Globalization and Its Discontents: Why BRICS Matters

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Overview

1. The promise of Globalization
2. Issues with institutions built to deliver this promise
3. Cost of the current globalization model
4. BRICS as a potential alternative

1. The Promise of Globalization

The Promise of Globalization

- **Reconstruction of Economies and Integration into a Stable Global Market –**
  Globalization promised to rebuild economies after large-scale disruptions and create a more interconnected global market to ensure long-term stability.

- **Prevention of Harmful Economic Practices –**
  By promoting open markets and monetary stability, globalization aimed to prevent protectionism, currency wars, and *beggar-thy-neighbor* policies that had worsened the Great Depression *(fixed exchange rates until 1971)*.

- **Enabling Decolonized Nations to Join the Global Economy –**
  Newly independent states were promised pathways into global markets, development financing, and opportunities for industrialization within an integrated global system.

The Promise of Globalization

- **Creation of a Cooperative Global Governance Architecture**

  Globalization promised predictable rules, negotiation platforms, dispute-resolution systems, and coordinated policy frameworks to reduce uncertainty and prevent future crises.

- **Increased Interdependence and Reduced Likelihood of Conflict**

  Liberal theories (Keohane and Nye's "Complex Interdependence") claimed that deeper economic ties would raise the cost of conflict and make war less l ikely.

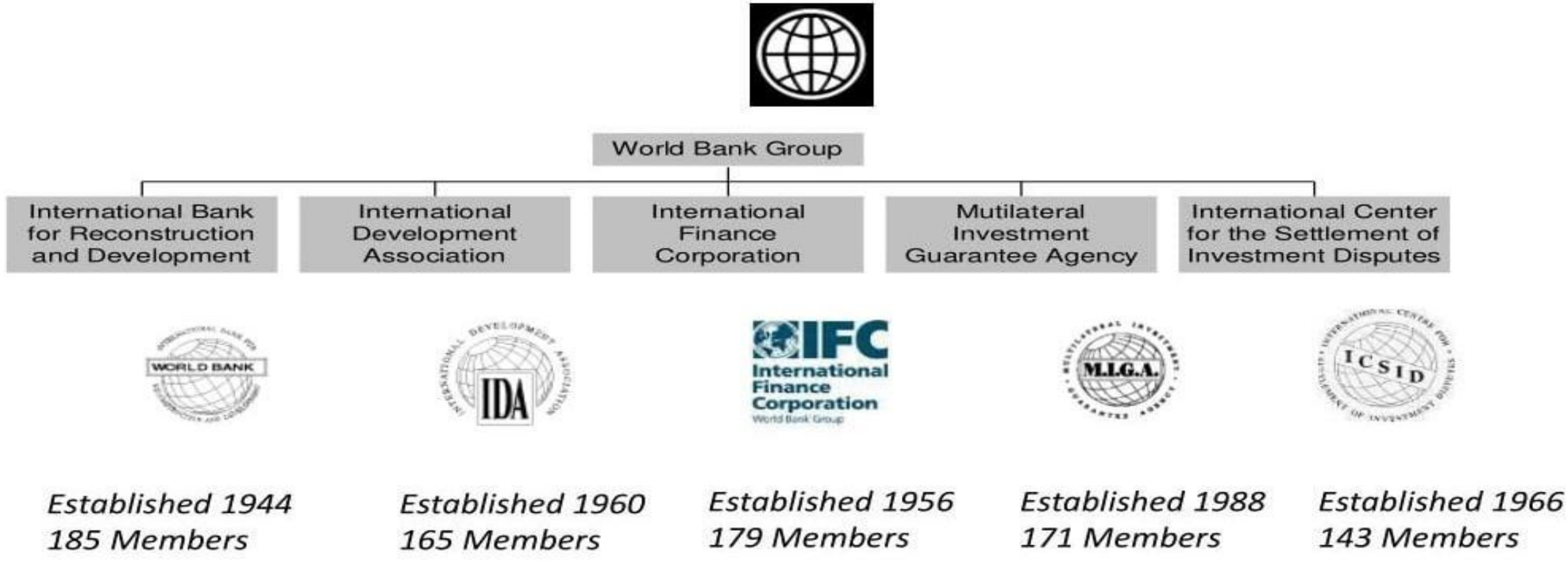
2. Issues with institutions built to deliver this promise

2. Issues With Institutions Built to Deliver This Promise **1/2**

1. World Bank Group (IBRD & IDA)

(Promise: Global development, poverty reduction, and reconstruction)

- Provides long-term development finance for infrastructure, human capital, and state capacity
- Supports post-conflict and post-disaster reconstruction
- Intended to help developing economies integrate into global markets and achieve shared prosperity



- **IBRD** – lending to middle-income and creditworthy low-income countries
- **IDA (1960)** – concessional lending and grants to the poorest countries
- **IFC (1956)** – private sector investment and advisory
- **MIGA (1988)** – political risk insurance
- **ICSID (1966)** – settlement of investment disputes

IBRD: Governance Structure and Power Distribution

A. Supermajority Requirement - 1/3

- The IBRD applies a **supermajority** requirement for major decisions on capital, governance, and amendments, meaning significant reforms must meet a higher voting threshold rather than a simple majority.

- The original Articles of Agreement set the supermajority threshold at 75 percent of total voting power, which was later raised to 85 percent in a 1989 amendment.

IBRD: Governance Structure and Power Distribution

A. Supermajority Requirement - 3/3

- Interestingly, the Soviet Union signed the Bretton Woods Final Act and actively helped shape the IBRD Articles, but then chose not to ratify the Agreements or pay its capital subscription.
- Soviet leaders quickly read the emerging Fund–Bank architecture as structurally tilted toward Western, especially U.S. It described the institutions as extensions of U.S. finance anticipating many of the governance concerns.
- Later same concerned raised by developing countries (Gardner 1980; Boughton 2002).

