Master's thesis

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"BRICS and a New World Order"

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Why Brazil, Russia, India, China and South Africa do not (yet) constitute a new power bloc in international relations

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1. Introduction

The acronym BRIC was invented by the British economist Jim O'Neill from Goldman Sachs in 2001 as a catchy description of emerging economies worth investing in. The acronym soon took on political meaning as the foreign ministers of Brazil, Russia, India and China met on the sidelines of the United Nations General Assembly (UNGA) in the fall of 2006. This informal meeting marked the beginning of a framework for dialogue and interaction that now, nearly eight years and over 20 meetings between ministers and heads of government and state later, includes issues from international finance to health and from food security to education.

The issue of interaction between the BRICS is interesting for several reasons. First, together the five countries (South Africa became part in the grouping in 2011, adding the capital S)[1] involved represent over 40 % of the world's population, over 20 % of the world's Gross Domestic Product (GDP) and around 20 % of total world trade. Even in a situation where the formation of a strong bloc is unlikely, such numbers warrant our attention. Second, whereas in the first few years of BRIC interaction the central debate was whether it could be treated as an analytical category (Armijo, 2007), today the debate seem to be focused on whether the BRICS can build on their momentum and become a coherent force shaping international relations in the years to come (Stuenkel, 2013a; Mielniczuk, 2013; Brütsch and Papa, 2013). In addition to warrant a study like this in itself, this also underlines the importance of the first reason. Third, the two factors that played a crucial part in the formation of the grouping – the economic crisis in the developed world and the concurrent economic stability in the emerging world – has somewhat disappeared over the last couple of years. The U.S. and Europe are starting to recover, while growth is to a varying degree slowing down in the five BRICS countries (Follath and Hesse, 2014). As of now the grouping show no sign of curbing the level of interaction (Stuenkel, 2013a), but it is important to analyze the grouping's foundation as the initial phase has come to an end.

The BRICS has thus been chosen as research topic because it is important from a policy perspective, specifically because their concerted efforts towards issues of global significance may have profound consequences – not only for the BRICS countries themselves, but for global governance as well. In this respect, understanding the inner dynamics of their interaction is critical.

[1] In the following, when I use BRIC I refer to events that took place before South Africa became part of the grouping. When I use BRIC(S) I refer to events taking place both before and after. It is also used in contexts where South Africa is relevant, but where they were not part of the grouping when the issue at hand took place. BRICS is used to refer to events taking place after South Africa became part of the grouping, but also as the general term for the framework.

To this end I ask the following question: *What keeps the BRICS from robustly cooperating?* By robustly cooperating I mean frequent coordination of policies as a means towards realizing mutual interests, which – as the analysis will show – as of today does not exist between the five countries. The reason for posing the research question in such a way is that it allows me to identify conditions that need to be in place in order to robustly cooperate, as well as structures that can facilitate it, and then argue to which extent these conditions and structures are coming into place or not.

The thesis is structured as a case study and limited to observations on BRIC(S)' interaction towards reforming International Financial Institutions (IFIs). More specifically, their aim at reforming the International Monetary Fund (IMF) and the World Bank Group (WBG), in addition to their attempts at creating their own IFI structures, such as a BRICS development bank and a financial security net in the form of a Contingent Reserve Arrangement (CRA). The reason for this limitation of observations is due to considerations of quality and space. Including more observations would mean a less in-depth analysis, or moving beyond the pages allocated to this thesis. I will return to the reasons for specifically choosing BRIC(S)' interaction towards reforming IFIs in my research design chapter, but the main reasons are that this is the area that is most interesting and relevant from a policy perspective, the area that has received the most attention from the BRIC(S) and the area where their interests are believed to be most compatible. The latter reason means that this is the area on the BRICS agenda that is most suited for an in-depth analysis. The data employed is limited to various types of documents, such as statements and communiques, press releases, media sources, documents from governments and organizations, and expert opinion.

Three hypotheses are analyzed; where the first two mostly function as a means to evaluate to which degree the antecedent condition (Van Evera, 1997, p. 16) for the third hypothesis, overlapping interests, is present.

First, cf. above, the main criticism of the BRICS, especially from Western observers, is that the five countries are far too diverse to ever represent a coherent force, and that what separates them heavily outweighs what unites them (Stuenkel, 2013a). This is the most obvious reason for why cooperation is difficult, and for explaining a future potential breakdown and wholesale defection. Most importantly, compatible interests are prerequisite for cooperation. If we do not find any compatible interests, we do not need to bother evaluating other explanations. My first hypothesis therefore makes the claim that the BRICS have incompatible interests.

Second, even though BRICS interaction often is described as cooperation, this might not be the most accurate description of their relationship. What we observe, and what is referred to as cooperation in some of the literature, op-eds, news, and by the BRICS themselves, might better resemble a state of harmony. In such a situation policy coordination, which is the definition of cooperation, is superfluous in order to realize mutual interests (Keohane, 1984). It also describes situations where there are no gains of deceiving your partners and defecting on the agreement while they continue to cooperate (Oye, 1986). If harmony is the case, the BRICS framework is likely no more than a dialogue platform that functions by identifying mutual interests where policies already align. Of course this may ultimately increase the prospects of realizing mutual interests, but only to a limited degree and in few situations.[2] As above, if harmony is the case, this is the obvious reason for why they do not robustly cooperate. My second hypothesis therefore makes the claim that the BRICS have harmonious interests.

Third, given overlapping interests (meaning mutual, but not harmonious) regime building is viewed as the key explanation for, and strategy for increasing the prospects for, multilateral cooperation (Keohane, 1984; Oye, 1986). A regime's principles, norms, rules and decision-making procedures help reduce the issues that states trying to cooperate face. Asking what keeps the BRICS from robustly cooperating therefore suggests that regime features are weak in the BRICS framework. My third and final hypothesis is therefore that the BRICS have overlapping interests, but weak regime features between them.

The analysis of BRICS interaction towards reforming IFIs only partly supports that the BRICS do not robustly cooperate because of weak regime features. Its antecedent condition, overlapping interests, is only identified in a couple of the observations. Rather, harmony of interests and the BRICS not actually needing to coordinate their policies in any significant degree, seems to account for just as much, perhaps a bit more, of the explanation. Incompatible interests carry some explanation, but less than the other two.

Much depends on the ultimate outcome of the grouping's most ambitious projects, the development bank and (although in a lesser degree) the CRA, but the findings here indicate that the five countries to a large degree focus on issues where their gain of interacting might be substantial, but still relatively small, and where their autonomous policies might have facilitated the same result anyway. It also suggests that when overlapping interests are present, they lack the adequate structures that could increase the prospects of successful policy coordination.

[2] Joint statements and demands concerning a specific issue where policies already align might for instance increase the prospect of success vis-à-vis solitary, but yet more or less identical, claims.

The thesis is structured in the following way: in chapter two I provide a brief overview of past evidence, emphasizing the main points and arguments concerning the state of the BRICS framework. Chapter three provides the thesis' theoretical foundation. In this chapter concepts such as cooperation, harmony and international regimes are presented. This chapter also presents my hypotheses. In chapter four I present my research design. Here I elaborate on my method, observations, variables and purpose, and give a description of how the data is to be analyzed. Chapter five constitutes my analysis. This chapter is divided into four subchapters, one for each of the main issues I have identified under the umbrella of reforming IFIs. Chapter six concludes the thesis: in addition to summarizing the main results I briefly reflect on the thesis' implications and limitations.

Since the empirical evidence not is presented chronologically as a single narrative of the BRICS trajectory, limited to issues concerning reforming IFIs, and since the BRICS framework is a rather new political phenomenon who some readers might be unfamiliar with, I conclude this introduction with a brief description of the BRICS framework and how it has evolved.

However, before I turn to this, some quick economic and political facts about the five countries is useful: in economic terms, China is the largest with a GDP[3] of $13.37 trillion. This makes them the second largest economy in the world, only behind the U.S. India then follows with $4.96 trillion, Russia with $2.55 trillion, Brazil with $2.42 trillion, before South Africa completes the list with $595 billion (CIA, n.d.). China thus has a larger economy than the rest of the BRICS combined, while South Africa is significantly smaller than the other four. China has also had the strongest growth rate. From 2004-2012 the Chinese economy grew with a mean GDP of 10.5%. India followed with 7.8%, Russia with 4.4%, Brazil with 3.9% and South Africa with 3.6%.[4] The recent financial crisis affected all five countries, but China and India showed better resilience than the remaining three. Brazil, Russia and South Africa, for instance, all had negative growth in 2009. In 2013 the Chinese economy grew with an estimated 7.6 %. India's grew with 4.7%, Brazil's with 2.5%, South Africa's with 2%, and Russia's with 1.3% (CIA, n.d.). Outlooks for 2014 are uncertain, but prospects for emerging and developing economies have become more sober throughout the first six months of the year (Elliot, 2014).

All five countries have in various degrees employed an export-led path to growth

[3] Figures are given in purchasing power parity (PPP).
[4] These numbers have been calculated by using the World Bank's overview of world annual growth (WBG, n.d.a)

(Casertano, 2013), and trade makes up large parts of their economy. Measured as percentage of GDP in 2013, the relative value of Brazil's exports was the smallest, with 12.4% of their total GDP coming from selling their goods and services on the international market. The numbers for the others were 29.6 % for Russia, 25.2% for India, 25.1% for China and 30.6% for South Africa (CIA, n.d.). Russia and Brazil, and to a large degree South Africa, are mainly natural resource exporters, while China and India have a stronger manufacturing base. The latter has also become a large exporter of services (Ibid.).

With regards to their current account balance,[5] China has the second biggest surplus in the world, second only to Germany. Russia also has a relatively large surplus, while India, Brazil and South Africa have relatively large deficits. Regarding reserves of foreign exchange, China is world leading with $3.82 trillion. Russia, Brazil and India also have relatively large amounts, with $515 billion, $378 billion, and $295 billion, respectively. In absolute terms South Africa's reserves are more modest, with $48 billion (Ibid.).

Regarding political system, Brazil, South Africa and India are democracies with pluralistic societies. Russia is also a democracy, but has of late become more and more authoritarian with growing restrictions towards pluralism and free speech. China is an authoritarian socialist republic, ruled by one party.

Regionally, all five countries can be said to hold positions as leaders, since they dominate their neighbors in terms of "power over resources" (Schirm, 2010).[6] Globally, China and Russia are in another position than the other three, since they have permanent seats and veto rights in the United Nations Security Council (UNSC). All five countries are, however, oriented towards getting more influence internationally, and share a "wish to assume leadership roles in global governance" (Ibid.), and to redeem economic power into political clout.

So, after two consecutive meetings between BRIC foreign ministers on the sidelines of the UNGA, first in September 2006 and then again one year later, the first standalone meeting between them was hosted by Russia, in Yekaterinburg in May 2008, with the aim to identify areas of shared interests where the countries could interact. The meeting was fruitful and the foreign ministers concluded by emphasizing "the prospects of the BRIC dialogue based on mutual trust and respect, common interests, coincidence or similarity of approaches toward

[5] A country's current account balance is the result of the country's net trade in goods and services, plus net earnings, and net transfer payments to and from the rest of the world.
[6] The reach of this dominance is however different from country to country and generally larger for Brazil and South Africa, which don't have as obvious competition in close proximity as Russia, China and India do, which region's in varying degrees overlap.

the pressing problems of global development" (The Ministry of Foreign Affairs of the Russian Federation, 2008a). The most pressing global problem at the time was the financial crisis, and it was this, together with revisionist ambitions towards the IMF and the WBG,[7] that became the focal point of the early BRIC interaction.

The second standalone meeting between BRIC ministers was between their finance ministers, which met in São Paulo on November 7 2008, on the eve of a G20[8] meeting between finance ministers and central bank governors. The next day they stood united, and the G20 soon became the main platform for the BRIC to front their reformist views, emphasizing the need to give emerging and developing countries more clout in the global power architecture. The first summit between state leaders was held in Yekaterinburg on June 16 2009. Shared views concerning financial and reformist issues dominated the agenda, while they also said that they had "agreed upon steps to promote dialogue and cooperation among our countries" (Presidential Press and Information Office, 2009).

In September 2009 the first real "BRIC victory" came when it was decided that the G20 rather than the more exclusive G8[9] should be the main vehicle to deal with global economic issues. The world leaders also endorsed and committed to a change in the voice and representation structure in the IMF and the WBG in favor of emerging and developing

[7] The International Monetary Fund (IMF) was set up in Bretton Woods, New Hampshire, in 1944, with the aim of rebuilding the world economy after WWII and to promote international economic cooperation. Today it consists of 188 member countries. Its purpose is to provide policy advice on financial and economic issues as well as financial aid to member countries in need (IMF, n.d.a). The World Bank Group (WBG) consists of five distinct organizations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), The Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). The IBRD was the "original" World Bank, which was set up in Bretton Woods together with the IMF. Today the World Bank (WB) refers to both the IBRD and the IDA. The WB is legally and financially separate from the other three institutions in the WBG. The WB's purpose is to provide financial and technical assistance to developing countries (WBG, n.d.b).

[8] The G20 was initiated in 1999 as a response to the global financial crisis of 1997-99, and functions as a cooperative and consultative forum on issues pertaining to the international financial system. Annual meetings have been hosted every fall since 1999. The forum first consisted only of finance ministers and central bank governors from the 19 major economies in the world plus the EU. But as a response to the most recent financial crisis, President Bush, in November 2008, invited all the leaders from the G20 countries to Washington D.C. Since then several meetings among G20 heads of state have taken place, and annual meetings are now being held every fall. The G20 finance ministers and central bank governors nonetheless continue to meet several times a year, often in conjunction with meetings in the IMF and WBG and in the build up to the G20 summits where they have a preparatory role (G20 Research Group, n.d.b)

[9] The G8 consists of the U.S., U.K., Japan, Italy, Germany, France, Canada and Russia as well as the EU. The group, first referred to as the G6 (Canada and Russia became members in 1976 and 1998, respectively), has met annually since 1975 to deal with key economic and political issues both internationally and domestically. Since 2005, Brazil, China, India, Mexico and South Africa have been invited by the respective host to participate as well, often referred to as the Plus Five or the self-titled G5 (G7/8 Research Group, n.d.a; G7/8 Research Group, n.d.b.). At the G8 summit in July 2008, in Hokkaido in Japan, BRIC leaders met informally to follow up on the recent standalone meeting between their foreign ministers. It was here they decided to continue their interaction, and that they would have the first official summit the next year (The Ministry of Foreign Affairs of the Russian Federation, 2008b).

countries (G20 Research Group, n.d.a).

In 2010 focus on intra-BRIC relations increased. Throughout the spring there was a range of sectorial meetings between the countries. Trade ministers and agricultural ministers met for the first time, in addition to officials and track II[10] representatives. The second summit was arranged in Brasilia on April 15 the same year. Financial and reformist views still dominated the agenda, but the state leaders also discussed several new issues where they shared the same views and attitudes. The summit declaration, for instance, emphasized among other issues the need for a balanced outcome in the WTO's current trade negotiation round (known as the Doha round), the importance of the fight against poverty, and condemned terrorism in all its forms (Ministério das Relações Exteriores, 2010).

2011 was the most active BRIC(S) year, measured by the amount of meetings that took place between the countries. This was also the year South Africa officially became part of the framework. The third summit was held in Sanya, China, on April 14 2011. Here the first "action plan" was released, laying out how existing cooperation programs would be advanced together with an outline of new areas for cooperation (Gov.cn, 2011). By this time the BRICS framework had grown to include several issues beyond how and where to deal with the financial crisis and ways to get more influence for emerging and developing economies. Notable examples include initiatives aimed at food security, increasing intra-BRICS trade and investment, and exchanges and information sharing in areas such as public health and science and technology.

The fourth summit was held in New Delhi on March 29 2012. Here the first ideas concerning the BRICS development bank was officially announced. And in June 2012, the first ideas of the joint financial safety net, in the form of a contingent reserve arrangement (CRA) that can provide liquidity to the BRICS countries in times of distress, surfaced.

The fifth and currently latest summit was held in Durban, South Africa, on March 27 2013. The BRICS framework now covers issues from international finance to food security and from climate change to public health. It also includes several institutional levels, from the offices of BRICS heads of state and government to a range of government agencies and civil society.

The next meeting, which will start the second round of the summit cycle, is scheduled to take place in Fortaleza, Brazil, from July 15-17 2014.

[10] Track II refers to non-officials, such as academics, civil society, retired officials etc.

2. Past evidence and leading BRICS perceptions

When discussing how the BRIC(S) framework was given a chance to come into existence, the existing literature seems to emphasize both external and internal developments. A very general explanation, and an example of the former, is offered by Fourcade, which argues that on a basic level the BRIC framework is "part and parcel of the process of economic exuberance that has channeled interest and capital toward these economies [Brazil, Russia, India and China] over the last decade" (2013, p. 264). This economic exuberance led to the promotion of O'Neill's paper by Goldman Sachs, to follow up papers, popularization of the term in the media and finally the coming together of the leaders of Brazil, Russia, India and China.

Other arguments, and an example of the latter, is Mielniczuk's social constructivist approach, where he argues that a "discursive alignment" (2013, p. 1087) between the BRICS countries serve as explanation. A developmental-multipolar discourse, shared by India and China since the end of the Cold War and adopted by Brazil, Russia and South Africa by the mid-2000s, created the opportunity of converging interests which in turn explain the emerging BRICS political structure. Traces of the same explanation are also found in Babb's (2013) argument. She claims that an alignment took place in the BRIC countries' relationship to IFIs and their advice on economic policies, more specifically that Brazil and Russia came to join India and China's relatively autonomous and independent stance by the turn of the new millennium.[11]

As the triggering factor, the literature emphasize to varying degrees the opportunity created by the financial crisis for the four emerging BRIC economies to assert themselves on issues pertaining to the international financial system. Stuenkel (2013a) for instance, argues that the crisis in the west, and the stability among emerging economies, created a legitimacy crisis for the international financial order that gave the four countries a platform to cooperate on and substantial bargaining power vis-à-vis the developed world.

Regardless of the underlying reasons for how the framework became a reality, many observers, especially Western ones, have since the beginning tended to dismiss the BRIC(S)

[11] IFIs, such as the IMF and the WBG are strong proponents of a set of converging ideas which has come to be known as the Washington Consensus. The Consensus, which Babb (2013) refers to as a transnational policy paradigm, functions as a prescription for developing countries and rests on economic ideals such as "prudent macroeconomic policies, outward orientation, and free-market capitalism" (Williamson, 1990, p. 1). The core practice of the Consensus has been the conditionality of policy reforms in exchange for loans to countries in economic crisis. Since the turn of the century the consensus has lost some of its prominence, and has especially been criticized for its "boilerplate policies", where the same recipe is being used regardless of the context and situation. Over the last decade or so the paradigm has evolved, and the IFIs have modified its approach to the Consensus, also with regards to conditionality. The key features of the Consensus is however still very influential (Babb, 2013).

right away based on their diversity and internal antagonism, claiming that they neither have nor can represent a meaningful and coherent bloc in international relations. The diversity argument tends to be based on the differing economic and political realities in the five countries, which was briefly emphasized in the introduction.

A good example of this argument is Walter Ladwig's, published as an op-ed in the New York Times, in the buildup to the fourth BRICS summit in New Delhi in March 2012:

> India, Brazil and South Africa are democracies, while China and Russia fall well short of that mark. Brazil and Russia are primarily natural resource exporters, while China and India focus on manufacturing and services. Although in terms of G.D.P. per capita the average Brazilian compares to his South African counterpart, the stark gap in living standards across the Brics nations is clear considering that the average Russian is twice as rich as a comparable Chinese citizen, who is in turn twice as well-off as an Indian citizen. In terms of the size of the grouping's economies, China is by far the dominant player, whereas many commentators suggest that Russia and South Africa do not merit consideration as major emerging markets. In political terms, China, India and Brazil are touted as rising powers in global affairs, while Russia is steadily losing its claim to great power status and South Africa appears to be treading water. (2012)

When it comes to BRICS antagonism, the same commentator proceeds:

> Within Asia, India and Russia are potential obstacles to China's presumed regional dominance. At the international level, Russia, Brazil and India desire the emergence of a multipolar international system in which they are major actors, with the latter two seeking membership in an expanded U.N. Security Council. In contrast, China aims for a bipolar world in which it serves as the counterbalance to American power … Changes to the international system that increase China's voice are welcome, while measures that dilute its existing status are not. Brazil has concerns that the growth of Chinese investment in Latin America is undermining its leading role in the region, and concerns about cheap Chinese imports have led Brasília to join Western nations in filing a complaint with the World Trade Organization over China's artificially devalued currency. Even Russia has complained about China undervaluing its [Russia's] oil exports; it also worries about Beijing's increasing influence over resource-rich Siberia. (2012).

There are, however, a couple of issues with this, and similar, approaches. First of all, looking only at the diversity and antagonism between the five countries runs the risk of ignoring what results the framework has created and how the intra-BRIC(S) relationship has developed over time. And as we shall see in the remainder of this thesis: the BRICS framework has not been entirely futile.

Second, the antagonism highlighted by Ladwig might be more theoretical than real, meaning that its actual effect might be smaller than what his text suggests. He also ignores the conflicts of interests the BRICS countries have with the West, and if this might actually outweigh the internal antagonism. Finally, Ladwig's claim of China opposing a multilateral international system is highly contested. It is true that China have not actively supported Brazil's and India's bid for a seat at a reformed UNSC, beyond supporting their aspirations "to play a greater role in the United Nations" (Presidential Press and Information Office, 2009). It is also true that China wants to see the end of U.S. unipolarity, and contests its legitimacy in various ways. But this does not mean that China, as of now, want to serve as the second pole in a bipolar system together with the U.S. On the contrary, a central tactic in China's strategy to end U.S. unipolarity has been to "[promote] the concept (if not always in practice) of multilateralism" (Schweller and Pu, 2011, p. 53). China is still in an early phase of their development, and Schweller and Pu therefore argues that "Chinese ideas about alternative world orders remain inchoate and contested within China itself" (2011, p. 52).

The Group of Two fad that gained traction some years back was also publicly opposed by China in 2009 when China's then Prime Minister, Wen Jiabao said that "it is totally ungrounded and wrong to talk about the dominance of two countries in international affairs" (Asia Times, 2009). We should be thus be careful in claiming that China would rather rise alone than in tandem.

