The Influence of Institutional Interplay on the Development of the BRICS Bank
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Abstract: With a greater degree of integration than ever before in areas such as trade, the environment, migration, etc., international institutions have emerged in an attempt to achieve greater cohesion and regulation among the plethora of global actors and issues that exist today. The consideration of international institutions and actors in terms of a network of interrelated bodies is referred to as a regime complex. One of these institutions is the BRICS Bank, or the New Development Bank (NDB), forged by the BRICS nations, namely Brazil, Russia, India, China, and more recently, South Africa. By applying different frameworks for considering the role and influence of institutional interplay within a greater regime complex, a clear link can be seen in how international institutions effect one another, their development, structures, and objectives.

I. INTRODUCTION

With a greater degree of integration than ever before in areas such as trade, the environment, migration, etc., international institutions have emerged in an attempt to achieve greater cohesion and regulation among the plethora of global actors and issues that exist today. To help simplify the ever expanding list of international institutions and actors, the concept of regime complexes has been developed. A regime complex is a network of interrelated institutions, where actors and organizations which address similar issues or which include common states can be included. One of the international institutions that has recently come into existence and joined the web of international institutions is the BRICS Bank, or the New Development Bank (NDB), forged by the BRICS nations, namely Brazil, Russia, India, China, and more recently, South Africa.

The establishment of the NDB, and the union between the BRICS countries, offers a unique example of a global multilateral institution. Where other international financial institutions are forged through regionalism or political influence, the BRICS countries have
only a few commonalities. For example, the BRICS countries have a shared goal towards infrastructure investment in developing countries and in creating a more influential and significant voice for other emerging and developing countries. This second objective is an important one, because the BRICS countries are highlighting the insufficiencies of the existing international institutions in providing a suitable forum for said emerging and developing countries, and are indirectly defining the NDB in terms of other international institutions as well. Therefore, this paper will address the question of historical and contemporary institutional interplay in the development of the NDB.

This paper will firstly outline the structural development of the BRICS Bank and describe some of its key characteristics. Secondly, the idea of a regime complex will be applied to the NDB, where the relevant international institutions which influence the NDB will be defined to develop the institutional framework in which the NDB operates. Thirdly, Kal Raustalia and David Victor’s framework which describes four elements relevant to institutional interplay, will be employed to demonstrate the importance of institutional interplay on the development of international institutions, specifically the NDB. Fourthly, theories of international relations will be applied to the case of the NDB, examining both national and institutional incentives for participating in a new financial institution. This analysis will ultimately show that while the union between the individual BRICS nations best fit the realist argument for international cooperation, the reasoning behind the formation of the NDB itself is less obvious. The conclusion will then summarize that institutional interplay did in fact influence the development of the NDB and that the international relations theory which best explains the formation of the NDB will only become clear once the institution moves beyond its developmental phase.

II. THE BRICS BANK

The term ‘BRIC’ was first coined by Jim O’Neill in 2001 to describe the emerging financial powers of the global economy. The term was an acronym for the four leading developing countries, namely Brazil, Russia, India and China, however in 2010 South Africa was also included, transforming the term into ‘BRICS’.¹ The original four nations first met in

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¹ Schaefer and Poffenbarger, The Formation of the BRICs and Its Implication for the U.S., 2. [Schaefer and Poffenbarger]
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2006 on the sidelines of the United Nations General Assembly and then again during the G8 Summit of 2008. It was in this second meeting that BRIC members identified the need for a larger role in the regulation of the global economy and the inadequacy of the established ‘Western’ institutions. The first of the annual official BRIC summits was in 2009, when members called for collective decision-making, coordinated action, and a return to a multipolar world.² During the 2014 summit meeting, the BRICS countries – now with South Africa – agreed to establish the NDB.

