiplier



Source: Ministry of Finance of Japan

In terms of bilateral aid, the US, Japan and Germany are among the biggest contributors. What is glaringly apparent is that China had been a beneficiary of that aid, receiving more than US$ 2 billion in 2010 through multilateral agencies (DAC, OECD, 2011) and continues to do so. At the same time, China has supplied aid to 121 countries of which around 50% is for Africa and 30% for Asia, and describes its foreign aid as "South-South co-operation to support and help developing countries" according to the white paper on China's Foreign Aid 2014 (SCIO, 2014). China, along with India had long been considered net recipients of aid, however, this is no longer the case – they have actually become net donors. As seen here, growing economic power and interactions among the global South have been acknowledged for quite some time and this was reiterated in December 2014 by Secretary-General Ban Ki-moon in his message at the United Nations Day of South-South Cooperation with a call to encourage and learn from emerging partners in the global South to promote prosperity for all (UN, 2014).

What is also evident is that the national interest of China itself overlaps with possible geographic coverage of the BRICS bank and the AIIB. The chain of command and voting rights composition have yet to be seen, however China may not be able to avoid the allegations that Japan endures for the ADB unless voting rights are distributed on a one-country one-vote system, or that China's capital contribution is equal to that of the other member countries or shareholders.

Needs of Developing Countries

The vulnerability of the economy and financial systems of developing nations and insufficiency of infrastructure investment in the region has been a widely-shared concern for some time. The World Bank issued a report which says structural reforms, including infrastructure investment, are crucial to enhance export competitiveness (World Bank, 2014). The President of the ADB also highlighted "the importance of infrastructure investment and the role of regional cooperation in promoting sustainable and balanced growth in Asia" (ADB, 2014). He recently stated to the media that "The AIIB is necessitated by funding needs. The ADB's money will not be rejected. The ADB's credibility standing on our history will enable us to carry out our mission" (SankeiBiz, 2015). For those who share this concern, the establishment of the new banks must have been most welcome.

During the past decade, non-governmental aid flow grew in size. In the humanitarian anc healthcare sector, NGOs have become one of major players in the filed along with inter governmental organizations such as WHO (IHME, 2013). However this brings about govern ance and aid arrangement issues. Aid packages often overlap, are fragmented and are not ful ly hold accountable. OECD (2003) revealed that such agencies independently set their goals (or strings) and it undermines effectiveness and the recipients' capability. As regards this issue, the emergence of new banks may present the same complications, no matter how China stresses that they are made available for recipients' benefit.

What might a BRICS Bank look like?

The location of the headquarters, the capitalization, governance design, the staffing of the top positions, and criteria with respect to alignment and potential conditions attached to the loans are some of the most contested issues of the BRICS Bank (Abdenur, 2014; Wulf and Debiel, 2015).

Location of the headquarters: China has successfully secured Shanghai as the headquarters of the BRICS Bank (Wulf and Debiel, 2015). This may also be in line with the aim of making Shanghai the financial and perhaps global center of China. Of note is that another Chinese headed organization, the Shanghai Cooperative Organization ("**SCO**") is also headquartered in Shanghai. Co-locating these two organizations in Shanghai may facilitate cooperation between the two, or perhaps the sharing of expertise and personnel.

Capitalization. The current plan is to capitalize the BRICS Bank at $100 billion (Tierney, 2014). Each of the five members will make an initial contribution of $10 billion, and this will be doubled in the future (Wulf and Debiel, 2015). However, according to Tierney (2014), the size of capitalization of the BRICS Bank is insufficient to make it a game changer. There are approximately 70 different multilateral entities that allocate development assistance (Tierney et al., 2011); the International Bank for Reconstruction and Development (which is part of the World Bank) alone is capitalized at over $300 billion (Tierney, 2014). And most of the development banks that aimed at changing the status quo are now collaborating as co-financiers of the traditional Western donors (Shihata, 1978). Further, NDB comes with its twin – Contingency Reserve Arrangement ("**CRA**") with a reserve currency pool worth over another $100 billion, aimed to provide financial support to countries under distress due to economic volatility.