With these limitations in mind, it is therefore a positive development that there seem to have been an increase in academic work concerning the inner workings of the BRICS framework over the last couple of years. This does not however mean that the latest literature rates the BRICS' prospect for cooperation as particularly bright. Much of the sentiment in the above quotes is also found here. In their attempt to deconstruct the BRICS, Brütsch and Papa for instance seem to sum up the general impression when they say that:

> The "original" BRIC's decision to underwrite a banker's [Jim O'neill in Goldman Sachs] wager may have muted debates about the analytical value of an investment label. But few observers believe that well-choreographed encounters, handpicked initiatives, or lofty plans signify that diverse and potentially antagonistic states are either willing or able to translate their combined economic prowess into collective geopolitical clout. (2013, p. 301)

They then go on to conclude that "although the BRICS' pursuit of compatible revisionist goals can inspire coalitional cohesion sufficient for soft reformist targets, the prospects for community building remain elusive. If revisionist goals are absent, the BRICS struggle to operate as a coalition, their rhetoric notwithstanding" (2013, p. 327). I.e., when the BRICS aspire to act as a coalition in issues that don't directly relate to changing the status quo (revisionism), such as in addressing the threats represented by climate change for instance – which is one of the cases Brütsch and Papa looked at – they have a hard time.

There are however those that, while perhaps not providing the same in-depth conclusion, are more positive. Stuenkel (2013a) argue that the early gains[12] from their interaction in the G20 and in the IMF led to increased trust among the four countries, which in turn led to intra-BRIC(S) cooperation in other issue areas. He sees this as evidence of substantial spillover effects, and therefore expects the interaction between the countries to continue also after the triggering effect of crisis in the west and stable growth in the BRICS countries may disappear. Mielniczuk, while not expanding any further, concludes his study of changing identities and converging interests among the BRICS by claiming that due to the intensive level of meetings and summits over last years the "BRICS might be considered one of the major long-lasting forces shaping the new architecture of international relations in the 21st century" (2013, p. 1075).

In sum the evidence of past includes a range of views and future expectations about, and for, the BRICS framework, ranging from the pessimistic to the optimistic. Before we move on it is important to note that these differing views rest on differing assumptions. The pessimistic approach must be said to assume a realist's worldview: in an anarchic world based on self-help, where states are concerned about relative gains and the prospects for voluntarily cooperation generally is believed to be very low, it is inane to believe that such diverse countries as the BRICS will be able to form a meaningful and cohesive bloc or coalition. The optimists on the other hand must be said to assume a constructivist's worldview: anarchy and diversity only matter as long as the BRICS let it matter. The five countries can decide to "ignore" such structural issues, which on the surface suggest that they will not be able to cooperate, and define their interests in a way that makes cooperation more likely to take place between them.

[12] Most notably the IMF's voting quota reforms in 2010. The reforms, which will be given thorough attention in the analysis, will, when implemented, give more power to emerging and developing states vis-à-vis developed states (IMF, 2010).

3. Cooperation in an anarchic world

The BRICS framework is a mechanism that aims to help its creators identify and realize mutual interests. It is an example of intergovernmental interaction and joint action. In the search for theories that can help me explain this political phenomenon, what is very generally referred to as "cooperation theory" (Fearon, 1998) serves the best example.

Before I move onto specific theories, I start this chapter with a definition of cooperation, where Keohane's (1984) understanding of cooperation as something different than harmony is employed. I then continue with the most salient theories regarding cooperation. I begin with the reason for its emergence, where I briefly discuss the realist and institutionalist approaches. I continue by discussing why it is difficult, where I refer to game theory, mainly the prisoners' dilemma. I then conclude by discussing how and why the prospects for success can be changed, where I emphasize Oye's (1986) three circumstantial dimensions and Keohane's (1984) arguments concerning the functions of regimes.

3.1 Defining cooperation

In his seminal *After Hegemony* from 1984 Keohane argues that "intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination" (p.51). The last point is important. For cooperation to take place it is not in itself sufficient that the actions of one state serve another state's interest. For example, Russia and China would not cooperate (by definition) with Brazil, India and South Africa by having the same policies as the latter three towards reforming the IMF. This would just be a consequence of Russia's and China's autonomous policy that happened to be positive for Brazil, India and South Africa.[13] For cooperation to take place, Russia's and China's policy of IMF reform would have to be coordinated with Brazil, India and South Africa. Coordination means that "… adjustments [must] have been made in them [the policies], such that the adverse consequences of any one decision for other decisions are to a degree and in some frequency avoided, reduced, or counterbalanced or overweighed" (Lindblom, 1965, p. 227). Coordination, Lindblom argues, has three avenues:

> "First is to achieve, with respect to any given set of values, a Pareto optimum – that is, a set of decisions such that no alternative set would benefit at least one decision maker and harm no other … Second is to mold values so as to reduce the possibility that a decision desired by one

[13] This two versus three dynamic in the BRICS is just an example for the sake of argument, and not based on actual dynamics.

decision maker carries adverse consequences for another … Third is to weigh conflicting values against each other and appropriately sacrifice amounts of some to amounts of others" (Ibid.)

With this in mind, we see that cooperation would only be the case if Russia and China adjusted their policy on IMF reform aimed at making their policies more in line with the policies of Brazil, India and South Africa. This distinction can be outlined as in figure 1.

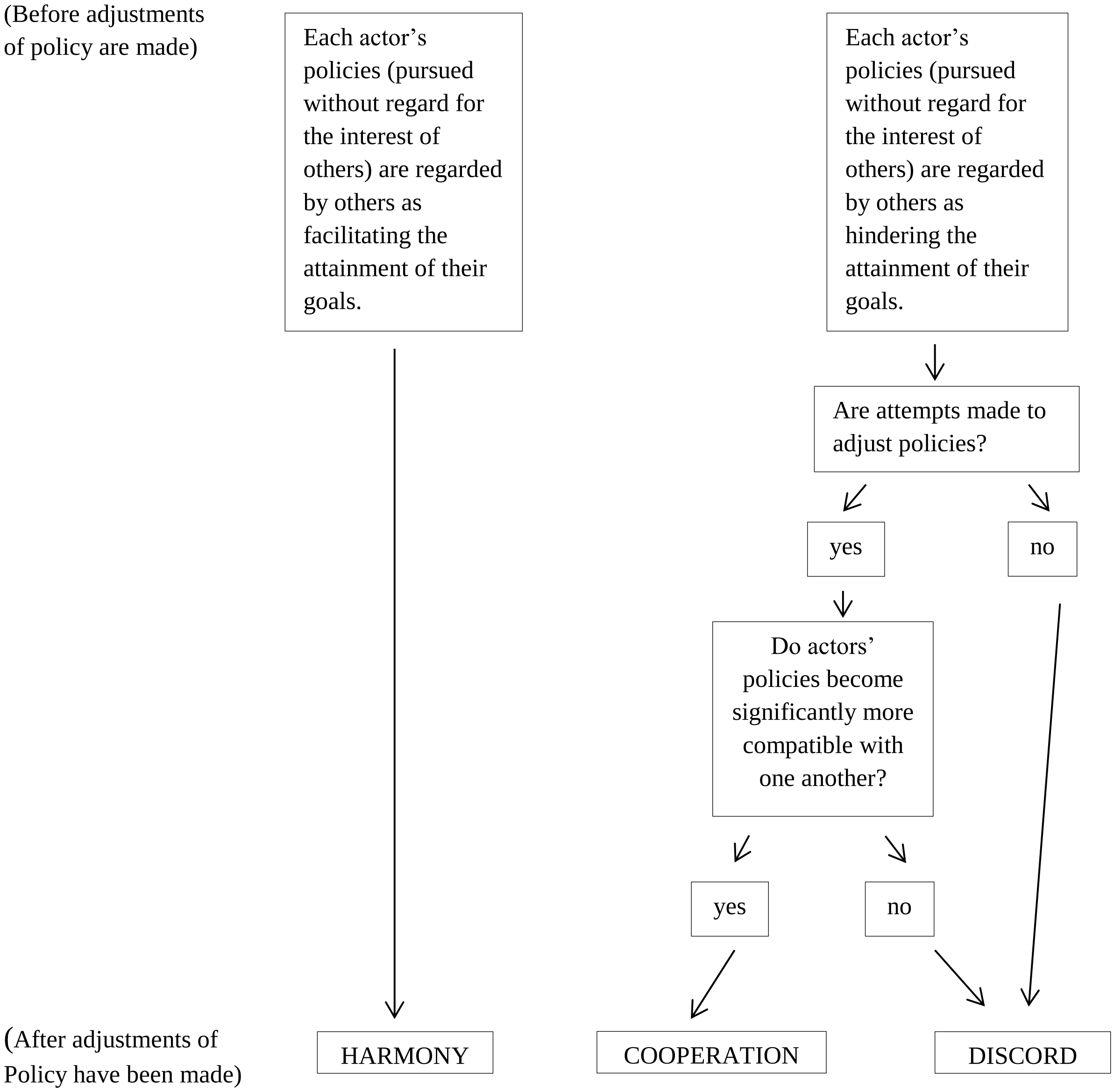

Figure 1 Harmony, Cooperation, and Discord (Keohane, 1984, p. 53)

Harmony is the case in the first situation described: an autonomous policy based on self-interest automatically facilitates the goal(s) of others. In such a situation it is not necessary to cooperate since everyone's interests is realized anyway. *Cooperation* is the case in the second situation: policies are adjusted so they become more compatible with one another. The model also highlights a third option, *discord*. This would be the case if Brazil, India and South

Africa regarded Russia's and China's policy towards IMF reform as hindering their own goal of reform. This does not mean a situation where Russia and China are against reform per se – since they then would have had incompatible interests with the other three countries. Discord is rather a situation where IMF reform is compatible with the interests of Russia and China, but where their policies for some reason do not contribute to the attainment of this goal. Discord thus describes a situation where fundamental interests between actors' are compatible, but where there are no harmony between policies, and where attempts at cooperation, i.e. coordinating policies, either have failed or not been attempted at all. From this we also get that cooperation only materializes from a situation of discord, and only have taken place if policies actually have been adjusted.

In the analysis, I will refer to issues where fundamental interests seem to be in place, but where harmony is not the case, as issues where interests are overlapping. Only when interests are overlapping is cooperation possible or meaningful.

It is important to note that Keohane's (1984) model is only relevant in a situation of interdependence, where states are mutual dependent on each other. Many relationships that may seem to be in a state of harmony, for instance, are more fundamentally in a state of non-interdependence, where whatever each chooses to do will not affect the other in any substantial way – good or bad. In today's globalized world most states live in a web of interdependence. The degree of interdependence between different countries however varies, and generally it is relative interdependence that matters, since interdependence matters because of the influence it conveys: state A will matter more to B than C, if state B is more interdependent on state A than state C.

Before we continue, it is therefore necessary to briefly discuss the level of interdependence between the BRICS. Generally the level of interdependence in the grouping is significant, though varying between countries. In economic terms, everyone is very dependent on China. All four countries have China among their top three destinations for their exports, and as their top provider of imports.[14] None of the other BRICS, however, are among China's top trading partners (CIA, n.d). In fact, among China's top ten, only Brazil and Russia makes the list, on ninth and tenth place, respectively (China Daily, 2014). Brazil's and Russia's importance for China is however growing, since China increasingly depends on their

[14] Concerning exports the figures are as following (rank among all trading partners in parentheses): Brazil: China 17% (1); Russia: China 6.8 % (2); India: China 5% (3); China, none of the other BRICS on top three; South Africa: China 11.8% (1). Concerning imports: Brazil: China 15.3% (1); Russia: China 16.6% (1); India: China 10.7% (1); China; none of the other BRICS on the top three; South Africa: China 14.4% (1) (CIA, n.d).

commodities (Syed, 2011).

In total, the level of intra-BRICS trade is quite low, although rapidly growing. In 2012 total trade between the five countries amounted to around $310 billion, which was 11 times higher than in 2002 (Standard Bank, 2013), but still only "10 % of their total combined trade" (Ibid.). A key criticism of the BRICS, as part of the general diversity argument, is that their economies are incompatible (Stuenkel, 2013b). However, the rising level of intra-BRICS trade suggests that there lies a potential beyond what the most sober assessments suggests. Increasing intra-BRICS trade is also a key priority on their agenda, and various initiatives towards this end has been discussed and established over the last few years.

Politically the level of interdependence is substantial. Because of their geopolitical size, especially Brazil's, Russia's India's and China's, they are key players in any truly global discussion or forum. Notable examples are the UN (although Russia's and China's veto powers perhaps creates an asymmetrical interdependence relationship with the other states), the IMF, the WBG, the G20, the UN's climate change discussions, the WTO's trade rounds, and issues relating to the global commons.

More attention towards the level of interdependence between the BRICS will not be given here. Both economically and politically, the general level of interdependence between the BRICS should be sufficient enough to employ Keohane's (1984) model in a meaningful way.

3.2 How cooperation emerges: the Realist and Institutionalist approaches

On a general level it is sufficient to say that cooperation emerges because of the existence of common interests. If these interests only can be realized by cooperating, sometimes policies will be adjusted and cooperation will emerge. Keohane (1984) argues that two theoretical approaches have been especially influential in explaining how a relationship characterized by discord can shift to one characterized by cooperation: the realist and the institutionalist – in the following presented in a somewhat stylized form.

The realist approach assumes a world where states coexist in an anarchic world and in which sovereign states have "no system of law enforceable among them" (Waltz, 2001, p. 159). States act in line with their perceived self-interest, and since these interests often are in discrepancy with other states' interests, conflict and war ensues (Ibid.). The discord between states is therefore explained by fundamental conflict of interests between the states, and "any cooperation that occurs would be derivate from overall patterns of conflict" (Keohane, 1984, p. 7).

On the other end of the spectrum lies the "institutionalist" approach, which emphasizes institutions and their role in international politics. This approach sees "cooperation as essential in a world of economic interdependence" (Keohane, 1984, p. 7) and claims that shared economic interests create "a demand for international institutions and rules" (Ibid.). They do not, however, believe that cooperation always will prevail, but are "aware of the malleability of interests and they argue that interdependence creates interests in cooperation" (Keohane, 1984, p. 8).

Both approaches are useful as a basic starting point for understanding how cooperation emerges, but both have severe limitations. The realist approach draws a rather simplistic picture of the relations among states. It sees cooperation as something strictly linked with power, where cooperation comes about as a balancing measure in the form of alliance building against the powerful or a perceived threat, or as something imposed or initiated by a hegemon to serve its interest (not meaning that it does not serve the other actors' interest as well). The stylized version of realism thus fails to explain cooperation that is not part of a "larger struggle for power" (Keohane, 1984, p. 7) and the cooperation we see in fields of trade, financial relations, health etc. should in theory not exist. The institutionalists are criticized for the opposite, namely ignoring or giving the struggle for power to little attention. They risk being naïve about the harsh and brutish life in world politics, and are accused of being to idealistic, as well as too optimistic on statesmen's behalf (Keohane, 1984).[15]

When it comes to their empirical value, Keohane (1984) argues that both approaches are right in claiming explanatory power. However, the correlation between dwindling U.S. power and the weakening of international cooperation in the late sixties, early seventies, strengthened the realist assumption of cooperation hinging on a hegemonic power enforcing it. Many of the cooperative arrangements instigated by the U.S after WWII nonetheless persisted, and Keohane therefore argues that "… the decline of hegemony does not necessarily sound cooperation's death knell" (1984, p. 9), since institutions already established can take on a life of their own and continue to facilitate cooperation.

When going forward it is the premise of neo-liberal institutionalism that is employed. This accepts the notion of anarchy, and the problems this creates for cooperation, as well as

[15] Interestingly, Keohane – who drew heavily on institutionalism in *After Hegemony* and who is considered one of the founders of liberal institutionalism (or neo-liberalism) – was later accused of the opposite. Mearsheimer (1995) argues that liberal institutionalism by the early 1990s, due to repeated adjustments as a result of criticism, had been "swallowed up" by realism, and thus had become a mere "realism by another name" (1995, p. 85).

the notion of self-interested actors acting in line with their self-interests, but nonetheless holds that cooperation, with the help of institutions,[16] can emerge without a hegemonic enforcer.

3.3 Why cooperation is difficult: the Prisoners' Dilemma and Collective Action

A common way of explaining the general difficulties of cooperation in international relations is by using game theory, especially games where cooperation brings mutual benefit to both players, but where each can gain more by double crossing the other (Keohane, 1984). Among these, the most widely used game is single-play prisoners' dilemma (Axelrod, 1984; Keohane, 1984; Oye, 1986). Its influence is strong, and Keohane argues that "[it] is often taken as a paradigm for international politics, showing why discord is prevalent and cooperation rare" (Keohane, 1984, p. 69).

The logic of prisoners' dilemma goes as follows: two partners in crime are being detained and kept separated. They know that if neither confesses to the crime they have committed, the police will only have enough evidence to keep both in jail for one year. If they confess they will get five years. The best strategy for the partners would thus be to cooperate with one another by not saying anything, serve the one year in jail, and move on. However, the police have also told both of them that if they rat on their partner and the partner does not do the same, the rat will be let loose and the partner will be sentenced to twenty years in prison. The best strategy would no longer be to keep silent, which now potentially means serving twenty years, and at least one year. By ratting and defecting on your partner, five years in jail is the worst outcome, and if you're lucky and your partner keeps his mouth shut you will go free. The dominant strategy of both therefore becomes defecting by ratting, "… whatever his partner does" (Keohane, 1984, p. 68). The different outcomes become clearer in the matrix below.

Table 1 Prisoners' Dilemma (Keohane, 1984, p. 69)

		Column's choice	
		Cooperate	Defect
Row's choice:	Cooperate	R, R (3, 3)[17]	S, T (1, 4)
	Defect	T, S (4, 1)	P, P (2, 2)
Payoff ordering:	T > R > P > S	Condition: R > (S + T)/2	

[16] "Institutions" have many connotations and definitions (Keohane, 1989). Keohane (1984) lends Young's which holds that institutions are "recognized patterns of practice around which expectations converge" (1980, p. 337). By this definition international regimes, which I return to later, can be understood as a specific type of institution.
[17] The numbers in the parentheses indicate the payoff of each outcome, and thus the ordering of the payoff.

"If both players cooperate with each other [keep silent], they receive the reward, R. If they defect [both rats on the other one], they are punished, P. If one defects while the other cooperates, the defector receives the benefit, T … while the cooperator receives the sucker payoff, S" (Keohane, 1984, p. 68). As noted above: R = one year in jail, P = five years in jail, T = go free, S = twenty years in jail. In sum the fear of being tricked make defection rather than cooperation the rational choice.

Keohane (1984) also emphasize Mancur Olson's theory of collective action when explaining why discord is prevalent in international relations. Oye (1986) defines collective action as an N-person[18] version of prisoners' dilemma, but the logic behind it is a bit different. In collective action, the argument goes that "unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interest" (Olson, 1971, p. 2). Whereas the problem in prisoners' dilemma is the fear of being double crossed, the problem in collective action is free riding: those that have not contributed to the production of a good enjoy it on an equal footing as those who did contribute. This incentive to free ride occurs since the cost of contribution for each is significant, but close to insignificant for whether the good is produced. So, as with prisoners' dilemma, the dominant strategy thus becomes to defect, and not contribute towards the production of the good (Keohane, 1984, p. 69).

3.4 Strategies for reaching cooperation

The logic of prisoners' dilemma and collective action suggests that cooperation is irrational. However, there exist several factors, as well as strategies for adjusting non-cooperative conditions on these factors, that make cooperation more rational than the logic above suggests. Assuming international anarchy, and emphasizing non-altruistic cooperation between sovereign states, Oye argues that "three circumstantial dimensions serve both as proximate explanations of cooperation and as targets of longer-term strategies to promote cooperation" (1986, pp. 2-3). These three are: the structure of payoffs; the effects of time and iteration, described as the shadow of the future; and the number of actors involved in the cooperation. Differences in these three dimensions can account for the variation in success in cooperative attempts. Altering these dimensions will thus affect the prospects of success or failure.

[18] N-person refers to the number of actors involved in a game, and is used to describe a game where the number of actors is arbitrary, but finite. In this case it generally means three or more.

3.4.1 The Payoff Structure

The payoff structure refers to each outcome's payoff in a potential agreement. In game theoretic terms it refers to "[the] benefits of mutual cooperation (CC) relative to mutual defection (DD) and the benefits of unilateral defection (DC) relative to unrequited cooperation (CD)" (Oye, 1986, p. 4). In prisoners' dilemma the payoff ordering for each player will always be T > R > P > S, which make the preference ordering DC > CC > DD > CD, and defecting the dominant strategy.[19] However, the "magnitude of differences between CC and DD and between DC and CD can be large or small … and can increase or decrease" (Oye, 1986, p. 9). In the example I used above, the payoff for being the sucker (CD) was twenty years in jail, both defecting (DD) five years in jail, both cooperating (CC) one year in jail, and the rat (DC) got the ultimate payoff and was let loose. The incentive to defect is therefore huge, since the difference between being the sucker and the rat is relatively large and the difference between mutual cooperation and mutual defection is relatively small. But if the relative strength between the four outcomes changed, the relative strength of the incentives for either cooperating or defecting would also change. This means that changes in the magnitude between the different outcomes can influence the prospect for cooperation.

Changes in the magnitude can happen in two ways. The first way changes the game itself. Say that there is an increase in the value of CC relative to DC, a situation characterized as a prisoners' dilemma might then change into the "less challenging" (Ibid.) stag hunt.[20] Here the payoff ordering is CC > DC > DD > CD, but with the caveat that CC only will be reached as long as every player believes everyone will cooperate. A game of prisoners' dilemma may sometimes also evolve into a situation resembling harmony, if the perceived gains of cooperation is enhanced while perceived gains of defection diminishes.

The second way is through iteration, where the "magnitude of the difference between CC and DD and between DC and CD in present and future rounds of play affects the likelihood of cooperation in the present" (Ibid.). Decisions concerning cooperation are not taken in a vacuum nor treated isolated. If the outcome of the present game influences the outcome of future games, the payoff from these games becomes part of the present payoff as well.

[19] D = Defect, C = Cooperate. The best outcome, DC, is thus you defecting and the other cooperating.