The organization of the New Development Board includes a president with a six-year mandate, currently from India, a Board of Governors Chair, headed by a Russian, a Board of Directors Chair, headed by a Brazilian, with a headquarters located in Shanghai, China.³ This new financial mechanism is based on equal shared voting, with no veto power, where each country contributed $10 billion towards its initial $50 billion capital. These funds were collected initially for infrastructure and ‘sustainable development’ projects in BRICS countries; however other low- and middle-income non-member countries will also be able to buy in and apply for funding. The BRICS nations also established a $100 billion Contingency Reserve Arrangement (CRA) to provide additional liquidity protection to member countries during balance of payments problems. Unlike the NDB which is funded equally by all member states, the CRA is primarily financed by China.⁴

Statistics from 2014 state that the five BRICS nations collectively represent nearly 3 billion people, approximately 40 percent of the global population. Jointly, they also account for US$16.039 trillion of nominal GDP, equivalent to about 20 percent of the gross world product.⁵ It is estimated that by 2018, the combined economies of these five nations will overtake that of the U.S. both economically, and in terms of political influence and power.⁶ However, before this assembly of nations can realize their potential, they must first overcome some inherent tensions within their collective body. Some sceptics claim that the potential power of the NDB is stunted by its lack of codification and coordination. For example, historical tendencies of animosity between China and Russia, differing national interests, and

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² Ibid.
³ Desai and Vreeland, *What the new bank of BRICS is all about*. [Desai and Vreeland]
⁴ Ibid.
⁵ Panda, *BRICS Announce New Development Bank*. [Panda]
different paths of development, leave the BRICS members divided and with many cleavages.\(^7\) This lack of ‘sameness’ between the five emerging countries can, according to others, have dual effects on their collective action. There is, for example, a huge discrepancy between the vastly disproportional size of the Chinese economy and the combined economies of the other nations, where this could imply that China would possess greater power within the institution, though there has been no evidence of this to date.\(^8\)

While such significant inequalities and discrepancies between nations may in some instances be obstructive to the cohesion of the group, in other cases these differences can act as the bases for coherent intervention.\(^9\) For example, the commitment to a ‘shared banking initiative’ between the BRICS countries can, in some instances, “lead to cooperative, complementary diplomatic outcomes” and present novel ideas and perspectives among the unlikely grouping of the member states.\(^10\) This optimism may be slightly misled, as nations only seem to be united on three fronts: their individual search for more power within the international arena, the reduction of U.S. hegemony, and the desire for a mix between sustainable growth and investment in developmental needs related directly to infrastructure.\(^11\), \(^12\)

This contradiction has led to the question of how “states with so few apparent commonalities [can] find sufficient common interests to forge a lasting [intergovernmental organization]?”.\(^13\) Since the purpose of this paper is not to evaluate the endurance of this institution, but rather the influence of institutional interplay in the development of the NDB, one can assume that these three common elements currently suffice in uniting the five vastly different developing nations that make up the BRICS nations.

III. SIGNIFICANCE OF REGIME COMPLEXES

As previously stated there is currently an unprecedented trend in forming international institutions to address issues of international concerns, as well as a growing pressure to

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\(^7\) Schaefer and Poffenbarger 3-4.
\(^8\) Desai and Vreeland.
\(^9\) Chin, The BRICS-led Development Bank, 366. [Chin]
\(^10\) Ibid., 367.
\(^11\) Schaefer and Poffenbarger, 4.
\(^12\) Chin, 366.
\(^13\) Schaefer and Poffenbarger, 4.
“manage the process of globalization beyond the nation-state in various issue areas”.\textsuperscript{14} As defined by Robert O. Keohane, international institutions are “a persistent and connected set of formal and informal rules that prescribe behavioural roles, constrain activity, and shape expectations”.\textsuperscript{15} Though there are three forms of international institutions, namely international organizations, international regimes, and conventions, only the first two are relevant in this case. It is the interactions between international institutions though, that lead to the formation of regime complexes and the resulting institutional interplay; wherein the institutional interplay between international institutions remove the independence and autonomy from one another.\textsuperscript{16}

To position the NDB in a regime complex, previously defined as a network of interrelated institutions, one must first consider all the relevant institutions that influence it. If one were to examine global financial institutions, development banks, and relevant regional financial institutions, the sheer number of institutions is overwhelming. Multilateral development banks alone, for example, include the World Bank, the International Fund for Agricultural Development (IFAD), the European Investment Bank (EIB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the African Development Bank (AfDB), the Asian Infrastructure Investment Bank (AIIB), etc. Just in Bretton Woods institutions alone, international financial institutions include the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Association (IDA), etc. Consequently, the international financial regime complex to which the NDB belongs is quite vast. Therefore, for the purpose of this paper, the NDB will be placed within a regime complex consisting solely of the IMF and the World Bank, as they are currently the most prominent international financial institutions.