Governance design. Wulf and Debiel (2015) find that the governance structure of the BRICS Bank would be largely similar to existing banks. The top positions will be filled and balanced among the five BRICS members, with Russia chairing the board of governors, Brazil taking the chair of the board of directors and India filling the bank's presidency for the first five years.

New members are very likely to be allowed to enter the group, but the BRICS countries' share is never to fall below 55 percent (Kelly, 2014). Indian and Russian officials have been pushing for equal voting rights, fair shareholding and embracing of non-BRICS states to join the institution (Wulf and Debiel, 2015; Abdenur, 2014).

What is the criteria of projects for funding and potential conditions?

The concrete details concerning the type of projects are to be funded are still under discussion (Wulf and Debeil, 2015). However, the BRICS bank's purpose is to address the capital deficits for long-term financing for infrastructure and industrial projects in developing countries (Abdenur, 2014). In particular, this is most likely to address the 'infrastructure gap', which The World Bank (2014) estimates to be $1 trillion USD in low- and middle-income countries

Countries in the African continent are potentially major recipients given the emphasis on the continent at the Durban Summit (Abdenur, 2014) but the operations of the BRICS bank will not be exclusively focused on African development.

The potential conditions of the loan are also under discussion. However, the BRICS emphasis on respecting national sovereignty suggests that the bank's approaches will differ from those of the prevailing Bretton Woods Institutions, and will not impose political conditions on the loans it provides (Abdenur, 2014).

Aims and Focus: BRICS leaders announced their plans for the establishment of a BRICS Bank back in 2012. The stated aims of the BRICS bank circulate around issues of governance and the contribution and distribution of capital. Their aims are as follows:

- 'For mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development' (BRICS, 2012). And in a manner that will 'supplement the existing efforts of multilateral and regional financial institutions for global growth and development' (BRICS, 2013). The wording in these declarations suggests that BRICS leaders recognize the long-term benefits of inclusivity (Ghori, 2014). There is also the recognition of infrastructural developments as the key-determining factor in economic growth (Wilson et al., 2011).
- This new International Organization aims to facilitate South-South cooperation througl enhancing trade flows among BRICS countries (and other emerging economies) and en couraging payment in BRICS' currencies in order to mitigate the effects of currency vola tility (Abdenur, 2014). In the wake of the Global Financial Crisis in 2008, this idea becam

increasingly prominent as BRICS policymakers seek to minimize the risks associated with invoicing in major currencies like US dollar (Ghori, 2014). An earlier effort, for example, can be found in China, where significant progress has been made in invoicing bilateral trade in Renminbi and promoting the offshore bond market in Hong Kong since 2009 (Auboin, 2012).

- The BRICS Bank seeks to demonstrate the power of emerging economies and the ability of BRICS members to advance their agenda. A number of analysts (Ghori, 2014; Robles, 2012; Swamy, 2014) see the BRICS leaders' criticism on IMF reforms as a signal of their political ambition. However, Abdenur (2014) speculates that loans are likely to be offered at a market rate, which lowers the influence of political considerations.

An excerpt from Desai and Vreeland (2011) helps illustrate the benefits of regional economic integration, "Financial crises over the last decade demonstrate that the unilateral defense of a national currency is a challenging task, but one that can be helped through the collective efforts of countries banding together. Indeed, this was the rationale for the creation of the IMF." If the term 'economics' is substituted for 'security', this may also be a new and particularly 21st century form of 'bandwagoning."

For developing countries, the problem of ''original sin,'' as Eichengreen and Hausmann (2005) call it, is that firms and governments find it impossible to borrow long term in their own currencies and are therefore forced to do one of two things: borrow exclusively short term, or accumulate indebtedness in foreign currency. Both of these factors increased volatility, which in the presence of a large stock of unhedged, foreign-currency denominated debt often leads to dramatic declines in the private sector's credit worthiness. According to this definition, most countries outside the major currency blocs and financial centers of Europe or the United States are tainted by original sin.

In the medium-term, deepening regional monetary cooperation via liquidity funds, regional exchange-rate mechanisms or currency unions can cushion countries from the impact of economic shocks, such as the one the world has recently experienced. In the long run, it is also possible for regional monetary regimes to minimize a country's exposure to currency and maturity mismatches and the share of foreign-currency denominated debt.