[20] In stag hunt a group of hunters has surrounded a stag. If they all cooperate, they will trap it and enjoy a decent meal (CC). However, if one of the hunters breaks out of position to chase a passing rabbit, the stag will escape. The defector will ease his hunger for a while (DC), but soon be hungry again. Everyone else is starving (CD). If everyone gives up on the stag, and settles for the rabbit (DD), everyone eases their hunger for a short while. CC is relatively better than all other outcomes, but because "a rabbit in the hand (DC) is better than a stag in the bush (CD), cooperation will be assured only if each hunter believes that all hunters will cooperate" (Oye, 1986, p. 9).

3.4.2 The Shadow of the Future

The shadow of the future refers to actors' assessment of future cooperation, where the outcome of present cooperation is believed to influence the outcome of future cooperation. Oye argues that "the distinction between cases in which similar transactions among parties are unlikely to be repeated and cases in which the expectation of future interaction can influence decisions in the present is fundamental to the emergence of cooperation among egoists" (1986, p. 12). If a transaction only takes place once, it mirrors the single play prisoners' dilemma where defecting is the dominant strategy. However, in iterated situations where states' assume transaction with more or less the same payoffs to take place multiple times, and value the future payoffs, defection is not as obvious since the immediate gain of defecting might be less than the gains from future cooperation – which the defecting state most likely will be excluded from. Lengthening the shadow of the future thus make the prospect for cooperation better.

3.4.3 The effect of the number of players

The number of players affect the chances for cooperation in that it becomes substantially smaller the more players that are involved. There are three reasons for this, Oye argues. "First … as the number of players increase, transactions and information costs rise" (1986, p. 19). It becomes very difficult and complex to identify mutual interests, and in turn coordinate and adjust policies so they become more coherent. "Second, as the number of players increases, the likelihood of autonomous defection and of recognition and control problems increases" (Ibid.). It becomes difficult to keep overview, and the chance for including a weak state that is unable or unwilling to act as expected increases. "Third, as the number of players increases, the feasibility of sanctioning defectors diminishes" (Ibid.). Keeping a strategy of reciprocity becomes very difficult, since the cost of a player defecting are felt by every player. In the next game everyone would thus defect, and the cooperation would collapse. The threat of reciprocal defection thus becomes void, which in turn makes free riding a viable option.

3.4.4 International Regimes

In a multilateral setting the main strategy for altering these three dimensions in a way that increase the prospects for cooperation is through regime building (Oye, 1986). Oye (Ibid.) offers a few unilateral and bilateral strategies as well, but since the BRICS framework is multilateral, multilateral strategies are more relevant. Before I describe how regimes alter the payoff structure, shadow of the future, and issues created by several players, a basic understanding of what a regime is and how it works is necessary.

A widely used definition of a regime is Krasner's, which holds that it is:

> Sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations. Principles are beliefs of fact, causation, and rectitude. Norms are standards of behavior defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice. (1982, p. 186).

It can be understood as a way of doing things and something that provides "rules of thumb" (Keohane, 1984, p. 84) for states maneuvering in certain arenas in the international arena. Regimes contain "injunctions about behavior" (Keohane, 1984, p. 59) – some far-reaching and very central, others mere "matters of convenience" (Ibid.). They are not only agreements, which often are ad hoc in character, but a tool for facilitating agreements. They imply that short-term calculations of interests do not dominate the long-term ones and they "embody some sense of general obligation" (Krasner, 1982, p. 187).

Examples of the first pillar, principles, are the nonproliferation regime's fundamental principle that the spread of nuclear weapons is dangerous and the postwar trade and monetary regime's emphasis on "open, nondiscriminatory patterns of international economic transactions" (Keohane, 1984, p. 58). Examples of the second, norms, are the former regime's norm of members not acting in "ways that facilitate nuclear proliferation" (Ibid.), and the latter regime's norm of members practicing "non-discrimination and reciprocity and move towards increased liberalization" (Ibid.). Principles and norms may seem to describe more or less the same thing, but Keohane argues that "norms contain somewhat clearer injunctions to members about legitimate and illegitimate behavior" (Ibid.). Principles and norms are the "basic defining characteristic of a regime" (Krasner, 1982, p. 187). To keep the regime intact, these two pillars must remain more or less unaltered. If not, it would be a change to a new regime or the end of regime-based relations in that specific issue area.

Rules and decision-making procedures may however change without a change in the regime itself. New rules and procedures can be incorporated under the same principles and norms, and a change in these would thus only be a change within the regime (Ibid.).[21] As with norms and principles, the difference between norms, principles and rules can seem a bit unclear, but rules are not as abstract as norms and "indicate in more detail the specific rights

[21] A good example of this is the re-alignment of IMF quotas, briefly mentioned before and subject to thorough discussion later, where the fundamental principles and guiding norms of the IMF persisted, but both its rules and decision-making procedures changed (or will change when the reforms are implemented).

and obligations of members" (Keohane, 1984, p. 58). Lastly, decision-making procedures do not deal with substance as the other three pillars, but provide regimes with "ways of implementing their principles and altering their rules" (Ibid.).

The creation of a regime is, as with cooperation itself, fundamentally dependent on mutual interests. More specifically: the "existence of patterns of common or complementary interests that are perceived or capable of being perceived by political actors" (Keohane, 1984, p. 78). If this condition is the case, there is an incentive to create a regime as means of increasing the chance of realizing these common interests. Further, the prospects for success are increased if rewards and punishment can be used to magnify the levels of shared interests. In the absence of a hegemon, this can be provided by having outcomes "determined by a relatively small number of actors that can monitor each other's compliance" (Keohane, 1984, p. 79). In addition will the density of the "policy space" matter: because high policy density means that ad-hoc agreements are bound to interfere with one another, a regime will be preferable over ad-hoc arrangements since every agreement within that policy space will be considered within the same set of rules and procedures, thus reducing costs and increasing efficiency (Ibid.).

A very important point is that regimes operate in an anarchic world among sovereign states. Their injunctions do not have any independent enforcement power, but depends on the states that are part of the regime adhering to them. Regimes should thus not be seen as a form of supranational authority stretching beyond the nation-state, but as Keohane argues, "arrangements motivated by self-interest: as components of systems in which sovereignty remains a constitutive principle" (1984, p. 63). Regimes, however, have the ability to affect interests. Interests depend on expectations of the consequences that follow a specific action, as well as fundamental values, and Keohane (1984) argues that regimes may shape and influence both.

Since regimes survive and thrive under the mercy of their egoistic members, enforcement is difficult and compliance cannot be taken for granted. Yet, compliance seems to be the norm and often takes place "even when governments have incentives, on the basis of myopic self-interest, to violate the rules" (Keohane, 1984, p. 98). Myopic self-interest is understood as the alternative that would produce the highest return from a range of alternative actions when not taking into account the effect this action has on other issues, i.e. treated completely isolated. At the outset this seems to breach premise of egoistic and rational actors' which is central here. Keohane, however, argues that instead of questioning the theories that assumes this premise, this rather begs the question of "how interests are defined, and how institutions affect states' definitions of their own interests" (1984, p. 100). Still assuming rational actors, he then proceeds with arguing that regimes can make states define their interests in less myopic terms, and thus increase the prospects of compliance, in two ways.[22] First the members of a regime realize the difficulty and high cost of establishing a robust regime, and thus find it rational to obey the rules and principles in fear that breaching them will make the regime collapse. They will be worse off without the regime since high transaction costs and limited information would make agreements much more difficult to reach, and they can't count on a new regime rising from the ashes of the old.

Second, regimes operate in a context of other regimes and are part of a larger network of regimes, issues and agreements. The linkage of issues forces members of a regime to forego some of its myopic tendencies, since the potential gains of defecting on one issue, assuming the regime in fact covers more than one issue or that the same members are present in other issue regimes, will be lost by others doing the same on another issue, or by damaging the defector's reputation, making it less trustworthy and attractive as a partner (Keohane, 1984).[23]

3.4.5 How International Regimes facilitate cooperation

So, how do international regimes provide a payoff structure that work as an incentive for cooperation? How does it lengthen the shadow of the future, making it less profitable to defect? And how does it reduce the issues posed by many players trying to cooperate? Some of the answers are evident in the description of regimes above, but more specifically Oye (1986) emphasize the following reasons.

Concerning the payoff structure, he argues that a regime changes it in two ways. The first way is by regime norms being internalized by the participating states. The standard of behavior prescribed by the regime becomes an integrated feature of each state in the regime, thus changing the magnitude of difference in the payoff for each country. The second way is by a change in states' understanding of their interest due to the information generated by regimes – regimes are information providers, and this information might for example alter members' understanding of "cause-and-effect relationships" (Oye, 1986, p. 11) and perceptions of "means-ends hierarchies" (Ibid.). A new perception of reality surely changes interests, and thus how different payoffs are valued in issues covered by these interests.

[22] That regimes can affect the interests of those participating in it, resembles the arguments of reflective institutionalism, which holds that "institutions do not merely reflect the preferences and power of the units constituting them; the institutions themselves shape those preferences and that power" (Keohane, 1988, p. 382).
[23] Because of high levels of interdependence in the world political economy, Keohane argues that this assumption is correct for basically any government in the world (1984, p. 104).

When it comes to lengthening the shadow of the future by creating more iterations, the main path is through the strategy of reciprocity where "… a promise to respond to present cooperation with future cooperation and a threat to respond to present defection with future defection can improve the prospects for cooperation" (Oye, 1986, p. 15). This insight is based on the experiments of Axelrod (1984), who found that among a range of different strategies available when confronted with an iterated prisoners' dilemma, the tit-for-tat strategy did best overall when paired with other, and even more complicated, strategies. For strategies of reciprocity to be effective, it is crucial that the conditions of play are favorable in the following ways. The actors involved need to be able to differentiate clearly between acts of cooperation and acts of defection. This is often not the case in international relations. States define and interpret actions and statements differently and they don't necessary act transparently. They also need to be in control over the area that covers the specific issue, since "… internal factional, organizational and bureaucratic dysfunctions may limit the ability of nations to implement Tit-for-Tat strategies" (Oye, 1986, p. 16). It is difficult to respond in kind to a specific action if strong interest groups within a state oppose a flexible approach – which is necessary for a tit-for-tat strategy – but unpredictable and potentially damaging for special interests.

It is here regimes offer its services. First through its norms, where an "explicit codification" (Oye, 1986, p. 17) of these norms may limit "definitional ambiguity" (Ibid.). In such a situation there is no room for autonomous interpretation, and each regime member knows exactly what is expected of them and what they can expect in return for their behavior. Second through its mechanisms for increasing information and surveillance, which makes it easier to evaluate the behavior of other members, and in extension let members make informed projections about other members' future behavior. This reduces uncertainty and increases transparency.

Lastly a regime offers a remedy to the problem of many players in two ways. First, a regime's conventions provides "rules of thumb that can diminish transaction and information costs" (Oye, 1986, p. 20). This resembles the point made above on favorable conditions of play. By providing clear and uncomplicated definitions of expected behavior, a regime reduces the effort needed to cooperate among many players. Second, a regime's "collective enforcement mechanisms decrease the likelihood of autonomous defection and permit selective punishment of violators of norms" (Oye, 1986, p. 20). Better enforcement and greater chance of being penalized makes the incentive to defect smaller. Several players also mean a larger punishment, since all players would inflict punishment towards the defecting player.

3.5 Hypotheses

Adding the insight from past evidence, leading perceptions and the knowledge from cooperation theory together with my research question that asks what keeps the BRICS from robustly cooperating, suggests three hypotheses worth analyzing.

First, if mutual interests are absent, cooperation will never materialize. A potential explanation (and indeed the one that is most frequently employed) is therefore that the BRICS struggle to cooperate because of a lack of compatible interests. My first hypothesis is therefore:

H_1: Brazil, Russia, India, China and South Africa have incompatible interests

Since this case study is limited to observations on BRICS' interaction towards reforming IFIs, one of the issues where BRICS' interests are believed to be most compatible, it might seem awkward to have a hypothesis that argues that they do not have compatible interests. This being said, it is meaningless to discuss any other explanation as to why cooperation did not materialize if we don't find compatible interests. Any thorough analysis of why cooperation did not materialize must thus include an assessment of the compatibility of interests.

Second, if policy coordination is absent it is by definition not cooperation. We therefore need to evaluate if what is described as cooperation by the BRICS themselves; by analysts; and by commentators, in fact are cooperation. As Oye argues, "when you observe cooperation, think Harmony – the absence of gains from defection – before puzzling over how states were able to transcend the temptations of defection" (1986, p. 7). If harmony best describes the relationship between the BRICS, the payoff structure in the areas of joint action is structured in a way where the five countries do not prefer unilateral defection (DC) to unrequited cooperation (CD). I.e. they would not have anything to gain by double-crossing the others. In Keohane's (1984) terminology, a situation of harmony also describes a situation where it is not necessary to coordinate and adjust policies in order to realize the specific mutual interests at hand. If this is the case, what is described as BRICS cooperation is rather a platform for identifying harmonious interests[24] already present that need no policy coordination to be realized in the first place.

[24] Keohane (1984) does not refer to "harmonious interests", only compatible interests and harmonious policies. But in this framework it makes sense to use harmonious as a value on the independent variable interest.

What is most relevant, however, is that if the interaction between the BRICS is limited to mostly collective action in areas where policies already align, this suggests that the actual gain from BRICS interaction is rather low (their autonomous policies would most likely realize the mutual interest anyway), as well as there being clear limitations for their interaction (there can only be so many areas of harmony). My second hypothesis is therefore:

H_2: Brazil, Russia, India, China and South Africa have harmonious interests

Third, as we saw above, regime building is argued to be the best strategy to increase the prospects for cooperation in multilateral contexts (Keohane, 1984; Oye, 1986). Its principles, norms, rules and decision-making procedures help reduce the issues that states trying to cooperate face. Since robust cooperation most likely will be supported by regime features in some form, a logical inference is that its absence would make cooperation much harder to achieve. My third, and also main, hypothesis is therefore that:

H_3: Brazil, Russia, India, China and South Africa have overlapping interests, but weak regime features between them

This final hypothesis is in turn based on several sub hypotheses explaining why no regime has (yet) formed:

$H_{3.1}$ Their principles do not converge

$H_{3.2}$ They have not created shared norms

$H_{3.3}$ They have not created shared rules

$H_{3.4}$ They have not established decision-making procedures

Some clarification on how the three hypotheses relate to each other, and if they are mutually exclusive or not is necessary. If we don't find any compatible interests between the BRICS, it is meaningless to claim that something other than incompatible interests explain why robust cooperation has not materialized. The obvious reason for this is that mutual interests are prerequisite for cooperation. The first hypothesis thus rivals the other two.

By extension of this, the second hypothesis – as indicated by its wording – is only relevant if there is evidence of the first hypothesis being wrong. If we find support for the second hypothesis, it is – as above – meaningless to claim that something other than harmony explains why robust cooperation has not materialized: if harmony is the case there is no need to coordinate policies, i.e. cooperate, to realize mutual interests. The second hypothesis thus also rivals the other two.

So, only in the case of the first and second hypothesis being wrong, is the third hypothesis relevant. The first and second hypotheses thus mostly function by analyzing to which degree the necessary condition for the last hypothesis, overlapping interests, is in place. If the first and second hypothesis is wrong, the third hypothesis should in theory be correct, since we have covered the range of possible explanations for why cooperation succeeds or fails.[25]

These conclusions regarding the relationship between the hypotheses is however only true if we were dealing with clear cut answers and no degrees, meaning no degrees of incompatible, harmonious and overlapping interests. This is not the case here, so the key is rather to evaluate the relative strength of these degrees.

[25] If overlapping interests is the case, the explanation for the lack of robust cooperation must (at least theoretically) lie in weak regime features. The reason being that regime building is suggested as *the* strategy by Oye (1986) for increasing the prospects of multilateral cooperation.

4. Research Design

Before I turn to actually analyzing my hypotheses, some attention on how I intend to do it is necessary. In the following subchapters I therefore present the key components of my research design. I begin with elaborating on my method of choice: the reasons choosing it, how I intend to interpret my empirical data, and the thesis' variables. I continue with explaining why I have limited my observations to BRICS interaction towards reforming IFIs, as well as the type of data I will analyze. I conclude the chapter with some brief reflections regarding validity.

4.1 Method

Choosing a method of inquiry depends on the nature of the question and the structure of the data. In general the case study is the method of choice when experiments and large n-analysis is inadequate or infeasible (Van Evera, 1997, p. 55). This does not mean that the case study is inferior to the other two methods. It can for example be superior if we aim to "infer or test hypotheses" (Ibid.). In this instance, the question asked focus on a specific group, the BRICS, and test hypotheses concerning their interaction. Moreover, my research question also seems to fit well with Yin's definition of the case study:

> A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. … The case study inquiry copes with the technically distinctive situations in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis. (1994, p. 13).[26]

A case study can, according to Van Evera, serve five main purposes: "testing theories, creating theories, identifying antecedent conditions, testing the importance of these antecedent conditions, and explaining cases of intrinsic importance" (1997, p. 55). Since the main aim of this case study is to analyze what it is that keep the BRICS from robustly cooperating, this study serves the purpose explaining a case of intrinsic importance. In line with this, the case selection criteria has been what Van Evera describes as the criteria of "intrinsic importance" (1997, p. 88), which he argues is "appropriate if our object is to explain the course of history" (1997, p. 87). The BRICS is mainly important from a policy perspective, since their concerted efforts towards issues of global significance may have profound consequences – not only for the BRICS countries themselves, but for global governance as well. At the same time it can be

[26] In this thesis, however, there are more data points than variables, although far from enough to talk about statistical significance. A small n study seems thus to be a reasonable description of this thesis.

argued that this thesis adds to the literature on international regimes – albeit in a limited way.

The dependent variable in this thesis is policies, since robust cooperation is understood as frequent coordination of policies as a means towards realizing mutual interests. Policies can in turn be explained by two independent variables. The first is interests, which in this framework can be incompatible, harmonious or overlapping. Cooperation is only meaningful or possible if interests are overlapping. The second independent variable is regime features. This independent variable is only relevant in the case of overlapping interests. If overlapping interests is the case, the level of regime features can explain why policies were not successfully coordinated and adjusted. Table two shows the relationship between the variables:

Table 2 Relationship between variables

Dependent variable (DV)	**Independent Variables (IV)**	**Values on IV**
Policies	Interests	Incompatible Harmonious Overlapping
	Regime features	Strong or weak, depending on the level of converging principles, shared norms and rules and established decision-making procedures

Explanations of specific events or phenomena, such as the BRICS can take one of three forms, based on how specific and generalized they are (Van Evera, 1997, p. 15). Here we have what we can describe as a generalized specific explanation. This means that the explanation offered is a specific explanations for this case, but that it at the same time “identifies the theories that govern its operation” (Van Evera, 1997, p. 16), which in this case is the theory of regimes facilitating cooperation.

When explaining cases, four questions are critical when assessing the specific explanation’s value (Van Evera, 1997, p. 74). First, does the explanation exemplify a valid general theory? Second, is the covering law’s causal phenomenon present in the case? Third, is the covering law’s antecedent condition(s) met in the case? Fourth, are the covering law’s intervening phenomena observed in the case?

Since we have three specific hypotheses, we have three potential explanations. However, with regards to Van Evera’s (1997) four questions it makes sense to combine the three hypotheses with basis in the third hypotheses, since answering the four questions with basis in the third hypothesis' explanation captures the other two hypotheses as well. The third hypothesis' explanation would 1) exemplify the theory that a regime can facilitate cooperation, 2) have weak regime features as the covering law's causal phenomenon, 3) have overlapping interests as its antecedent condition, and 4) have non-converging principles and absent shared norms, rules, and decision-making procedures as its intervening variables. By analyzing to which degree the explanation's antecedent condition is met, we by default also analyze the first and second hypotheses.

We can say right away that this explanation represents a general theory,[27] so this explanation's fruitfulness will be measured by how the findings compare to the answers given to the second, third and fourth question.

Van Evera's (1997) approach resembles the process tracing format, where "the cause-effect link that connects independent variable and outcome is unwrapped and divided into smaller steps … [before] the investigator looks for observable evidence of each step" (Van Evera, 1997, p. 64). If the process tracing fails to provide evidence in line with the answers to the questions above, the credibility of the cause and effect relationship is undermined. The causal chain for the explanation above is:

> $H_{3:}$ Weak regime →no converging principles and absent norms, rules and decision-making procedures→ no robust cooperation

While the following causal logic lies behind the first two hypotheses:

> H_1: Incompatible interests → absence of mutual beneficial outcomes → no robust cooperation

> $H_{2:}$ Harmony → no policy coordination and no gains of defecting, only collective action in areas where policies already align → no robust cooperation

4.2 Observations and data

Observations on the case of the BRICS framework are limited to BRIC(S) interaction towards reforming IFIs, in the period from the fall of 2008 up until the spring of 2014. Most notably the observations include their aim at reforming the International Monetary Fund (IMF) and the World Bank Group (WBG), in addition to their attempts at creating their own IFI-structures, such as a BRICS development bank and a financial safety net in the form of a

[27] This means that the theory has not flunked in its general form, i.e. that it has not been established that A does *not* cause B. If this is the case, all specific explanations of A because of B can be ruled out (Van Evera, 1997, p. 40).

Contingent Reserve Arrangement (CRA). The data points are specific BRIC(S) interactions in relation to these issues, such as summits, meetings, and specific actions, as well as relevant individual BRIC(S) behavior, held and executed in the stated time period.

The reason for this limitation of observations is due to considerations concerning quality and space: if I were to include observations from other areas, I would have to reduce the depth and scope of my focus on each area or gone beyond the allocated space. The reason for choosing observations on reforming IFIs rests on the following arguments. First, this is the area that is most interesting from a policy perspective, since this is the area where the BRICS most likely have the greatest potential in representing a bloc in international relations. Second, this is the area that provided the initial platform for their interaction, and the area that the BRICS have paid most attention towards over the years. Third, out of the many areas on the BRICS agenda, this is one of the areas, quite possibly *the* area, where their interests are most compatible. This means that reforming IFIs is the area where we can get the most complete picture of what it is that keeps the BRICS from robustly cooperating. Finally, because of all this, reforming IFIs is also the area richest in data.

