

Global Governance in Crisis? The “Emerging Powers” and their Influence on the Current International Framework

Francesco Petrone*

professor of World History and Philosophy in Italy, Italy

**Corresponding Author: Francesco Petrone, professor of World History and Philosophy in Italy, Italy*

ABSTRACT

This article has two aims: 1) debate about the meaning of global governance (GG) by describing its strengths and its weakness in the light of some theoretical studies; 2) explore the possibility that emerging powers such as the BRICS (Brazil, Russia, India, China and South Africa) can play a decisive role towards suitable reforms in global governance. This question arises from the finding that the BRICS have already tried to be “alternatives” to the western-model of GG, by creating “parallel institutions” such as the New Development Bank (NDB) but also because of their increasing presence in the Global South. To answer to these issues, we first debate the meaning of the term “global governance”, then analyze the process of financial institutionalization of the BRICS (through the creation of the NDB and other financial initiatives such as the Contingency Reserve Arrangement) and finally the measures taken to increase their weight in the Global South, as well as their weight on GG.

Keyword: *Global Governance, BRICS, New Development Bank, Global South.*

INTRODUCTION

In this paper we wonder if the BRICS, acting as a compact block with regard to the creation of "parallel" institutions, like the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA) (respectively created to replace the functions of the World Bank (WB) and the International Monetary Fund (IMF) in order to finance infrastructure and sustainable development in emerging market and developing countries), and cooperative development policies, can still play a decisive role towards suitable reforms in global governance (GG). To understand these issues, we must first start from the debate around the meaning of the term GG: although it pretends to describe the functioning of policy-making processes promoting wide participation of various stakeholders (civil society, interest groups, private companies, etc.), it hides several unclear issues. As a result we will theoretically analyze the process of establishing, composition and institutionalization of the main BRICS financial institutions as “parallel” ones, then analyze the current situation of the BRICS and finally we will consider the measures taken in the field of their increasing presence in countries of the Global South, as well as their weight on GG reform. Our aim is to understand whether through the implementation of these processes that we could define as “institutional” and

“geopolitical”, the BRICS can make a decisive contribution in the context of GG. In short, are they compact or do the member countries pursue divergent interests? It must be mentioned that the crises within the various countries have exposed important differences. However, in the case they will be able to overcome these differences, which role will they play in the international framework?

THE MEANING OF “GLOBAL GOVERNANCE”

The term “global governance” (GG) has become deeply used in political language in recent years. On the one hand, it is used as a means to describe a certain type of international order, where a larger participation to decision making is promoted; on the other hand, there are innumerable critics of the use of this concept.

In their opinion the term shows a deep lack, in terms of descriptions, of how the international framework works and the way in which global decisions are taken in it. In fact, there are several definitions given, but almost all of them define a process, or a set of international processes, which do not have a precise order. Just to take some of the definitions, Lawrence Finkelstein highlighted, “since the international system notoriously lacks hierarchy and government, the fuzzier word ‘governance’ is used instead” (Finkelstein 1995: 367). Of the

term “governance” itself, Finkelstein highlights its lack of definition and the fact that the word conceals a lack of order. He states that, “we say governance because we don’t really know what to call what is going on” (Finkelstein 1995: 368). Thomas Weiss outlines a clearer picture of the term. He states that the word “governance” is employed “to connote a complex set of structures and processes, both public and private” (Weiss 2000: 795).

It is clear that in theory the word denotes an undefined mechanism, in different fields, that tries to describe a set of processes that lead to decisions taken by both the public and private sectors. In a global context, these fields ranging from terrorism to disease, from CC to the participation of civil society in decision making, but also trade treaties and measures to contrast with economic crisis as, for example, the one happened in Europe in 2008. In every area thus far mentioned, and others, the decision-making processes have been carried out with the aim of fostering a more global debate and involving multiple actors (stakeholders).

Although the GG processes involve, at least in their theoretical path, a form of enlarged participation, there have been several critics that have outlined a number of ambiguities in the decision-making processes. Starting from the whole definition of “global governance” and continuing through to the institutions and stakeholders involved, critics have tended to consider this set of structures and processes as a way for the Western countries to impose their decisions to the rest of the world (Friedrichs, 2009).

The world order that has emerged from Bretton Woods and the created institutions (WTO - WB - IMF), are seen as a means to apply “Western policies” to global problems, those that Kofi Annan has described as “problems without passport” (Annan, 2009). Joseph Stiglitz (2002) describes globalization as a process managed by the interests of Western powers. Specifically, Stiglitz analyzes the failure of the IMF policies, where an unfair voting system and a leaning toward the Western powers have fostered the development of a globalization with “winners and losers” (Baumann 1998) and consequently a global imbalance. In the IMF, the process of involvement in decision-making reproduces the imbalances arising from the Bretton Woods system inaugurated after World War II. In short, the overall architecture of GG in recent decades has seen Western powers as the main protagonists,

who, through international institutions, have dictated the timing and agenda of global development. Hence the system is organized by the massive presence of powers that prevent a free and efficient development of globalization and that create a global system in which it is hard to find consensus on many issues.

