Chapter 15

The Representation of BRICS in Global Economic Governance: Reform and Fragmentation of Multilateral Institutions

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15.1 Introduction

Already in 2001, when Jim O'Neill wrote his famous Goldman Sachs paper "Building Better Global Economic BRICs" [O'Neill, 2001], he proposed quite directly that the growth rates of these continent-sized economies raised questions about representation in global economic governance (GEG). Specifically, the banker concluded that the rise of the BRICs would require a new G7 in which major emerging economies would also be represented [2001, p. 11]. Arguably, O'Neill would get his wish in 2008, when a financial panic and the threat of economic crisis prompted the George W. Bush administration to "upgrade" the G20 Finance Ministers' forum to include a Heads of Government summit.

The rise and fall of the great powers in history has always generated tensions over international hierarchies, whether it be in terms of the distribution of territory, status, or the ability to write the rules of world affairs [Kennedy, 1988; Cox, 1983; Schweller, 1999; Clark, 2011; Bukovansky *et al.*, 2012; Larson *et al.*, 2014]. But compared to historical power shifts, today, the BRICS have emerged in a heavily institutionalised international system [Zürn and Stephen, 2010; Ikenberry, 2011; Stephen, 2012; Gray and Murphy, 2013; Kahler, 2013; Lesage and Graaf, 2015]. Examples of international institutions in GEG include the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank. At the same time, these institutions embody representational inequalities [Zürn, 2007; Parízek, 2016], meaning that they allocate the ability to participate in the policy making process unequally. Examples include the informal hierarchies of participation that characterise trade negotiations at the WTO, the selective membership of elite forums like the G7 and G20, and the weighted voting procedures at the IMF and World Bank. In each of these cases, great economic powers receive more representation than other states.

Almost all of the existing institutions of GEG were created at a time when the world economy was dominated by advanced, Western, developed economies. As such, they often embody procedures and practices that favour the established powers. Today, by contrast, the global economy is experiencing a transformation as the global economy re-balances, with the BRICS countries, and China and India in particular, ascending to the position of principal economic powers. Consequently, representation conflicts have emerged whereby the BRICS have demanded increased influence over the procedures and practices of international institutions. While the BRICS want a say in international economic institutions commensurate with their new status, international institutions are sticky, and established powers are reluctant to let go of their privileges. As such, conflicts emerge over representation within GEG, and institutions adapt only imperfectly [Zangl *et al*., 2016].

In this contribution, we examine how these conflicts over representation have played out in several institutions of GEG. The rise of the BRICS has led to a general contest over representational inequality in international institutions. However, these inequalities vary considerably across institutions, depending on the institutions' specific features. Consequently, there is significant variation in the content and outcomes of representation conflicts in different institutions. We therefore examine the nature of representation conflicts as they differ across institutions. In a second step, we examine the institutional outcomes of representation conflicts. First, to what extent have institutions responded to the rise of the BRICS, by allocating them increased representation? Have the prior institutional inequalities persisted, or have they been reduced? Second, how did the representation conflict affect the institutions' policy output? Third, was the representation conflict resolved through reform, or did it cause countries to explore outside options such as transferring policy functions to an alternative existing institution (regime shifting) or creating a new institution (institutional creation) [Helfer, 2004; Morse and Keohane, 2014; Urpelainen and Van de Graaf, 2014], thus fragmenting the regime [Zürn and Faude, 2013; Acharya, 2016]?

The contribution is structured as follows. First, we survey existing theoretical approaches to understanding the link between the rise of new powers and representation conflicts in GEG. Following this, we examine the conflicts over representation that have emerged as a result of the rise of the BRICS in several economic fields, such as informal economic policy coordination (the G7/G20), trade (the WTO), crisis lending and surveillance (the IMF), and development finance (the World Bank). In the conclusion, we summarise our findings and offer some inductively-derived observations about the factors that lead representation conflicts to generate different outcomes across different institutions. We find that fragmentation is a common outcome of insufficient institutional reform. In the context of an external power shift, institutions appear to need to pass a double test to avoid fragmentation: they need *both* to accord new powers increased representation, *and* maintain their policy-making capacity. We close with suggestions for future research.