Different sources of data are complementary, and efforts should be made to use as many sources as possible. However, the issue at hand combined with limits on time and resources, severely limits the sources which are available and feasible. This case study has therefore been conducted within the boundaries of documentation and archival records as the main source of evidence. The data mainly consists of joint statements and communiques from meetings between BRIC(S) heads of government and state and finance ministers; statements and communiques from the proceedings in the G20, the IMF and in the WBG; documents from the BRICS countries' governments; speeches; newspaper articles, op-eds and expert opinion.

Problems with relying on documentation and archival records as the source of evidence is that the retrievability might be low, the selection might be biased if the collection is incomplete, the reporting might be biased if the original author was biased and the access may be deliberately blocked or, in the case of archival records, low due to privacy reasons (Yin, 1994, p. 80)

In this case, the retrievability and access is only partly satisfactory. Some documents that would be of significant value, such as minutes from meetings among the BRICS heads of government and state and finance ministers, and from deliberations in other multilateral forums, such as in the IMF's Executive Board, are not retrievable because they are not made public. Some of the concepts discussed in this thesis, such as principles, norms and rules are rather abstract, and difficult to analyze without specific types of data, such as those mentioned above. Although better data would significantly improve this thesis, it is my opinion that I am still able to infer plausible conclusions with the documentation I have access to and have been able to retrieve.

Selection and reporting bias should not be a central issue because the "collection" in this instance is more or less complete, and much of the data is authored by the BRICS themselves or multilateral institutions. There are nonetheless certain types of information, such as documentation of embarrassing conflicts or discord, which most likely is systematically held back. What bias might exist I try to mitigate by data triangulation and relying on several sources from different institutions with differing agendas, for instance the media that optimally functions as a watch dog on governments with their own spin doctors.

4.3 Validity

The quality of research designs depend on four tests: construct validity, internal validity, external validity and reliability.

Construct validity refers to "establishing correct operational measures for the concepts being studied" (Yin, 1994, p. 33). Using multiple sources of evidence, and establishing a chain of evidence that is easy to track and deconstruct, are two strategies that is incorporated here and believed to create strong construct validity (Yin, 1994). In addition, the concepts and measurements I employ being grounded in theory also helps.

Internal validity refers to causal relationships and to which degree I can be certain that the inferences I make are correct; more specifically that Y is a function of X and not something else. For instance, to what degree can I be sure that the absence of cooperation among the BRICS is due to the lack of regime features and not because the conditions necessary for cooperation to take place have not been met? Van Evera's (1997) method of assessing the quality of an explanation described above is one of the strategies I employ for raising internal validity. It also helps that my hypotheses are rivalling, and that I have covered the theoretical range of potential explanations for why cooperation succeeds or fails.

External validity refers to whether and to where the findings and conclusions can be generalized. Can it provide insight for other cases, other periods of time or under a different operationalization? Generally the value of research that cannot be generalized is limited. The exception is when the case – as I have argued is the situation here – has intrinsic value in and of itself. The findings here cannot really be generalized beyond the BRICS framework, perhaps not even beyond other issues on the BRICS agenda that deals with global governance.[28] It is nonetheless important to note that case studies do not rely on the traditional understanding of generalization, i.e. statistical generalization, where a sample "generalizes to a larger universe" (Yin, 1994, p. 36). Rather, case studies rely on analytical generalization, where the "investigator … [strives] to generalize a particular set of results to some broader theory" (Ibid.). Albeit not the main priority, the results here thus may be generalized to the broader cooperation theory, and the theory of the functions of regimes.

Reliability, also known as reproducibility, refers to the potential of the same study to be conducted again in the exact same fashion and to which extent this study gives the same findings and conclusions. If reliability is high, the errors and biases in a study tend to be low. Reliability can be increased by making as many steps as possible operational and to document the research procedures. Yin (1994) argues that documentation can be increased by using a case study protocol and case study database. A case study database generally consists of two collections; the report and a data or evidence base. In this case the former is this master's thesis and the latter is the list of references and the in-text references to specific pages. A case study protocol "is intended to guide the investigator in carrying out the case study" (Yin, 1994, p. 63). Here this chapter functions as the protocol, since it contains sufficient guidance and information for someone else to conduct the same study.

[28] Even though issues that deal with global governance make up most of the BRICS agenda, the framework, as was evident in the brief overview of the BRIC(S) trajectory in the introductory chapter, also includes issues that are best categorized as intra-BRICS issues. These are issues that have limited relevance in a global setting. Good examples are exchanges and information sharing in issues such as culture, health and statistics.

5. Reforming International Financial Institutions

In the following subchapters I discuss the lack of robust BRICS cooperation by looking at their interaction towards reforming IFIs. A rather broad understanding of “reforming IFIs” is employed, and it is my own assessment that have decided which issues on the BRIC(S) agenda that can be grouped under the larger umbrella of reforming IFIs. This assessment led to four main issues being identified: increasing emerging and developing economies’ influence in IFIs; ending the West’s stranglehold on IFI leader positions; increasing the utility of IFIs; and establishing new IFI structures, in the form of a BRICS development bank and a Contingent Reserve Arrangement (CRA).

The following analysis is structured around these four issues, and organized into four subchapters, one for each main issue. Each subchapter is further structured in the following way: first each issue is presented, by emphasizing the way the BRIC(S) have jointly presented them as well as how interaction towards these issues later evolved. I then analyze the BRIC(S) countries interests in these issues, and evaluate if they are incompatible, harmonious or overlapping. In the case of overlapping interests, I then discuss regime features.

Before I move onto my analysis, two brief introductions are useful. The first concerns IFI’s governance structure and role. Much of the coming discussion will be based on BRIC(S)’ interaction towards these institutions and some basic knowledge of how they function and are structured is necessary to fully understand the following analysis.

First of all, the already established IFIs that are central in the analysis are the International Monetary Fund (IMF) and the World Bank Group (WBG). In their statements, the BRIC(S) seem to use “World Bank” (WB) and “World Bank Group” somewhat arbitrary. This might be confusing, but it is mainly the WB, comprised of two of the five organizations in the WBG, the International Bank for Reconstruction and Development (IBRD) and its concessional loan associate the International Development Agency (IDA), that is important.[29]

The IMF provides policy advice on financial and economic issues and financial aid to member countries in need (IMF, n.d.a). The WB contributes with loans and technical assistance to emerging and developing countries (WBG, n.d.b), often towards key development projects, such as infrastructure. Together, the WB and the IMF is often referred to as the Bretton Woods Institutions.

Both the IMF and the WBG have what is called a weighted voting system, meaning that the power structure is decided by how much each member contributes to the institution. The size of the contribution is in turn based on each member’s relative economic position in

[29] See footnote 7 for more information about the composition of the WBG.

the world. In general, this means that large economies have more power than smaller economies.

Emerging and developing states have generally had an ambivalent relationship towards the IMF and the WB – to say the least. After all the debt stemming from the Latin American debt crisis in the 1980s and from the Asian and Russian financial crises in the late 1990s were paid back by the beginning of the 2000s, middle income states have tended to avoid IMF aid for all costs (Fourcade, 2013). They have rather turned to bilateral arrangements or their own reserves, even though this often has meant short term hardship (Ibid.). The reluctance to borrow from the WB also grew larger after the turn of the century, albeit not reaching the same levels as it did with regards to the IMF (Babb, 2013). And as I will return to later, all the BRICS are current borrowers at the WB.

For some time, up until the financial crisis broke, the resistance towards the IFIs had severe consequences for the two institutions, especially for the IMF, which had to cut down on expenses and perks (Fourcade, 2013). Soon, however, at least the IMF became highly relevant, as traditional creditors, such as the European countries that were hit the hardest in the financial crisis, became new borrowers, and as the road to global recovery was mapped out. This relevance is still the case.

The second introduction concerns the current state of BRICS institutionalism, which is useful since it helps understand BRICS interaction, and its general decision-making procedures. The closest the BRICS have come in institutionalizing their interaction is their meetings that have taken place on semi-regular intervals since the first standalone meeting between BRIC foreign ministers in May 2008. These meetings range from summits between heads of government and state to workshops between track II representatives. Summits between BRIC(S) leaders have been arranged every year since 2009, beginning in Yekaterinburg, and then in Brasilia, Sanya (South Africa's first summit), New Delhi, and Durban. The summit in Fortaleza in July 2014 will be the first summit in the second cycle of summits, and BRICS leaders have decided that they will follow the future host cycle of Brazil, Russia, India, China and South Africa (BRICS 2013, n.d.a).

The summits usually lasts one day and offers an opportunity for the heads of state and government to discuss various issues of global importance,[30] identify new areas and issues they can cooperate in, as well as make decisions on proposals and suggestions prepared

[30] As indicated in the introduction, these issues range from comments on topical issues, for instance the civil war in Syria and the earthquake in Japan, to more persistent challenges in the world, such as food and energy security and climate change. They also discuss and lay out various areas that the BRICS potentially can cooperate in, and draw upon one another's experiences.

beforehand by lower ranking BRICS officials.

In addition to these summits, BRIC(S) leaders have also had more informal standalone meetings when they have been participants in other forums. Chronologically, they met on the sidelines of the G8 Summit in Hokkaido in July 2008, of the G20 Summit in Cannes in November 2011, of the G20 Summit in Los Cabos in June 2012 and of the G20 Summit in St. Petersburg in September 2013 (Reis, 2013; BRICS Information Centre, n.d.).

Moving down the ladder, BRICS finance ministers, often accompanied by their central bank governors, see each other on a regular interval and several times a year on the margins of G20 ministerial meetings,[31] and of the Spring and Annual Meetings in the IMF/WBG. Two of the annual G20 ministerial meetings take place in conjunction with the Spring and Annual Meetings, but in total there are at least 5-7 meetings that BRICS finance ministers participates in every year. In the time around these meetings they often have standalone meetings as well. Such meetings have been arranged in São Paulo in November 2008; in Horsham (March), London (early September) and Pittsburgh (late September) in 2009; in Paris (February) and Washington (September) in 2011; in Washington D.C. (April) and Tokyo (October) in 2012; In Moscow (July) and Washington D.C. (October) in 2013; and in Washington D.C. (April) thus far in 2014 (Reis, 2013; BRICS 2013, n.d.a; The Brics Post, 2013a; The Brics Post, 2013b; The Brics Post, 2014).

In order to prepare these meetings, as well as the BRICS summits, there are also regular meetings between BRICS sherpas and sous-sherpas.[32] There is also contact between BRICS financial and fiscal authorities beyond the offices of their finance ministers. Concerning the development bank for instance, meetings have been arranged between BRICS experts on this issue (BRICS 2013, n.d.b). Since 2010, there have also been close contact between the countries' national development banks (BNDES, 2010).

With these two introductions in place, I move on the analysis.

5.1 Increasing emerging and developing economies' influence in IFIs

Before I continue it is useful to note that BRIC(S)' arguments concerning more power in IFIs are perfectly legitimate from an objective point of view. Since the power structure in the IMF is based on a formula that accounts for each member's relative economic position in the world, the allocation of power also need to be changed from time to time, due to relative

[31] A G20 ministerial refers to a meeting between finance ministers and central bank governors. A G20 summit refers to meetings between state leaders.

[32] Sherpas and sous-sherpas are government officials that have a preparatory role before higher level officials such as ministers and state leaders meet. Sous-sherpas rank lower than sherpas.

positional change because of variations in growth. The vested interests of those who currently have larger voting shares than their economic weight would suggest they should have, and a sluggish and bureaucratic approach to transformation, has however led to a gap between the relative economic position and actual power position in the IMF for many member states. Regarding the BRICS, a comparison made by the Economist in 2011 showed that they are the most underrepresented group of countries in the IMF. Even though they at the time made up around 21 % of world GDP, they only had (and still have) 11 % of the total votes in the IMF. The EU on the other hand accounted for just under 24 % of world GDP, but held (and still holds) 32 % of IMF votes (The Economist, 2011).

In the WBG, the system is in general similar to the IMF system. In the WB, the amount of voting power is based on the amount of shares held by each country in the institution. Shares are in turn purchased based on members' relative economic strength – although based on a different formula than the one the IMF uses (The World Bank, 2011).

Most of BRIC(S) interaction aimed at increasing their and other emerging and developing economies' influence in IFIs have been limited to two actions. The first is joint statements and rhetoric, and the second is voting accordingly when decisions concerning governance structure have been put to the table in the IFIs. Concerning the former, it is particularly the meetings and summits between BRIC(S) finance ministers and central bank governors and heads of government and state mentioned above, that have been used to identify and convey shared ambitions of increased influence. Upon conclusion of these meetings, the BRIC(S) have made their views known and heard, and built momentum vis-à-vis the developed world.

The first joint message of this kind was given at the first meeting between BRIC finance ministers and central bank governors, on the eve of the G20 ministerial in São Paulo on November 7 2008. In the joint communique they released upon conclusion of the meeting they said that:

> We called for reform of multilateral institutions in order that they reflect the structural changes in the world economy and increasingly central role that emerging markets now play …Reform of the International Monetary Fund and of the World Bank Group should move forward and be guided towards more equitable voice and participation between advanced and developing countries. The Financial Stability Forum[33] must immediately broaden its membership to include a significant representation of emerging economies (BRICS 2013, n.d.b).

[33] The Financial Stability Forum (FSB) was established in 1999 by G7 (the G8 countries minus Russia) finance ministers and central bank governors, with the mandate of assessing, monitoring and advising on financial issues critical to maintaining financial stability in the world (FSB, n.d.).

Perhaps encouraged by the recognition this argument got from the G20 finance ministers and central bank governors the next day (Ministério de Fazenda, 2008), the BRIC continued with their rhetoric. Some months after São Paulo, in March 2009 on the eve of the next G20 ministerial, in Horsham, England, the BRIC finance ministers said that:

> We call for urgent action with regard to voice and representation in the IMF, in order that they better reflect their real economic weights. In the Fund, a significant realignment of quota[34] should be completed not later than January 2011. This is necessary to enable members more equitable and fuller participation in the Fund's efforts to play its mandate role. A rebalancing of representation on the Executive Board[35] … would lead to a more equitable representation of the membership. (BRICS 2013, n.d.d).

With regards to the WGB they said that:

> We also ask for the speeding up of the second phase of voice and representation reform in the World Bank Group, which should be completed by April 2010. This process should ensure they fully reflect changes in the world economy and in this respect developing countries and emerging economies should have greater voice and representation. This process should be also aimed at equitable representation between advanced and emerging/developing countries without dilution of any individual developing members. (BRICS 2013, n.d.d),

Although somewhat outside the umbrella of IFIs, the finance ministers also made the argument in Horsham that the G20, which had evolved from being only a forum for finance ministers and central bank governors to a forum for state leaders when George W. Bush hosted the first G20 summit in Washington in November 2008, should become the main vehicle to deal with the economic issues and the financial crisis that now was ravaging the global economy.

When BRIC state leaders met for their first summit in Yekaterinburg in June 2009, they adopted their finance ministers' and central bank governors' position and reiterated the fundamental argument:

[34] A realignment of quotas means a change in voting power, but it also means a change in the contributions to the IMF and a change in how much each member can borrow. The allocation of quotas is based on the previously mentioned formula that measures a member's relative economic position in the world. Quotas are subject to reviews at regular intervals. Changes, however, need an 85% approval rate and a member's quota cannot be changed without the consent of the specific member (IMF, 2014a). The U.S. holds 16.75% of the quotas (IMF, 2014b) which in effect give them a veto power in major decisions. Quotas are denominated in Special Drawing Rights (SDRs), which is the unit of account of the IMF (see footnote 46 for more information about SDRs).

[35] The IMF's Executive Board is composed of 24 Directors and the IMF's Managing Director, which serves as the Chairman of the Board. The IMF's Article of Agreement states that five of the directors shall be elected by the five countries with the largest quotas (currently the U.S., Japan, Germany, France, U.K.) while fifteen are elected by the other members (IMF, 2014c). Today there are thus four more directors than in the beginning. China, Saudi Arabia and Russia have a large enough quota to elect their own representative. The remaining members are pooled in 16 different flexible groups where they have one director representing them (IMF, 2014b).

> We are committed to advance the reform of international financial institutions, so as to reflect changes in the global economy. The emerging and developing economies must have greater voice and representation in international financial institutions. (Presidential Press and Information Office, 2009).

These statements, and presumably a considerable effort at the G20 meetings, gave concrete results at the G20 Pittsburgh summit in September 2009. At the summit, world leaders committed to a change in power in form of a "shift in … quota share to dynamic emerging markets and developing countries of at least 5% from over-represented countries to under-represented countries" (G20 Research Group, n.d.a) in the IMF. Concerning the WBG, they agreed to change to a "dynamic formula … that generates an increase of at least 3 % of voting power for developing and transition countries, to the benefit of under-represented countries" (Ibid.) in the IBRD. Moreover, it was decided that the G20 rather than the more exclusive G8 should be the main platform to discuss global economic issues and the financial crisis. The Financial Stability Board (FSB),[36] comprised of all G20 countries, previous Financial Stability Forum (FSF) members, Spain and the European Commission, had also been established as successor to the FSF prior to the Pittsburgh summit, in April 2009 (G20 Research Group, n.d.c).

After the Pittsburgh summit, BRICs turned their rhetoric towards getting the promise of increased influence from fellow world leaders to actual influence within IFIs. At the Brasilia summit on April 15 2010 the BRIC leaders was as clear as ever:

> The IMF and the World Bank urgently need to address their legitimacy deficits. Reforming these institutions' governance structures requires first and foremost a substantial shift in voting power in favor of emerging market economies and developing countries to bring their participation in decision making in line with their relative weight in the world economy … the international community must deliver a result worthy of the expectations we all share for these institutions within the agreed timeframe[37] or run the risk of seeing them fade into obsolescence. (Ministério das Relações Exteriores, 2010).

Their joint rhetoric was soon awarded. In April 2010 the voting power of "Developing and Transition Countries" (DTCs) in the IBRD was increased with 3.13 %. It was also increased

[36] Beyond increasing the membership, the FSB was given a new broader mandate to "promote financial stability", and in many ways now complements parts of the advisory and supervising role of the IMF (G20 Research group, n.d.d). Its secretariat is based in Basel, Switzerland.

[37] The timeframe referred to was decided at the G20 summit in Pittsburgh and at the G20 ministerial in St. Andrews, Scotland, in November 2009. In Pittsburgh they agreed that the IMF quota reform should be completed by January 2011 and that the WB reform should be completed by the first half of 2010 (G20 Research Group, n.d.a). Then, in St. Andrews, it was decided that the Spring Meetings in the IMF and WBG in 2010 was to be the deadline for the WB reform (G20 Research Group, n.d.e).

with 6.07 % at the International Finance Corporation (IFC)[38] (WBG, 2010a). The change in the IBRD meant that DTCs now had a total of 47.19 % of the voting power. Out of the BRIC, China was not surprisingly the biggest winner, since realignments is based on changes in the global economy. South Africa, which was still not part of the grouping actually lost power in the IBRD, since the shift also was from over-represented to under-represented countries, and not only from developed to emerging and developing countries.[39]

Then, in December 2010, the IMF quota reform was approved by the IMF's Board of Governors.[40] The reform shifts approximately 6 % of quotas – more than the minimum target set in Pittsburgh – from developed countries to emerging and developing countries and from over-represented to under-represented countries (IMF, 2010). This shift makes China the 3rd largest member in the IMF, while it also establishes Brazil, Russia and India in the top ten (IMF (2014a).[41] Again, South Africa, still not part of the grouping, lost some power. Together with the quota reform, the Board of Governors also approved a change in the rules deciding the structure and composition of the Executive Board in order to make it more representative. Most notably the rebalancing means that "advanced European countries" (Ibid.) will reduce their board representation by two seats, and that these seats will be given to developing and emerging states.

BRIC's claim for influence in IFIs was thus in many ways recognized. It is, however, important to note that the governance reforms in the IMF and WBG was an issue long before BRIC foreign ministers had their first meeting in 2008. The need to reallocate quotas and voice so it better reflect the current state of the world economy was for instance a central point in the IMF's medium-term strategy presented by the then managing director of the Fund, Rodrigo de Rato, at the Annual Meetings in the fall of 2005 (IMF, 2006a). A smaller realignment of voting power had also been approved in both the IMF and in the IBRD in 2008. Finally, the shift in the IMF was lower than what the BRIC had asked for. In his press

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[38] The International Finance Corporation (IFC) is one of the five organizations in the WBG. It deals exclusively with the private sector, and contributes with investment financing and mobilizing capital in international financial markets (WBG, n.d.c). The increase of DTCs voting power meant that they now held 39.48% of the total voting power in the IFC (WBG, 2010a).

[39] In the IBRD China increased its voting power from 2.77% to 4.42%, Brazil from 2.06% to 2.24%, and India from 2.77 to 2.91%. Russia's voting power was unchanged and remained at 2.77%. South Africa had their voting power reduced from 0.84% to 0.76% (WBG, 2010b). In the IFC, China increased their voting power from 1.02% to 2.29%, Brazil from 1.65% to 2.27%, India from 3.38% to 3.81% and Russia from 3.38% to 3.81%. South Africa's voting power remained unchanged at 0.67% (WBG, 2010c)

[40] The Board of Governors is the highest decision-making body of the IMF. It consists of one governor and one alternate governor for each of the 188 member countries. The governor is appointed by the member country and is usually the minister of finance or the head of the central bank (IMF, 2014d)

[41] China will increase its voting power from 3.81% to 6.07%, Brazil from 1.72 to 2.22%, India from 2.34% to 2.63% and Russia from 2.39 to 2.59%. South Africa's voting power will be decreased from 0.77% to 0.63% (IMF, 2014b; IMF, n.d.b).

conference after the Pittsburgh summit, India's Prime Minister Singh said that the BRIC wanted a 7 % change, which they believed would push the total voting power of developing countries to around 50 %, but that they had agreed to a "compromise figure" (Ministry of External Affairs Government of India, 2009). It was nonetheless more than what Europe wanted, which did not want to set a target at all (Green, 2009). As it seems now, "Emerging Market and Developing Countries" will end up with 44.7% of the total voting power in the IMF when the reform is implemented (IMF, 2010).

All this being said it is obvious that the BRIC should get a lot of the credit for the reforms that ultimately were approved in the IMF and in the WBG in 2010, especially regarding the IMF reforms. They were the group that pushed the hardest for it, and had it not been for their effort chances are that it would have dragged out, or that the size of the reform would have been smaller, or both.

