

The BRICS Bank: Part of a new financial architecture (2)*

Oscar Ugarteche

The political intentions of the new BRICS institutions are clearly expressed in article 5 of [their declaration](#) where they state 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. We believe the BRICS are an important force for incremental change and reform of current institutions towards more representative and equitable governance, capable of generating more inclusive global growth and fostering a stable, peaceful and prosperous world”. They reveal a preoccupation for the deterioration of multilateralism, in general, and of the International Financial Institutions (IFIs) in particular, which are increasingly bilateral and less able to hide the role of the US Treasury Department. The concern for the decline of multilateralism relates to its weakness and the growing influence of corporations on the United Nations agenda.

The declaration of the Sixth Summit has a strong anti-neoliberal content, and is in favour of a pattern of growth where the State fulfils an important role. In article 6 they say: “Our economic growth and social inclusion policies have helped to stabilize global economy, to foster the creation of jobs, to reduce poverty, and to combat inequality, thus contributing to the achievement of the Millennium Development Goals. In this new cycle, besides its contribution in fostering strong, sustainable and balanced growth, BRICS will continue to play a significant role in promoting social development and in contributing to define the international agenda in this area, building on its experience in addressing the challenges of poverty and inequality.” This is a conceptual affirmation that says that the logic of a free and perfect market has only further concentrated income at the expense of social conditions, while the policies of BRICS have resulted in a better and greater growth with equality. In this sense we have examples of a new way to understand development, contrary to the model imposed by the IFIs.

What is important in this declaration is that BRICS brings together the five emerging economies that in absolute terms are the largest. The Chinese economy has the second GDP in the world; India, the third, Russia, the sixth, Brazil, the seventh; and South Africa, the 26th. The US is the first, Japan, the fourth, Germany the fifth. In terms of per capita income, the world average is 13.1 billion dollars. Of the five countries, there is one that is above and four that are below this median. Counting from the greatest to the least in buying power per capita in 2013, Russia has 18,100 USD per capita; Brazil, 12,100; South Africa, 11,500; China, 9,800, India, 4,000. This is a group of countries with per capita incomes that are quite unequal, but all with a level of international reserves that is extremely high and with very high growth rates over the past decade.

They are also essentially creditors of the world measured in international reserves: China, 3.8 trillion dollars, Russia, 516 billion USD; Brazil, 378 billion USD, India 295 billion; South Africa 48 billion. Together they hold about 5 trillion dollars in reserves, which makes them, as a group, the first group of creditors of the Treasury of the United States with a third of the debt of this country. Finally, the population of these five amounts to something like three billion people, or 40% of the world

population. China has 1.3 billion people; India 1.2 billion; Brazil, 202,000 million people; Russia, 142,470 million people and South Africa, 48,475 million people. These are the great potential markets of the future.

One characteristic of these five economies is that all have first tier development banks that lend directly to clients. Against the trend of second tier development banks that provide funds for commercial banks in order not to distort the market, in these countries the banks that lend directly to clients have not been eliminated. This is the case with the [BNDES of Brazil](#), the [China Development Bank](#), the [Industrial Development Bank of India](#), the [Development Bank of Southern Africa](#) and the [Russian Development Bank](#). That is to say, the five BRICS governments have State banks that intervene actively in the financing of development projects of various sizes. What this implies is that the five have development bankers who have the experience and who can work in the New Development Bank, bringing their expertise to the bank. This was a very complicated theme in the process of the creation of the Banco del Sur since there were few bankers active in the operation who had experience in development projects in the South American region. The fact of establishing a bank for large infrastructure projects is indicative of the perception of these countries on what is lacking in order to achieve better standards of living for the population as a whole, and specially for the poor.

(Translated for ALAI by Jordan Bishop)

- **Oscar Ugarteche**, Peruvian economist, is the Coordinador del Observatorio Económico de América Latina (OBELA), Instituto de Investigaciones Económicas de la UNAM, México - www.obela.org. Member of SNI/Conacyt and president of ALAI www.alainet.org

* This was originally published at: <http://alainet.org/active/75543>