15.2 Representation Conflicts in Global Economic Governance

International power shifts have historically led to conflicts over representation in global governance. After the Napoleonic wars, the Congress System introduced a hierarchical system in which a club of mutually recognized "great powers" ordered international affairs among themselves [Simpson, 2004, pp. 91-131; Clark, 2011, pp. 73-97]. Representation was largely limited to the members of this self-appointed club. After the First World War, the League of Nations took a step towards formalising this inequality in a League Council in which four members were represented permanently [Henig, 2010]. Similarly, as the Second World War drew to a close, "sovereign inequalities" [Donnelly, 2006] were once again enshrined, even more explicitly, in the UN Security Council [Hurd, 2007]. At each step, status-based political inequalities were renegotiated according to evolving criteria that determined which powers received special representation in the high organs of global governance.

For realists, international institutions need to privilege powerful states if they are to remain stable. Indeed, because powerful states create and control international institutions to further their interests, this is their main purpose [Krasner, 1985; Mearsheimer, 1994]. International institutions need to represent powerful states because without them the institutions will become irrelevant. Constructivists and sociological institutionalists, by contrast, emphasise the need for institutions to maintain legitimacy [Meyer and Rowan, 1977; Hurd, 1999; Zaum, 2013]. Especially since the Second World War, the norm (if not the practice) of sovereign equality has become increasingly significant. In the same way that democracy became a way to realise the political equality of individuals through equal representation, the sovereignty of states came to be associated more strongly with equal representation in international institutions [Meyer *et al*., 1997; Donnelly, 2013]. The prominence of "democratic" criteria for legitimacy of international institutions is also said to have grown [Grigoresco, 2015]. The extent to which international economic institutions can claim to be representative has therefore become, in a sociological sense, a critical resource of their own legitimation [Meyer and Rowan, 1991; Rapkin *et al*., 2016]. Finally, rational institutionalists have traditionally emphasised the functional gains from cooperating through formal international organisations (IOs), in which case both power and legitimacy play only a subordinate role [Keohane, 1984; Martin, 1992; Abbott and Snidal, 1998]. The path is then open to considering representation as a dimension of purely "rational" design [Koremenos *et al*., 2001]. This is indeed what Jim O'Neill had in mind when he argued that the rise of the BRIC economies required creating a new G7 that would be more effective as a forum for macroeconomic policy coordination [2001, p. 11]. There are, then, power-based, cultural, and rationalist reasons to suppose that international power shifts, embodied in the rise of the BRICS, will prompt calls for changes in representation within institutions of GEG.

The demand that GEG be "representative" in some sense therefore finds practically universal acceptance. But what does representation mean in the context of contemporary GEG? For Rapkin, Strand and Trevathan, representation is relevant to IOs in two ways [2016, pp. 78-80]. The first pertains to situations where authority is delegated to some agent on behalf of a group of principals, and refers to making sure such an agent "represents" the preferences of those they represent. This principal-agent (P-A) type of representation is particularly relevant where IOs have apex bodies such as Boards of Directors. The second meaning of representation is "descriptive representation" (or mirror representation), which refers to the extent to which a legislative body reflects certain relevant characteristics of its political constituency. Examples of such criteria from contemporary international organisations include regional representation, share of quota held, or capacity to contribute to international peace and security [Rapkin *et al.*, 2016, p. 81]. These notions of representation underpin, *inter alia*, the kinds of voting procedures that IOs adopt, such as consensus or majority voting [Blake and Payton, 2015].

In this contribution, we define representation in international institutions broadly as the ability to participate in the policy making process. It refers to the capacity to make oneself heard and have influence over the input side of an institution's activities. This definition includes representation in apex bodies (P-A representation) and descriptive representation (such as voting rules), but also includes membership in exclusive clubs or the capacity to participate in decision making practices. Representation in this sense can be allocated equally between states, reflecting sovereign equality, but can also be allocated unequally through measures such as weighted voting or exclusive membership. Representation conflicts refer to political disputes over how to distribute representation within an institution. Ultimately, how institutions accord representation to various groups is a matter of political bargaining. Where institutions are unable to adequately accord representation to the newly powerful BRICS states, dissatisfied states may turn to extra-institutional strategies such as regime shifting or institutional creation [Pratt, 2017]. In the cases that follow, we apply the concept of representation to specific institutions of GEG, and reveal in which of them representation is allocated unequally and, if so, to what extent it favours the established powers over BRICS. Our focus is mainly on state representation in IOs, as this is still by far the most dominant mode of representation in IOs [Zürn and Walter-Drop, 2011], and the major focus of the BRICS governments. In a second step, we examine the institutional consequences of these representation conflicts. We discuss whether and how representation has been adjusted, the impact on the institutions' policy output, and whether institutional fragmentation emerged.