While the WBG reforms were implemented in reasonable time (Vestergaard and Vade, 2014) the IMF reforms was – and still is pending – subject to acceptance by the governments of three-fifths of the IMF's members having a minimum of 85 % voting power (IMF, 2014e). The 2010 reforms have therefore continued to be central on the BRIC agenda, also after BRIC became BRICS in 2011, and most summits and meetings between the heads of state and government, as well as finance ministers, has been used to reiterate an urgency concerning the implementation of the agreed upon reform.

In 2012, an opportunity to push through the reforms, and thus move beyond rhetoric and accepting the necessary amendments as the only means to get the reforms implemented, presented itself to the BRICS. It all began in January when IMF director Christine Lagarde called on the international community to make 2012 the "year of healing" (IMF, 2012a), and to this end asked the governments of the world for $500 billion so the IMF could do its part in securing recovery from the financial crisis. She acknowledged Europe's role as the epicenter of the crisis, but called on the rest of the world to do its part as well. When BRICS leaders convened in New Delhi two months later, they recognized Lagarde's fundraising effort, but stressed that:

> The ongoing effort to increase the lending capacity of the IMF will only be successful if there is confidence that the entire membership of the institution is truly committed to implement the 2010 Reform faithfully. We will work with the international community to ensure that sufficient resources can be mobilized to the IMF in a timely manner as the Fund continues its transition to improve governance and legitimacy. (BRICS 2013, n.d.b).

In essence they threatened to not contribute towards the joint effort without some sort of assurance that the reforms from 2010 would be implemented.

Soon after they had done this, it became obvious that they had not really discussed or agreed what this meant or implied. The manifestations of this became clear as Russia's Deputy Finance Minister Sergei Storchak disclosed on April 20 2012 that Russia would contribute with $10 billon to the IMF. This was before G20 finance ministers, who were meeting in Washington D.C. the same day, had stated their intentions about the 2010 IMF reforms, i.e. given the assurance that the BRICS had demanded when they met in New Delhi. The move from Russia's Deputy supposedly infuriated Brazilian and Indian diplomats (Wood, 2012). Despite Storchak's comments, the communique from the G20 finance ministers said that "we reaffirmed our commitment to fully implement the 2010 Governance and Quota Reform by the 2012 IMF/World Bank Annual Meeting" (G20 Research Group, n.d.f). This can be read as assurance, but it was also just a reiteration of the same commitment towards implementation made at almost every G20 ministerial and summit since the reforms were approved in December 2010.[42] Assuming that the BRICS had more in mind than the same old commitments from the G20, and that they potentially could have received a bit more from their quid pro quo attempt had it not been for Storchak's move, the BRICS attempt at swapping funds for assurance cannot really be said to be a victory.

When BRICS leaders met again at the G20 Summit in Los Cabos, Mexico, Brazil, India, China and South Africa revealed that they, as Russia, also would contribute. The four countries contributed with $10 billion, $10 billion, $42 billion and 2 billion, respectively (IMF, 2012b). When they released the news of their contribution, they, including Russia, said that "these new contributions are being made in anticipation that all the reforms agreed upon in 2010 will be fully implemented in a timely manner, including a comprehensive reform of voting power and reform of quota shares" (RT, 2012) and that these funds should only be used as a "second line of defense" (Ibid.).

BRIC(S) joint statements, occasional solicitations and quid pro quo attempts aside; by the time of writing the 2010 IMF quota and Executive Board reforms have still not been implemented (IMF, 2014d). All five BRICS countries have accepted both the change in quotas and the rebalancing and restructuring of the Executive Board (IMF, 2014e), but they, as well as the many other countries that have accepted the reforms, still depends on

[42] More or less the exact same phrase was included in the communiques from the G20 ministerials in Washington D.C. in April 2011, in Paris in October 2011, in Mexico City in February 2011, and from the G20 summit in Cannes in November 2011 (G20 Research Group, n.d.g; G20 Research Group, n.d.h; G20 Research Group, n.d.i; G20 Research Group, n.d.j).

congressional approval in the U.S. for its implementation. When the issue was up for discussion in January 2014, Congress – despite the Treasury's and the Obama administration's considerable effort – failed to approve the necessary legislation (Reuters, 2014).

The BRICS have nonetheless, since September 2011, when BRICS finance ministers had a meeting in Washington D.C., called for the planned review of the quota formula and the next round of quota review, to be initiated (Press Information Bureau, Government of India, 2011). The new quota formula was supposed to be ready by January 2013, while the next quota review was supposed to be done by January 2014. Both have been postponed to January 2015, and as long as the 2010 reforms are not implemented, chances are that it will take even longer time (Vestergaard and Wade, 2014).

5.1.1 Explaining the call for more influence

Ultimately the BRIC(S) must be said to have experienced some success in their interaction towards getting more influence in IFIs. The WBG reforms have been implemented, and they are only a congressional approval in the U.S. away from increased influence in the IMF. However, this should not be understood as the BRIC(S) successfully adjusting and coordinating their policies. As I will return to in a bit, except the attempt at swapping funds for implementation of the 2010 IMF reforms in 2012, BRICS interests towards the issue of more influence seem to be more or less in a state of harmony.

Before I support my argument of harmony, it is useful to establish the underlying reasons for the call on more influence in IFIs. On a fundamental level this resonates well with leading perceptions of national interests, especially with Morgenthau's widely established premise of states being power maximizers (Morgenthau, 2006). The IMF and WBG continue to be key institutions in global economic governance, and should thus be a natural arena for the BRICS to want more influence in from a power seeking perspective. By elevating their influence in the IFIs they elevate their general power in the world.

An issue that needs to be addressed in this regard is the fact that South Africa did not elevate their power through the voting reforms in the IMF and in the WBG. Still, this should not be misunderstood as the BRICS having incompatible interests, when this interest is understood as getting more influence in IFIs. It is, however, an argument for the incompatibility of South Africa's narrow interest concerning changes in voting power under the current formulas. Because of this, we should not have expected them to accept the reforms; its government to approve the necessary amendment to implement the changes in the

IMF quotas; or to join in on the familiar BRIC call of implementation, something which they all have done.

There are, however, a few reasons as to why they might find it in their interests to do so. First of all, through the reforms the power gain for emerging and developing countries is much larger than the power loss for South Africa. Even though it is likely that they would have preferred not losing power, the argument can be made that they accept this in return for weakened western influence. A good example in this regard, is that significant decisions in both the IMF and the WBG need an 85% approval rate, and the way it stands now, the U.S., because they hold just over 15% of the total vote in both institutions, in effect decides every major decision. As long as economic power decides voting power, it will take some time until the U.S. drops below the 15 % mark – in fact, the U.S. is actually among those countries that are underrepresented in the institutions (Vestergaard and Wade, 2014) – but China will catch up, and countries such as India, Brazil, Indonesia and others will decrease the gap, meaning that the U.S. will lose its veto power eventually. This is in the interest of South Africa, as well.

Moreover, trying to hold onto their influence and oppose reforms that are very legitimate and widely supported, especially among close associates to South Africa, would send mixed signals and probably hurt their relationship with these countries. Further, South Africa has been a staunch supporter of the larger process of IFI reform, where they have expressed a general wish to change a governance model their Finance Minister, Pravin Gordhan, has described as a "relic of the post-World War II world" (Gordhan, 2011). Even though South Africa does not gain power when the reforms are implemented, the reforms make the IFIs more relevant and less of a relic from a different world.

Another likely reason as to why it is in South Africa's interest to accept and join in on the arguments for implementation and further quota reform is because it might damage their relationship with the BRIC if they stood idle. However, as I will return to in a bit, South Africa also accepted the small power adjustments that took place in 2008, which reduced their voting power as well. This was three years before their interaction with the BRIC began. So even though pleasing the other four countries can be considered as a reason for accepting the reforms, it was probably not the most important reason.

Concerning a rebalancing of the IMF's Executive Board, the same arguments of search for power applies. The rebalancing increases the power of emerging and developing countries in the IMF, since they gain two seats while Europe loses two seats. As it stands now, out of the BRICS, Russia and China have their own executive directors, while Brazil, India and

South Africa share their representative with other countries. The Executive Board has been a particular area of interest for South Africa, and most of their attention towards IMF reform have been focused on increasing the participation of Sub-Saharan Africa at the Board, by securing a third seat for the region (Gordhan, 2011; Patel, 2011). The rebalancing and restructuring agreed to in 2010 does not reserve another seat for Sub-Saharan Africa, but South Africa has nonetheless accepted the changes while continuing pushing for a third Sub-Saharan African director.

The search for power also accounts for the final “theme” discussed above, that of changing the current IMF quota formula. As mentioned, the quota formula accounts for the relative economic position of IMF members, but the way it is structured, Western countries, especially EU members, benefits more than others. This is because “openness”, understood as the level of integration into the world economy, is a key variable that counts 30% when calculating a state’s quota. In this variable, trade between EU members counts while trade between regions in China or states in the U.S. does not. Therefore, Belgium and Netherlands for instance, which have relatively small economies, have a relative large quota, since their economies are so integrated with the rest of the EU (Vestergaard and Wade, 2014). In essence, large countries lose out to smaller ones. In the process of establishing a new quota, the BRICS are therefore strong proponents of a formula that in a larger degree emphasize GDP (counts 50% today), and that includes a variable that accounts for contribution to world growth (Ibid.).

5.1.2 Harmonious rather than overlapping interests

Oye’s argument of “when you observe cooperation, think harmony” (1986) is very relevant in the issue of reallocating IFI influence. The reason for this is that there are no clear evidence that policies towards this end first were conflicting, but then adjusted, when BRIC, and later BRICS, interaction began. The most central evidence in this regard is the already mentioned issue of similar reforms taking place in both the IMF and in the IBRD in 2008, before BRICS interaction really got going.

In the IMF, an adjustment in quotas was endorsed by the Executive Board and Board of Governors in the spring of 2008, before the first standalone meeting between BRIC foreign ministers in Yekaterinburg in May 2008 (IMF, 2008a; IMF, 2008b). In the adjustment, China increased its voting power from 2.9% to 3.8%, Brazil from 1.4 to 1.7%, and India from 1.9% to 2.3%. Russia actually decreased its voting power from 2.7% to 2.4%. South Africa did the same, from 0.9% to 0.8% (IMF, n.d.b). [43] By 2010 all five countries had approved the change in their quota (IMF, 2014f), and the change was implemented in 2011 (IMF, 2011).

In the IBRD, the reforms from 2010 build on reforms endorsed by the WBG's Development Committee[44] in the fall of 2008. The 2008 reforms increased the voting power of developing countries with 1.46%. It was mainly the poorest countries that benefitted from the reforms, and none of the BRICS increased their influence. In fact, all five countries lost 0.01% of their voting power (WBG, 2010b). I have not been able to identify an overview of the governments ultimately accepting the reform, but it has been implemented, meaning that members representing at least 85% of the total voting power have accepted it. In all likelihood this included the BRICS, since the reform was approved by the WBG's Board of Governors[45] with 98.40% approval rate (Development Committee, 2009). This means that, theoretically, only South Africa could have opposed it, since the other four countries each had more than 1.60% of total voting power at the time. South Africa opposing it is however extremely unlikely, especially considering that the reform also gave another seat to Sub-Saharan Africa on the WBG's Board of Directors[46].

These two examples indicate that both BRICS representatives in the IMF and the WBG and BRICS governments acted coherently also before BRIC, and later BRICS, ministers and leaders began meeting each other and releasing joint statements advocating reform. The examples also lends credence to the argument that BRICS interest in reforming the power structure in the IFIs is not limited to only increasing their own voting power – South Africa haven't experienced this in any of the reforms discussed – but increasing the general level of power of emerging and developing countries vis-à-vis the Western world.

The potential gains of defecting further support the argument of harmony. In essence there are none to be had. The consequences of one of the BRIC(S) defecting on the rhetoric, or perhaps more relevant, defecting by not accepting the reforms, ranges from nothing to the group losing some amount of its clout and external impression of unity and an increased chance of continued status quo. The latter would play into the hands of Western powers, which – even though all of them but the U.S in case of the 2010 IMF reform has accepted the

[43] Much of the same line of argument of the legitimacy of the reforms and the interest in reducing the West's influence used to explain why South Africa accepted the 2010 reforms, is relevant as explanation as to why both South Africa and Russia accepted the 2008 reforms.

[44] The Development Committee is a ministerial-level forum in the WBG and the IMF. It has 25 members, who are elected in the same way as members to the Executive Board (see footnote 34). Its main mandate is to advice the Board of Governors of the IMF and the WBG on critical development issues (The World Bank, n.d.)

[45] This is the equivalent to the IMF's Board of Governors (see footnote 40).

[46] The WBG's Board of Directors is the equivalent to the IMF's Executive Board, and is structured the same way (see footnote 35).

reforms – (IMF, 2014e) probably don't mind keeping things as is, as long as they can put the blame for failure to implement the reforms on someone else. The fact that the reforms have been more or less widely accepted also by those that potentially could have offered side payments to induce defection also indicates that such gains never really existed. It is only the U.S., in the case of the 2010 IMF reforms, that potentially would have wanted to induce defection. However, since Obama and the treasury want the reforms to be implemented, and since Congress (which we can assume emphasize issues such as the legitimacy of the reforms less than the U.S. Executive does) can veto it anyway, it is unlikely that any side payments ever were on the table.

Finally, both the WBG and the IMF represent quite established regimes, so we can assume that the payoff structure offers even fewer gains of defecting than what can be identified by looking at the issues isolated, since breaking regime principles and norms would have consequences beyond the issue at hand. Even though the scope of governance reform is subject to disagreement in the IFI membership, a shared principle of the need for reform in general, seems to be the case. The origins of such a shared principle can be traced back to the beginning of the 2000s, and especially since the Annual Meeting in the IMF and the WBG in Singapore in 2006 (IMF, 2006b). Obviously, this does not only apply to the BRICS, but to more or less the complete IFI membership.

5.1.2.1 The notable exception

The notable exception to harmony in the issue of BRIC(S) interaction towards increasing emerging and developing economies' influence in IFIs is their attempt at using Lagarde's fundraising effort in the spring of 2012 as a means to push through implementation of the 2010 IMF reforms. First of all, it is nothing that suggests that the failure of this attempt was because of incompatible interests. As we saw above, Russia increases its voting power when the reforms are implemented. Moreover, Russia is perhaps one of the countries that have been most vocal in getting the reforms implemented. A great illustration of this is the Russian Finance Minister Anton Siluanov's supposed suggestion to implement the reforms without the U.S. (Yukhananov and Kelly, 2014).

Moreover, BRICS' attempt demanded policy coordination, since if they were to stick with what they said; they unilaterally could not contribute to Lagarde's fundraising before there was a common understanding of assurance that the reforms would be implemented. We can also make the case that there are gains of defecting. The situation does not resemble a prisoners' dilemma, since it is reasonable to assume that there is no gain better than having the 2010 reforms implemented. But it does resemble a stag hunt, in that there is a notion that the ultimate payoff only will be reached as long as everyone cooperates (CC). Further, there is also potential for a small gain for the country first to approach Lagarde with funds, since they might get something in return for breaking BRICS unity (DC). Finally, it can be argued that each would prefer to have everyone defecting (DD), i.e. everyone contributes together even though assurances are not given, rather than being the single country that does not contribute when everyone else does (CD), since that country might be punished for their defiance by the IMF later.

We therefore have a situation where our antecedent condition of overlapping interests is present. Thus, weak regime features become relevant. In this specific issue it seems that it is mostly an issue of lacking rules which can explain why their attempt at coordination failed. My reason for claiming this is first that evidence of converging beliefs of fact, causation and rectitude, i.e. principles, is present when it comes to the 2010 IMF reforms. As illustrated by their joint statements, they all agree on the importance of IFI reform in general, as well as in implementing the 2010 IMF reforms. They also agree on why this is important, emphasizing the need to make the IFIs more in sync with global economic realities and increasing participation from emerging and developing countries. Russia does not disagree with this.

Second, beyond principles, the prevailing practice for implementing collective choice, i.e. decision-making procedures, seems to be sufficient in this instance As discussed in the beginning of the chapter, the decision-making procedures in the BRICS framework is rather un-institutionalized, and limited to meetings taking place on a semi-regular basis, but the quid pro quo attempt was discussed and agreed to at the annual summit in New Delhi, where all state leaders were present. There is no reason to believe that the cooperation attempt failed because of inadequate institutional structures, especially considering that this was a relative uncomplicated matter.

Third, concerning norms, it may be argued that the joint statement where they stated their intention indicates an expected behavior along the lines of "we do not contribute with bilateral loans to the IMF before we receive signals that the reforms agreed upon in 2010 will be implemented". Traces of explicit rules are however absent, and I thus infer that a lack thereof might explain why the Russian deputy spilled the beans prematurely. Some might argue that perhaps he knew that the assurance would be given, and therefore though it was OK to disclose that Russia would contribute. Still, the reaction from the Indian and Brazilian diplomats suggests that they had quite another impression.

Except this specific issue, it seems that what have kept the BRICS from robustly cooperating towards increasing emerging and developing economies' influence in the IMF and the WBG is mostly that the issue at hand has not demanded it. Policy coordination and adjustment have not been necessary to realize their shared interest, since their interests seem to have been in a preexisting situation of harmony. However, this does not mean that their joint statements and rhetoric did not ultimately help realize their harmonious interests – it most likely did – but perhaps only in a limited degree. It is not impossible that the results described above would have been the same even if the countries had championed their interests alone instead.

5.2 Increasing the utility of IFIs

Together with the call for more influence, the early BRIC agenda included several issues that in varying degree can be put under the umbrella of increasing the utility of IFIs. All of these issues were laid out in a roadmap for reform presented in the BRIC finance ministers' statement from their meeting in Horsham, in March 2009. Besides calling on restructuring IFI voting power, discussed above, the following issues were highlighted in the roadmap (BRICS 2013, n.d.d):

> We consider that IMF resources are clearly inadequate and should be very significantly increased through various channels. Borrowing should be a temporary bridge to a permanent quota increase as the Fund is a quota-based institution. Hence we call for the completion of the next general review of quotas by January 2011.
>
> We also call for a substantial SDR allocation.[47]
>
> We deem it necessary to develop new credit facilities that could assist countries facing financial problems. Those new facilities would bear new and more flexible approaches to the issue of conditionality and have a precautionary dimension.
>
> The crisis has demonstrated that the Fund must strengthen its surveillance capability. To achieve this goal, we emphasize the importance of better-focused even-handed surveillance across all IMF members, especially in respect to advanced economies with major international financial centers and large cross-border capital flows.
>
> We call for the study of developments in the international monetary system, including the role of reserve currencies. This would help clarify the role of the Fund in the international economy in light of lessons drawn from the crisis.

[47] In addition to being the unit of account in the IMF, Special Drawing Rights (SDRs) is an international reserve asset based on a basket of major currencies. It was created by the IMF in 1969 in order to support the fixed exchange rate system and lessen the dependency on gold and the U.S. Dollar. When the floating exchange rate system later was adopted, the need for SDR lessened, so today it mostly functions as the IMF's unit of account. The allocation of SDRs to members in the IMF is proportionate to their IMF quota (IMF, 2014g). On May 30 2014, $1 equaled SDR 0.65.

> We also call for the swift activation of the IMF's new income model, including the speeding up of the process required for the sale of a portion of the Fund's gold.
>
> To fulfil a countercyclical role in the present circumstances, the World Bank should raise substantive resources from the global capital markets in order to enhance its lending capacity, including in support to trade finance. It will also need to relax the present single borrower limit and provide new funding for infrastructure projects in low and middle income countries.

As is obvious, the issues under the umbrella of increasing IFI utility are quite distinct. It makes sense to organize the issues under the same subchapter, but they cannot be discussed together. So instead of first presenting the issue and its trajectory and then discussing it in the context of interests and, if relevant, regime features as I did above and will in the following two subchapters as well, I have organized this subchapter into five sections (four of the issues is discussed alone, and three discussed together), where both the presentation of the issue and the analysis is done more or less simultaneously.

Before I continue it is useful to note that many of the points discussed below are merely calls on the IFIs to do things rather than issues demanding specific action or behavior on behalf of the BRIC(S). This especially applies to the allocation of Special Drawing Rights, the need for new credit facilities, the call on the IMF to sell some of its gold, the call for studying developments in the international monetary system and to some degree the strengthening of the IMF's surveillance capability. Moreover, several of the points are not specific "BRIC(S) points"; most of them were indeed sound measures in order to mitigate the financial crisis. It is nonetheless useful to discuss these issues, since in sum they make up a significant part of BRIC(S) interaction towards reforming IFIs. However, in terms of interests it is mostly meaningful to explain why it was in BRIC(S)' interest to call for such changes rather than to discuss it in the context of policy coordination. This being said, where relevant I will make the case that the aligning policies we see were to a large degree a result of pre-existing harmony.

5.2.1 Increasing the resources of the IMF

The first point stated in roadmap, the need to increase the resources of the IMF, was acknowledged by fellow G20 leaders shortly after the meeting in Horsham, at the G20 summit in London in April 2009. Here it was decided to "treble resources available to the IMF to $750 billion" (G20 Research Group, n.d.c). Half a year later, when G20 leaders met for the Pittsburgh Summit in Pennsylvania, the trebling – from $250 billion to $750 billion – was implemented (G20 Research Group, n.d.a).

The increase came in the form of a substantial revamping of the IMF's New

Arrangements to Borrow (NAB). The NAB, as well as the General Arrangements to Borrow (GAB), is arrangements the IMF has with states and institutions (mostly national banks) that it can turn to should its resources obtained from the allocation of IMF quotas fall short of the needs of member countries. Currently there are 38 members in the NAB, including all five BRICS countries. The BRIC and South Africa became members in 2009, in conjunction with the increase of NAB funds. In Special Drawing Rights (SDRs), the unit of account used in the IMF, the NAB consists of SDR 370 billion (approx. $575 billion). Out of the five countries China contributes with SDR 31.2 billion, Brazil with SDR 8.7 billion, India with SDR 8.7 billion, Russia with SDR 8.7 billion and South Africa – which was not part of the grouping at the time of their contribution – with SDR 340 million (IMF, 2014h). The NAB funds are kept by each contributor, and first made available when the IMF activates the arrangement. When it does so, it can borrow the amount allocated towards the arrangement from each member. The NAB has been activated a total of eight times since it was implemented in 1998; seven of them taking place since 2011.