IBRD: Governance Structure and Power Distribution

Figure 1: % of total subscription

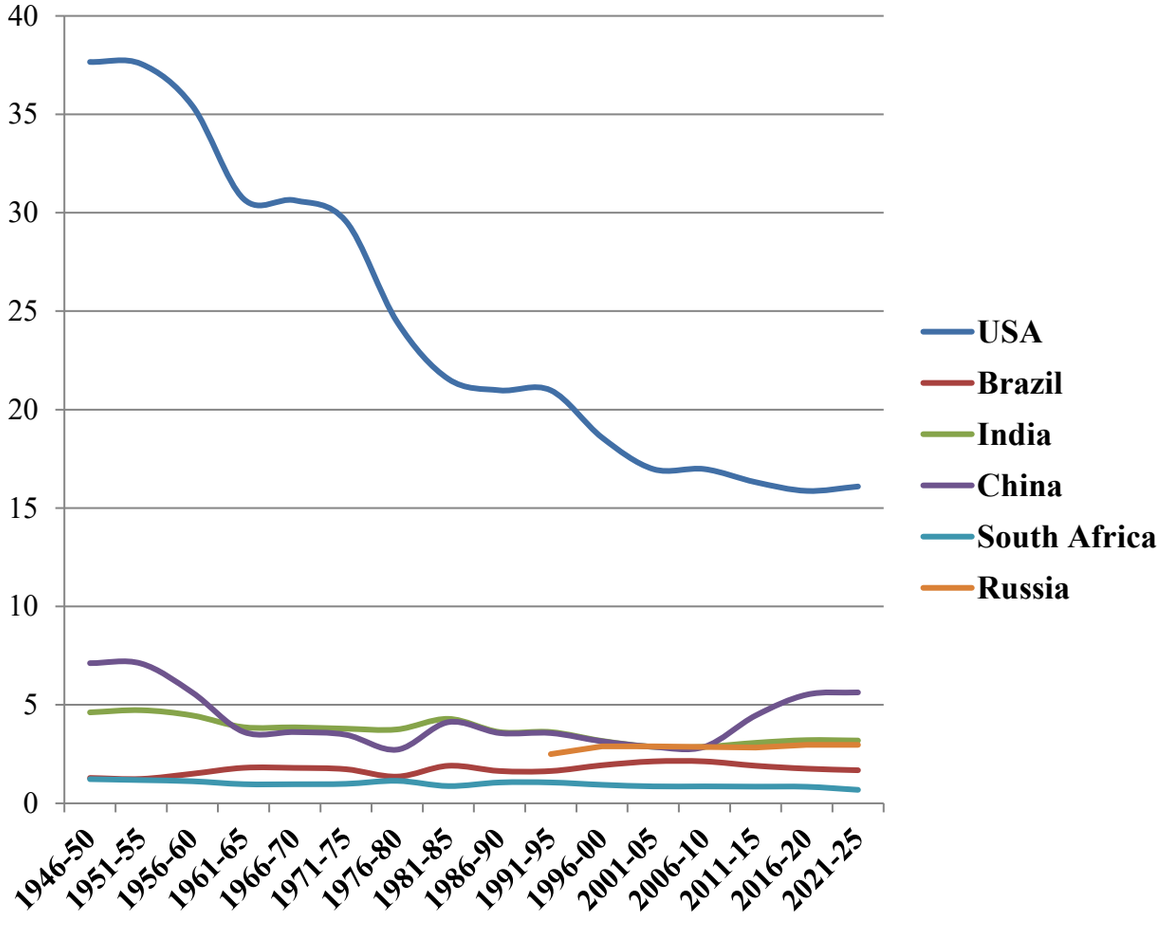
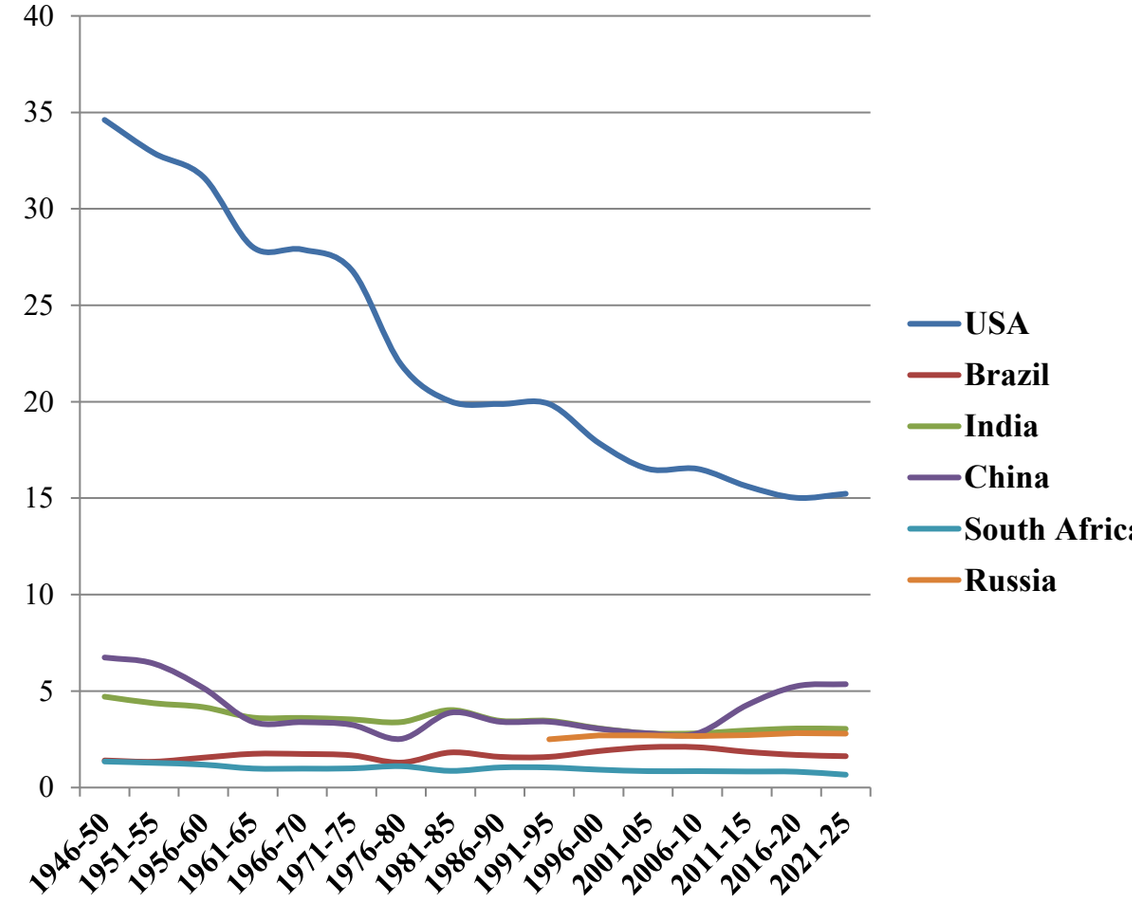


Figure 2: % of total vote share



Source: Author's compilation based on IBRD Annual Reports

IBRD: Governance Structure and Power Distribution

Figure 3: Total subscription – USA vs BRICS

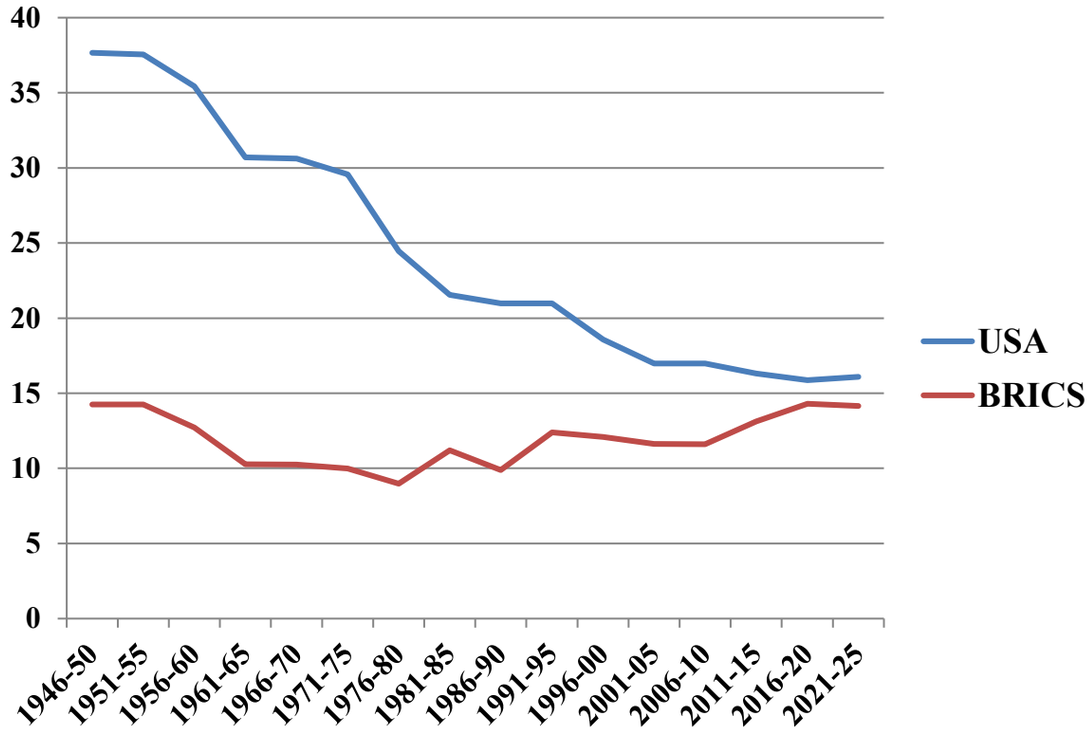
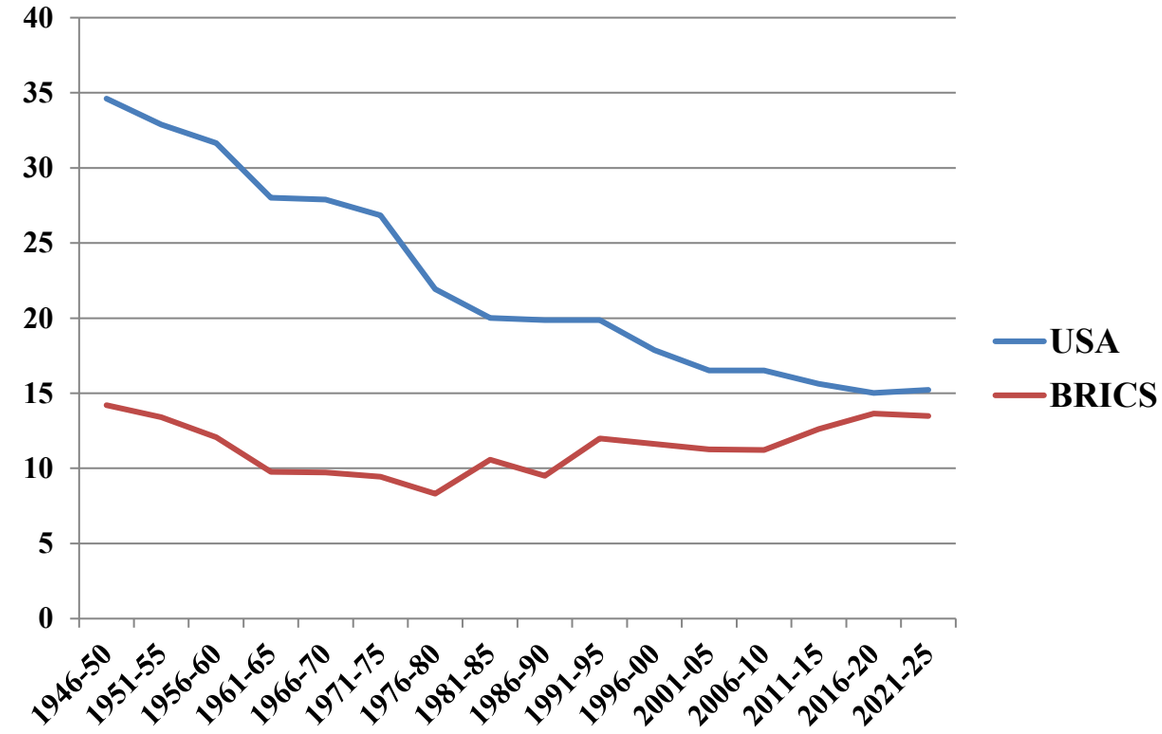