15.3 Informal Economic Policy Coordination: The G7/G20

In 1975, as an economic crisis loomed and the old policy tools no longer appeared to work, the first "international economic summit" of what would emerge as the G7 group of major industrialised countries was convened [Hajnal, 2016]. Between 1976, when the addition of Canada completed the G7, until 2008, the G7 would remain the major great power summit for economic matters at the head of government level. The G7 can be considered either an "informal" intergovernmental organization [Vabulas and Snidal, 2013] or a rather formal "club" [Payne, 2008] of major economic powers. While originating as a forum for discussion and coordination in matters of economic policy, the agenda of the G7 expanded over time to include adjacent issues such as aid, climate change and terrorism. Outcomes are typically non-binding, often vague summit declarations. Its value is seen to lie in its flexibility and the speed with which it can react to events [Vabulas and Snidal, 2013, p. 194]. Nonetheless, the role of the G7 in acting as an agenda setter for other institutions of global governance, and the exclusiveness of the countries represented there, quickly made it a contentious institution with contested legitimacy.

While the G7 always espoused "shared beliefs and shared responsibilities" rooted in liberal democracy and the market economy [Group of Seven, 1975], there have never been formal criteria for membership. Rather, the core G7 members have increasingly entertained a series of sporadically invited guests [Kirton, 2015, pp. 119-124]. Like great power clubs before it, this tended to reproduce a hierarchical structure of representation in which some states are in, some states are out, and other states may do with sporadic invitations to attend. As a purely informal forum, representational inequality at the G7 has taken the form of the exclusivity of membership.

Representation conflict

The process by which the BRICS achieved representation at the high table of GEG was initiated by the G7 themselves. Beginning in 2007, the then-G8 began formally to court five major emerging economies as the "Outreach 5" (the "BICSAM" countries – BRICS minus Russia, but including Mexico) [Cooper and Antkiewicz, 2008]. This had been foreshadowed already in 2005 when the BICSAM countries were invited by the United Kingdom to attend the G8 summit in Gleneagles, as it became increasingly evident that economic issues—such as negotiations in trade and climate change—could not be adequately addressed without emerging economies' participation [Cooper, 2008; Kirton, 2015]. Initially launched for a period of two years, the process was extended into a so-called "Heiligendamm Process" in 2009, referring to the institutionalisation of dialogue between the G8 and the Outreach 5.

The achievement of greater representation for the BRICS in relation to the G7 has two peculiarities. First, Russia had already been courted as a core dialogue partner in the early 1990s, and had become a member of the expanded G8 in 1997 [Panova, 2008]. This put it in a fundamentally different relation to the institution compared to other BRICS countries. Second, while critical of the G8's selectivity and its self-arrogated political role, the BICS states (excluding Russia) were hardly desperate to join as new members of the pre-existing club. Rather, the BICS were critics of its exclusivity while calling for alternative platforms of coordination of economic policy. According to Gregory Chin, China approached the G7 cautiously because it perceived it as a club for rich countries. Closer association could have challenged its credentials as a member of the developing world [Chin, 2008, p. 20]. China was first invited to attend the G7/8 in 1999 and again in 2000, but rebuffed both invitations [Chin, 2008, p. 85]. Rather than seek formal representation in the G7, as Jim O'Neill had envisioned, China emphasised the role of the United Nations and preferred to relocate the economic policy functions of the G7 to the more inclusive G20, initiated at the Finance Ministers' level in 1999. India's identification as a longstanding pillar of the global South also affected its approach to the G7, with Abdul Nafey describing it as one of "studied indifference" [Nafey, 2008, p. 123]. The "Outreach Five" format of inviting the BICS and Mexico as guests was perceived as incommensurate with India's rightful status [Nafey, 2008, pp. 126-127]. Brazil under the Lula administration was similarly concerned to build up alternative avenues for international cooperation, such as the IBSA Dialogue Forum involving India and South Africa, rather than reinforcing established Western institutions such as the G8 [Gregory and Almeida, 2008, p. 152]. South Africa was similarly critical of the exclusionary character of the G7, but was "among the keener participants" of the Outreach Five, according to Brendan Vickers [Vickers, 2008, p. 181]. But the Heiligendamm Process would peter out, especially after the initiation of regular BRICS collaboration from 2006 (at Foreign Ministers' level). The approach of the G7 countries—to integrate the BICS as second-class "invitees" or "guests"—was therefore insufficient to resolve the disagreement over representation in the major global forum for informal economic policy coordination.