On an institutional level, institutional interplay within regime complexes is significant in that institutions affect each other’s decisions, structures, members, policies, goals, etc. For example, institutions may choose to pursue policy fields which have not yet been addressed or ones they wish to improve. Alternatively, institutions can mirror the structure of other

\textsuperscript{14} Loewen, \textit{Towards a Dynamic Model of the Interplay Between Institutions}, 5.
\textsuperscript{15} Ibid., 7.
\textsuperscript{16} Loewen. \textit{Institutional Interplay between the CMI and the IMF}, 52-3.
institutions, adjust a previously employed structure, or simply avoid these previous structures altogether. Institutions are, in effect, constantly learning from one another and acting in response to each other, making institutional interplay and the regime complex in which one is considering this effect necessary factors when considering the development of any international institution. On one hand, the BRICS Bank is just one of many other international financial institutions, however with each new institution comes a new actor that participates in the regime complex. Some critics believe that the BRICS nations may not be cohesive enough to mobilize their shared interests and achieve their common goals. While the NDB may not be a long-term solution for the financial needs of developing nations, others maintain that the very union of the five BRICS nations and of the resulting NDB could bring about a more stable answer. It could, for example, trigger initiatives in other institutions, or lead to the creation of stronger institutions to eventually better organize and address these same interests. In the meantime, the BRICS Bank is still working to finance infrastructure in developing countries and therefore it is still worth examining the institution and its interactions with other institutions within its regime complex.

IV. FRAMEWORK AND EVALUATION

To effectively assess the influence of institutional interplay on international institutions, Prof. Howard Loewen outlines that one must identify the source institution, the target institution and the causal link between the two, or the patterns of interactions between them. In other words, one must break down which institution is influencing the other, and how. As outlined above, there is a multitude of international financial institutions that can be examined in relation to the NDB, however this paper is considering the NDB within a regime complex consisting solely of the IMF and the World Bank. In the case of the NDB, therefore, one could apply the source / target / link approach to examine how existing international financial institutions, such as the IMF and the World Bank, influence the NDB. Applying this methodology would place pre-existing institutions, namely the IMF and the World Bank, as the source and the NDB as the target. While there is also much merit to analysing the development, maintenance and effectiveness of international institutions, the recent formation

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17 Loewen, Towards a Dynamic Model of the Interplay Between Institutions, 12.
of the NDB only allows for the analysis of the development of this institution. Therefore, the source / target / link approach is simply applied to the developmental stages of the NDB due to recentness of its establishment and the consequent lack of evidence for its maintenance and effectiveness.

An alternative framework in the analysis of institutional interplay is proposed by Kal Raustalia and David Victor, whereby they argue that there are four ways in which regime complexes are relevant to institutional interplay. These four mechanisms are: lack of a clean slate, forum shopping, legal inconsistencies and politics of implementation. The next four subsections will define and discuss each of these concepts and describe the relevance of these concepts in terms of the development of the NDB.

i. No Clean Slate

The lack of a ‘clean slate’ is now an inherent condition in the development of any international institution. The idea behind this mechanism is that new institutions are developed in relation to existing institutions. In today’s global system, international institutions necessarily influence the development, maintenance and effectiveness of others, creating nested and overlapping relations between the multiple actors within a regime complex. The existence of other international institutions or organizations, acts as a starting point for emerging international institutions, either as a framework for building other institutions, or as a point of divergence. Loewen states: “Previously created arrangements limit and direct the process of establishing new rules or institutions”. In the case of the NDB, the fact that the institution operates in relation to pre-existing institutions is clear in their intention to ‘supplement’ the existing efforts of multilateral and regional financial institutions relating to international development and build on their principles. The NDB also looks to challenge the dominance of the IMF and the World Bank and to act as a mechanism to voice the interests of emerging economies in the global financial system. According to these two statements, the NDB has a tendency to define itself in relation to existing institutions. These initial intentions

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18 Ibid., 6.
19 Raustalia and Victor, The Regime Complex for Plant Genetic Resources, 296-305.
20 Loewen. Institutional Interplay between the CMI and the IMF, 54.
21 Ibid.
22 Chin, 366.
23 Panda.
are also both clear examples of how international institutions are no longer autonomous bodies and that international institutions, especially emerging ones, are subject to act within pre-existing rules and norms.