Figure 4: Total vote share – USA vs BRICS



Source: Author's compilation based on IBRD Annual Reports

IBRD: Governance Structure and Power Distribution

B. Leadership Selection Tradition: President of the World Bank has always been an American, despite no such provision in the original or amended Articles of Agreement.

- This unsaid convention influences:
  - institutional priorities and how "flagship" initiatives align with U.S. foreign and development policy goals
  - senior appointments across the Bank's management and key operational units, reinforcing U.S. perspectives within internal decision-making
  - ideological framing of development, reinforcing a policy orientation close to the "Washington Consensus"

Issues With Institutions Built to Deliver This Promise **2/2**

2. International Monetary Fund (IMF): 1944

(Promise: Global financial stability and crisis support)

- Offers balance-of-payments financing to countries in crisis
- Monitors macroeconomic and exchange-rate policies
- Intended to prevent financial contagion, ensure stability, and maintain confidence in the global monetary system

International Monetary Fund (IMF)

Governance Structure:

- Voting power is unevenly distributed**:** large quota holders have single-country Executive Directors (such as the United States, Japan, France, Germany, China, and the United Kingdom**).**
- Many developing countries share seats in multi-country constituencies — for example, India shares its constituency with Bangladesh, Sri Lanka, Bhutan, and others**.**

IMF Quota Shares and Voting Power of Selected Countries (Trend across major revisions)

Figure 5: % of total quota share

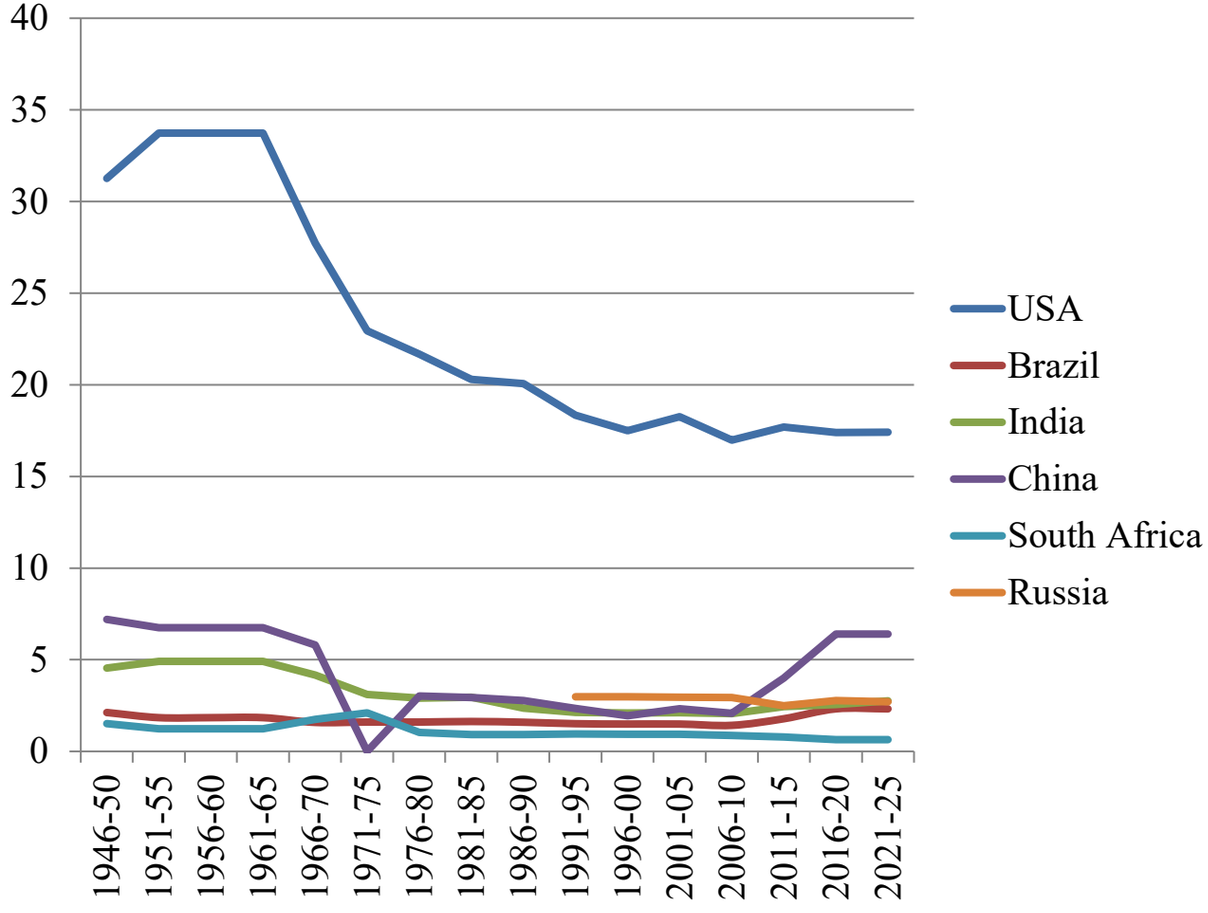
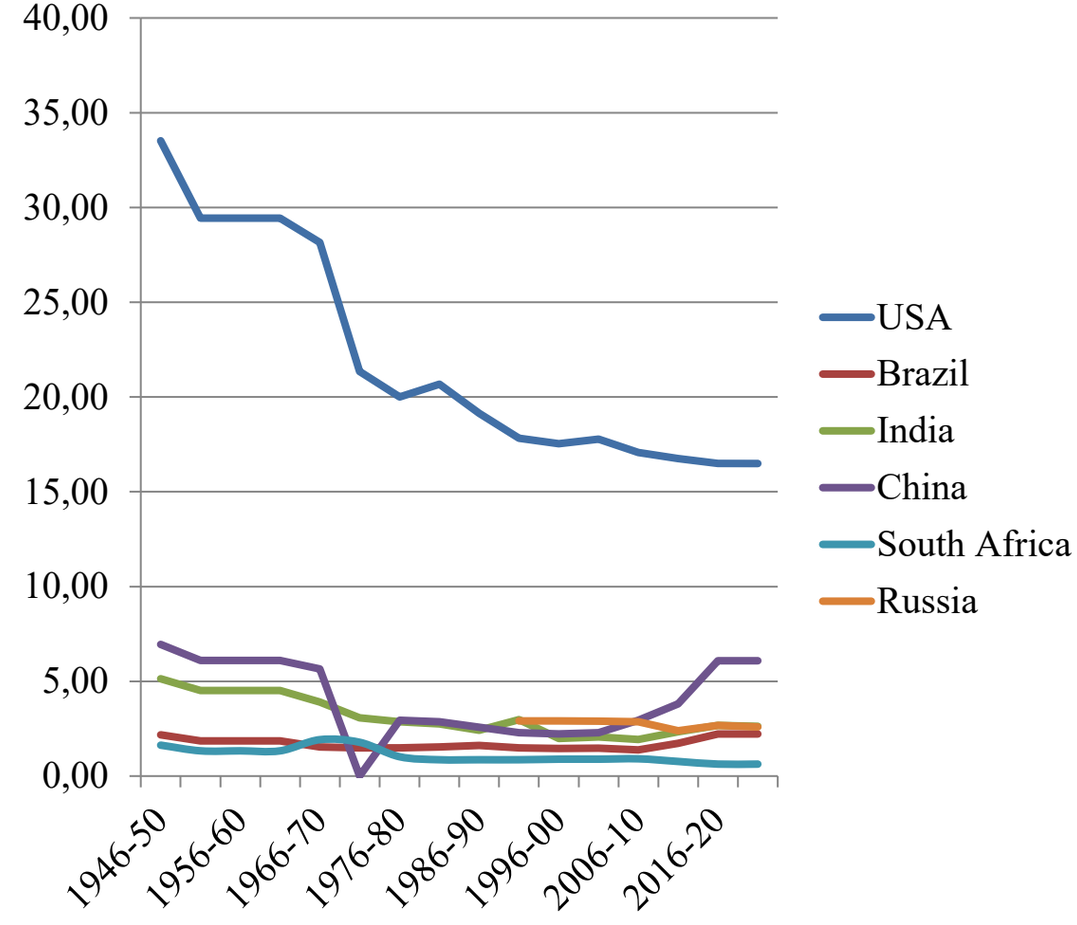