THE RAISE OF THE BRICS

In this scenario, between the various blocks that have been trying to find the converging policies on different issues, the BRICS¹ stand out. In our opinion, BRICS have represented a sort of “alternative” to the modus operandi of the Bretton Woods institutions. In fact, the creation of institutions such as the NDB, for example, represented a challenge to the Western establishment, looking for alternative ways along the paths of development. In general, the BRICS have tried to shape a different GG by trying to find a convergent and cooperative policies in different fields: like politic, finance and development issues.

The first meetings held by the group, initially only BRIC (South Africa joined the group in 2011), were informal ones. However, over the years the group has been consolidating and pushing forward several initiatives² including the creation of the New Development Bank (NDB) in Shanghai in 2014. Despite the difference in GDP between countries, the bank was equipped with authorized capital of \$ 100 billion, and initial

¹BRICS, a group of emerging countries (Brazil, Russia, India, China and South Africa), have gained importance in recent years. Their growth has shaken up the international framework: with the 23% of global GDP, 42% of the world’s population (a fifth of the world’s population live in China, 17.5% in India, 2.9% in Brazil, and 2.2% in Russia), and covering a large surface of the earth, these countries started taking shape as the most important emerging economies of the Global South.

² Most important steps: the first formal meeting of BRIC (initially South Africa was not a member) took place in 2009 in Brazil with the clear intention to reform the existing financial institutions. In 2010 South Africa was formally allowed to join them, and then officially participated as a full member in the 2011 meeting (BRICS), when the BRICS Forum was created with the aim to encourage trade, political and cultural cooperation between the members. The NDB project began was initiated in 2013, and first saw light in 2014 with the agreements made in Fortaleza during the sixth BRICS summit. In 2016 the first loans linked to projects for the development of green energy were granted.

capital of 50 billion dollars³. For this initial capital, BRICS countries have participated with a percentage of 20% for each one (\$ 10 billion) with the reasoning that an equal share for all countries would not have created an imbalance in the voting process. Consequently, every country has the same degree of decision-making power. A "revolutionary" method if we think of the imbalance in the voting system at the IMF, despite recent reforms⁴.

It is very important to point out that turning point, because it represents a real innovation compared to the system that was established after the war. This bloc of countries represented a "threat" regarding the Western consolidated system that emerged from Bretton Woods. The economic importance of the BRICS, the size of the population in these countries, and the weight they have accumulated at an international level, have created a kind of alternative to the Western post-war model, and represent a new development paradigm in the Global South. In fact, starting since the first meetings, they have underpinned in different moments their will to give a new shape to global architecture: BRICS intention was to strive to undermine the previously closed system and give a reforming input to the system of GG⁵. But how could they influence GG? First, these countries have seen unprecedented economic growth that has given them more weight on the world stage, so that, for example, Chinese investments in the rest of the world have grown and also India's economic growth has been very strong. Also, Brazil has had an important growth, though marred by recent economic and political crisis. Militarily, Russia's presence in the Middle East (for example) has had a significant impact. At the same time Russia and China are permanent members of the UN Security Council. In general, the BRICS represent the strongest voice of the Global South. Between other things, the promotion of South-South cooperation, focused on aid and development cooperation with lots of Southern countries, is one of BRICS key points. With all this weight, BRICS have tended to create an unprecedented

alternative to the consolidated system, as we have seen, with the NDB. In their opinion the creation of alternative institutions devoted to finance infrastructure and sustainable development in emerging market and developing countries, would have challenged the consolidated and western-centered institutions of GG. In the embedded current international system, the emerging powers have not the same voice as the strongest ones. Due to the economic and political centrality after the WWII, western countries have shaped institutions of GG on the basis of their moods. In this way has become difficult to interfere in their decisions from inside these institutions, and the only way to give a new direction to GG has been to create parallel ones in order to follow different patterns of development. However, are these new institutions, as for the case of NDB, really devoted to different way to approach problems such as climate changes?

THE BRICS AND THEIR FINANCIAL INSTITUTIONS: A PARALLEL ORDER?

To answer to this question, the analysis focuses on the emergence of institutions defined as "parallel" as the NDB created in 2014, first of all, but also the CRA in 2014 and the launch (by China) of the AIIB in 2015.