At first glance it might seem odd that the BRIC and South Africa decided to become members and contributors to the NAB. They are part of a larger group of countries that are very little interested in utilizing funds from the IMF (Fourcade, 2013), so it can't be explained by a potential need for IMF funds in the future. At the same time, it would not make sense to contribute to the NAB on the basis of needing such help in the future anyways. As opposed to contributing through a quota increase, which would mean increasing the limit of available finance more than the actual increase because members can borrow up to 200% of its quota annually and 600% cumulatively (IMF, 2014a), the NAB funds does not increase the access to finance. From this perspective it would therefore make more sense to hold onto the funds and avoid the risk of potentially dealing with IMF conditionality.

The most likely explanation as to why they contributed is because of what the contribution represented. In the finance ministers' statement from Horsham they underlined that borrowing – such as through the NAB – should only be a bridge to an increase in quotas, "as the Fund is a quota-based institution" (BRICS 2013, n.d.d). Because the IMF is a quota-based institution – quotas decide the amount of voting power, how much each country shall contribute and how much it can borrow from the IMF – increasing IMF funds has generally meant increasing the amount of quotas. Increasing the amount of quotas in turn means that quotas are realigned, since the quota formula is based on relative economic positions in the world. When the IMF turn to arrangements such as the NAB as a means to increase their resources, rather than increase quotas, the status quo in terms of power are kept in the institution. Hence, when BRIC finance ministers called on the IMF to increase its funds, with the caveat that this mainly should be through an increase in quotas, it must be understood in light of their interest in increasing their influence. Viewing the NAB as a "bridge to a permanent quota increase" (BRICS, 2013, n.d.d), it is likely that the decision to contribute to the NAB was based on a notion that this increased their leverage in the institution, and the likelihood in getting what later became the 2010 IMF reforms accepted.

Since the BRIC's decision to propose and contribute towards revamping IMF resources can be explained by the same argument of increasing their IFI influence discussed in the first subchapter, the same argument of harmony of interests should apply as well. Even though the increase in resources was unprecedented, BRIC and South Africa's contribution "fits" with what we previously found to be a more or less autonomous policy of reforming IFIs followed by all five countries before BRIC, and later BRICS, interaction began.

5.2.2 Increasing the resources of the World Bank

As was the case in increasing IMF resources, the need to increase the funds of the WB was also acknowledged by fellow world leaders at the G20 summit in London. In the summit statement it said that they had agreed to "support at least $100 billion of additional lending by the MDBs" (G20 Research Group, n.d.c).

BRIC's and South Africa's interest in increasing the funds of the WB is a bit more complex than what was the case in the issue discussed above. First of all, all five countries utilize WB funds in a significant degree, and are thus likely to continue doing so until they reach a certain level of development. As of today, China has a total of 227 loans in the IBRD, totaling at $31.8 billion, India has 94 loans, totaling at $27.6 billion, Brazil has 133 loans, totaling at $22.2 billion, Russia has 36 loans, totaling at $5 billion, and South Africa has 1 loan of $3.76 billion (WBG, 2014a). Relative to GDP, Brazil is the biggest lender out of the five countries. Their combined loans represent 0.91% of their GDP. South Africa is the second biggest, with their single loan representing 0.63% of their GDP. India then follows with 0.55%, China with 0.23% and Russia with 0.19%.[48]

The fact that the five countries are current borrowers does not necessarily translate into them calling on the WB to increase their resources. However, the issue relating to the financial crisis that perhaps has hurt the five countries the most is the capital flight from their economies. Particularly capital towards key development projects, for instance improving infrastructure, has been hard to come by (Mazundar, 2014). This increases the importance of

[48] These figures have been calculated based on the following GDP figures: China $13.37 trillion, India $4.96 trillion, Russia $2.55 trillion, Brazil $2.42 trillion and South Africa $595 billion (CIA, n.d.).

the WB and other MDBs, which can offer loans specifically towards this end. Realizing that the level of contribution from private capital is uncertain in the future, it makes sense to call on MDBs to increase their resources. Indeed, based on their joint rhetoric it actually seems that this was the case. In the statement from Horsham, BRIC finance ministers also said that "we note that the crisis has led to a massive withdrawal of private capital in 2009 and this is likely to continue in 2010. It is imperative that multilateral financial institutions should expand their lending to offset the massive decline" (BRICS 2013, n.d.d)

The explanation of needing more from the WB in the future is also somewhat backed up by comparing the number of loans granted to the BRIC countries and South Africa pre and post 2009 – which is more or less the time when the effects of the financial crisis started to become notable, as well as the year the BRIC first called on the WB to increase its funds. From 2009-2013 China had 70 IBRD loans approved by the WB's Board of Directors, compared to 51 from 2004-2008. Brazil had 61 and 51, respectively, India had 29 and 26, respectively, and South Africa's single loan was approved in 2010. Russia is the exception with 6 and 8, respectively (WBG, 2014b).

Generally, the WB finance it's lending to its members by selling bonds to private and institutional investors in the many financial markets of the world (WBG, 2012). Similar capital raising arrangements is the case in other MDBs, for instance in the Asian Development Bank (ADB) and the African Development Bank Group (ADBG) (ADB, n.d; African Development Bank Group, n.d). So when the BRIC called on the WB to increase its funds, this can be understood just as much as a call on the Bank to do its part, as something depending and indicating BRIC action. The exception is when members are asked to contribute themselves. This was the case in 2010, when G20 leaders implemented their decision from 2009 to increase the lending of MDBs. In total the IBRD got its general capital (meaning capital from shareholders) increased with $86.2 billion. The tab was distributed onto WB members relative to their amount of shares in the institution.

From one point of view, this might seem counterintuitive. Why call for an increase in resources if this potentially means having to pick up some of the tab? In this respect it is important to note that the amount of contribution is significantly lower than what is, and can, be borrowed. Out of the $86.2 billion, only $5.1 billion was paid-in capital, i.e. what was actually paid to the WB. The rest of the money came as callable capital, meaning guarantees of capital. This is capital the WB can lend against, but only ask to be transferred to the WB in case of an emergency, for instance under the threat of bankruptcy (Moss, Staats, and Barmeier, 2011). The WB has never had to draw on its callable capital. So, excluding the guarantees, what BRIC and South Africa actually paid to the WB in the general capital increase ranged from less than fifty million dollars for South Africa to a couple of hundred million dollars for China, which is only a fraction of what the five countries borrow from the WB. Another point linked to this is that capital contributions towards the WB has a tremendous multiplier effect, a $1 contribution from the U.S., for instance, enables over $30 in new lending (Ibid.).[49] This also explains the general logic of contributing to an MDB even in situations where you are going to need financing from that bank.

Perhaps most important; out of the $86.2 billion, $27.8 billion was tied to the realignment of voting power in the IBRD, where developing and transitional countries (DTCs) increased their voting power with 3.13%. The reason for this is that the WB follows the same logic as the IMF, where voting power and contributions are tied together. So when voting power was realigned, new contributions had to be made, meaning that the BRIC and South Africa had to pay up in order for the changes in voting power to be implemented.

The explanation for the BRIC's call on the WB to increase its funds can thus be understood as a function of them needing the type of finance the WB can offer, coupled with an understanding of perhaps needing more than in previous years in the nearby future. Their subsequent contribution to the general capital increase can also be seen in light of this, as well as in their interest in getting the change in voting power in the IBRD implemented.

So, was this all an issue of harmonious interests? First of all, in principle the call on the WB to increase its funds in itself does not demand joint action from the BRIC, given that the WB usually do this by selling bonds and not by asking for contributions from shareholders. But as we saw above, this was not the case in 2010. Moreover, the increase in the WB's general capital was the first increase in over twenty years (WBG, 2010a), and thus unprecedented. Therefore, it is difficult to evaluate to which degree BRIC policies towards contributing needed to be adjusted, or were originally in harmony.

Nevertheless, two issues point to the latter. Since parts of the increase was linked to the realignment of voting power in the IBRD, BRIC's contribution – as was the case regarding the NAB as well – must be understood in the context of increasing emerging and developing countries influence in the IBRD, which we previously have argued is an issue of harmony. Second, the increase in the general capital was critical for the IBRD to function. Without it, "drastic cuts in the Bank's lending would have been on the horizon" (WBG, 2010d), according to the Chairman of the WBG's Development Committee, Al Khalifa. Based on a

[49] This is based on the U.S. having around 16% of the sharer in the WB, and that the WB maintains a 20 % loan-equity ratio (Moss, Staats and Barmeier, 2011).

notion of harmonious policies towards utilization of WB funds – because the countries borrowed also before they began interacting – we can assume that when it became obvious that the WB needed an increase in their general capital to stay afloat, the initial and autonomous response of the BRIC's was more or less the same, and not something that had to be adjusted to become compatible.

Even though the WB substantially increased its resources in 2010, the countries, also after South Africa joined the group in 2011, have continued calling of the WB and other MDBs to increase their resources, and every summit declaration has included more or less the same point, here from the New Delhi summit declaration:

> In the current global economic environment, we recognise that there is a pressing need for enhancing the flow of development finance to emerging and developing countries. We therefore call upon the World Bank to give greater priority to mobilising resources and meeting the needs of development finance while reducing lending costs and adopting innovative lending tools. (BRICS 2013, n.d.b).

The importance of MDB's was an issue at the fifth summit in Durban in 2013, but then also as parts of the plans to establish a BRICS development bank. I will return to this in the last subchapter.

5.2.3 Improving the IMF's surveillance capabilities

Surveillance of the economic and financial policies of the individual member states in the IMF as well as of the global economy as a whole is one of the key functions of the IMF. Through this surveillance they try to foresee risk and threats to stability, and based on their findings they provide policy advice to those it concerns. Much of the surveillance is done through closely monitoring each IMF member's policies, especially their exchange rate, monetary, fiscal and financial policies. As part of their monitoring, IMF representatives usually meet with member states' governments annually to exchange views, and execute what is known as Article IV[50] consultations.

As we perhaps should expect, the issue of surveillance is a contested one. Which economic and financial features the surveillance should be aimed at, measures and notions for and of what sound economic and financial policies are, and what the implications of the surveillance's results should be, are the most controversial issues.

BRIC's point concerning the need to increase surveillance towards advanced

[50] Article IV in the IMF's charter concerns "Obligations Regarding Exchange Arrangements". It has five sections which in various ways describe the relationship between the IMF and member countries and what is expected in terms of behavior from each part (IMF, 2014c).

economies was nonetheless to some degree acknowledged by their fellow world leaders at the G20 summit in London in April 2009. The summit statement emphasized that the leaders would "support, now and in the future, to candid, even-handed, and independent IMF surveillance of our economies and financial sectors, of the impact of our policies on others, and of risks facing the global economy" (G20 Research Group, n.d.c).

The statement indicated a new surveillance framework in the near future. Out of the BRIC, this was particularly a victory for China, which was very unpleased with the existing framework. This framework, which had been adopted in 2007, included features which indirectly put China's supposed practice of currency manipulation in the line of fire. The features were proposed and championed by the U.S. and basically instructed IMF staff to employ a methodology in their surveillance bound to result in criticism of Chinese monetary policies (Brütsch and Papa, 2013, p. 314).

The positive signals from the G20 statement became concrete results in June 2009, when the IMF revised its 2007 surveillance decision, most notably by removing "the requirement [for IMF staff] to use specific terms such as "fundamental misalignment"" (Brütsch and Papa, 2013, pp. 315-316) in their surveillance. Then, in 2012, larger revisions were introduced when the Integrated Surveillance Decision (ISD) was adopted. Regarding BRIC's demand of special attention towards advanced economies, the ISD can be seen as a compromise between advanced and emerging and developing economies. The most important change from the old to the new framework was the new focus on multilateral surveillance and the effect a member's policies has on conditions outside its own borders. Specifically, the new framework "allows the IMF to discuss with a member country the full range of spillovers from its policies when they may have a significant impact on global stability" (IMF, 2013). This does not directly answer to BRIC's request, but emphasizing multilateral issues in a larger degree opens up for relatively more focus on advanced economies than less advanced economies, because the former tend to have a greater "impact on global stability" (Ibid.) than the latter.

Why the BRIC would want more attention towards advanced economies is rather obvious. Better surveillance of advanced economies means more information about, and scrutiny towards, these economies. More information means that the BRIC can better insulate themselves from shocks from these advanced economies' markets, while more scrutiny means that the risk for such shocks becomes smaller. By the same token, it is natural that advanced economies, i.e. the Western world, would oppose increased surveillance towards their economies due to considerations of sovereignty and autonomy.

Regarding harmonious or overlapping interests, Brütsch and Papa describes the decision to include the surveillance point in the BRIC statement from Horsham as Brazil, Russia, and India "formally endors[ing] China's call" (2013, p. 315) for increased surveillance of advanced economies. The reason for this is the 2007 surveillance decision and the currency dispute between China and the U.S, which the point in the joint statement must be seen in light of. When China was faced with the proposed amendment in 2007, they argued that this was not only features that would hurt China, but emerging and developing states in general. Based on this, they called on the emerging and developing world to help them block the amendment. These attempts ultimately failed. This failure can in turn be used as an argument for disagreement between the BRIC in 2007, and thus policy coordination taking place in 2009. However, at the time of the 2007 decision, BRIC only held 11% of total voting power in the IMF – well below the needed 15% to block significant decisions. Coupled with the fact that transcripts and minutes from meetings in the IMF's Executive Board are confidential, it is, as Brütsch and Papa also acknowledge "impossible to verify how far the other BRICs … [went] in supporting China's demands" (2013, p. 315).

Moreover, the issues in which Brütsch and Papa (2013) doubts the level of BRIC unity is not directly the same as the issue of increasing surveillance towards advanced economies. There is nothing that suggests that Russia, India and Brazil cannot want a bit more scrutiny towards China's currency policy and at the same time want to increase surveillance towards advanced economies.

Another important point is that the world was a fundamentally different place in 2009 than in 2007. Assuming for a moment that BRIC's policies towards surveillance of advanced economies actually were in discord in 2007, chances are that they were adjusted all by themselves because of the financial crisis, and not specifically because of the BRIC framework and China's effort. With the financial crisis as backdrop, it makes perfect sense for all four countries to autonomously have adopted a policy of better surveillance of advanced economies.

And even if there were some adjustments taking place, and Brazil, Russia and India were persuaded by China to push for better surveillance towards advanced economies, the potential gains of defecting still points to a situation of harmony. Albeit, since the issue of surveillance represents a conflict of interest between advanced states on the one hand and emerging and developing countries on the other, there are actors that can provide gains for defecting – the U.S. could for instance provide incentives for Brazil, India and Russia not to join China's bandwagon – it is unlikely that there was much to be gained in this specific situation. First, it is difficult to identify gains larger than more scrutiny and information towards advanced economies – depending on this ultimately leading to less financial volatility for the BRIC – being offered by the U.S. or some other advanced economy. Second, the U.S. alone and the EU alone have enough voting power to block any major decision in the IMF, so it does not make sense for them to spend resources getting one or more of Brazil, Russia and India to defect – except in a situation where they cared about legitimacy and wanted to have broad support of their stance.

In sum, the doubts of policies actually being coordinated as well as the presumed absence of gains from defecting points towards harmonious interests.

5.2.4 Allocation of IMF Special Drawing Rights

SDRs – beyond being the unit of account in the IMF – functions as an international reserve asset. It is not a currency in itself, or a claim towards the IMF, but rather a claim towards the "freely usable currencies of IMF members" (IMF, 2014g). This means that an IMF member can exchange their SDRs with another member's usable currency, and thus increase its liquidity.

BRIC's call on a "substantial SDR allocation" (BRICS 2013, n.d.d) was also acknowledged and endorsed by fellow G20 leaders when they met in London in April 2009 (G20 Research Group, n.d.c). Only a few months later, in late August and in the beginning of September, one general allocation and one special allocation was made, increasing the amount of SDRs from 21.4 billion to 204 billion (equivalent to approx. $316 billion as of March 2014) (IMF, 2014g). The SDRs was allocated to individual IMF members based on their quota amount. Based on individual needs, they could either use it or hold onto it.

The allocation in 2009 took place to mitigate the effect of the financial crisis, and is a much more trivial issue than those previously discussed. No further explanation as to why the BRIC would want SDR allocation was given in the statement, but the reason for why the BRIC countries called for it is not particularly difficult to deconstruct: it would increase their own foreign reserves and, perhaps more important, help curb the financial crisis. It is thus obvious that this was not an issue that was particular contested, and something that was in the interests of most of, if not the whole, membership in the IMF.

Since the situation was extraordinary and unprecedented,[51] no previous policies on the matter can be expected to have existed. This way it may be argued that policies had to be

[51] Beyond the relative increase being huge, this was only the third general allocation in the history of SDRs. The previous took place in installments from 1979-81. It was also by far the largest; the other two only amounted to SDR 9.3 billion and 12.1 billion respectively (IMF, 2014g).

coordinated. It is nonetheless a bit awkward to discuss if this was the case, since there is no reason to believe that individual BRIC members' attitude towards SDR allocation had to be adjusted to become more in line with one another, since the upside to the allocation is so obvious and the downside so hard to find. Again, this applies not only to the BRIC but to the whole membership.

By the same token, it is difficult to find any gains from defecting, i.e. resisting SDR allocation. When SDR allocations take place, the SDRs are offered "costless and unconditional" (IMF, 2014g) by the IMF. In other words, there are no resources that can be saved should the allocation not take place. It is also hard to imagine any rewards to be had by resisting the allocation, not to say who should be expected to provide them. Had the SDRs been injected into the global economy the same way as a national bank injects money into its national economy, it would have been another issue, since we could expect some states opposing the allocation due to inflationary considerations. This is not the case, though.

5.2.5 The call on the IMF to introduce flexible credit facilities, study the international monetary system and implement its new income model

Beyond the four more or less substantial issues discussed above, three of the seven points presented in Horsham – although relevant under the umbrella of increasing IFI utility – are too trivial and general in order to meaningful discuss them as attempts at joint action, and consequently in the context of policy coordination. This being said, it is nonetheless useful to try and explain, from the perspective of shared interests, why the BRIC emphasized these three issues in their joint statement.

The first of these three issues concerned the IMFs credit facilities, where they called for new facilities that were flexible in terms of conditionality.[52] From the point of view of BRIC interests, this point actually is a bit difficult to explain, since, based on their general resistance towards borrowing from the IMF, they are unlikely to ever utilize such facilities themselves. This being said, the IMF introducing such facilities is not incompatible with BRIC interests. The statement in itself does not indicate a special contribution from the BRIC (although the subsequent contribution to the NAB can be linked to this), and it is not much more than a call on the IMF to implement facilities that are not as demanding in terms of conditionality. Moreover, the cost of including such a point in their joint statement, measured in political capital, is miniscule. Thus the potential gain does not need to be particularly large either, since the investment is so small. Based on this logic, the following two explanations

[52] See footnote 11 for more on IFI conditionality.

seem plausible: first, such facilities would probably help mitigate the financial crisis, which obviously is in the interest of the BRIC countries (and as with the SDRs, in the interest of every other state in the world as well). Second, calling on the IMF to ease conditionality is both part of the general argument of "reforming the IMF", as well as an act of solidarity with low income countries that are not in a position of saying no to financial assistance from the IMF.

The second of these three issues concerned the international monetary system, where the BRIC called for the IMF to study its development, including the role of reserve currencies. First of all, this statement does not really reveal a specific agenda, since it merely calls for the issue to be studied by the IMF. Later statements have been along the same lines, and they only seem to share the general notion that the world needs a "broad-based international reserve currency system providing stability and certainty" (BRICS, 2013, n.d.d). In fact there have been many indications that the BRIC(S) to some degree have incompatible interests when it comes to reserve currencies, especially concerning their view of the U.S. Dollar.[53] However, this has not really been an issue where the BRIC, and later BRICS, have stated or strongly indicated their intentions to cooperate, and is also somewhat outside the issue of reforming IFIs. Therefore, I will not expand any further on this issue here.

The third of these three issues called on the IMF to swiftly sell some of its gold and activate its new income model. This is perhaps the most trivial of all seven issues on the roadmap from Horsham, and was just a call on the IMF to implement rather uncontroversial and uncomplicated measures already agreed to in the membership. The new income model referred to was endorsed by the Executive Board in April 2008. It was aimed at putting the institution on a "solid financial footing" (IMF, 2008c), and secure future sustainably. To this end, the selling of some of the IMF's gold holdings was the key element. In December 2010, the IMF sold 403.3 metric tons of gold, approximately one eight of their holdings (which is the third largest in the world). Most of the funds raised from the sale were put in an endowment aimed at providing future financial stability for the institution, while a proportion were used to subsidize financing for low-income countries (IMF, 2014i).

[53] A thorough analysis of BRICS' approach to reserve currencies is offered by Brütsch and Papa (2013). Of the BRICS, Russia has been the most vocal in changing the current system where the U.S. Dollar serves as the world's main reserve currency. China has also voiced their discontent with Washington's exorbitant privilege, but has threaded carefully due to competing considerations, while India, Brazil and South Africa have been lukewarm in calling for change (Ibid.).

5.2.6 Harmonious interests

With increasing the resources of the IMF and the WBG as exceptions, the points discussed above under the umbrella of increasing the utility of IFIs are issues that did not demand or suggest joint BRIC(S) action of any significant kind. Most issues discussed were just calls on the IFIs to do their part to mitigate the effect of the financial crisis. Moreover, several of the issues highlighted were indeed sound measures that would benefit the IFI membership as a whole, and not issues that represented a specific conflict of interest between BRIC(S) on the one hand and the developed world on the other. These issues therefore range from being issues of BRIC(S) harmony to being issues of more or less global harmony.

At the same time, it is useful to see every BRIC(S) call towards the IFIs to increase their utility and strengthen its function as a means to elevate their general influence level. As Brütsch and Papa sums up nicely, here with regards to the IMF:

> For many, the call to strengthen the IMF added insult to injury [cf. conditionality] … Yet among the BRIC(S), neither the G20 nor the IMF was particularly controversial. Each of the five countries had a seat at the relevant tables, and … each recognized the Fund's usefulness … At the diplomatic level, moreover, the BRICS had little to lose. Their efforts to strengthen the IMF would either flounder and expose western obstinacy, or succeed and entrench them more firmly in one of the prime sites of global economic governance. (2013, p. 314)

5.3 Ending the West's stranglehold on IFI leader positions

Traditionally there has been a tacit agreement that the IMF leader is European and the WBG leader American. This tradition goes all the way back to the establishment of the two institutions, in the mid-1940s. Including the now Managing Director of the IMF, the French Christine Lagarde, there have been five directors from France, two from Sweden, and one from Spain, Germany, Netherlands and Belgium.

