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The BRICS Bank and the Global South

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SIPHAMANDLA ZONDI, OCT 2 2012

The idea of a BRICS Bank is now a huge bone of contention in South Africa (maybe, in other BRICS countries as well) between those who are skeptical of the BRICS' ability to act as an underwriter of a South-led global economic development plan designed to help poor countries cope with, and overcome the effects of the current global economic crisis, and those who over-estimate the forum's ability to rewrite the history of global development by turning western modernity—on which this history is based—on its head.

The latter see the BRICS as a potential counterpoise to the G8, which is seen as a bulwark for a west-dominated global economic hierarchy, while the former see in it a great promise that will not materialize because of internal cleavages and an uncertain global agenda. These positions are replicated in response to the proposed BRICS Development Bank. While they recognize the aspiration on the part of the BRICS to take an initiative, they doubt if the five countries have sufficient cohesion in vision and political muscle to make this a truly global game-changer.

There is room for a constructive response to this development which says, whatever the motives of the plan's initiators, the BRICS Bank could become a catalyst for functional cooperation, and alternative development financing as well as new development knowledge production that is good for both the emerging and developed worlds.

In New Delhi, the March 2012 BRICS Summit assessed the need for upgrading South-South cooperation from mere political solidarity and ordinary economic relations to a high level of catalysis in the area of development finance in response to a changing global political economy. They considered strategies through which the BRICS could respond to deficiencies in international development finance in order to provide developing countries with access to new capital for stimulating their economic growth and development.

For some time, the BRICS countries have decried the unpreparedness of International Finance Institutions (IFIs) like the World Bank and the IMF to respond to the needs of developing countries, especially during difficult times like the current global economic crisis. These challenges include the need for new and better funding towards infrastructure development, industrial production and beneficiation of raw materials, boosting economic competitiveness, human resource development, technology development or transfer and innovation, all of which are seen as critical drivers of economic development in the developing world.

The BRICS are aware of the deleterious effect of the global economic meltdown on their own economies. Their economic performance has weakened since 2008/9 in spite of healthy government reserves, while the crisis has also worsened Africa's structural defects. Developing countries are experiencing high food prices, fragile stock markets, a credit crunch, falling exports and other forms of contagion. These not only limit economic development, they may lead to grave social crises in some developing countries. These are challenges that the BRICS are duty-bound by their elevation to leaders of the South to respond effectively to. Smarter, stronger and deeper economic cooperation among countries of the South is one such response and the proposed Bank is meant to become the institutional vehicle for this.

The same factors are putting pressure on development catalysts of the South like the Asian Development Bank, African Development Bank, IBSA fund and so forth to give new meaning to South-South cooperation. They are being called upon to deepen international interdependence by strengthening independent sources of self-development in

the South. With IFIs running low on capital reserves and focused on dealing with debt crisis in Europe, developing countries have had to look for alternative sources of development finance.

Clearly, the BRICS see opportunities to assume global leadership by acting as a responsible diplomatic club of the South through the establishment of an alternative and South-centric source of needed development finance. As is the nature of development finance institutions, the BRICS Bank *may* also become a source of fresh and subaltern thinking about global development and its drivers as well as about ways of buttressing the emergence of new economic powers through South-South cooperation.

Therefore, the alarmist characterization of this move as anti-west and politically motivated is driven by a misunderstanding of the fact that as they acquire more global significance, the BRICS are forced to assume greater responsibility for leading the South's response to a global economic and development crisis. This includes a potential to delink, to some extent, from the dominant thinking and initiatives framed through the Washington consensus and thus reject the inevitability of the South's dependence on the generosity of the North both in the supply of capital and ideas for development. Those who already reject this possibility because the BRICS have not declared their intentions to delink from the neoliberal thinking and the IFIs that perpetuate this have not realized that efforts to pluralize the development finance environment weaken the dominance of IFIs anyway, thus achieving in subtle ways what they wish to see in more dramatic speeches and actions.

What BRICS countries should consider seriously in the process of developing the Bank idea is how the Bank will fill the vacuum left by the IFIs' fixation with the European debt crisis by focusing on neglected sectors like co-operatives, small and medium enterprises, small-scale agriculture, informal traders and industrial production. It should think carefully about how it could through strategic partnerships with existing development banks of the South provide targeted and coordinated developmental stimuli, especially in Least Developed and African Countries.

The Bank should be designed and led to become a form of responsible developmental leadership on the part of the BRICS in strengthening economic development in the global South rather than a mere show of strength in the high politics of global reform.

To this end, then the BRICS Bank should harness opportunities for positively redefining the very notion of international development and the relations between the periphery and centre in the power hierarchy that underpins global development today. It should also develop space for individual BRICS to promote developmental cooperation in their respective regional landscapes, namely: Africa, East Asia and the Pacific, and the South Atlantic. Alignment with the IBSA fund will need to be defined very carefully.

The Bank is an initiative pregnant with many positive possibilities provided the initiators conceptualize it as a catalyst for South-led global development rather than a mere counterpoise to western-dominated IFIs. It offers opportunities for South Africa to demonstrate the regional value of its BRICS membership and to buttress its regional power status by tying in Africa's developmental needs to the BRICS' agenda.

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