Institutional outcomes

Ultimately, representation conflicts between established powers and the BRICS would be resolved not by the expansion of the G7, but by the addition of a G20 Heads of State and Government forum. This effectively relocated the economic policy functions of the G7 to the G20. This was also a matter of necessity rather than choice. If the rise of China and the other major emerging economies had increasingly called into question the legitimacy and effectiveness of the Western-centric G7/8 format, the global financial crisis undermined them completely. As Vestergaard and Wade put it, continuing to meet as the G7 without consulting with major developing countries would have been "like the captain of a ship who stands at the wheel turning it this way and that – knowing that the wheel is not connected to the rudder" [2012, p. 258]. In other words, there was a strong functional logic in according new powers representation at the economic high table.

The major and proximate cause, however, was the emergence of new economic shocks that precipitated the upgrading of the G20. The G20, much like the G7 before it, was initially convened at the level of finance ministers and central bankers. It was convened formally for the first time in Berlin in 1999 in the aftermath of the Asian financial crisis, in recognition of the need to involve newly “systemically significant” economies in a flexible and timely forum [Alexandroff and Kirton, 2010; Cooper, 2015; Kirton, 2015]. At the same time, its membership was determined at least partly by political considerations [Payne, 2008; Vestergaard and Wade, 2012]. While the G7 has been retained as an informal forum for like-minded states, the emergence of another major economic crisis in 2007-2008 prompted a shift to the G20 at the Washington Summit in November 2008 [Alexandroff and Kirton, 2010]. The G7 continues to meet, but the shift in the major apex body of informal economic governance was made official after the G20 summit in Pittsburgh in 2009, when it was designated the “premier forum” for international economic cooperation [G20, 2009, §19]. Today, the G20 plays a similar role to that of the previous G7: providing an informal and flexible forum for powerful countries to seek agreements, which can then be presented as a *fait accompli* to outsiders without their participation. Decisions taken at the G20 can then be externalised to formal IOs such as the IMF [Vabulas and Snidal, 2013, p. 194].

The BRICS states have received the G20 format far more positively than the attempts at incorporation by the G7. The risk of being incorporated as junior partners into a pre-existing G7 club seems to have underpinned the reluctance of BRICS leaders to endorse the outreach process, who called instead for formal changes to institutions such as the IMF and World Bank, and expressed a preference for the format of the G20 [Baker and Donadio, 2009]. Additionally, the policy performance of the G20 as an informal crisis committee for inter-country macroeconomic policy during the global financial crisis of 2007-2008 has widely been seen as successful, at least by comparison to the international response to the stock market crash of 1929. This centrally involved coordinating economic stimulus programs and providing mutual reassurances to avoid the competitive erection of trade barriers or currency devaluations [Cooper, 2010; Woods, 2010; Drezner, 2014, pp. 24-56].[1] Later, in November 2010 in

[1] There is the objection that the G20 countries would have pursued these policies anyway. Yet the G20 is not designed to enforce binding decisions, so it arguably was successful on its own terms.

Seoul, all the G20 governments endorsed the Third Basel Accord on banking regulation. The increased representation of the BRICS in the inner circle does not appear to have decreased its policy output capacity [although see Chodor, 2017]. Through the relocation of policy functions from the G7 to the G20 summits, the BRICS won representation in the focal institution of GEG. Moreover, in the context of global economic crisis, the G20 largely delivered on its policy functions. This largely successful case of reform by increasing BRICS' representation marks a contrast to other cases, however.

15.4 International Trade: the WTO

All of the BRICS, and most notably China, have rapidly expanded their trade relations and become global trading nations. Indeed, China, with its more than 2 trillion U.S. dollars worth of exports every year, sometimes referred to as the workshop of the world, is the second largest world exporter after the European Union. International trade represents one of the cornerstones of the BRICS' economic growth. In line with that, since 2012 (when Russia joined), all of the BRICS have been members of the central GEG institution tasked with the maintenance and further liberalisation of world trade, the WTO.