As the issues discussed above, the BRIC first jointly challenged this norm when their finance ministers met for the second time in Horsham, in March 2009. Here they said that "it [is] … imperative that the next heads of the IMF and the World Bank be selected through open merit-based processes, irrespective of nationality or regional considerations" (BRICS, 2013, n.d.b). The same message was repeated when BRIC leaders met for the first time in Yekaterinburg some months later, and in various forms in almost every joint statement from both leaders and finance ministers since then, also after South Africa became part of the grouping.

The need to have a merit-based, open and transparent process was also something that was acknowledged by fellow G20 leaders at the Pittsburgh summit in September 2009, and they agreed the that the next change in leadership should be handled in such a manner (G20

Research Group, n.d.c).

The first change in IFI leadership after interaction between the BRICS began took place in May 2011, when the Managing Director of the IMF, the Frenchman Dominique Strauss-Kahn, stepped down after allegations of sexual assault on a hotel employee in New York. He was arrested on May 15 and resigned his position on May 18. Six days after he resigned, the directors representing the BRICS at the IMF's Executive Board released a joint statement laying out their "common understanding concerning the selection of the next Managing Director of the International Monetary Fund" (Reuters, 2011). In the statement they mainly reiterated familiar points of merit and transparency, but they also criticized European officials for indicating that the next leader should be European, and reminded them of previous statements by Jean-Claude Juncker, the then president of the Eurogroup of finance ministers, which in the context of the previous election had said that Strauss-Kahn probably would be the "last European to become director of the IMF in the foreseeable future" (Ibid.).

According to the BRICS representatives' rhetoric, you might expect the five countries to present a candidate of their own, or jointly endorse a candidate that challenged the established norm of the leader being European. None of this happened however, and soon there was two main contenders that materialized themselves and was shortlisted; Lagarde and Augustin Carstens, Governor of the Bank of Mexico.

The power to elect an IMF leader has been outsourced from the IMF's Board of Governors to the Executive Board. If needed, the Board can select a candidate by the casting of votes, but they aim for consensus and, according to the organization itself, this has "been the case in previous selection rounds" (IMF, 2014j). Deliberations in the Executive Board are not disclosed so we cannot now the exact positions of the various directors when the issue of who should replace Strauss-Kahn was discussed. Emphasizing BRICS rhetoric, you would expect Carstens to be their preferred choice, based on the simple reason that he is not European. Nevertheless, China, Russia and Brazil all publicly backed Lagarde before the executive directors met to take the final decision (Beattie, 2011; Versiani and Marcello, 2011; Ria Novosti, 2011). Reports from India in the build up to the election suggested that they would do the same when the executive directors would meet, something that was confirmed by India's finance minister, Pranab Mukherjee, after Lagarde had been chosen (moneycontrol.com, 2011). Since the decision to go with Lagarde presumably was made in consensus, South Africa could not have opposed her candidacy. Their Finance Minister, Gordhan, also expressed his support for her appointment after she was elected (Miti, 2011).

When push came to shove, the BRICS were unable to rally around a viable candidate to challenge Europe's inevitable bid for the position and business as usual, in the form of anther French leader, prevailed.

In the aftermath, the extraordinary situation has been blamed for the outcome. The change in leadership was not scheduled. It was only a matter of days from the time Strauss-Kahn's resignation became an option till he actually resigned. Indian and Brazilian diplomats said that they were caught by surprise and didn't have time to coordinate a joint approach between them, but so was the U.S. and the EU, argues Stuenkel (2011), and they were able to quickly endorse the candidacy of Lagarde. Moreover, the joint statement from the BRICS directors in the Executive Board concerning the election, weakens the credibility of the excuse of having too little time to coordinate between them, even though it probably still mattered in some degree, since such a decision need to be coordinated by governments, not only diplomats.

The next change in IFI leadership after the BRICS had expressed their aim of ending the West's privilege, took place in 2012, when the time came to find a successor to the WBG leader Robert Zoellick. As opposed to the extraordinary departure of Strauss-Kahn, it had been known for quite some time that Zoellick was going to step down after his first five year term. The BRICS thus had plenty of time to agree on a candidate to back. The New Delhi summit, in late March, was also conveniently scheduled in the build up to the election, which was scheduled for late April. The BRICS would have little else to put the blame on other than disagreement should they fail to identify a candidate they could all endorse.

By the time of the New Delhi summit, three candidates had already materialized. If this was the reason that the BRICS did not present a "BRICS candidate" is difficult to know. Notably they did not use the opportunity the summit represented to reach a conclusion on who to jointly back by the three nominated candidates either. They merely said that "we welcome the candidatures from developing world for the position of the President of the World Bank" (BRICS 2013, n.d.b), without mentioning a specific candidate. The developing world candidates they referred to was the Latin American nominee, previous Finance Minister of Colombia, José Antonio Ocampo, and the African nominee, Finance Minister of Nigeria, Ngozi Okonjo-Iwela. The third candidate was the American nominee, the president of Dartmouth College, Jim Yong Kim.

A week later, attempts at agreeing on a common candidate were confirmed, when the Brazilian finance minister Guido Mantega disclosed that "we [Brazil] are working for the BRICS to have a joint position" (Otoni and Soto, 2012). By the time Mantega made these statements it was clear that South Africa was backing the candidacy of Okonjo-Iweala. The other BRICS had not decided, but in essence South Africa's early backing of Okonjo-Iweala meant that in order for the BRICS to act as a bloc, the remaining four countries would have to back Okonjo-Iweala as well.

Ultimately the attempts at coordination failed. Shortly after Mantega's statement, Russia came out publicly backing Kim's candidacy (Harding, Fontanella-Kahn and Leahy, 2012). This was not something they had run by the other BRICS beforehand – in fact according to an Indian diplomat the Indian Government had first heard about Russia's decision in the media (Stuenkel, 2012). After Ocampo stood down and gave his support to Okonjo-Iweala, it became a race between her and Kim. In addition to Russia, sources close to the WBG's Board of Directors said that China and India also backed Kim in the deliberations (Bridges, 2012). In the end it was only Brazil that joined South Africa in voting for Okonjo-Iweala, which got around 18 % of the total vote (Harding, England and Leahy, 2012). Kim thus won, and by doing so became the 12th American to lead the Bank.

5.3.1 Weak overlapping interests and weak regime features

The attempts at agreeing on a joint position in the case of both IFI leader elections, which presumably – based on joint and individual members' statements – was the BRICS' ambition, ultimately failed. In case of the IMF election, all, except some doubts concerning the extent of South Africa's support, ended up backing Lagarde – a candidate they only a month before had been critical of. In the case of the WBG election, Brazil and South Africa supported the non-Western option, while the Asian BRICS supported the Western one. In both instances they failed to put forth a candidate of their own.

These failures can be analyzed from two perspectives. The first perspective is from incompatible interests. The second is from weak regime features, given that there actually were overlapping interests.

First, regarding the issue of putting forth their own BRICS candidate, it can, from the perspective of increasing their IFI power, be argued that their interests were overlapping. Having a leader from the non-Western world is in general more likely to address the needs, goals and ambitions of the non-Western world than a Western candidate. To identify and rally around a shared candidate thus makes sense, since it can be assumed that such a candidate would be more sensitive to BRICS' interests, should that person ultimately be elected At the same time, and contrary to this, Stuenkel has a very valid point when he, in the context of Lagarde's early bid for the IMF position in 2011, argues that:

> The hard truth is that finding a "BRICS-candidate" might be all but impossible given the BRICS members countries' often differing opinions, strategic interests and points of view. China, the world's second largest economy and the IMF's third largest contributor (after the United States and Japan), may see little difference between a French and a Mexican candidate. In the same way, Brazilians may feel no incentive to spend political capital in a fight for a Singaporean candidate. Brazil may even seek to undermine an Argentinean or Mexican candidate, in the same way that India may prefer a European to a Chinese Managing Director. (2011).

Obviously, this argument also applies to the failed attempts at agreeing on a candidate among someone that was not their own picking, such as in the case of Lagarde vs. Carstens and Kim vs. Okonjo-Iweala.

In the former, it is likely that Brazil never really thought seriously of backing Carstens, even though they welcomed his bid for the position (Colitt, 2011). After they had backed Lagarde, Brazil said that they had done so much because of her commitment to IMF reforms (Versiani and Marcello, 2011). China is also believed to have backed Lagarde because they thought she would be more successful than Carstens in getting the 2010 IMF reforms implemented (Beattie, 2011). It is likely that at least India and Russia shared the same sentiment. When Lagarde was elected, India's finance minister said that she was "eminently suited" (moneycontrol.com, 2011) for the job, while Russia's finance minister said he thought she had "all the necessary qualities" (Rushe and Chrisafis, 2011).

In sum it seems that the reason for why Lagarde was backed and not Carstens, mainly was an issue of Lagarde serving the interests of the BRICS, at least the BRIC, better than Carstens. So the failure to back the non-Western candidate was most likely not a function of weak regime features, but simply that it was not in their interest to back Carstens.

Some of the same logic applies to the race between Kim and Okonjo-Iweala as well, but with a few central caveats: Okonjo-Iweala was widely acknowledged as a much more qualified candidate than Kim, while Lagarde and Carstens was seen as more or less equally qualified candidates (Stuenkel, 2012). Moreover, the fact that South Africa – the only country among the BRICS that could be blamed for having geopolitical aversions against a candidate from Nigeria – backed Okonjo-Iweala from the get go, meant that there were no conflicts of interests such as the one between Brazil and Carstens in the IMF election. Finally, even though reforms in the WBG is still very much on the agenda, there was no single issue, as the 2010 IMF reforms was in the IMF election, that could have been decisive in the BRICS countries' decision regarding who to support. So in sum there are not many good reasons as to why the Asian BRICS did not back Okonjo-Iweala – even though the opposite argument of there being few good reasons as to why they should back her, beyond her being non-Western and believed to be more qualified, also is valid. The level of overlapping interests should nonetheless be high enough in order to discuss the problem of weak regime features in a meaningful way.

As in most elections, key stakeholders are approached and courted by candidates that try to appear as attractive as possible. Thus, beyond the obvious need for policy coordination, there are potential gains from defecting since defectors might secure special treatment. In game theoretic terms, we may say that the issue of backing Okonjo-Iweala resembles a game of stag hunt, where cooperation (CC) is the best option, but will only be secured if everyone believes that the others will cooperate as well. It is not unreasonable to assume that uncertainties regarding Brazil's,[54] India's, and China's commitment to Okonjo-Iweala, gave an incentive for Russia to publicly defect (DC), with hopes of getting special treatment from Kim in return, should he be elected – which Russia must have assumed to be likely at that time. The same argument applies to China and India, which defected when the selection of a candidate was discussed in the WBG's Board of Directors, albeit in a much lesser degree since they did not defect publicly beforehand.

So, which weak regime pillar(s) proved decisive in the failure to jointly back Okonjo-Iweala? – Most likely a combination of weak rules and in lesser degree weak norms.

Concerning decision-making procedures, we should expect that the New Delhi summit represented sufficient institutional structures to help coordinate a relatively simple matter. Concerning principles it can be argued that the joint statement emphasizing an "open and merit based selection method, irrespective of nationality, for the heading positions of the IMF and the World Bank" (Ministério das Relações Exteriores, 2010), coupled with various other statements, such as those from the BRICS' IMF directors regarding the IMF election, indicate a shared belief of fact and rectitude regarding the importance of electing a non-Western candidate.

Concerning norms, it may be argued that the statement "we welcome the candidatures from developing world for the position of the President of the World Bank" (BRICS 2013, n.d.b) indicate an expected behavior of backing Okonjo-Iweala, or Ocampo for that matter, but this is a stretch. Another example is the statement from the Brazilian Finance Minister Mantega when he said that "we are working for the BRICS to have a joint position" (Otoni and Soto, 2012), which sends a message – at least from Brazil's side – of an expected common approach. But again, it might be a stretch to define it as a shared norm.

[54] Even though Brazil ended up supporting Okonjo-Iweala, they were long linked to Ocampo. Russia also released the news that they were backing Kim the same day Ocampo withdrew, on April 13 2012.

Finally, there are no indications or evidence of rules being formulated and agreed to by the BRICS towards backing a candidate from the emerging or developing world as the next head of the World Bank Group.

Even though low levels of overlapping interests likely represent significant parts of the explanation as to why the BRICS did not put forth a candidate of their own in neither election, it is reasonable to assume that their interests to some degree are overlapping, and that weak regime features offer parts of the explanation as well. In this regard, although the issue of weak rules and norms highlighted in the case of backing Okonjo-Iweala obviously is relevant here as well, it is plausible that the low level of BRICS institutionalism, i.e. weak decision-making procedures is the most important factor.

Unlike deciding whether to back a specific candidate or not, identifying and then agreeing on one out of many is quite time consuming and demanding in terms of resources. This was also what Indian and Brazilian diplomats hinted to in the aftermath of the abrupt departure of Strauss-Kahn. This does not mean that institutionalism beyond semi-regular summits and meetings would automatically facilitate the process of putting forth a BRICS candidate – but it would have offered a platform where potential candidates perhaps could have been identified more rapidly, and made the subsequent bargaining more efficient.

Should they ever present their own candidate, chances are that the next leader of either IFI is this candidate, since, as Stuenkel argues; "while Europe and the United States have enough votes to push through any candidate, it would have been difficult for them to reject a viable choice who enjoys full support of China, India, Brazil, Russia and South Africa" (2011).

5.4 A BRICS Development Bank and Contingent Reserve Arrangement

The reforms from 2010 in both IFIs were supposed to increase the influence and power of emerging and developing states vis-à-vis the developed world. Four years later, the IMF reforms are still not implemented, while the reforms in the IBRD have failed to substantially increase the influence of emerging and developed states vis-à-vis the developed world. In fact, an analysis by Vestergaard and Wade show that because countries that clearly do not fit the label of developing and transitional countries (DTCs) were put in that category, the gain in voting power for actual DTCs was smaller than the 3.13% that changed hands (2014). Moreover, if the U.S. Congress ever deems it fit to approve the necessary legislation to implement the IMF reforms, the real change between developed and emerging and developing countries will be much smaller than the 6 % that is indicated, because the change is also from overrepresented countries to underrepresented countries. The G7 for instance loses only 1.8 % of their aggregate voting power (Ibid.).

Impatience, defiance, the need for complimentary structures, or most likely a combination of the above, have led to attempts from the BRICS at creating similar structures as the Bretton Wood Institutions. The first of these structures is a BRICS development bank. The idea of such a bank first surfaced when BRICS finance ministers met at a G20 ministerial in Mexico in February 2012 (Leahy and Lamont, 2012). At the New Delhi summit one month later, BRICS leaders said that they had tasked their finance ministers with evaluating the feasibility and viability of a joint development bank (BRICS 2013, n.d.b). The decision to establish the bank was then announced at the fifth BRICS summit, in Durban in March 2013. In their joint statement concerning their decision, they said that:

> We [consider] that developing countries face challenges of infrastructure development due to insufficient long-term financing and foreign direct investment, especially investment in capital stock. This constrains global aggregate demand. BRICS cooperation towards more productive use of global financial resources can make a positive contribution to addressing this problem … [the] development bank [will mobilize] resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, [supplementing] the existing efforts of multilateral and regional financial institutions for global growth and development … The initial capital contribution to the bank should be substantial and sufficient for the bank to be effective in financing infrastructure. (BRICS, 2013, n.d.e)

Beyond the justification of the bank, they did not disclose any details. The level of enthusiasm was nonetheless very high and the leaders applauded the initiative. Xi Jinping, China's newly chosen president, said for instance that "the potential of Brics development is infinite" (England, 2013). Many observers were however quick to point to the obvious issues the BRICS failed to address: what should the start-up capital be, how much should each country contribute and where should it be located. Calls for such details were perhaps premature, and we should be careful in reading too much into it, since the decision to move forward with the plans seemingly was made in Durban.

However, by the time of writing, over a year after the Durban summit, official information concerning the bank has been rather limited. The joint statement from Durban concluded with saying that the leaders would review the progress with the bank when they met in September 2013, for the G20 summit in St. Petersburg. When they met there, a media note on their informal meeting said that "progress has been made in negotiating its [the bank's] capital structure, membership, shareholding and governance. The Bank will have an initial subscribed capital of US$ 50 billion from the BRICS countries" (Ibid.). Then in, April

2014 when BRICS finance ministers met in Washington D.C., on the sidelines of a G20 ministerial, South Africa's Finance Minister Gordhan said that the five countries had "made very good progress on the new development bank and most of the formal documentation is ready … there will be a few issues left, which will be resolved between now and the middle of July when we hope the summit [in Fortaleza, Brazil] will take place" (Kelly and Simao, 2014).

Probably based on the same mix of purpose as the development bank, the BRICS have also decided to establish a joint Contingent Reserve Arrangement (CRA). This reserve arrangement will function as a financial safety net, and may solve short term liquidity crises, and stop them from becoming full-fledged financial crises, since the arrangement rapidly can increase the liquidity of a BRICS member in need. The funds of the CRA will be kept by each country as part of their own reserves, and "only in moment of crisis in one of the member countries' economies will the contingency fund begin to operate, acting as a cushion or back up" (Stuenkel, 2013d).

The idea of the CRA was first stated on the sidelines of the G20 summit in Los Cabos, Mexico, in June 2012. BRICS leaders tasked their finance ministers with evaluating its feasibility, and after receiving promising signals, they decided to move forward with the plans. As with the development bank they announced the news at the summit in Durban. In their statement they said that:

> The establishment of a self-managed contingent reserve arrangement would have a positive precautionary effect, help BRICS countries forestall short-term liquidity pressures, provide mutual support and further strengthen financial stability. It would also contribute to strengthening the global financial safety net and complement existing international arrangements as an additional line of defence. We are of the view that the establishment of the CRA with an initial size of US $ 100 billion is feasible and desirable subject to internal legal frameworks and appropriate safeguards. (BRICS 2013, n.d.e).

No timeline and further details were provided, but the finance ministers and central bank governors were tasked to move along with the plans.

When BRICS leaders disclosed the planned amount of start-up capital for the development bank in St. Petersburg in September 2013, they also made the share of contributions towards the CRA known: China is to provide the bulk of the money with $41 billion, Brazil, India and Russia will contribute $18 billion each, while South Africa will contribute with the remaining $5 billion (Subramanian, 2013).

By the time of writing the last official news concerning the CRA was given in April 2014, in relation to the BRICS finance ministers' meeting in Washington D.C. Here, Brazil's

Finance Minister Mantega said that “we’re … almost 90 percent of the way towards agreement. Formal documents are ready and we have the basis to reach 100 percent agreement before the summit [In Fortaleza, Brazil, in mid-July]” (Kelly and Simao, 2014).

5.4.1 Rationale, degree of overlapping interests and gains of defecting

The rationale behind the two BRICS IFI structures is, as indicated above, a combination of the two main recurrent themes in the issues discussed thus far: increasing influence and increasing IFI utility. As perhaps should be expected, it is the latter reason that have been emphasized by the BRICS themselves, as illustrated in their joint statements above. Arguments concerning its economic utility, especially regarding the development bank which has been subject to most attention, have also been underlined by notable observers, such as from Joseph Stiglitz, who has argued that:

> A new development bank is clearly needed. The infrastructure requirements in emerging-market economies and low-income countries are huge — 1.4-billion people still have no reliable electricity, 900-million lack access to clean water and 2.6-billion do not have adequate sanitation. About 2-billion people will move to cities in the next 25 years … To meet these and other challenges, infrastructure spending will have to rise from about $800bn to at least $2-trillion a year in the coming decades or it will be impossible to achieve long-term poverty reduction and inclusive growth. (Stern, Stieglitz, Bhattacharya and Romani, 2013).

However, if increased utility was the main factor, a central question arises: why not just give the money to the WB and the IMF, which in essence performs the exact same function, and avoid the hardship of establishing new institutions? Stuenkel argues that “while emerging powers seek a larger role within the existing framework [Bretton Woods Institutions], they do not feel established powers are willing to provide them with the adequate power and responsibility” (2013d). It is therefore reasonable to assess the development bank, and also the CRA, as just as much a function of revisionism and wanting more influence than of increasing IFI utility per se.

This being said, chances are that the five countries assess the importance of these two functions differently. In relative terms, South Africa is the country likely to emphasize the economic function the most. They have the smallest economy and thus the potential for greatest utilization. On the other end, China is the country most likely to emphasize the revisionary and increased influence function the most, since their relative economic utilization will be miles below that of South Africa, an economy twenty times smaller than China’s. This is perhaps especially true with regards to the CRA. As mentioned in the introductory chapter, China has the largest reserves in the world, totaling $3.8 trillion. A CRA of $100 billion, where China themselves provides almost half of it, will not make much of a difference for

China. However, the nature of the global economy is such that the insolvency of a bank in Johannesburg can, in time and indirectly, severely hurt the Chinese economy. So even though the CRA does little to increase China's financial safety directly, it increases it indirectly by creating a security net that can contain crises in the other BRICS and thus stop such crises from spreading and in time hurt the Chinese economy.

Based on India's, Russia's and Brazil's relative economic size compared to China and South Africa, we should expect them to be more or less in the middle on the economic utility-revisionism scale, perhaps closer to China – depending on how large the development bank ends up being in terms of capital.

Regarding the point of revisionism, a final and important note is that even though the two institutions about to be established represents a significant wakeup call towards the Bretton Woods Institutions, both – based on the signals given thus far – will be quite small in relation to the IMF and WB and as a result not a direct challenge towards them, at least not in the immediate future.

5.4.2.1 The Development Bank

Even though the five countries most likely emphasize the relative importance of the bank's two main functions differently, their fundamental interests in establishing the bank seem to be overlapping. However, this does not mean that the process is, or have been, particularly smooth. Quite the opposite, it seems that there are several conflicts and hurdles that have been, and continue to be, central in the process.