In this sense, the Critical Theory of International Relations considers international institutions, and therefore the institutions of GG, as the means by which a new form of hegemony is established (Cox, 1983). BRICS financial institutions can be considered as an attempt to escape some form of the dominant ones, especially from a point of view of the restrictions and impediments that had towards them (Parížek and Stephen, 2017). While the BRICS have not given up Bretton Woods institutions, it is also true that their intent is to seek new ways of projecting their economic power without the limitations that those institutions have (Kaya, 2018). Moreover, BRICS financial institutions offer an image of a multipolar world, but above all could probably represent that moment of change in the wake of what Gilpin stated: “as new states gain economic power and as their capacity and ambition to alter the existing institutional equilibrium increases, a period of disequilibrium arises, followed by a new equilibrium under the newly dominant (i.e. formerly rising) states” (Kaya, 2018).

On this point, there are different interpretations that basically argue that (1) the BRICS are trying to create a “parallel” or “alternative” system (Wildau, 2015) and/or that (2) the BRICS are trying

³RADAR SOCIOAMBIENTAL N. 4 July 2016. <http://bricspolicycenter.org/homolog/publicacoes/interna/7150?tipo=Radar>

⁴Font: <http://cepr.net/images/stories/reports/IMF-voting-shares-2016-04.pdf>-need, proper citation.

⁵From the first meeting in 2009, the BRIC claimed a reform of global financial institutions, i.e. governance that supports the current policy-making process.

to create new areas, within the current international liberal order, in which they can have greater decision-making skills, more possibility of effective and practical access to loans and funds available (Morse and Keohane, 2014), and also create new spaces where to develop a different path of economic cooperation from that developed and often criticized (Stiglitz, 2002) by Western countries. These, in fact, in addition to promoting international institutions in which they practiced as rulers (Kaya, 2018; Weisbrot and Johnston, 2009 and 2016), were promoting a liberal model, under the lemma of "good governance" according to which loans were delivered to developing countries that followed the rules these institutions (i.e. its most influential representative members) decided (Hermet, 2008).

Thus, the BRICS found themselves on the one hand having to depend on the moods of the Western powers, feeling underrepresented, and on the other to live an economic growth that was in fact an expression of a changing world. Not surprisingly, one of the first statements was precisely to contribute to modeling the current system of financial governance to reflect changes taking place in the world (BRIC, 2009). In practice, an attempt to give voice to their now clear ability to influence.

Furthermore, as in the case of the Chinese AIIB, doors were opened up to other countries from the western world. Some historical US allies became AIIB members, US not (Perlez, 2014).

One last important point, and that "breaks" with traditional institutions, is that these institutions are inspired by a principle that provides for non-interference. In practice, unlike the Bretton Woods institutions, which by means of their actions wanted to promote good governance and above all granted loans also on the basis of the degree of compliance with certain parameters, such as human rights, of each country, AIIB and NDB are not "interested" in the practice of what happens in each country, but only grants funds based on the validity of a project (Abdenur and Folly, 2015; Peng and Tok, 2016).

Consequently, the birth of these institutions cannot simply be described as a parallel order or opposed to the traditional one, but an attempt to find solutions to problems such as under representation, slow bureaucracy, etc. In practice, it seems that for the moment, the purpose of the BRICS is not to create international organizations acting as a vehicle for the diffusion of a new hegemonic order. They are opening up glimpses, in

which pursue a more active role, within the already existing order.

Rather than subverting the current institutional order, and then replacing it with new organizations, the BRICS are trying to model it on the basis of their growth power. As for GG, therefore, it seems that their goal with these institutions is more to create a governance that reflects a multilateralism in place, instead of creating a new one that replaces the “old” Western-led one.

BRICS IN THE GLOBAL SOUTH: PROSPECTIVE GEOPOLITICAL CONSEQUENCES

From a geopolitical point of view, these countries could represent an alternative, to the traditional system, for Global South. As a result, everything will depend on how BRICS really manage to be cohesive and survive their internal crisis. In that case, which possible world scenario will inaugurate?

BRICS countries have started to open up new way to increase their influence, regarding the “Silk and Road initiative”, by increasing cooperation among themselves, and above all inaugurating new policies in Africa, and also other areas, where the presence of BRICS countries such as China and India is obscuring the Western "domination" (Evans-Pritchard, 2018). In fact, countries like China have adopted a specific strategy promising also non-repayable loans (Shukla, 2018), and fostering its presence by building infrastructures and improving services. But also, India and Brazil have increased their presence. Also, Russia is projecting towards Africa (Klomegah, 2018; Ross, 2018) and has re-established a certain presence in the Middle East and offers itself as probable partners of countries that are affected by the influence by of the Western countries and the US *in primis* (as happened in Venezuela).

