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DISCUSSION RESPONSE

Will the BRICS Bank really change the development world?

OLIVER STUENKEL — 4 July, 2014



A response to [Mariana Mota Prado](#)

Mariana Prado makes an excellent contribution to the growing debate about the BRICS Development Bank, which is expected to start operating in 2016. What is perhaps most notable about the bank so far is how little the five BRICS governments are willing to share with the public about the bank's operating principles. In the same way, outsiders are kept in the dark regarding questions about the bank's headquarters or its leadership.

This points to difficult negotiations behind the scenes. China-India relations, in particular, are often tense, which makes the decision about the location of the bank's headquarters highly political. India's new Prime Minister Narendra Modi early on suggested that the bank's first leader should be Indian, in an apparently deliberate move to raise public expectations at home and limit the degree to which he could make concessions during the negotiations.

Yet the decision about which model the bank will adopt (Prado develops three very useful options) is perhaps the most important one. After all, the creation of the bank provides emerging powers with a chance not only to criticize the West's approach to development, but to design a concrete alternative. Rhetoric about the new paradigms of South-South cooperation have generated expectations that emerging powers of the South have a meaningful contribution to make in the global debate about development. Could Brazil's BNDES serve as a model, or rather the Chinese development banks? During the government-led debates about the BRICS Bank, BNDES played a key role, yet there is a growing number of voices questioning the effectiveness of its approach. In the same way, it remains unclear in how far the CDB model can be applied to the BRICS bank.

Yet aside from all the economic considerations, politics may be decisive. Despite their growing confidence, none of the BRICS members is interested in an open clash with existing institutions. Rather, the BRICS will seek to hedge their bets and invest in both existing institutions and new ones. None of the BRICS countries has any plans to withdraw from the Bretton Woods institutions – quite to the contrary, they seek to strengthen their role in these existing platforms.

Thus, BRICS members are likely to limit the degree to which the BRICS bank may create a rupture in the field or openly challenge existing clubs. BRICS policy makers go out of their way to point out that the BRICS Development Bank will “complement” existing institutions and not seek to replace them.

And yet, skeptics will ask, why do the BRICS not dedicate their resources to institutions that are already in place? Why go through the hassle of creating a new institution? The answer, clearly, is that while emerging powers seek a larger role within the existing framework, they do not feel established powers are willing to provide them with the adequate power and responsibility – reforms at the World Bank and the IMF have been too slow, and not far-reaching enough. The World Bank remains, despite its name, essentially a Western-dominated institution in the eyes of emerging powers. It is difficult to read the creation of the BRICS Development as anything other than that.

Prado rightly notes that the BRICS Bank “has the potential to call into question the basic normative and operational structures of the field of development and even to provoke a rupture with the existing architecture.”

Given their typically guarded approach and unwillingness to be perceived by established powers as dangerous challengers to existing rules, norms and principles, I would expect that the BRICS Development Bank will adopt – at least during the early years – a cautious line, seeking peaceful coexistence without direct competition. The BRICS countries may not yet know and trust each other enough to jointly embark on a project that sets them on collision course with existing institutions.

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Tags: BRICS, Development Cooperation, Global South



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