Representation conflict

In the global trade regime, by comparison to other cases discussed further in the text, the position and representation of the rising powers may seem at first relatively equitable. The WTO, as the cornerstone of the regime, applies predominantly the sovereignty-protecting consensus principle as its decision-making rule [Haftel and Thompson, 2006]. Combined with the one-country/one-vote rule, this procedure is supposed to ensure that dissenting voices are heard and that no-one can be outvoted when important decisions are made. Jackson [2001] even includes this notion as the first of the seven "Mantras" of the WTO. Furthermore, the WTO does not have a powerful secretariat or apex body to which substantial competences could be delegated, and which could operate in a biased fashion, for example by favouring the established over the rising powers or over the weaker members [Elsig, 2010]. In other major GEG bodies, formal or informal, this is not necessarily the case [Woods and Narlikar, 2001]. Finally, India, Brazil and South Africa have all been among the founding members of both GATT and the WTO, suggesting that they had some say in the design of the body's structure and purpose. All these factors point to a possibly very limited role for representation conflict within the WTO.

Nevertheless, the reality of the BRICS' positions in the global trade regime is historically more problematic. First, two of them, China and Russia, only acceded to the WTO relatively recently, China in 2001 and Russia as late as 2012. While in the case of Russia, the slow progress may have been at least partly explained by the wavering interest of Russia itself in WTO membership [Zimmermann, 2007], in the case of China, its belated accession is primarily attributable to a remarkably tough accession bargaining process, whereby China has been forced to offer major concessions to the WTO membership [Kim, 2010; Pelc, 2011; Adhikari and Yang, 2002]. This is perhaps most symbolically epitomised by the postponement of the market economy status for China for 15 years after the accession, until late 2016.

Second, with regard to the representation of BRICS within WTO decision-making procedures, the notion of consensus decision-making can function in a variety of ways, from a deeply deliberative process of reaching a common position [Consultative Board of the WTO, 2004], to an almost rule-free power game, where the opacity of the procedures enables power bargaining to flourish. In the WTO, the latter seems to have been notoriously much closer to the reality [Steinberg, 2002]. Thus the capacity for states to exercise their rights to representation within the WTO has been circumscribed by inegalitarian practices within the institution. A number of works discusses at length the concrete mechanisms through which such a rule-free game may play out in the WTO context [Jawara and Kwa, 2004; Wallach and Woodall, 2004]. One key mechanism has been the selectivity of participation in inner circles of multilateral trade negotiations, which have effectively operated as informal apex bodies [Kapoor, 2004] — in other words, unequal representation.

Additionally, the age and path dependence of WTO rules also plays a role. These mostly date back to the Uruguay Round negotiations, which were still largely dominated by the established power “Quad” countries

(United States, European Communities, Japan, and Canada). These were able to impose much of their preferences on others in the final stages of the Uruguay Round, as the rest of the membership, including the today's rising powers, faced a serious threat of being excluded from the newly created WTO [Finger and Nogués, 2002]. So the BRICS' historical lack of representation continues to shape their levels of satisfaction with the institutional status quo.

In sum, while the consensus and one-country, one-vote principle of decision making in the WTO imply a relatively open space for the representation of the BRICS in the global trade regime, most BRICS members perceive a palpable bias in the substantive content of the existing rules in favor of the established powers as a result of their historical lack of representation. As a result, the turn of the millennium witnessed an increased demand by BRICS states for a real say in the formulation of the rules and policies governing global trade, and an increase in their readiness to engage in a direct representation conflict with the established powers. This took the form primarily of seeking better representation within the informally constituted "inner circles" of multilateral trade negotiations [Efstathopoulos, 2012; Stephen, 2012, pp. 299-303; Hopewell, 2014]. This new assertiveness became most visible at the notorious Ministerial Conference in Seattle in 1999, but continued through to the walk-out of the Cancún ministerial in 2003 [Blackhurst, 2001; Narlikar and Wilkinson, 2004], and beyond [Hopewell, 2017].

Institutional outcomes

In response to these pressures, the WTO has been relatively successful in increasing the representation of the major emerging economies, with the participation of countries like India, Brazil and China in the inner negotiating circles of the Doha negotiations [Narlikar, 2010] and their increased use of the dispute settlement mechanism [Carneiro, this volume; Davis and Bermeo, 2009]. There is little question today that these countries are seen as critical actors in the WTO.

