



BRICS' NEW DEVELOPMENT BANK: THE BANK FOR A NEW WORLD ORDER?

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On the sidelines of G-20 summit in Brisbane, Australia on November 15, 2014, China expressed its willingness to speed up the process for BRICS New Development bank (NDB). BRICS (Brazil, Russia, India, China and South Africa) is a grouping of five rapidly developing economies. Together, these countries, spread over three continents of the world, constitute more than 40 percent of the global population and account for approximately 20 percent of world Gross Domestic Product (GDP). Though the grouping came into being in 2009, there were speculations that BRICS might not go far considering the lack of convergence of interests among the members. BRICS has also been accused of 'bickering' within. However, the decision to set up the BRICS New Development bank has not only proved such speculations wrong but as also demonstrated the commitment of the members in setting up a robust alternative to the existing international economic institutions, without challenging their authority.

During the 5th BRICS Summit held on March 27, 2013 in Durban, South Africa, the BRICS leaders agreed to set up the NDB previously called as the BRICS Development Bank. With the starting capital of US\$ 50 billion, with equal share of capital from each of the member country (US\$ 10 billion), the bank aims to achieve the US\$ 100 billion mark in coming years. The final decision to set up the BRICS bank was made during the sixth BRICS summit in Brazil on July 15, 2014. It was decided that the initial total committed resources of the Contingent Reserve Arrangement (CRA) shall be US\$ 100 billion, with individual commitments as follows:ⁱ

- a. China – US\$ 41 billion

- b. Brazil – US\$ 18 billion
- c. Russia – US\$ 18 billion
- d. India – US\$ 18 billion
- e. South Africa – US\$ 5 billion

During the meeting, it was decided that the bank would be headquartered in Shanghai. Though both, India and South Africa contested for setting up of headquarter in their own countries, the decision went in favour of China. To placate other member countries, it was decided that 'New Development Bank Africa Regional Centre' would be established in Johannesburg and the first President of the bank would be an Indian.ⁱⁱ

NDB: A Bank for Developing Economies

One of the defining features of the NDB is its focus on funding the infrastructure projects. The rapidly rising countries of the grouping, particularly India, China and Brazil are in dire need of infrastructure development. Similarly, in Russia, the Far East is still underdeveloped and needs immediate attention of the government to get back to the mainstream of the Russian economic system. As India and China are growing in terms of industrial output and economic growth, regional disparity and lopsided growth patches are becoming more prominent. Pockets of heavy industrial activity in India and China have left patches of underdevelopment evident in these two countries.

India's northern and northeastern states are left behind in country's fast-paced growth, despite providing the much-needed resources to country's industrial base. Likewise, in China, the Southwest provinces, particularly Yunnan, remain underdeveloped. Mindful of such deficiencies, India and China seem to be focusing on bringing equitable and sustainable growth in their respective provinces. How far they achieve their goals remains to be seen.

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Interestingly, NDB is not the first regional bank which is being promoted by China. In fact, China recently announced to create the Asian Infrastructure Investment Bank (AIIB). The announcement to create the AIIB was made just a week before the much-talked about 2014 APEC summit. These initiatives suggest that China does not want to give away any opportunity to prove that it wants to promote regional integration.

Why BRICS Bank is a Bank for the New World Order?

1. Unlike the World Bank, where the votes are determined on the basis of capital share, NDB follows the idea of 'one country, one vote', i.e., all members have equal votes. What makes the NDB even more remarkable is the fact that no member has the veto power, which would stop one country to dominate the decision making process and functioning of the bank.
2. On India's insistence, it has been agreed that each country will have equal share of capital (US\$ 10 billion each currently), and no country can increase its share of capital without the approval of other four members of the bank. Clearly, this wipes out the possibility of one country dominating the system- a dominant feature of the World Bank.
3. It has also been argued that with the NDB and AIIB, dollar dominated world economic system would come to an end. While it seems a farfetched conclusion at this moment, considering China's growing economic power, such a scenario cannot be ruled out.

Conclusion

NDB is a remarkable initiative with the potential to alter the way multilateral banks are seen in contemporary times. This is not only due to the fact that it involves China, India and the other fast growing economies of the world, but also due to the fact that it aims to realise an egalitarian system within. However, it is only upon realisation of the goals that one would call it a bank for the New World Order. Modalities regarding investment and financing of the project are yet to take shape. As the infrastructure projects start getting funds, the real shape of NDB would come to the fore. While skeptics would argue that China might use the forum for its own benefits regarding infrastructure, such a situation may not arise with India, South Africa, Brazil and Russia's proactive engagement with the group.

For India, the NDB is a massive opportunity. With make in India campaign of Prime Minister Narendra Modi, it is clear that the country is poised to go ahead in the direction of greater connectivity, industrialisation and economic restructuring with more foreign direct investments. However, it remains to be seen how Prime Minister Modi converts the opportunity into achievement in India's favour.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies)

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ⁱ “VI BRICS Summit”, *Ministry of External Affairs, Agreements*, at <http://brics6.itamaraty.gov.br/agreements> , accessed on November 17, 2014.

ⁱⁱ“ BRICS Group of Nations Set Up Development Bank to Rival IMF, World Bank” , *The South China Morning Post*, July 16, 2014, at <http://www.scmp.com/news/china/article/1555232/brics-development-bank-be-headquartered-shanghai-first-president-indian?page=all> , accessed on July 20, 2014.