Figure 6: % of total vote share



IMF Quota Shares and Voting Power of Selected Countries (Trend across major revisions)

Figure 7: Total subscription – USA vs BRICS

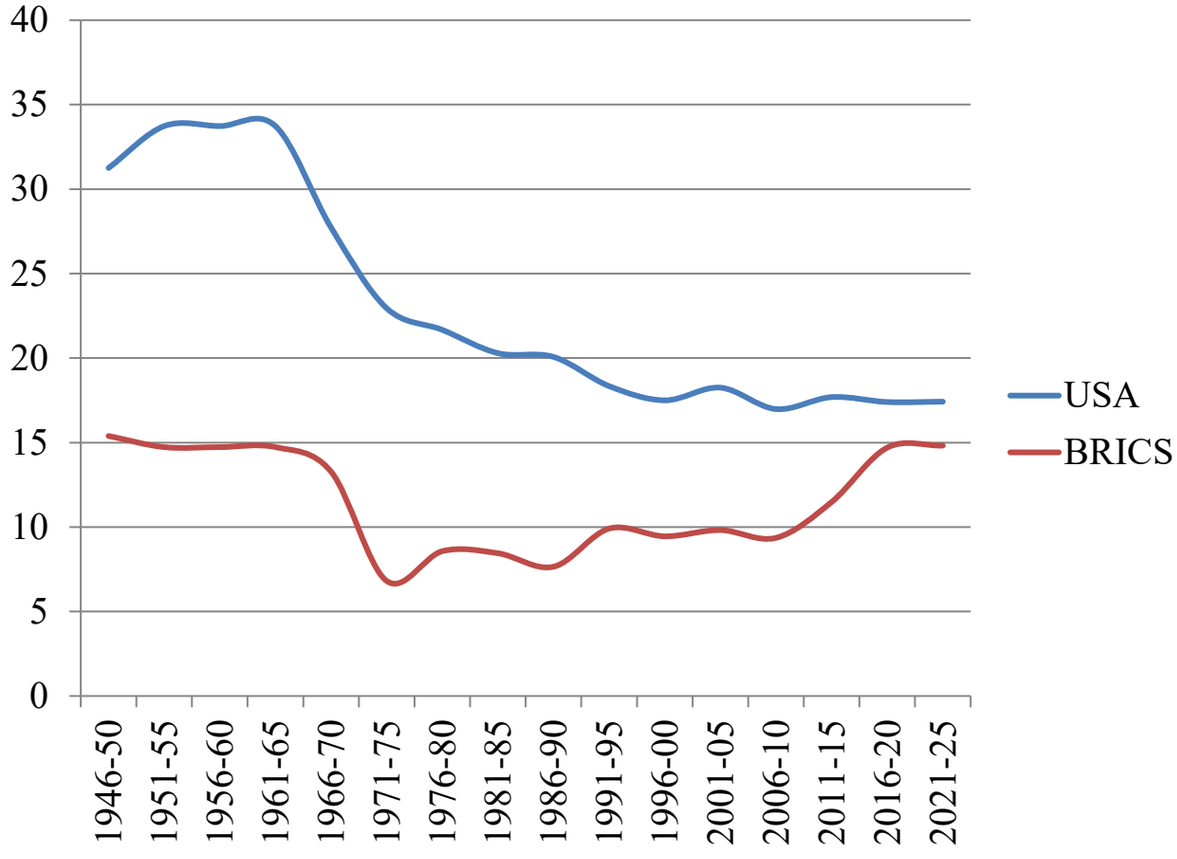
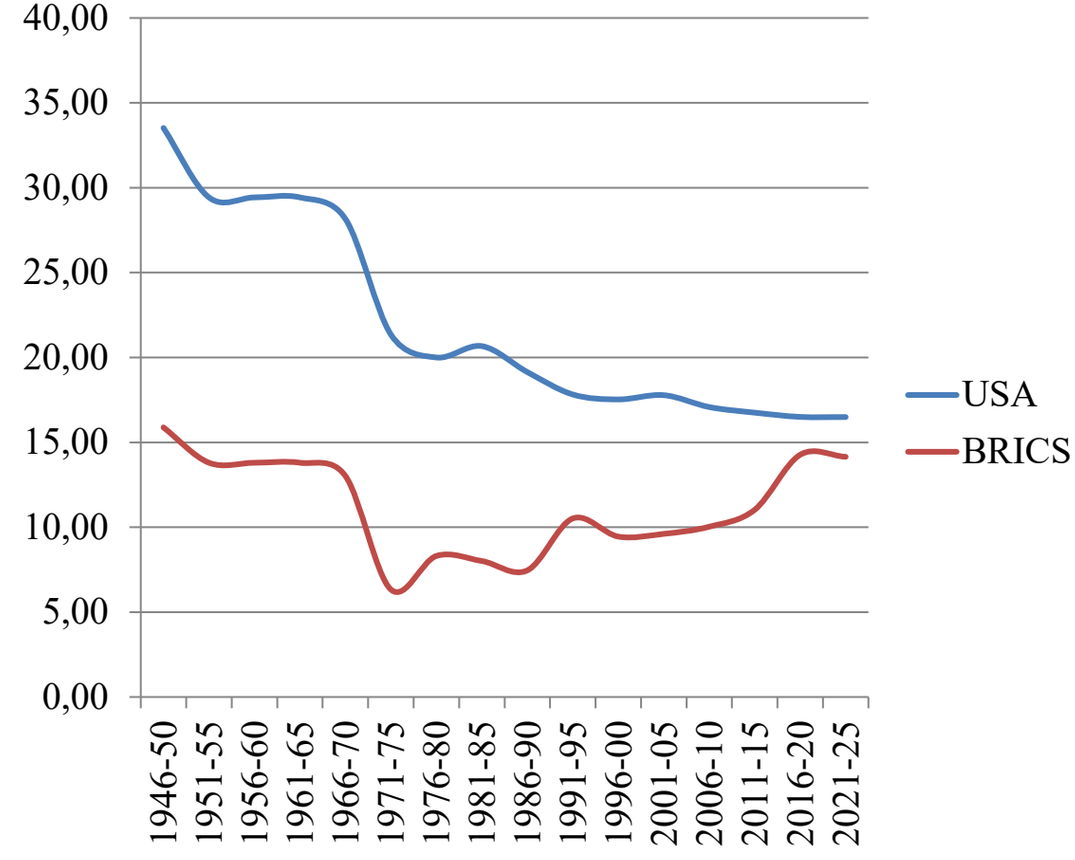