The main conflict seems to be the issue of the structure of contributions. This is not just an issue of how big or small the bank should be. It is just as much an issue of how relative power between the BRICS countries will be allocated in the governance of the bank. A big bank in terms of capital would mean unequal contributions. For instance, South Africa does not have the resources to contribute, say $50 billion, in order for the bank to have a total startup capital of $250 billion and equal voting power (there have been no indications that the bank will not have a weighted power structure).

The first sign of conflict regarding the structure of contributions came in August 2013, when an Indian official disclosed that when the issue had been discussed between BRICS representatives earlier the same month, China had proposed $100 billion in start-up capital and sought a bigger share than the other four countries (Sahu, 2013). Despite this he said that the five countries had agreed to contribute with the same amount, and that the total start-up capital would be $50 billion (Ibid.). This amount was, as highlighted above, confirmed by

BRICS leaders in the beginning of September. However, in St. Petersburg, BRICS leaders did not say anything about the structure of individual contributions. Regarding individual BRICS members, South Africa is believed to accept unequal contributions, while Brazil and India, although not resisting a large bank, insists that the contributions should be equal, in order "to avoid that the BRICS Bank will turn into a China-dominated institution" (Stuenkel, 2013c).

Throughout the spring of 2014, unofficial information regarding the structure of contributions has been divergent. In April, a "BRICS source" said that the "share contribution is still to be decided" (Kelly and Simao, 2014). In late May, a Brazilian official taking part in the negotiations said that "the majority [of the BRICS] wants an equal sharing of the capital and there is no other specific proposal on the table" (Soto, 2014). He followed up with saying that equal shares will mean start-up capital amounting to $50 billion, where $10 billion is given in cash and $40 billion as guarantees. He also said that other countries than the BRICS would be allowed to join the bank with a minimum $100 000 share, but that the BRICS would hold a minimum of 55% of the bank's shares (Ibid.).

However, only a few days later, on June 5, Indian officials from the Indian finance ministry were a bit more sober. Rather than saying that a majority of the BRICS wanted equal contributions, they said that India and Brazil wanted it, but "some other countries want to have a different structure and higher capital" (The Indian Express, 2014) and that they thus where "yet to come to a consensus on … funding" (Ibid.). Contrary to the Brazilian official, they also said that they had not concluded whether other countries than the BRICS could contribute to the bank.

Another central source of conflict is that of location and leadership. Concerning the latter, all but Brazil, who will stay out of the discussion "because of upcoming presidential elections [scheduled for October 5 2014] that could delay negotiations" (Soto, 2014), have expressed a wish to serve as location for the bank. The cities discussed are New Delhi, Shanghai, Johannesburg and Moscow. Shanghai is supposedly opposed by Russia and India (Stuenkel, 2013c), while Jacob Zuma, President of South Africa, has been the most proactive out of the five leaders and has sent letters to his colleagues urging them to let South Africa host the bank (Odisha Sun Times, 2014). Regarding leadership, the presidency of the bank will rotate between the BRICS in a five-year term (Soto, 2014). In time everyone will thus have their turn, but, as with the issue of location, all but Brazil has expressed a wish to have the first presidency (The Indian Express, 2014).

Given that they are able to take a final decision on capital structure, location, and initial leadership, the five countries still need to hash out critical details concerning the bank's mandate and operating rules. Beyond the issue of membership, central examples are the type of projects that will be supported and the type of conditions following a loan. Concerning the latter, it is likely that the bank will be relatively soft. The same Brazilian official referred to above have also said that, when lending money, "the bank will look into the finances of borrowers, but never intervene in their economic affairs" (Soto, 2014). Such issues will perhaps be easier to reach a decision in compared to capital structure and location, since it is reasonable to assume that there will be fewer special interests clashing, but it is nonetheless telling of the long way from idea to a functioning institution.

5.4.2.2 The Contingent Reserve Arrangement

The CRA is similar to the bank in that it needs policy coordination in order to become a reality, but whereas the bank is very demanding in this regard, the CRA does not face as many potential deal breakers and potential sources of conflict. It does not require a physical structure, a location, and all the things that come with it, and is not as costly in terms of institution building. The relatively speedy decision on contributions, and the fact that there haven't been much indications of conflict afterwards, suggests that the issue of unequal contributions and China dominating the others was not particularly controversial. This is not very surprising. The way the CRA will be structured Brazil, China, Russia and India all have enough power to authorize the disbursement of funds. Only South Africa lack complete control (Stuenkel, 2013d).

Basically the sources of conflict that remains concerns the operational guidelines, especially concerning conditionality. Will there be any? If so, what will they be like – will they resemble those of the IMF in any way? Another issue concerns the amount that can be disbursed to each country. Shall South Africa be able to utilize as much resources as China, even though China is set to contribute almost nine times as much as South Africa? Even though no details concerning this has been released yet, it seems – based on the comments of Brazil's Finance Minister Mantega in April – that such issues may soon be resolved.

5.4.2.3 Gains of defecting

In general there seems to be few gains to be had by defecting on either the bank or the CRA altogether. Regarding the bank, this would only lead to losing the place on the table as well as not being able to utilize the functions of the bank, at least not in the way the functions could have been utilized by being one of the founders of the bank (depending on the BRICS' final conclusion regarding which countries that are eligible for borrowing and membership). It would also mean losing out on a chance to challenge the Bretton Woods Institutions and an elevated position in global governance.

In essence, the only “gain” is saving the resources initially allocated for setting up the bank. It might be argued that some, for instance the U.S., would be interested in providing side payments to one or more of the BRICS to defect. However, given that the bank, at least in the close future, will be far too small to represent a direct threat to the WB, this is not very likely. The American WB Chief Kim has also publicly backed the initiative, saying that the “BRICS bank is quite a natural extension of the need for more investment in infrastructure, and we would welcome it” (CCTV.com, 2013). Anyway, it is doubtful that any gain bigger than the one which comes from the successful establishment of the Bank, in terms of increased access to financing, prestige and change of the status quo, will be bigger than sacrificing all this.

The issue of setting up the bank thus does not resemble a game of prisoners’ dilemma. To some degree you might say that it resembles a situation of stag hunt, where everyone cooperating (CC) is the ultimate payoff. But it is not certain that the bank only will materialize if everyone cooperates, which is the central caveat in this game. A situation where Brazil, India, China and Russia, or another combination of countries, went at it alone is not unthinkable. All five countries are not needed to set up the bank. In fact, it might be easier without South Africa since the bank then can be both big and democratic (Stuenkel, 2013c). And since the gains of defecting are so limited, the difference in payoff between DC, DD and CD is also limited, although we should assume the latter to be the least preferable since it might mean losing face and prestige on the international arena.

Much of the same line of argument applies to the CRA. Cooperating (CC) is the best option, and defecting (DC) would not provide any gains, besides saving the resources allocated for the arrangement. Moreover, whereas with regards to the the bank there is still a slight chance that a potential defector still could utilize its resources, since other emerging and developing countries beside the BRICS may be able to borrow from it, this would not be the case in the CRA. Further, the argument made above of the structure being too small to really represent a threat to the established framework, in this case the IMF, and therefore not being something other states or institutions want to provide side payments for in order to avoid becoming a reality, applies here as well.

A supporting argument in this respect is that IMF Director Lagarde has previously welcomed similar reserve pooling arrangements as the CRA, such as the Chiang Mai

Initiative Multilateralized (CMIM)[55] (IMF, 2012c), which Stuenkel (2013d) argues the CRA is closely modeled on. Albeit, the CMIM is established within the IMF framework, and utilization above 30% of a country's quota can only take place subject to IMF conditionality. I have not been able to identify any substantial comments from Lagarde or the U.S. on the CRA, but it is likely that their ultimate reaction depends on whether or not the CRA will be established within the IMF framework. Signals thus far suggest that this will not be the case, and that the CRA will be autonomous from the IMF (Bretton Woods Project, 2013).

Finally, as with the Bank, the CRA can also be established even though one or more of the BRICS choose to defect, so it does not really resemble a situation of stag hunt either.

In sum, neither prisoners' dilemma nor stag hunt adequately describes the process of establishing the Bank and the CRA. Still, it seems misleading to describe the situation as harmony. Even though there are limited gains of defecting – and as a result meeting Oye's (1986) definition of harmony – it is obvious that it is a lot of policy coordination taking place. We do not have a situation where the policies of one state automatically facilitate the goal of another without any adjustments (Keohane, 1984).

In theoretical terms, the best way of describing the process of establishing the Bank and the CRA is perhaps with what is called a bargaining problem (Fearon, 1998). A bargaining problem "refers to a situation where there are multiple self-enforcing agreements or outcomes that two or more parties would all prefer to no agreement, but the parties disagree in their ranking of the mutually preferable agreements" (Fearon, 1998, p. 274). This situation seems very plausible. Regarding the bank for instance, it seems clear that both India and China would prefer to have a bank rather than no bank, even though China's preferred payoff seem to be a large bank where they provide the bulk of the money and have the largest share, while India's preferred payoff seem to be a bank that has equal shares, or at least a bank where China do not dominate the others.

Regarding the CRA, coordinating the contributions was perhaps not as difficult, but they still need to bargain over the operational guidelines, where the countries may very well rank the potential agreements differently, for instance with regards to conditionality and rules

[55] The CMIM is a reserve pooling arrangement between the ten countries in the Association of Southeast Asian Nations (ASEAN); Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam, in addition to South Korea, China and Japan (collectively known as ASEAN+3). The CMIM consists of $240 billion, where China, Japan and South Korea have provided the bulk of the money (Asian Century Institute, 2014). Each country has a quota, which is based on the amount of their contribution and a multiplier. The smallest countries in the arrangement have a multiplier of 5, while the biggest, China and Japan has a multiplier of 0.5. The CMIM can be traced back all the way to 1977, but has only existed in its current form since 2010. It has never been used (Ibid.)

of disbursement.

Regardless of the type of game that best describes the process of establishing the bank and CRA, the fact that overlapping interests seem to be the case begs the question of regime features, which I turn to next.

5.4.3 Weak regime features

A central challenge when studying a contemporary political phenomenon, such as the BRICS, is that events related to that phenomenon are still unfolding. We should thus be very careful in inferring too much from the process of establishing the development bank and the CRA, since the five countries might very well be successful in establishing it – and in the process make the empirical finding of no robust cooperation between the BRICS that this thesis is built on wrong. Nonetheless, especially concerning the bank progress has been limited – no official information, beyond details which later has been disputed, has been released since March 2013 – and, as illustrated above, there are several indications that they have difficulties on agreeing on the most central issues.

Considering that the attempts at establishing the CRA and the bank mainly seems to be a bargaining problem, where the key issue is coordination of several mutually beneficial outcomes, and not to overcome fears of being tricked, the most relevant regime feature is perhaps decision-making procedures. Institution building is costly and having a platform that can facilitate interaction and information sharing may prove decisive.

In the beginning of this chapter we saw that the decision-making structures of the BRICS framework are rather un-institutionalized. And even though contact between the BRICS have trickled down from the offices of their heads of government and state to lower level officials and bureaucrats, the decision-making procedures of their framework is limited by the boundaries of summits and meetings. There is no secretariat or headquarters that could carry out day to day operations, or be a permanent platform for information sharing and dialogue. Calls for such a secretariat has however increased as the BRICS trajectory has evolved, and in the action plan from the Durban Summit, in March 2013, a BRICS virtual secretariat was emphasized in the "New areas of cooperation to be explored" section (BRICS 2013, n.d.a). Such a secretariat, should it become a reality, would "be an online resource to host materials on BRICS activity and enable officials to correspond with each other on pressing matters" (Paniev, 2013).

This does not mean that a secretariat or something similar is strictly necessary. Sergei Storchak, the previously mentioned Deputy Finance Minister of Russia, has for instance said that "I don't think we will be in big need to set up a separate administrative structure for the purpose of developing BRICS as a bloc" (The BRICS Post, 2013c). Nonetheless, it seems reasonable to assume that at least the process with the bank would benefit from a bit more sophisticated decision-making procedures.

Looking at the many joint statements released by finance ministers and state leaders, traces of shared principles relevant for the bank and the CRA, as well as towards most issues under the reforming IFIs umbrella, can be identified. All five countries seem to converge around a shared fundamental principle of the current IFIs being structured in an unjust and ineffective way that fails to account for the current state of the world political economy, as well as in dealing with the main global economic issues facing the world today. A telling quote in this respect is the following, from the New Delhi summit declaration:

> We recognize the importance of the global financial architecture in maintaining the stability and integrity of the global monetary and financial system. We therefore call for a more representative international financial architecture, with an increase in the voice and representation of developing countries and the establishment and improvement of a just international monetary system that can serve the interests of all countries and support the development of emerging and developing economies. Moreover, these economies having experienced broad-based growth are now significant contributors to global recovery (BRICS 2013, n.d.b).

Every factor that constitutes a principle; beliefs of fact, causation and rectitude, can be identified. They share the notion that the architecture is important and also why it is important: it stabilizes and keeps the integrity of the global monetary and financial system (beliefs of fact and causation). This is however something that probably most IMF and WBG members do. So perhaps most relevant, the BRICS have the same idea about how and why it should be reformed: emerging and developing states must be better represented in the architecture, because this will lead to an architecture that is in the interests of all states (causation), as well as more just (rectitude).

The specific issues of the development bank and the CRA can, in addition to the principles of a revised and more representative international financial architecture, be linked to more trivial principles regarding their economic function. BRICS' emphasis on the role of Multilateral Development Banks (MDBs) has been thoroughly established in the subchapters preceding this. It has become a familiar point on the BRICS agenda, and the five countries seem to agree on both how and why MDBs are important: they all need development finance and MDBs can provide such finance on favorable terms. The following quotes, from the

Horsham meeting between BRIC finance ministers in 2009 and the New Delhi summit between BRICS leaders in 2012 further underlines this impression:

> We note that the crisis has led to a massive withdrawal of private capital in 2009 and this is likely to continue in 2010. It is imperative that multilateral financial institutions should expand their lending to offset the massive decline (BRICS 2013, n.d.d).

> In the current global economic environment, we recognise that there is a pressing need for enhancing the flow of development finance to emerging and developing countries. (BRICS 2013, n.d.b).

BRICS' emphasis on structures such as the CRA has been less evident, but on a basic level it can be argued that it is based on the even more trivial principle of the need for financial stability, as a means to continued development and growth. Such a principle has also been expressed in various summit and meeting declarations, here represented by a quote from the Brasilia summit in 2010:

> We believe that the world needs today a reformed and more stable financial architecture that will make the global economy less prone and more resilient to future crises, and that there is a greater need for a more stable, predictable and diversified international monetary system. (Ministério das Relações Exteriores, 2010).

Examples of shared norms and rules are harder to come by – both those particular relevant for the process of establishing the bank and the CRA and those that are more fundamental in nature. This may partly because of a lack of data, but there are some indications that these features are weak in the BRICS framework.

Ever since the BRIC first met, the countries have emphasized a pragmatic approach to their interaction. This approach seems to be guided by commonalities and flexibility rather than clear sets of rules and norms. At the first summit in Yekaterinburg in 2009 for instance, BRIC leaders concluded their joint statement by saying that "we have agreed upon steps to promote dialogue and cooperation among our countries in an incremental, proactive, pragmatic, open and transparent way" (Presidential Press and Information Office, 2009). Much of the same was also reiterated in Sanya in 2011, after South Africa had joined, when BRICS leaders said that "we are determined to continue strengthening the BRICS partnership for common development and advance BRICS cooperation in a gradual and pragmatic manner, reflecting the principles of openness, solidarity and mutual assistance" (Gov.cn, 2011).

This hardly suggests any binding rules or strong norms guiding the framework and their interaction. As opposed to established regimes, there are no BRICS articles of agreement or any formal documents steering their behavior and action. In terms of rules and norms, what potentially exist is thus more informal in nature (as of now at least). The seemingly strong emphasis on flexibility by the BRICS might also mean that it is too optimistic to expect that the BRICS should develop clear prescriptions and proscriptions to guide their joint endeavors, but also perhaps a misunderstanding of what the BRICS framework is or ever was meant to be.

So where does this leave us regarding the Bank and the CRA? Since the attempt at policy coordination is still taking place, it is obvious that it is too soon to draw any conclusions. This being said, based on the indications of overlapping interests being present, as well as basic converging principles regarding why the structures are important, chances are that if the BRICS ultimately fail in their attempt at establishing the two structures, significant parts of the explanation can be found in weak norms and rules, and perhaps, although to a lesser degree, in their un-institutionalized decision-making procedures.

6. Conclusion

This thesis aims to explain what it is that keeps the BRICS from robustly cooperating. To this end I have analyzed BRIC(S) interaction towards reforming IFIs, a key issue on the BRICS agenda. By drawing on what is described as cooperation theory (Fearon, 1998) three hypotheses, that in theory together account for all the potential explanations as to why cooperation forms (and not forms), have been posed. The two first hypotheses mainly function to establish if the antecedent condition necessary for the third hypotheses' explanation of weak regime features is present.

The findings are summarized in table three. Before too much is drawn from this table, it is critical to note that the issues differ in their importance. The four final issues under increasing the utility of IFIs and the call for a new IMF quota formula are for instance rather trivial and by no means decisive observations in this analysis. On the other hand, the ongoing attempt at establishing the bank and the CRA are issues that perhaps will make or break BRICS interaction and define it in the years to come, and very central for the issue at hand, but at the same time issues we cannot infer too much from since they are still unfolding.

The antecedent condition of overlapping interests is only found fully in three of the issues discussed: in the quid pro quo attempt where the BRICS tried to swap contributions to the IMF for assurances of implementation of the 2010 IMF reforms, in establishing the development bank and in establishing the CRA. Partly overlapping interests were found in the case of identifying and agreeing on an "own" BRICS candidate in both IFI elections, and in the case of backing Okonjo-Iweala as WBG Chief. In the issues where interests have been overlapping and partly overlapping it seems to be mostly weak rules, norms and to some degree un-institutionalized decision-making procedures that explain the failure of successful policy coordination.

Even though we should not infer too much from the findings stemming from attempts at establishing the bank and the CRA, it seems that in sum we have sufficient evidence to say that parts of the explanation as to what keeps the BRICS from robustly cooperating are found in weak regime features.

This being said, the fact that the antecedent condition of overlapping interests is not met in several key issues, such as in both IFI reforms from 2010; in increasing the resources of the IMF and the WB; in improving the IMF's surveillance capabilities; and in backing Carstens for head of the IMF in 2010, means that it would be misleading to say that the BRICS do not robustly cooperate mainly as a result of weak regime features.

Table 3 Summary of findings

Main issue	Issue	Antecedent condition met	Covering law present	(which) Intervening variable(s) present
Increasing emerging and developing economies' influence in IFIs	2010 IMF reforms	No (harmony)	n/a	n/a
	2010 WBG reforms	No (harmony)	n/a	n/a
	Contribution to IMF in return for assurance of reform implementation	Yes	Partly	Indication of weak rules
	New IMF quota formula	No (harmony)	n/a	n/a
Increasing the utility of IFIs	Increasing the resources of the IMF	No (harmony)	n/a	n/a
	Increasing the resources of the WB	No (harmony)	n/a	n/a
	Improving the IMF's surveillance capabilities	No (harmony)	n/a	n/a
	Allocation of IMF Special Drawing Rights	No (harmony)	n/a	n/a
	IMF to Introduce flexible credit facilities	No (harmony)	n/a	n/a
	IMF to study international monetary system	No (harmony)	n/a	n/a
	IMF to implement new income model	No (harmony)	n/a	n/a
Ending the West's stranglehold on IFI leader positions	Agreeing on "own" BRICS candidate in both IFI elections	Partly	Partly	Indication of weak decision-making procedures, rules and norms
	Backing Carstens	No (incompatible interests)	n/a	n/a
	Backing Okonjo-Iweala	Partly	Partly	Indication of weak rules and norms
Establishing a BRICS development bank and a Contingent Reserve Arrangement	Development bank	Yes	Partly (too soon to know for sure)	Too soon to evaluate, but signs of weak rules, norms and to some degree decision-making procedures
	CRA	Yes	Partly (too soon to know for sure)	Too soon to evaluate, but signs of weak rules, norms and to some degree decision-making procedures

Weak regime features are part of the explanation, but harmony of interests also seems to explain a lot. Rather than mainly interacting in areas where significant policy coordination is necessary in order to realize mutual interests, the BRICS, in a large degree, seem to have merely identified areas where not only interests are compatible, but where policies to a large degree already align. They have then advocated these issues jointly and, if necessary, acted according to rhetoric. Therefore, a key explanation to the question asked in this thesis is also that actual cooperation has been superfluous in the issues where BRICS have interacted.

Finally, in the various attempts at coordinating their positions in the IFI leader elections, it is partly incompatible interests that describe why their attempts failed, and, in the case of backing Carstens, most likely all the explanation.

Therefore, we have a situation where we find support for all three hypotheses. Assessing the magnitude of the three different reasons is however difficult, since many of the issues cannot really be compared directly and since some are still in the works. This being said, it seems that harmonious interests might explain a little bit more than weak regime features, and that both are more important explanations than incompatible interests. The latter finding is not surprising, given that reforming IFIs is the area where BRICS' interests perhaps is most compatible.

So, beyond reforming IFIs, what can we infer regarding the whole BRICS framework? Concerning BRICS' role in global governance, this analysis suggests that the five countries to a significant degree focus on issues where their gain of interacting might be substantial, but still relatively small, and where their autonomous policies might have facilitated the same result anyway. This does not mean that we should dismiss the BRICS as something hollow and unsubstantial, but it is indicative of the limits of their interaction. This analysis also suggests that when overlapping interests are the case, they lack the adequate structures that could increase the prospects of successful policy coordination.

From a policy perspective – albeit from a different angle than the usual explanation of incompatible interests – this analysis confirms the somewhat established notion that it does not make sense to (yet) talk about the BRICS as a bloc in international relations. This notion may change, however. If the BRICS are successful in establishing the bank and the CRA, they will not only transform their informal and flexible relationship to something much more committing, but also entrench their position as a key constellation in global governance.

This point also reveals the key shortcoming of this thesis: the BRICS framework is a phenomenon that is constantly evolving. The empirical premise of no robust cooperation that this thesis is built on may not be valid in the long run. This might be the case already in the close future, or it can take years. Regardless, the evolving nature of the BRICS framework means that there will be a recurrent need for analysis similar to this one.

7. References

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