Even the voting structure of the institution helps articulate the importance of the lack of a clean slate. The BRICS countries, despite collectively accounting for 40 percent of the global population and 20 percent of the gross world product, jointly only possess 11 percent of the votes in the IMF. Alternatively, the BRICS countries operate on more equal terms in the NDB, where each member party possesses an equal voting share. This case is possibly the clearest in demonstrating the use of pre-existing rules and norms in forging new ones, in that the IMF’s voting structure was not compatible with the ideals of the NDB. Though the principles which guided the voting structure of the ‘Western’ institutions were not consistent with those of the NDB, the intended principles and purposes of the IMF and the World Bank, for example, are very similar to those of the NDB. This demonstrates both the ineffectiveness of the IMF and the World Bank in mobilizing those principles, but also how the principles of pre-existing institutions shape those of newer institutions, in that new institutions look to ‘supplement’ the principles of existing institutions for example.

\textit{ii. Forum Shopping}

With more international institutions being developed to address a multitude of different interests, there is a new flexibility in avenues and mechanisms to mobilize interests. The overlapping of institutions, as previously mentioned, allows nations and organizations to better match their interests with that of the forum, where barriers of entry, membership and linkages all play a role in the selection of a forum or organization as well. Forum shopping also includes the creation of new organizations and forums for mobilizing interests. This is often the case when pre-existing institutions do not suffice, or do not act as appropriate mechanisms for advancing the interests or needs of a given state or organization. For examples, all five of the BRICS countries were members of the G20 before the creation of the NDB, however they were “dissatisfied with the lack of follow-through on the G20 leaders’ commitments to mobilize infrastructure investment for the developing world”, demonstrating how the G20 was an inadequate mechanism for advancing those interests.\textsuperscript{25} The BRICS countries had similar

\textsuperscript{24} Desai and Vreeland.
\textsuperscript{25} Chin, 368.
critiques related to the IMF and the World Bank, and stated that the two institutions are not adapting fast enough to the evolving world economy, clearly outlining an argument for the construction of a new regime.\textsuperscript{26}

Forum shopping can be examined through both liberal institutionalist and realist perspectives. The use of an alternative international institution to better mobilize a group or nation’s interests supports a liberal institutional argument. However, using or developing institutions to act as a counterweight to existing institution is more in line with a realist argument. Dissatisfaction with Bretton-Woods institutions has become a global trend as well, and has pushed nations to develop new institutions. This, however, is not a new phenomenon. The 1960s saw the establishment of the ‘Development Bank of Latin America’, ASEAN +3 established the Chiang Mai Initiative in the early 2000s and in 2009 the ‘Bank of the South’ agreement emerged in Latin America. All of these relatively recent establishments were responses to the inadequacies of the Bretton Woods institutions, most commonly the IMF and the World Bank, in acting as an effective forum for mobilizing national and regional concerns and interests. They were created because emerging countries were growing faster than their international influence and their voice in forums, such as the IMF and the World Bank.\textsuperscript{27} This was also the case for the NDB, where the rise of the BRICS Bank as a necessary alternative to existing international financial institutions “demonstrates the extent to which these rising powers have felt excluded from the existing global order”.\textsuperscript{28} Therefore, the development of the NDB was born out of the need for an organization to act against the IMF and the World Bank.

\textit{iii. Legal Inconsistencies}

A third factor that influences regime complexes is the legal inconsistencies that have emerged as a consequence of the blurred boundaries between the ever-increasing number of international organizations. It is no longer clear which institution is responsible for what, or which takes precedence over another.\textsuperscript{29} If, for example, Asia were to experience another financial crisis, would it be the responsibility of the IMF, the World Bank, the NDB, the ADB, the Chiang Mai Initiative or the recently established AIIB to react and provide financial aid to

\textsuperscript{26} Ibid.
\textsuperscript{27} Desai and Vreeland.
\textsuperscript{28} Panda.
\textsuperscript{29} Loewen, \textit{Institutional Interplay between the CMI and the IMF}, 55.
it and other effected countries? What if such a crisis were to occur specifically in a BRICS country? Comparing the mandates of the IMF, the World Bank, and the NDB does not help in distinguishing between the responsibilities of the three international institutions. Based on the purposes and functions outlined below, any of the BRICS nations, which are all developing countries by definition, would be eligible for financial aid through the IMF, the World Bank and the NDB. The lack of a clear distinction between the mandates of these three institutions increases the possibility of burden-shifting between institutions. As all institutions are arguably equally responsible for providing financial support to developing nations, one institution may shirk on its original mandate, assuming one of the other two institutions will provide the necessary aid.