This depends on the extent to which regionally integrated financial markets with stabilized intra-regional exchange rates can be developed. In addition to a willingness to cooperate, a clear regional ''hierarchy'' in terms of foreign-currency liabilities must be in place. Regional monetary regimes will not be possible if all regional nations are equally indebted in foreign currency. One or more economies must have limited foreign-currency debt—a low level of ''original sin''—to play a strong lender-of-last-resort function, and to have the capacity to intervene in favor of weaker countries during extra-regional shocks. Regional ''original-sin'' hierarchies, combined with the presence of a regional economic hegemon, are signs of a region well suited to a regionally based monetary regime.

A two-tiered system for the global financial architecture—an IMF alongside a single or set of monetary fund(s) for developing countries—has been proposed elsewhere (Johnson 2009; Subramanian 2010)

In principle, a number of regional funds could play a first-stop role. These could be institutions where nations in distress could turn before borrowing from the IMF. The current reality is that for middle-income countries in Asia and South America, unlike any potential EMF, regional entities would likely compete with the IMF, not act in a supplementary, ‘‘triaging’’ manner.

Japan first proposed an Asian Monetary Fund (AMF) in 1997, following the East Asian financial crisis, originally aiming to create a pool of funds to be quickly disbursed as a means of emergency balance of payments support for the crisis-hit economies. As Lipscy (2003) explains, the Japanese finance ministry made three observations: (I) the US-IMF bailout of Mexico in 1995 was vital for the economic health of North America, (ii) the United States did not have the same incentive to bail out the East Asian countries to which the Japanese economy was intimately tied, (iii) while the United States could push the IMF to pursue US policy preferences, Asian governments lacked political influence.

What are the overlapping niches of the IMF, World Bank and ADB?

Despite much excitement on the challenges that a BRICS bank might bring to the IMF, World Bank and ADB (Harmer and Buse, 2014), it remains impossible to determine whether the BRICS have the ambition and ability to challenge the Bretton Woods Institutions (Watson et al., 2013). The BRICS bank’s focus on infrastructural development overlaps with the aims of the World Bank and the ADB (Watson et al., 2013). However, Brazil, Russia and South Africa are not members of the ADB. So the BRICS bank is likely to serve a different niche of countries than the ADB. The Contingent Reserve Arrangement (CRA), aims to provide a security net to financial volatilities, overlaps with the IMF (Watson et al., 2013).

The various statements made by BRICS leaders thus far suggest a more inclusive nature o the BRICS bank. The bank is likely to address some of the continued critiques of the Bretton Woods Institutions such as the lack of participation from low-income countries, their domi nance of the development discourse and a negative social outcome (Watson et al., 2013; Stiglitz, 2002). The BRICS bank can be seen as an extension from the previous The Chiang Mai Initiative Multi-lateralization (CMIM), expanding the number of countries involved (Watson et al. 2003). In response to the talks of establishing the AIIB and NDB, the Asian Development Bank seeks to raise the amount it can lend annually to US$18 billion for infrastructure and other projects (Pilling, 2015)

In fiscal year 2012, the International Bank for Reconstruction and Development and International Development Association (both under The World Bank) lent a total of US $35 billion dollars to developing countries (The World Bank, 2015). This represents a substantial reversal back to the original aim of infrastructural development, from poverty reduction and enhancing social development such as healthcare and education. A BRICS bank will need to clearly establish sets of policies and procedures in order to ensure that their lending policy does not resort to the assumption of trickle-down economics in justifying funding of infrastructural developments.

What are potential challenges, including transparency of both lender and of recipients in utilizing the funding for the stated projects: how to deal with corruption issues?

Cox argues that institutions 'can become either a battleground of opposing tendencies, or stimulate the creation of rival institutions reflecting different tendencies' (1981, p. 136). Grouping the BRICS countries based on Jim O'Neill's catchphrase back in 2001 has led to an illusion that the countries share the same values and objectives in the international community. Aside from their impressive economic growth and intention to make their voices heard in international economic institutions, there are significant differences between BRICS members. Some critics have quickly dismissed the BRICS countries as an artificial bloc founded on a Goldman Sachs catchphrase (Robles, 2014).