Figure 8: Total vote share – USA vs BRICS



3. Costs of the Current Globalization Model

The Flawed Conditions by World Bank on developing countries

Based on analysis of 53 Development Policy Operations (DPOs) in 46 countries, the World Bank attached 506 conditions (averaging 9.6 per operation) that reveal fundamental flaws:

1. Private Sector-First Ideology (27.7% of conditions)
2. Fiscal Austerity Measures (8.5% of economic policy conditions)
3. Market Liberalization & Privatization
4. Land Commodification & Agricultural Dispossession
5. Undermining Country Ownership & Democracy

Impact of World Bank's conditionality on developing countries

Part 2: Specific Examples of Adverse Outcomes from World Bank Conditionality

Example 1: Serbia – Public Service Deterioration

Context: After the 2000s transition and the 2008–09 global crisis, Serbia experienced mounting fiscal and debt crisis (75–80 percent of GDP)

- State-owned energy and railway companies (EPS, Srbijagas, Serbian Railways) were running chronic losses financed by subsidies and government-guaranteed debt.

The Conditions: Wage bill reduction and mandatory public sector staff reductions

The Adverse Outcome:

- staff reductions in railway and electricity companies
- systematic downsizing of essential public services, Public infrastructure deteriorated

Impact of World Bank's conditionality on developing countries

Example 2: Malawi – Land Dispossession and Rural Impoverishment

Context: In the late 2000s and 2010s, Malawi pursued donor-backed land and agricultural reforms while facing chronic rural poverty and low farm productivity;

The Conditions: Land reform mandating Physical Planning Act, Customary Land Act adoption, and identification of "idle land"

The Adverse Outcome:

- Large-scale land deals followed
- Local communities were systematically dispossessed of traditional communal lands
- large-scale agricultural projects failed to generate employment, increase output, or improve household income

Result: Rural poverty deepened, agricultural livelihoods were destroyed.

Impact of World Bank's conditionality on developing countries

Example 3: Myanmar – Market Distortion and Development Exclusion

Context: In the early 2010s, Myanmar was transitioning from military rule toward economic liberalization.

- Decades of isolation had left its public sector weak, its private sector underdeveloped, and its procurement systems non-standardized and vulnerable to inefficiency and corruption.
- WB offered lending and technical assistance tied to modernizing procurement framework.

Conditions: International competitive bidding (ICB) procurement reforms

Adverse Outcome: **Government contracts were opened to international competitive bidding**

- **Foreign firms captured most major public contracts related to i**nfrastructure, telecom and energy
- Capital leakage increased, job creation was minimal

Impact of World Bank's conditionality on developing countries

Example 4: Egypt, Indonesia, Mozambique, Peru – Fossil Fuel Lock-In

Context: Countries like Egypt, Indonesia, Mozambique, and Peru were under fiscal pressure

- facing high energy demand, rising import bills for fuel, and limited public resources for infrastructure.

The Conditions: "Enabling" regulatory environment for private investment + PPP laws

Result:

- **Fossil fuel (**gas, coal, and oil) promoted instead of promoting renewable energy
- PPP laws and sovereign guarantees shifted financial risks to governments, allowing multinational fossil fuel companies to operate at reduced cost.
- **Domestic needs ignored while extraction served foreign markets**
- **Local communities** faced land dispossession, air pollution, health risks, and ecological degradation

Disrupting Global Trade: The Sanctions & Tariff Effect

Case Study 1: Russia Oil & India Arbitrage

Before Sanctions (2021-2022):

- Russia sells oil directly to Europe at benchmark prices (~$60-65/barrel)
- Efficient supply chain, competitive pricing

After Sanctions (2023-2025):

- Europe bans direct Russian oil purchases
- Russia forced to sell it at steep discount (~$47-55/barrel)

Result: Same oil, now with unnecessary middleman, higher consumer prices

- $9.6 billion loss to Russia

Disrupting Global Trade: The Sanctions & Tariff Effect

Case Study 2: Brazil Agricultural Exports & US Tariffs

Before Tariffs (2022-2024):

- Brazil exports agricultural products directly to US at competitive prices
- Primary exports: sugar, soybeans, beef, coffee
- Annual export value to US: ~$30-35 billion

After Tariffs (2025 onwards):

- US imposes 50% tariffs on Brazilian agricultural exports
- Brazil forced to divert exports to alternative markets (BRICS, other developing countries)
- Alternative markets pay lower prices; Brazil loses premium market access

Result:

- Same products, now at lower prices to lower-paying buyers
- $15-17.5 billion loss

Disrupting Global Trade: The Sanctions & Tariff Effect

Case Study 3: South Africa Mineral Exports & Export Restrictions

Before Export Restrictions (2022-2024):

- South Africa exports platinum group metals (PGMs), rare earths, and minerals directly to Western markets
- Produces 75% of world's platinum group metals (Critical inputs for renewable energy, semiconductors, and catalysts)
- Annual mineral export value: ~$15-18 billion

After Export Restrictions (2024-2025):

- US and EU impose licensing requirements on South African mineral exports
- Western companies prioritize Australian and Canadian suppliers despite higher costs

Result:

- Lost premium market access; forced to sell to alternative buyers at lower prices
- -$2-3 billion loss

Disrupting Global Trade: The Sanctions & Tariff Effect

Case Study 4: India – US Tariffs & Export Controls

Before Tariffs (2022-2024):

- India exports textiles, pharmaceuticals, IT services, steel, chemicals, etc.
- Annual India-US bilateral trade: ~$150 billion

After Tariffs (2025 onwards):

- US imposes 50% tariffs on Indian exports (February-March 2025)
- EU sanctions 3 Indian companies for facilitating Russia trade ($220M in affected deals)
- US export controls restrict India's access to advanced semiconductors and AI chips