The IMF, for example, claims to “foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world” through loans with structural adjustment programs attached to them.\(^{30}\) The World Bank, another global financial institution, states it “is a vital source of financial and technical assistance to developing countries around the world” and acts through “a unique partnership to reduce poverty and support development” through loans, credits and grants to developing countries.\(^{31}\) The NDB’s ‘purpose and functions’, however, found in Article 1 of the Articles of Agreement, state the following: “The Bank shall mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development”, also through loans, guarantees, equity and ‘other financial instruments’.\(^{32}\)

With no hierarchical structure to regime complexes, identifying which institution is responsible or most capable in addressing an issue or crisis remains unclear. It is also difficult to define where the responsibilities and capabilities of one institution ends and where another begins. In the case of the NDB, the fact that the institution operates in relation to pre-existing institutions is clear in their intention to ‘supplement’ the existing efforts of multilateral and regional financial institutions relating to international development and build on their

\(^{30}\) International Monetary Fund, \textit{About the IMF}.  
\(^{31}\) The World Bank, \textit{About: What We Do}.  
\(^{32}\) BRICS, \textit{Agreement on the New Development Bank – Fortaleza, July 15}. 
principles. This supports both the ‘no clean slate’ and ‘legal inconsistencies’ argument of Raustiala and Victor’s argument, in that the principles of the NDB are very similar to that of the IMF and World Bank, supporting the ‘no clean slate’ argument, and in that the division between the principles and responsibilities of the respective institutions is unclear, as is consistent with the ‘legal inconsistencies’ argument.

iv. Politics of Implementation

With more flexibility in the selection of an international institution for advancing one’s interests, it can be argued that institutions with a higher membership or those with more nations subscribed to it, are more credible. It is for this reason that organizations focus on politics of implementation, whereby the terms of membership are often vague. Once more nations are subscribed however, these terms are made explicit and interpreted more thoroughly. For the development of the NDB, this was not the case, as BRICS nations are the only members of the NDB by virtue of being the leading developing countries at the moment. To date, the only specification within the BRICS nations, has been for each country to provide $10 billion towards the institutions initial capital, whereby this contribution is most likely a symbolic gesture rather than a useful one. The politics of implementation of the NDB may be more interesting mechanisms to consider when evaluating the maintenance or effectiveness of an institution; once the institution has expressly outlined its participation requirements. Many critical questions and structural decisions have yet to be addressed in the NDB, questions directly related to their politics of implementation. As of yet, however, the NDB has not demonstrated instances of this phenomenon. As previously stated, this is likely due to the few member states. If the NDB were to expand its membership however, politics of implementation would likely need to be introduced.

V. INTERNATIONAL RELATIONS THEORIES

After reviewing the four factors that influence international institutions, forum shopping appears to have the most significant impact on the NDB, since it was the inadequacy of the existing forums that led to the creation of a new one. The factors that lead to the conclusion that institutional interplay does in fact influence international institutions is a rather novel

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33 Chin, 366.
34 Loewen. Institutional Interplay between the CMI and the IMF, 55.
approach in evaluating such a question. Analyses of institutions are typically considered in terms of a single institution or in relation to a few others to distinguish similarities and differences. Rarely are institutions considered within the framework of a larger network of institutions. For this reason, the ‘traditional’ model for evaluating international institutions, namely international relations theories, should also be used to assess whether the same conclusions can be reached through an alternative, more classical lens. In terms of ‘classical’ theories of international relations, institutional interplay necessarily follows the theory of liberal institutionalism, as it considers the cooperation between countries as a necessary factor for the success of an international regime complex. The liberal logic of institutional and national cooperation allows for the consideration of the NDB’s development and membership at both a national and institutional approach, providing another layer to the question at hand.