Intra-regional disputes and unwillingness to cede economic sovereignty to an overarching institution have always plagued regionalization efforts and the BRICS bank is no exception. In the case of China and India, both see the other as a key competitor in the region, with occasional open-conflicts breaking out along the Sino-Indian border.

Armijo and Roberts (2013) argue that it would be difficult for China to push the BRICS bank to make RMB-denominated loans (instead of US dollars). This would require the recipients to spend this currency on Chinese goods and/or earn RMB to repay the loan. This may lead China to come under the same accusation of economic imperialism as has the U.S. among the developing countries and undermine its claim as a 'partner' to the South.

Other problems include official data being incomplete, non-comparable and highly aggregated (Strange et al. 2013). As an attempt to differentiate themselves from the Bretton Woods Institutions, the BRICS bank is unlikely to press the recipient countries to adopt 'good governance'. This is evidenced by the vague talks over BRICS Anti-Corruption Cooperation, but this could improve as further discussions unfold. China went as far as claiming that the principle of transparency should apply to north–south cooperation, but it should not be seen as a standard for South–South cooperation" (Tran 2011 cited in Tierney, 2014). However, how will the BRICS Bank ensure that funds are actually used for the stated purpose and not diverted for personal or political gain?

Griffith-Jones (2014) suggests that a complimentary relationship between the BRICS bank and the IMF can be built. While the IMF will continue to provide short-term balance of payments financing, the BRICS bank will be similar to the European Investment Bank (EIB) in terms of funding long-term investments in infrastructure. In fact, the BRICS bank could learn from the EIB, in terms of the latter's experiences and expertise in the field.

Based on their strict understanding of national sovereignty, the BRICS and China in particular, tend not to include political conditionality in their lending procedure (Mwase/Yang 2012: 5). It is therefore unlikely that the NDB will condition lending to indicators such as good governance, human rights, corruption, or environmental and social impact of the financed projects (Dossani 2014; Green 2014: 3; Maihold 2014: 3). As value-based conditions for credits are expected to be minor or absent, the likelihood that the NDB will adapt a paradigm of institutional development is also very low. The current approach of the International Bank for Reconstruction and Development (IBRD) includes tools of direct financial support for institutional reforms (including an a priori set legal framework of implementation), institutional based conditionality and technical assistance to improve institutions (Prado/Salles 2014: 167f). On the other hand, experiences from Brazilian and Chinese development cooperation show that they either work within existing institutional contexts (Brazilian model) or even try to circumvent them if they represent obstacles for the financed output (Chinese model) (Prado/Salles 2014: 169f, 178f). Therefore, a pro-active institutional development paradigm is rather unlikely to be established within the NDB.

Notwithstanding, even if the NDB is ideologically willing to take those higher risks and re duce conditionality, and even though this risk would be shared in a multilateral bank (in con trast to a national development bank), it would still have to follow international bank stand ards of lending during its first years. These include ‘prudential conditionality’, which ensures that loans are used purposely and repaid (Green 2014: 2). Consequently, it is likely that the bank will require a similar bureaucratic effort from borrowing countries, as does the World Bank System (Weeks 2014). If the NDB does not follow such standards, it will risk its own rating on the international financial market and by that the necessary ability to raise its capital stock (Maihold 2014: 2). On this point, the current NDB agreement only states vaguely, that ‘[the operations of the Bank] shall be conducted in accordance with sound banking principles’ (NDB Agreement 2014: Art. 3).

One of the potential solutions to the alleged problems of corruption is the Angola model, given the leading role of the Chinese government on the BRICS bank. The Angola model entails providing infrastructure development in exchange for raw natural resources.

Multilateral Institution Power Play

China vs. US, China's Rise vs. US Decline in influence.