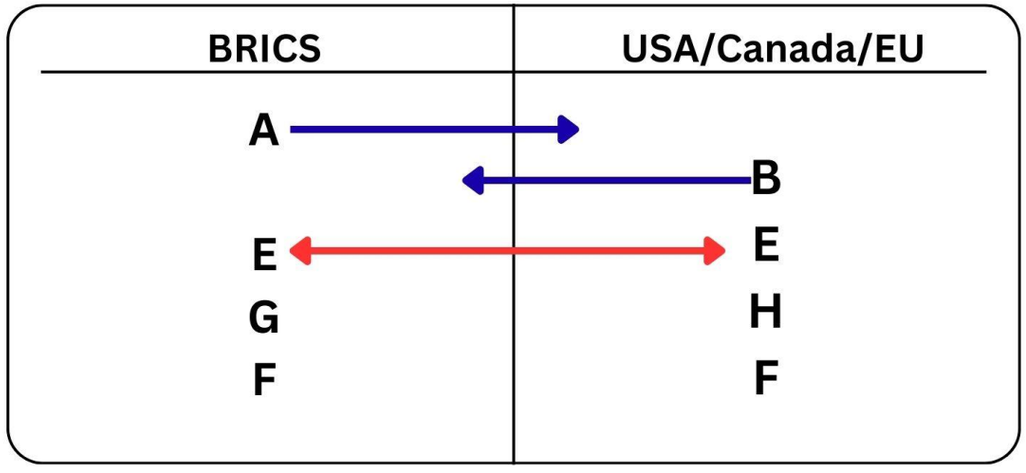
Result:

- Market access denied; export revenues severely reduced; supply chain uncertainty
- -$10-15 billion loss

4. BRICS: An Alternative Institution for Functional Globalization

Intra-BRICS Trade Potential: Pathways to Self-Reliance

Common and Uncommon Commodity Trade (Rough estimates)



- As per 2-digit HS code, Share of common trade in total world trade: approx. 9%
- Share of common trade in total trade between BRICS and EU/US/Canada: approx. 57 %
- Common commodity groups: 98

Common Trade

Category	Exports Amount	Import Amount	Total Trade	% to World Trade	Export To	Import From
Plastics	46.4264	26.3917	72.8181	0.15	Brazil → Canada/EU/USA Russia → Canada/EU/USA India → Canada/EU/USA China → Canada/EU/USA South Africa → Canada/EU/USA	Brazil ← Canada/EU/USA Russia ← Canada/EU/USA India ← Canada/EU/USA China ← Canada/EU/USA South Africa ← Canada/EU/USA
Organic chemicals	54.9466	17.3708	72.3174	0.15	Brazil → Canada/EU/USA Russia → Canada/EU/USA India → Canada/EU/USA China → Canada/EU/USA South Africa → Canada/EU/USA	Brazil ← Canada/EU/USA Russia ← Canada/EU/USA India ← Canada/EU/USA China ← Canada/EU/USA South Africa ← Canada/EU/USA
Pharmaceutical products	21.858	48.0776	69.9356	0.14	Brazil → Canada/EU/USA Russia → Canada/EU/USA India → Canada/EU/USA China → Canada/EU/USA South Africa → Canada/EU/USA	Brazil ← Canada/EU/USA Russia ← Canada/EU/USA India ← Canada/EU/USA China ← Canada/EU/USA South Africa ← Canada/EU/USA
Pearls, precious stones, metals, coins	36.8947	30.6146	67.5093	0.14	Brazil → Canada/EU/USA Russia → Canada/EU/USA India → Canada/EU/USA China → Canada/EU/USA South Africa → Canada/EU/USA	Brazil ← Canada/EU/USA Russia ← EU/USA India ← Canada/EU/USA China ← Canada/EU/USA South Africa ← Canada/EU/USA
Furniture, lighting signs, prefabricated buildings	59.5788	2.56933	62.14813	0.13	Brazil → Canada/EU/USA Russia → Canada/EU/USA India → Canada/EU/USA China → Canada/EU/USA South Africa → Canada/EU/USA	Brazil ← Canada/EU/USA Russia ← Canada/EU/USA India ← Canada/EU/USA China ← Canada/EU/USA South Africa ← Canada/EU/USA

Note: Values in billions

How BRICS's Organizational Structure is better

- Non-Hierarchical & Low-Cost Architecture
- Flexible Coordination Mechanism
- Less Bureaucratic Governance
- Dynamic & Relevant Sectoral Cooperation
- Sovereign Equality & No Veto Power
- Flexibility Through Evolved Norms (Not Rigid Legalism)
- Member-Driven Cooperation Free
- **No Imposed Conditionality on Financing**
- **Development Autonomy & Project-Based Lending Criteria**

BRICS Financial Instruments & Operations

- BRICS established two key financial instruments as alternatives to World Bank and IMF:

New Development Bank (NDB)

Contingent Reserve Arrangement (CRA)

1. New Development Bank (NDB)

(i) Subscribed capital: $50 billion; EQUAL voting rights among founding members (unlike World Bank's weighted voting)

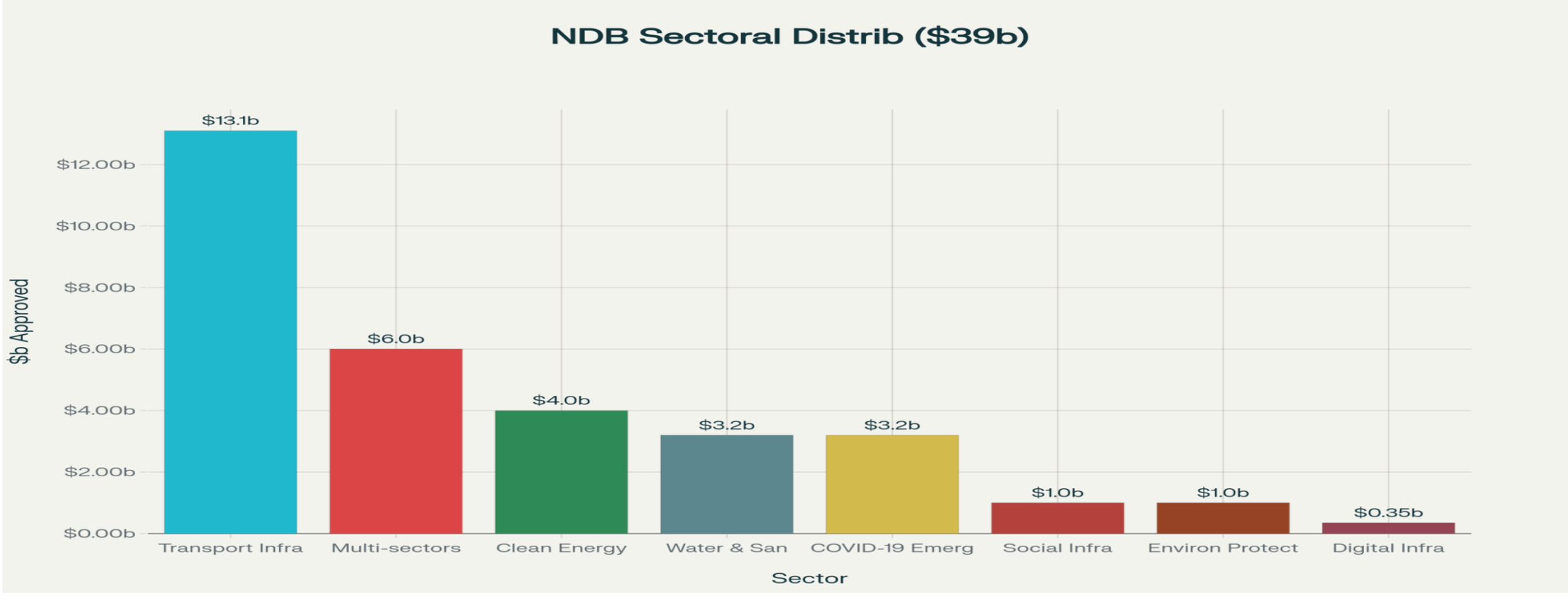
Table3: National stakes in New Development Bank

Country	Subscribed Capital (US$ Bn)	% of Total
Brazil	10.0	19.0%
Russia	10.0	19.0%
India	10.0	19.0%
China	10.0	19.0%
South Africa	10.0	19.0%
Bangladesh	0.9	1.8%
Egypt	1.2	2.3%
UAE	0.6	1.1%
Algeria	0.614	1.2%

Source: New Development Bank Report (2025)

1. New Development Bank (NDB)

(iii) Approved financing: $39 billion across 120 projects; focuses on infrastructure, renewable energy, and sustainable development.