Each of the BRICS countries have their own national development banks, so why would such differing countries encourage and participate in the formation of a multilateral development bank? For this analysis, it is worth considering the three main theories of international relations: realism, liberal institutionalism and social constructivism. Based on this trichotomy, the realist argument assumes nations act rationally, seek to maximize their power, and attempt to survive in an anarchical international system through either bandwagoning or balancing hegemonic powers. Liberal institutionalism is a similar concept, where the key difference lies in the creation of treaties and organizations to help organize the anarchical international system, wherein the formation of relations between international institutions is to address a specific problem. Social constructivism, on the other hand, does not assume rational actors. This theory states that cooperation between nations occurs for purely social benefits, where these do not necessarily benefit all participants in economic terms, for example. While considering these three theories, first a national perspective will be used to determine nations’ reasons for working together and creating the NDB, followed by an institutional perspective, whereby the national view uncovers seemingly hidden strategies of participating nations.

Gregory T. Chin of York University in Canada examines the individual countries associated with the NDB (i.e. the BRICS countries) to assess their national incentive to participate in a joint organization. He asserts that India’s objective in promoting a multilateral development bank is to gain an alternative source of finance for meeting its own massive infrastructure development needs. India will soon no longer be eligible for loans from the
International Development Association and must look to other organizations for loans and other financial mechanisms.\textsuperscript{35} Chin claims that South Africa acts as the “conscience” of the BRICS organization, where South Africa pushes other BRICS nations to think beyond themselves. Economic factors became a particularly salient consideration when in 2012, the Development Bank of Southern Africa (DBSA) underwent deep restructuring. Therefore, South Africa too, is looking to the NDB as a supplemental financing mechanism.\textsuperscript{36} Brazil also has large-scale infrastructure needs and fears that its own national development bank may not suffice in financing it.\textsuperscript{37} With such clear economic benefits in mind, India, South Africa and Brazil all represent a realist approach to cooperation, which maintains that nations participate in unions and institutions to maximize their own interests.

Russia employs a more liberal institutionalist perspective to the BRICS association. Chin states that Russia “appear[s] to see the NDB idea as a hedging option for infrastructure finance, as a useful tool to encourage intra-BRICS flows of trade and investment and capital markets integration, and helpful […] as an alternative institutional mechanism with global reach that includes the South”.\textsuperscript{38} Russia does not seem to be alone in its desires to maximize its economic endeavors. Instead, Russia also looks to minimize transaction costs through treaties and agreements between BRICS countries, a main feature of the liberal institutionalist argument.

China, on the other hand, is looking to create “new avenues for its engineering and construction companies, stimulate job creation and redirect a portion of its massive foreign currency reserves to productive purposes that ultimately help to sustain its growth”.\textsuperscript{39} China looks to the BRICS bank as a mechanism to redistribute surpluses and create stronger ties with developing nations. China is also, and perhaps ultimately, looking to further develop its own economy and gain more power and influence in the international arena. This is further supported when considering China’s recent AIIB initiative, as well as its goal to experiment with more multicurrency trade and to build a “Sino-centric global financial system as an

\textsuperscript{35} Chin, 370.
\textsuperscript{36} Ibid.
\textsuperscript{37} Chin, 370.
\textsuperscript{38} Ibid, 371.
\textsuperscript{39} Ibid, 370.
alternative to longstanding U.S. institutional hegemony”. As previously discussed, forum shopping explains the formation of a new financial institution for developing nations as a means for better mobilizing the interests of the NDB. Forum shopping also justifies the NDB as a means for China to establish an institution to help balance other global powers.

While the BRICS nations collectively claim to be working towards the creation of a bigger voice for developing nations and the provision of infrastructure investments to said countries, each individual BRICS nation is still expecting to gain economically. Each nation appears to look to the NDB to further their own interests not related to the NDB. Others argue, however, that bandwagoning was also an element in the participation of countries other than China in the NDB. While further conceptions assume China and Russia are looking to balance Western institutions, both features support the realist argument of international relations. As stated before however, the economic positioning of each country essentially predetermined their participation.