The notion of a 'China threat' within social science has emerged as a recent phenomenon (Kristof, 1993). Put together, this theory suggests that the rise of China would challenge the hegemony of the U.S., as its military and economic capacities grow (Storey and Yee, 2002). Theoretically, a threat is only meaningful within the fields of military and security, but the assumption of a 'China threat' reinforces the reluctance for both China and the U.S. to understand each other (Roy, 1996). In time, the 'China threat' encapsulates the ideological and economic differences between China and the U.S.

The internationals relations theory of Realism posits the nation-state as being the primary actor within an international climate of anarchy (Dunne and Schmidt, 2008), and is heavily influenced by themes of 'struggle for power' (Morgenthau, 1973) and 'self-help' (Waltz, 1979). This theory has drawn social scientists — especially U.S. scholars — towards a future-oriented assessment of potential risks on the domestic and international scale (Bloomfield, 1978; Clarke, 1986; Heng, 2002).

A.F.K. Organski's (1968) power transition theory is often used to support arguments that a great power like China would expand its political and military capacities once its economy is fully developed (Kristof, 1993; Nye, 1997; Casetti, 2000). One of the key tenets of Organski's (1968) theory is that the different stages of industrialization are a more determinant factor in generating power redistribution in the international system than political and military capacities.

From a Chinese perspective, Yee and Feng (2002) cited Shen (unknown), suggested that the U.S. 'is looking far and wide for an enemy on purpose for its old enemy has disappeared with the end of the Cold War and the disintegration of the former Soviet Union. It seems that these people cannot go without an enemy.'

There are numerous examples of China's Rise and America's decline. Broomfield (2003) states that with the largest population in the world, China has a massive domestic market. In turn, this has fueled inward foreign direct investments (FDI) towards China and how China is being perceived in the West has become increasingly important (Downs and Saunders, 1998). While Dicken (2011) notes that China and Hong Kong alone accounted for 30% of the inward FDI in developing countries, Ravenhill (2006) notes that the losses of FDI in South East Asian countries are likely to be offset by an increase in export towards a more prosperous China.

Indeed, the growing economic capacities in China have long been transformed into strategic concerns in the U.S. (Roy, 1994). Regarding the U.S.'s increasing trade deficit with China, a report prepared by the Center for Security Policy (1997; 1) suggests that 'Communist China is utilizing much of the huge trade surplus that it enjoys thanks to this privileged trading status [Most Favored Nation] to mount a strategic threat to the United States and its vital interests in Asia, the Middle East and beyond'. Broomfield (2003; 272) finds that 'China threat' advocates often stress that the trade surpluses and an undervalued Renminbi have been employed as a strategy to harm the U.S. and provide 'a great source of contention in future Sino-American relations'.

The US has repeatedly appealed to its allies not to join the AIIB based on weak arguments — that they would maintain a larger influence from outside the AIIB. A number of the U.S' allies have already agreed to join the AIIB. That such longstanding European allies have sought to join the AIIB in spite of U.S. exhortations to refrain from doing so, underscores the weakening position of what seems to be a declining superpower intent on maintaining its position, even in the face of declining resources to do so. One of the strategies, which China has used to promote itself as a partner, is that it gave up the rights of veto in AIIB.

BRICs Bank vs. Asian Infrastructure Investment Bank: Legitimizing China's FDI.

There are some similarities between the NDB and AIIB. China plays a major role in the establishment of both banks, which clearly demonstrates and enhances its ability in projecting soft power (Tortajada and Biswas, 2014). In establishing the AIIB, China has funded half of its initial capital, which is about US$50 billion. Both banks are seen as a challenge or a reformation effort directed at the Bretton Woods Institutions. The banks emphasize infrastructural developments as the key driver of economic growth. Investing in the banks would allow China to diversify its foreign reserves of US$3.9 trillion, rather than putting the bulk of it into purchasing US sovereignty bonds —where its real value is shrinking. It also contributes towards internationalizing the RMB.

If the banks were to adopt the much cited Angola Model, this would help Chinese firms to secure overseas contracts. The Chinese government has already indicated that it wishes the NDB to be modeled after the Chinese Development Bank, heightening such possibility (Wihtol, 2014).

However, the AIIB's focus on Asia would better serve to advance China's political agenda of 'One Road, One Belt', which at the moment seems to have a far-reaching effect on power reconfiguration and development of multilateralism (Wang, 2015).