Source: NDB Investor Presentation, April 2025 (Official Data as of December 2024)

BRICS Financial Instruments & Operations

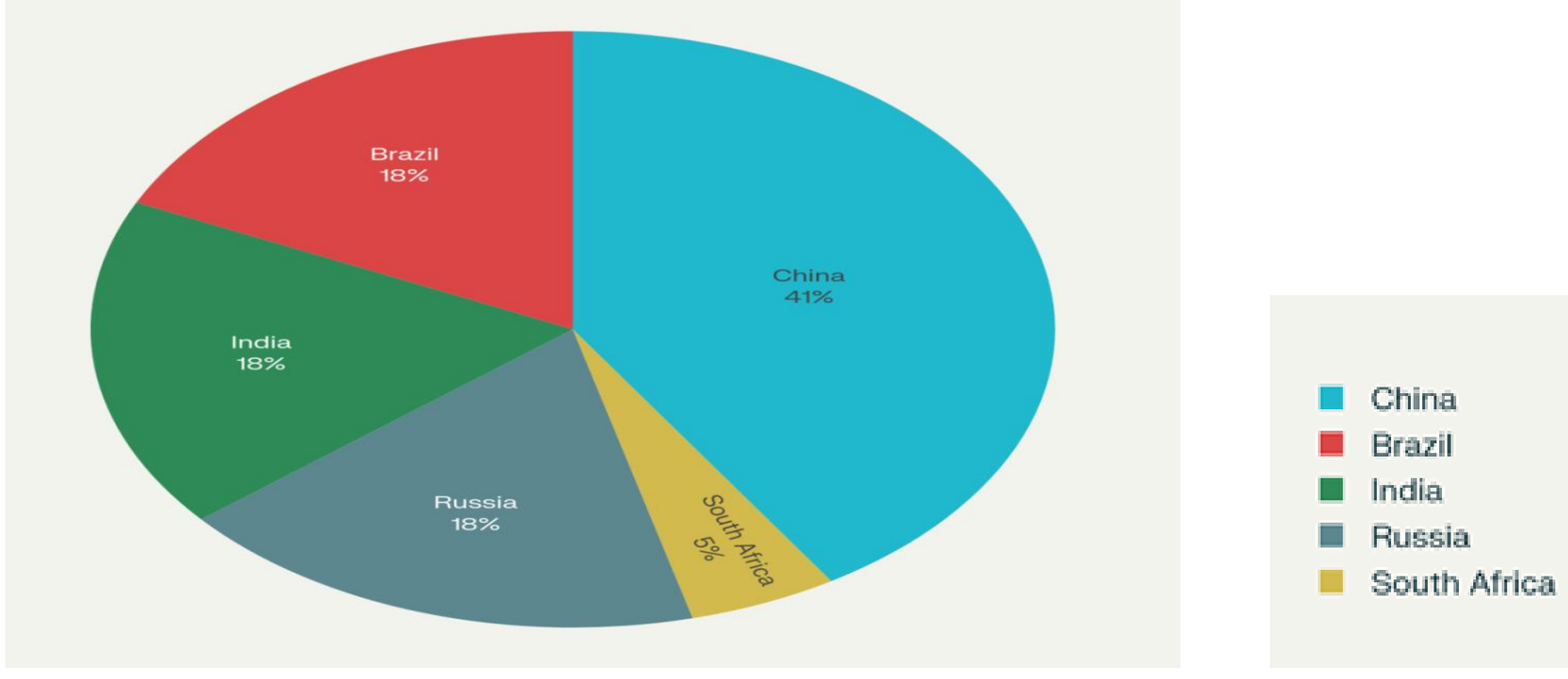
2. Contingent Reserve Arrangement (CRA)

Dimension	IMF (Traditional Model)	CRA (BRICS Alternative)
Access Speed	Lengthy negotiations (weeks to months)	Rapid access—up to 30% immediately without preconditions
Policy Conditionality	Strict SAPs, governance reforms mandated	Minimal/no conditionality for initial tier
Structural Reforms	Privatization, liberalization, anti-corruption imposed	No mandatory institutional restructuring
Decision-Making	Weighted voting with U.S. veto power	Weighted by contribution but NO single veto (China 40% < 50%)
Currency Support	SDR and hard currency (dollar-dependent)	Member local currencies (Rupee, Yuan, Real, Ruble)
Development Philosophy	Stabilization-focused (austerity mandates)	Development-focused balance-of-payments support
Policy Autonomy	Recipients surrender autonomy	Full policy sovereignty maintained

BRICS Financial Instruments & Operations

2. Contingent Reserve Arrangement (CRA)

- Total commitment: $100 billion emergency liquidity fund; China $41 billion, Brazil/India/Russia $18 billion each, South Africa $5 billion



BRICS Contingent Reserve Arrangement: Capital Contributions by Member ($100 Billion Total)

BRICS Expansion

- In 2017, during the Chinese chairmanship, BRICS began exploring expansion beyond its original five members, introducing the "BRICS Plus" concept to hold outreach dialogues with other major developing countries

- In 2022, the five original members pledged to formally promote discussions on expansion and clarify guiding principles for new membership

- At the 2023 Johannesburg Summit, BRICS announced its first major expansion. Six countries were invited:

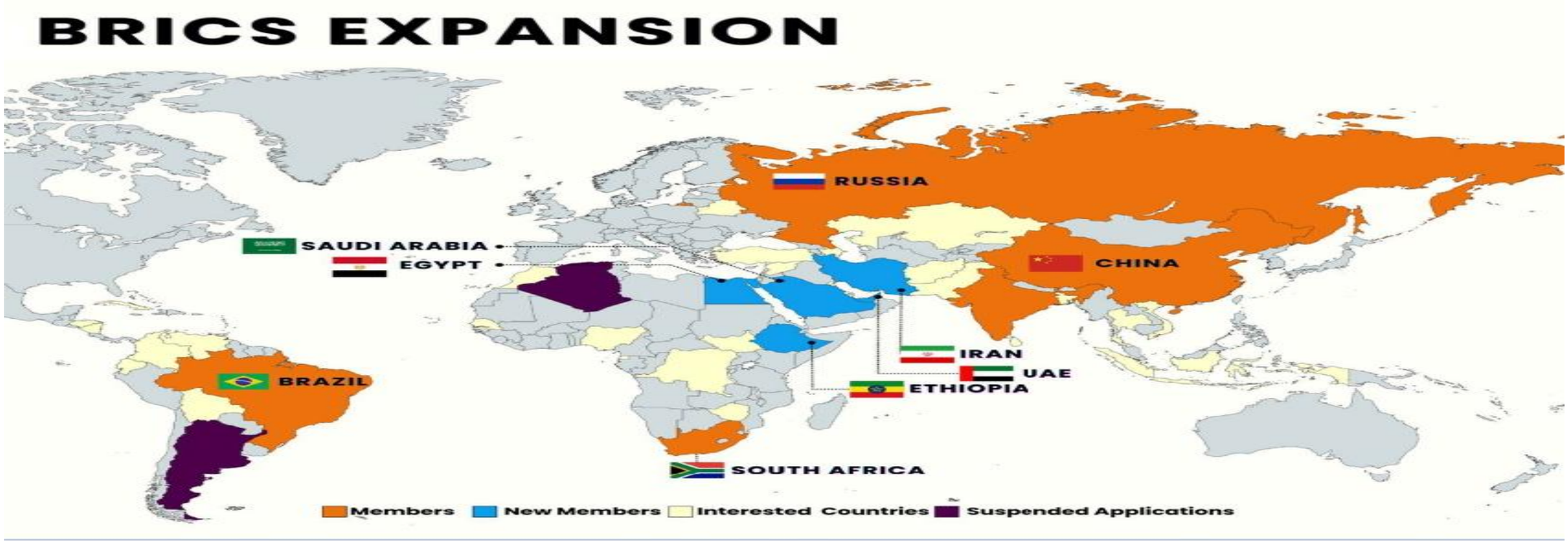
(i) Argentina
(ii) Egypt
(iii) Ethiopia
(iv) Iran
(v) Saudi Arabia
(vi) UAE.