Thus, in recent years the presence of BRICS countries in the rest of the world has growth exponentially. Where does this interest come from? Surely, they have understood the importance of creating a partnership with other “peripheral” countries. In our opinion this attitude, which certainly hides its personal benefits, however, traces a major change compared to the policies adopted until now. In fact, historically the presence of Western powers in Africa has had the effect of domination and submission (Rodney, 1972), causing in many ways an economic and social backwardness which consequences are still under our eyes. Probably one of the most

pressing issues that is dividing Europe and also affecting US in the present day, namely that of migrants, is a consequence of centuries of those policies, which now break on the international framework causing a greater destabilization.

China and India, but also other BRICS countries that have established important partnerships in Global South areas, are instead (apparently) trying to cover this gap, looking for compromises of growth that should establish less conflicting relationships. By doing so, these emerging powers have potential to configuring themselves as the real voice of the countries of Global South, also promoting South-South cooperation (Thakur, 2014). Their behavior, together with historical and colonialist motives, could favor a greater rapprochement towards these emerging powers, to the detriment not only of Western countries, but also of the world balance which is increasingly undermined.

However, other criticisms could come out. For example, the way BRICS are operating their presence in the Global South. In fact, according to some scholars, BRICS must pay attention to the model they want to develop (Nayyar, 2016). In fact, although they want to represent an alternative to Western countries, and potentially propose themselves as spokesmen for the Global South, they could actually fall into the trap of creating new forms of imperialism or "sub-imperialism" (Nayyar, 2016) inaugurating a new dependency which would not change anything for the “periphery” that would pass from one colonist to another.

It is early to understand what will happen, but the risk is there. In any case, it will depend on how the BRICS will be able to play these cards. If the BRICS will adopt the right path, we wonder if it could actually overturn the center-periphery dichotomy theorized by Wallerstein, where the West has practically occupied the center and “the rest” the periphery: a credible position as a leaders for Global South, could counterbalance the hegemony had from the West so far?

In this sense the theory of neorealism in international relations, could offer an answer. Its asserts (Waltz, 1979) that in situations of *balance of power*, the following situation could happen: when one of the states circumvents this equilibrium acting in a solitary manner, in view of an increase in war power, the other states ally against him and, after having resized it, report the balance. To take an historical example, this

is what happened with Napoleon, when the rest of the European powers allied and defeated him in Waterloo, blocking its expansionist aims. In the current world, from a point of view of war this situation seems unlikely given the asymmetry and the military superpower that represent the United States (and its allies in NATO). In any case, a far-reaching war confrontation would have indescribable consequences. However, from a diplomatic, economic and environmental point of view, a balance of power could be re-established probably by pursuing the goal of creating a global opposition to the unipolar claims of the US.

US, with the latest isolationist and protectionist policies, does not seem to be well disposed to accept a multilateral world. So, rather than subvert the central-peripheral paradigm, the BRICS action could instead contribute to put into practice, and to further recognize, a world with many centers of power now claiming recognition.

CONCLUSIONS

At the moment it doesn't seem that the BRICS have the full potential to shape a different GG. In fact, there are still some gaps they are struggling with. First of all, their division in interests. In fact, even if there are several attempts to converge in a number of issues, the members of the group look more interested in pursuing their national priorities (Bobo, 2016). We could list more possible divergences among the members of the group: the leading role of China that could threaten the group stability, the divergences of Brazil's Bolsonaro, other divergences between China and India, etc.

However, apart from these issues, for some time now it seems that these countries are trying to strengthening their cooperation, as emerged from their last summits. This being the case, international order could led to a different shape soon.

Considering the crises that cross the West, which is losing lots of its historical “central role”, we wonder if the BRICS will be able to fill that empty of power that is looming.

We believe that if they have already reached a level of economic and institutional influence, they lack the political base, and if they act in unison, posing as credible alternatives, then they could also be able to give a new imprint to future GG. And in this regard, there are signals that the BRICS could find several commonalities if they want to act as a cohesive bloc (Downie and

Williams, 2018) and also the BRICS “have significant overlapping interests, and are capable of highly pragmatic decision-making” (Dixon, 2015).

A decisive shaping to GG, and the building of an international framework that mirrors a changing world, will depend on how they will be able to strengthen their proximity and cooperation by overpassing their limits. If they will succeed, Western countries will finally have to recognize and accept that we live in a multipolar, or “multiplex” (Acharya, 2017), world.

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Citation: *Francesco Petrone, “Global Governance in Crisis? The “Emerging Powers” and their Influence on the Current International Framework”, Journal of International Politics 2020, 2(2), pp. 17-23.*

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