The geopolitical significance of these developments cannot be ignored, particularly the funding of projects that are similar to the Sino-Burma pipelines. This refers to the gas and oil pipelines that linked the Yunnan province of China to Burma's deep-water port of Kyaukphyu in the Bay of Bengal. The significance of these projects lies in enabling China to reduce its dependency on the Straits of Malacca (Kong, 2010) and mitigate the potential threat of the First and Second Island Chain on China (Yoshihara, 2012).

The initiative of 'One Road' refers to the reinvigoration of the Silk Road through major infrastructural investments in Central Asia — an area that has been referred as a 'great natural fortress' that deters the influences of major sea powers (see Mackinder, 1943). Pipelines and major infrastructural developments in the area would facilitate trade between China, Central Asia, and Europe, without interference by the U.S. government.

Competition for influence and control of resource rich underdeveloped countries and their votes in other international organizations may constitute the new 'dollar diplomacy'. To truly understand this issue requires unpacking the problems that China currently faces with its resource-backed programs, for example, the use of Chinese companies and labor and the somewhat limited participation from African countries. Materials used in infrastructural developments often need to be imported, because borrowing countries lack the capacity to manufacture or process these items (Corkin, 2011).

Challenges include forms of payment. An example includes the recent drop in oil prices, which has seriously undermined countries' capacity, like Venezuela, to repay their debts in the form of resources. The BRICS bank and AIIB contribute towards addressing this issue by mitigating the perception that China is trying to take control of resource rich, underdeveloped countries. The banks also help spread the risks among different countries.

The New Scramble for Africa.

China has been active on the African continent for some time and has played a major role in industrializing many African nations, building infrastructure, and investing in new projects. The U.S. has also made the decision to direct resources to the African continent. How will this new competition between the status-quo institutions and the new China-led institutions play out in a place where both are considered outsiders?

Some of the limitations of utilizing the BRICS bank or AIIB

BRICS has a small initial capital when compared to the funding demands of developing countries for infrastructural development. As a demonstration of soft power, both the BRICS bank and the AIIB — dominated by China —would want to acquire and sustain a AAA credit rating and raise capital without invoking its own economic capacity. Doing so is likely to undermine claims of creating a multipolar world order. However, doing so puts the BRICS countries in a dilemma; to acquire an AAA credit rating requires a significant degree of conformity regarding current financial structure, weakening BRICS bank claim as a new alternative.

China's Role in BRICS

"Hide one's talents, bide one's time" is Deng Xiaoping's quote for Chinese leaders on the world stage. (Shield 2014 P147) During Deng's era, China had just begun its own domestic economic development and desperately required foreign assistance. However, by the turn of the new millennium, China had grown prosperous and was ready to assert its influence on the global stage. Many viewed former Chinese premier Wen Jiabao's speech at the January 2009 World Economic Forum as a direct challenge to the global economic governance system. Premier Wen stated that the global financial crisis that began in 2008 had "fully exposed the deficiencies in the existing international financial system and its governance structure" and called for "the establishment of a new world economic order that is just, equitable, sound and stable." (Shield 2014 P147)

China has begun to play an increasingly active role in global affairs, as evidenced in the establishment of new international organizations, such as BRICS bank and the Shanghai Cooperative Organization. For China, the BRICS Bank provides an opportunity to legitimize China's multilateralism strategy, create a position image that China seeks to be a responsible global actor trying to reshape established global institution rather than upending them. The bank provide China the means to influence the practice of the Organization of Economic Cooperation and Development (OECD) and at the same time learn about the practices and principles used by these organization in the area of South-South cooperation. (Abdenur 2014 P86)

From a geopolitical point of view, the BRICS Bank can help China counter Western-le global financial systems without direct confrontation. This allows China to strengthen its dua identity as a developing nation dedicated to South-South cooperation, and as an emerging nation striving for global governance reform. This also deepens China's intra-BRICS relations and allows China to increase trade and investment ties to other regional powers. This, in turn, provides China with greater influence to reshape international development at the global level. China's own desire to strengthen its relations with African nations helps to explain the efforts to include South Africa into The BRICS bank while also reflecting China's strong interest in the African continent and view of South Africa as a gateway to rest of the continent. (Abdenur 2014 p91)