- **Argentina withdrew in November 2023**

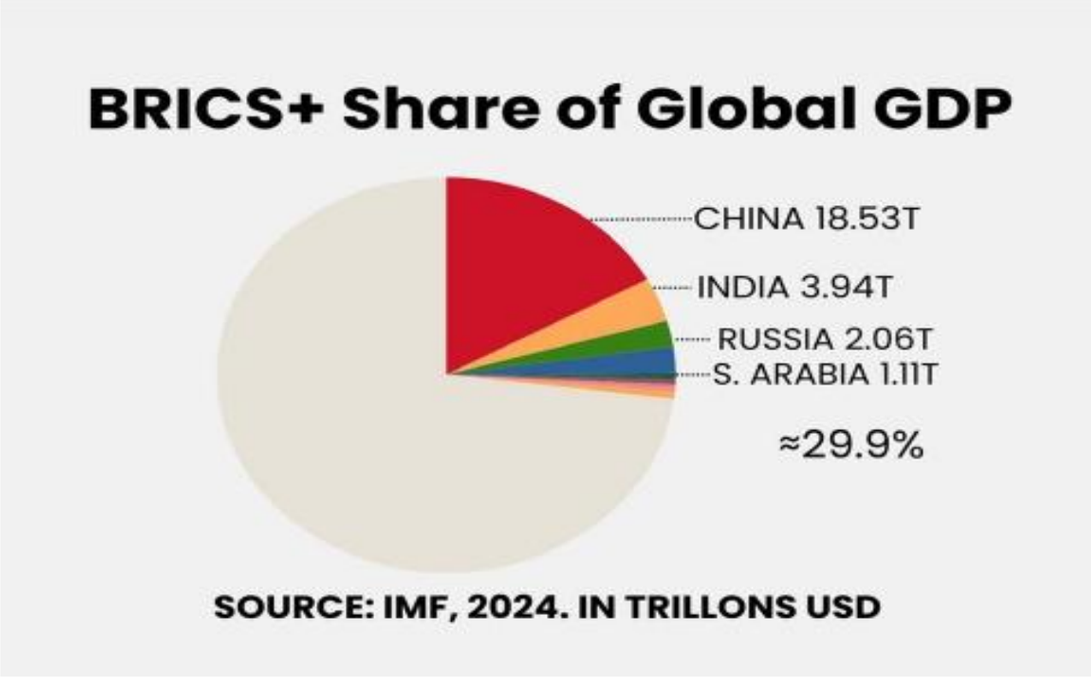
- **Saudi Arabia remains under consideration but participates actively**

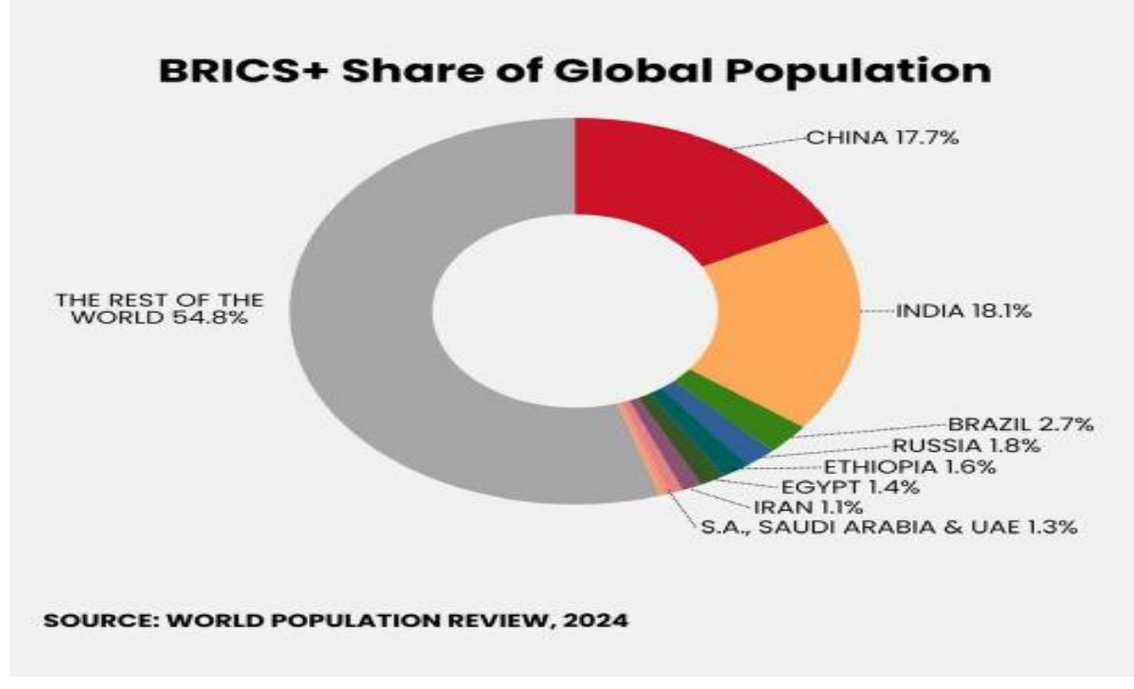
BRICS Expansion

- By 2024-2025, BRICS expanded to 10 full members (original 5 + Egypt, Ethiopia, Iran, UAE, Indonesia). Over 40 countries have signaled interest; 23 have submitted applications



- This expanded BRICS now encompasses 45% of world population, 29% global GDP (38% by PPP), 40% global grain production, 32% natural gas, 43% crude oil—exponentially increasing material leverage





BRICS: Building Functional Globalization

- **Surging global trade power:**

BRICS+ share of global merchandise exports rose from 10.7% in 2000 to 23.3% in 2023 (a 12.6 percentage point gain). In contrast, the G-7's share fell sharply from 45.1% to 28.9% over the same period—BRICS+ is on track to surpass G-7 in global trade by 2026 (EY India).

- **Consolidated economic weight:**

BRICS+ nations represent 40% of global GDP (2024, IMF) and 45.2% of world population, providing both scale and influence to shape the rules of globalization.

- **Decentralizing global finance:**

Major members like China and India lead currency innovation—Renminbi swap lines with 40 countries, offshore RMB hubs in 31 global markets, and Indian Rupee trade enabled for banks from 22 countries—promoting local-currency trade and gradual de-dollarization.

BRICS: Building Functional Globalization

- **Alternative digital infrastructure:**

BRICS is actively developing alternatives to SWIFT and building an interoperable payment stack, aiming for greater financial autonomy for themselves and the Global South.

- **Driving next-gen growth:**

BRICS+ leads in high-tech exports (5% of global total in 2000 to 32.8% in 2022), advances in green tech, and AI development (China has overtaken U.S. in AI research output; India's sovereign AI policy) are reshaping technology frontiers and manufacturing ecosystems.

- **Global governance reform:**

Collectively, BRICS+ is positioned to push for fairer global trade rules, revitalizing the WTO, and supplementing World Bank/IMF roles through the New Development Bank and new crisis-reserve mechanisms.

Conclusions

- The current architecture of globalization has not delivered its core promise.
- Trade and finance are routinely used as weapon through sanctions, tariffs, and policy conditionality t pressurise countries
- Trade with BRICS can significantly reduce dependence on Western Countries
- BRICS's structure is based on sovereign equality, consensus decision-making, and non-conditional finance
- It is better placed than legacy institutions to deliver the original promise of globalization

Thank you