But while increased representation of BRICS countries may have improved the WTO's perceived legitimacy, it has come at a cost in terms of its policy output, at least in the eyes of members seeking greater multilateral trade liberalisation. A key consequence has been the effective blockage of the WTO's rule-making pillar [Stephen and Parízek, n.d.]. When the current Doha Round of negotiations was launched in 2001, it was envisioned to last four years, with a mid-term review in 2003 at the Cancún Ministerial Conference. Yet, the Cancún Ministerial turned out to be the place where the developing world and the rising powers proved able to effectively oppose the proposals tabled by the established powers (and the Trade Negotiations Committee chair) and block further negotiations progress along the lines set up by them [Narlikar and Tussie, 2004; Narlikar and Wilkinson, 2004; Vickers, 2012]. In spite of some further efforts, notably in 2007, further collapse occurred in 2008 and the negotiations have never fully recovered from this shock.

The first substantive results of the Doha Round came only in 2013 at the Bali Ministerial Conference, where a Bali "mini-package" was approved [Wilkinson *et al*., 2014]. In late 2015 a further "Nairobi" package was approved, again covering a relatively small portion of the original Doha agenda [European Centre for International Political Economy, 2015]. After that, for the first time, some of the WTO member states, notably the United States, refused to join a common declaration reaffirming the states' commitment to the Doha Round, suggesting that in their eyes, the round is "dead", something they have effectively argued for a number of years anyway [Schwab, 2011; World Trade Organization, 2015]. Although this has so far not transformed into an official outcome, if it ever will, this may effectively mean a fairly ignoble end to the first and so far only multilateral negotiation round under the auspices of the WTO. The possible consequence, in terms of the internal WTO negotiation principles, is a move away from the "single undertaking" scheme to the proliferation of various pluryilateral agreements in which members may sign up individually. In sum, the stronger representation of BRICS, and their effective ability to block proposals by the United States and the EU, has established a new status quo in the trade regime. This frustrated established powers, which are now unable to effectively project their interests into new regulation. In consequence, the rule-making has for a number of years systematically failed to deliver new policy output [Stephen and Parízek, n.d.].

In the other pillars of the WTO, the Dispute Settlement Mechanism (DSM) and the Trade Policy Review Mechanism, the representation conflict is less notable. With regard to the DSM, China has consistently been among the most frequently targeted countries (with the exception of the EU and USA), but it has also itself developed into one of the most frequent litigators [World Trade Organization, 2017]. Besides its obvious economic relevance for a number of actors, Chinese non-market economy status, held until 2016, has prompted a number of cases, especially challenging China's opponents' anti-dumping measures [Manjiao, 2012]. The other BRICS seem to have acquired the capacity to fully participate in the DSM as well, distinguishing them clearly from many other developing countries and especially LDCs [Busch, 2007; Vickers, 2012]. In the Trade Policy Review Mechanism, the position of China, India, and Brazil, has been also found to be close to equal to that of the traditional powers in recent years [Karlas and Parízek, 2017], as compared to the first decade of the WTO [Ghosh, 2010]. This suggests that in the everyday business of the organization BRICS are today effectively (close to) equally represented as the established powers. Symbolically, this may be represented by the current Director General, Brazilian diplomat Roberto Azevêdo.

Nonetheless, one side effect of greater BRICS representation has been that the rule-making pillar of the WTO essentially fails to perform. This is clearly a state which is helping to drive the very prominent trend of regionalism and the focus of a number of states on the creation of preferential trade agreements. This trend of the fragmentation of the global trade order has been clearly driven by the established powers' dissatisfaction with the 'new' status quo in the WTO, whereby they are unable to effectively project their interests into new regulation. However, BRICS have not been completely left behind in this process either, and especially China is developing a network of PTAs, such as with Australia, Chile, Peru, or notably ASEAN. Similarly, India has several new PTAs with e.g. Japan, Korea and with ASEAN as well as Mercosur. Brazil enjoys the preferential relations negotiated by Mercosur. South Africa and Russia then mostly develop preferential relations with their close neighbours, without a clear global reach. Greater BRICS representation in the WTO can be associated with greater input legitimacy but has come at the cost of policy output, at least in one of its core functions. This has fuelled a trend towards fragmentation in the trade regime.

15.5 International Financial Stability: the IMF

The WTO demonstrated flexibility in adapting to the rise of the BRICS. The situation is radically different in the case of the IMF, the primary multilateral institution for the international monetary and financial system. With its weighted voting system and the effective veto power of the United States and European Union, the IMF has been widely criticised for failing to represent BRICS appropriately.