The 2012 work report of the 18th Chinese Communist Party Congress reflected the importance of the BRICS Bank within China's multilateral strategy. The report only mentioned the UN, G20, SCO and BRICS among China's international organization priorities and provided guidelines for China's grand strategy in the coming years. (Abdenur 2014 p91)

China is the largest BRICS economy and represents 70% of the BRICS' GDP. For example, bilateral trade between China and other Asian countries dwarfs its trade with the other BRICS nations. (Farnswroth 2014 para6) Even though China appears to be the de facto leader of BRICS, so far China has downplayed its overwhelming economic might relative to that of other BRICS members. BRICS members do not want to see Chinese dominance over the perceived Western dominance of the international system either. These nations want a larger voice but do not want either the current or a new system significantly influenced by China. (Farnsworth 2014 para7) Some of the BRICS countries are traditional enemies; China's own economic strength and perceived assertiveness could potentially create new problems within the BRICS itself.

Future Expectations/Rhetoric of a BRICS Bank

The BRICS bank and AIIB are likely conceived as the continuation of the discourse of the 'Peaceful Rise of China' under Hu Jintao. China is likely to continue to present itself as a constructive, peaceful and friendly partner and neighbor. The BRICS bank can provide the developing countries with an alternative source of finance. It also allows the BRICS countries to free themselves from the restrictions and conditions imposed by the Bretton Woods Institutions. Given its scope, the AIIB is likely to gain more attention in 2015.

The BRICS bank is likely to be limited by a number of factors. The BRICS leaders have different interests and ambitions, and these disputes are likely to impact the provision of funding. China, in particular, would seek to expand its influence given that its foreign reserves are unmatched by the other members. The repetition of the Angola Model may not be successful if commodity/raw material prices continue to be volatile. This may lead to high levels of defaults among developing countries that rely on resource-backed loans.

Alternatives

Evolution of IMF, World Bank, ADB or Asian Infrastructure Investment Bank. The BRICS bank promises to be more inclusive in nature than the Bretton Woods Institutions and the ADB led by the US government and its ally, Japan. It is pioneering a model to facilitate South-South cooperation among different regions. That China is giving up its veto rights in the AIIB is a welcoming indicator that it seeks to gain greater cooperation in the short term However, both the AIIB and BRICS bank claim their creation to be major milestones/cornerstones of China's soft power.

Expectations of BRICS Bank focus

The BRICS bank countries are likely to focus on infrastructure development projects, having experienced high-levels of economic growth themselves over the last several decades. However, it is unclear how the BRICS bank would establish its criteria for funding development projects. But it is likely to be free of the political conditions that constitute Western expectations of good governance. In its initial stages, these projects will likely be in areas with fewer conflicts of interests among BRICS countries. For example, development projects are unlikely to be funded in Arunachal Pradesh — an area which China and India are having border disputes.

In positioning the BRICS Bank in a multipolar world, will the BRICS Bank create positive competition which could re-invigorate the Bretton Woods institutions? The BRICS Bank is likely to conform to the international financial norms in the initial stages of its establishment. Minimal or no political conditions would be attached to the loans. Drawing on the discourse of South-South cooperation, the BRICS Bank is to position itself as 'partners' instead of 'donors' to the borrowing states, emphasizing knowledge transfer, environmental protection, cooperation with locals. The BRICS Bank seeks to build on the experiences of the BRICS' current foreign aid programs, such as the Angola Model. A reform in the Bretton Woods Institutions is unlikely due to the internal politics in the U.S. and opposition by smaller European states. The stance which the U.S. government has taken on the AIIB suggests that the U.S. is unwilling to embrace new institutions, perceiving them as challenging to the status quo and therefore against U.S. interests.