The institutional perspective of the NDB paints a different picture of the BRICS union. It argues that the NDB was essentially intended to contest the ‘Western’ (i.e. developed) nations and institutions that currently possess an unequal amount of global power. The initial critiques of the Western institutions, namely the IMF and the World Bank, by the BRICS countries addressed the inadequacy of their recent reforms and their inability to adapt fast enough to the evolving world economy. Therefore, it is both logical and necessary that the resulting BRICS institution act against the ‘Western’ institutional ideals instead of in agreement with it.

Just as bandwagoning supports the realist argument, the cooperation of nations to balance existing institutions is also an indicator of the realist argument. Additionally, it demonstrates the importance of considering institutions within their regime complex, since the hegemony and insufficiency of the existing institutions within the financial institution complex led to the creation of the BRICS Bank as a balancing mechanism. In 2011, the East Asia Forum posted an article stating that within the G20 summits, “the rise of the BRICS strikes a balance between emerging countries and the hegemony of the G7.”, further demonstrating the BRICS’

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40 Ibid., 370-1.
41 Reisen, How the New AIIB Dwarfs the Asian Development Bank.
42 Schaefer and Poffenbarger, 2-3.
43 Chin, 368.
mandate to challenge ‘Western’ institutions. While the realist argument offers an explanation for the participation of the BRICS in the NDB, liberal institutionalism does as well. According to the liberal perspective, institutions act as problem-solving-management mechanisms. If one were to then interpret ‘Western’ institutional hegemony as a problem, the creation of an institution to balance this hegemony would clearly be a solution. However, since the NDB has not yet been called to action, the institution may remain a symbolic one, which just looks to increase the voice of its member countries and of other developing nations. If the NDB remains a purely symbolic institution however, providing purely social advantages to those countries which the BRICS nations seek to help, the social constructivist argument best explains the development of the NDB.

VI. CONCLUSION

The increasing number of international institutions and the resulting overlap of rules and norms clearly demonstrates the significance of institutional interplay in the development of international institutions within a global regime complex. Both the organization of the BRICS Bank, such as its formal statements and mandate, clearly illustrate how the development of the NDB has been influenced by existing institutions. Institutional interplay has directly influenced the development of the NDB. The imposition of an institution to develop within the archetype of existing institutions, the presence of multiple types and models of institutions, and the overlap of institutions all have a role in shaping emerging institutions. After considering the lack of a clean slate, forum shopping and legal inconsistencies in turn, it can be argued that forum shopping is the most decisive factor of institutional development. Politics of implementation however, Raustalia and Victor’s fourth influential factor of institutional interplay, may be a phenomenon more clearly demonstrated when examining the maintenance or effectiveness of the institution. Even with the introduction of a hierarchy in a regime complex to help distinguish the boundaries between organizations, both the lack of a clean slate and forum shopping would remain as influential factors in the development of an institution.

Though the BRICS union may collectively support infrastructure investment in developing countries, their purpose as a balancing mechanism against existing ‘Western’

\[^{44}\text{Wihardja.}\]
institutions provides a strong argument in support of a realist argument for cooperation. When reviewed from a national perspective, the realist argument appears to be consistent in that each country ultimately looks to maximize their own economic gains, where Russia may be an exception to this case. The realist argument recognizes only two purposes for nations to participate in international institutions, namely bandwagoning and balancing, both of which are evident in the development and participation of the NDB.

While joint dissatisfaction with the established global financial institutions, namely the IMF and the World Bank, has united the BRICS nations, some argue that it does not suffice in uniting and ensuring the success of an alternative institution. Therefore, for the sake of the NDB, the shared goal of supporting a mix between sustainable growth and developmental needs related directly to infrastructure will hopefully be the primary unifying factor for the BRICS nations. However, based on the realist argument of international relations, it is more likely that these five nations are unified by their individual objective of attaining more power within the international arena and their goal to reduce U.S. hegemony. The international relations theory that best fits the case of the NDB, may only be evident much later in its maintenance and effectiveness phases. Should the institution follow realist ideals, wherein each nation is looking to first further themselves, the NDB may not be as successful as predicted for emerging and developing nations. Since greater communication is common in a liberal union, the NDB will most likely be more effective as a liberal institution in furthering their shared goals. As stated before though, should the NDB not develop any further, the institution will remain symbolic, whereby its usefulness follows a social constructivist argument for cooperation.

45 Chin, 368.
46 Schaefer and Poffenbarger, 4.
47 Chin, 366.
SOURCES