Representation conflict

The BRICS countries have made their dissatisfaction with their representation in the IMF well known, and have made reform of the IMF one of their major priorities, calling for "reviewing the IMF role and mandate so as to adapt it to a new global monetary and financial architecture" [BRIC Finance Ministers, 2009, §9]. They have pushed for significant changes in the distribution of voting quota, a redistribution of representation on the Executive Board, and the selection of the IMF Director based on an "open merit-based processes, irrespective of nationality or regional considerations" [BRIC Finance Ministers, 2009, §9]. As a shareholding institution, the IMF's system of weighted voting means that any increase in representation for emerging economies must be redistributed from other IMF members. Representation in the IMF is a zero-sum game.

Votes at the IMF are directly determined by the special drawing right quota allocation, which is in turn given by a formula including several economic indicators. The current quota formula of the IMF is a mixture of GDP (50%), economic openness (30%), variability (15%), and financial reserves (5%), with GDP blended 60% in market and 40% in purchasing power terms. The very composition of the formula, however, is far from economically obvious, and already in the 1940s its construction was guided primarily by political considerations [Woods, 2006]. While the current formula includes, for example, the variable of economic openness and variability (favouring small open economies), the BRICS have argued that such variables as 'contribution to global growth' should be included instead [Vestergaard and Wade, 2015]. Thus at the IMF, not only the distribution of representation is contested, but the criteria for allocating representation are contested too.

The current allocation gives the United States 16.5%, followed by Japan and China with around 6% each. Because many important decisions (such as voting quota reallocation) require an 85% supermajority, this accords the United States disproportionate representation. At the same time, the voting total of EU members, even excluding Britain, exceeds the 15% threshold as well [International Monetary Fund, 2017]. This gives the United States but also the EU *de facto* veto power. Furthermore, while the formula is supposed to undergo a periodic review, its results do not get implemented automatically, but instead need to be ratified by the IMF membership. The last 2008/2010 14th General Review of Quotas took until December 2015 to be ratified by the United States, postponing the reform implementation by a staggering five years [International Monetary Fund, 2015]. Moreover, despite the appointment of a Chinese deputy managing director in 2011, the BRICS have not been very successful in gaining positions amongst IMF staff [Ferdinand and Wang, 2013]. Representation conflicts in the IMF case have been both protracted and contentious.

Institutional outcome

What institutional outcomes have followed from this severe representation conflict? Rather remarkably in the light of bombastic rhetoric connected with the quota allocation reform mentioned previously, the actual redistribution of voting power in response to the BRICS' demands has been low [Vestergaard and Wade, 2015]. Moreover, it has already been surpassed by new economic realities. Overall, according to the IMF's own simulations, if the quota were applied using contemporary economic data [2014], the quota share for "emerging markets and developing countries" would increase by 13 percentage points to 49.3%. China alone would gain 5.6 percentage points, India 1.0, Russia 0.7, and Brazil 0.6 percentage points [International Monetary Fund, 2016, p. 6]. The standard line in IMF publications goes (rather euphemistically) that "[t]he quota formula is typically used to inform discussions on the allocation of quota increases, but other considerations are also taken into account" [International Monetary Fund, 2016]. Due to rapid growth and increased openness in major emerging economies, the extent of "out of lineness" currently resembles that prevailing before the previous quota reforms, agreed in 2008 [*ibid*., 17]. Even by the established criteria for quota allocation, generally considered to favour small open economies, the BRICS (excluding South Africa) are greatly under-represented, and China is woefully underrepresented. This "descriptive" representativeness of the IMF is deeply unbalanced.

Second, the prominent position of the established powers is also visible in the composition of the IMF Executive Board. Among the 24 directors on the Board, only eight are held by an individual country, the remaining sixteen by often very heterogeneous country groups. The individual directorships are held by the United States, Japan, Germany, France, and United Kingdom on the one hand, but only by China and Russia on the side of the BRICS. Both India and Brazil are dominant members in their respective constituencies, while two other seats are occupied by constituencies of smaller European members, meaning that the EU/European Economic Area states completely control five directors [Woods and Lombardi, 2006]. This erodes the "PA" representativeness of the IMF's apex body further.