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Reference: Overview of (regional) International Organizations

	ASEAN	APEC	ADB	BRICS Bank	AIIB
Establishment	1967	1989	1966	2014	(2015)
Legal Status	Formal Meeting	Informal Meeting	Treaty	Treaty	(Treaty)
Aim		Promoting free trade and economic cooperation	Fighting poverty	Develop social infrastructure in developing countries	Develop social infrastructure in Asia
Subscribed Capital		(USD 14 million)	USD 163 billion	USD 50 billion[12] (-100 billion)	USD 50 billion (-100 billion)
Equity Share	-	-	Japan (15.7%) US (15.6%) China (6.5%) India (6.4%) Australia (5.8%)	China (20%) Brazil (20%) India (20%) Russia (20%) South Africa (20%)	*China (50%)*
Rating (S&P)	-	-	AAA	-	-
Number		20[13]	47[14]	5	21-57
Member Country (Year of Joining)	Brunei (1984) Cambodia (1999) Indonesia (1967) Laos (1997) Malaysia (1967) Myanmar (1997) Philippines (1967) Singapore (1967) Thailand (1967) Vietnam (1995) Observer Status: Timor-Leste (2011) Papua New Guinea (1976)	Australia (1989) Brunei (1989) Canada (1989) Chile (1994) China(1991) Hong Kong (1991) Indonesia (1989) Japan (1989) South Korea (1989) Malaysia (1989) Mexico (1993) New Zealand (1989) Papua New Guinea (1993) Peru (1998) Philippines (1989) Russia (1998) Singapore (1989) Taiwan (1991) Thailand (1989) US (1989) Viet Nam (1998)	Afghanistan (1966) Armenia (2005) Australia (1966) Azerbaijan (1999) Bangladesh (1973) Bhutan (1982) Brunei (2006) Cambodia (1966) China (1986) Cook Islands (1976) Fiji (1970) Georgia (2007) Hong Kong (1969) India (1966) Indonesia (1966) Japan (1966) Kazakhstan (1994) Kiribati (1974) South Korea (1966) Kyrgyz (1994) Laos (1966) Malaysia (1966)	Brazil (2014) China (2014) India (2014) Russia (2014) South Africa (2014)	Australia (2015/07/31) Austria (2015) Azerbaijan (2015) Bangladesh (2014) Brazil (2015) Brunei (2014) Cambodia (2014) China (2014) Denmark (2015) Egypt (2015) Finland (2015) France (2015) Georgia (2015) Germany (2015) Iceland (2015) India (2014) Indonesia (2014) Iran (2015) Israel (2015) Italy (2015) Jordan (2015) Kazakhstan (2014) Kuwait (20[illegible] Kyrgyzsta[illegible] Laos (201[illegible]

[12] New Development Bank only, excluding contingency currency pool
[13] Excluding Hong Kong SAR
[14] It admits members of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Excluding Hong Kong SAR and non-regional 19 countries including US

ASEAN	APEC	ADB	BRICS Bank	AIIB
		Maldives (1978) Marshall Islands (1990) Micronesia (1990) Mongolia (1991) Myanmar (1973) Nauru (1991) Nepal (1966) New Zealand (1966) Pakistan (1966) Palau (2003) Papua New Guinea (1971) Philippines (1966) Samoa (1966) Singapore (1966) Solomon Islands (1973) Sri Lanka (1966) Taiwan (1966) Tajikistan (1998) Thailand (1966) Timor-Leste (2002) Tonga (1972) Turkmenistan (2000) Tuvalu (1993) Uzbekistan (1995) Vanuatu (1981) Viet Nam (1966)		Luxemburg (2015) Malaysia (2014) Maldives (2014) Malta (2015) Mongolia (2014) Myanmar (2014) Nepal (2014) Netherlands (2015) New Zealand (2015) Norway (2015) Oman (2014) Pakistan (2014) Philippines (2014) Poland (2015) Portugal (2015) Qatar (2014) Russia (2015) Saudi Arabia (2015) Singapore (2014) South Africa (2015) South Korea (2015) Spain (2015) Sri Lanka (2014) Sweden (2015) Switzerland (2015) Tajikistan (2015) Thailand (2014) Turkey (2015) UAE (2015) UK (2015) Uzbekistan (2014) Vietnam (2014)

(Source: ASEAN, APEC, ADB, news agencies)