Quota and decision-making power have not been the only concerns with the IMF raised by the BRICS. The policy output has been consistently under criticism as well. None of the BRICS has been in urgent need of an IMF loan itself for more than fifteen years. The fallout from the Asian financial crisis of 1997, and the United States' (ab)use of its influence in shaping the IMF's response, still carries a sizeable deterrent effect for the rising powers, with regard to the economic as well as political costs of the loans' conditionality [Henning, 2017]. The BRICS are concerned that their under-representation may lead IMF policy output to favour the established powers and their allies [Qobo and Soko, 2015, p. 281]. In other words, the BRICS fear that the IMF is a jointly funded tool under a direct control of and promoting the interests of the United States and the key European members [Momani, 2004; Copelovitch, 2010]. More broadly, the IMF is seen as espousing a policy perspective that strongly corresponds to the domestic institutions and ideological predispositions common especially in the United States, and to a lesser extent in Europe and other OECD countries [Mukherji, 2014; Baker, 2010]. This position, favouring a relatively small role of the state and "hands off" forms of economic regulation, stands in opposition to the often strong involvement of central and local government authorities in the economies of many of the BRICS [Stephen, 2014; Nölke *et al.*, 2015; Kurlantzick, 2016].

The chronic institutional and ideological under-representation of the BRICS (except South Africa) in the IMF has translated, over time, into new initiatives of institutional innovation. Most notably, persistent dissatisfaction with the role of established powers in the IMF has led in July 2014 to the signing of the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement, and in 2015 to the beginning of its operations [Ministry of External Relations of Brazil, 2014b]. While allegedly not meant as a direct competitor to the IMF in the area of short balance of payments adjustment lending, the BRICS Contingent Reserve Arrangement was explicitly motivated by the lack of reform of the IMF governance [Ministry of External Relations of Brazil, 2014a]. This represents a clear case of parallel regime creation, triggered by the unfavourable treatment of the BRICS within the Bretton Woods institutions [Eichengreen, 2014; Qobo and Soko, 2015; Morse and Keohane, 2014]. More directly, frustration with the lack of reform of the IMF appears to be a contributing factor to the pursuit of the ASEAN+3 Macroeconomic Research Office (AMRO), which in conjunction with the multilateralisation of the Chiang Mai Initiative, reproduces the IMF's two core policy functions of multilateral economic surveillance and crisis lending [Sussangkarn, 2011; Rana *et al.*, 2012]. For these reasons, the AMRO is sometimes perceived as an Asian Monetary Fund [The Japan Times, 2016]. All of this further contributes to the development of supplementary "regional financial arrangements" that diversify and potentially fragment the institutional landscape [Henning, 2017].

15.6 Development Finance: the World Bank

Another area of GEG in which the BRICS have become critically important is development finance. Key institutions in this field of GEG are multilateral development banks: "institutions that provide financial support and professional advice for economic and social development activities in developing countries" [World Bank Group, 2013]. The International Bank for Reconstruction and Development (IBRD) and its associated agencies (together known as the World Bank Group, or simply World Bank) in particular has played the major role in development finance since the Bretton Woods conference of 1944.

Representation conflict

Much of what has been said specifically about the IMF applies also to the World Bank. The Bank operates on a comparable decision-making system: a Board of Governors, an elected Board of Directors with 25 seats, both adopting decisions by weighted voting, and a President. Like the IMF, established powers are typically privileged relative to the BRICS in terms of voting rights, seats on the Board of Directors, and in appointing senior staff members. While basing its voting share allocation on a modified version of that adopted by the IMF, in reality, there are systematic departures from the principle that voting power should reflect in large measure the relative importance of member countries in the global economy [Vestergaard and Wade, 2015, p. 7]. Moreover, voting quota reform requires a supermajority of 85%, which creates a large reform threshold that includes a *de facto* veto for the United States as well as the EU. As established powers have obvious interests in preserving their privileges, the World Bank has largely failed to avoid criticism for failing to adequately represent the BRICS and other emerging and developing countries.

The BRICS have been consistently dissatisfied with their representation at the World Bank. At one of their earliest meetings, the BRICS called for a "speeding up" of voice and representation reform at the World Bank, to ensure that it "fully reflect[s] changes in the world economy" [BRIC Finance Ministers, 2009, §10]. They also called for equal representation between emerging/developing and advanced economies, without any losses to individual developing countries, and an end to the collusion between the United States and its allies to always favour the American nominee for World Bank President [BRIC Finance Ministers, 2009, §10]. In terms of the capacity and funding decisions of the Bank, the BRICs also called for it to perform a counter-cyclical role to compensate for private investor jitters, including raising new resources on global capital markets, relax the single borrower limit, and invest more in infrastructure projects in low and middle-income countries [BRIC Finance Ministers, 2009, §10].

As at the WTO, the historical lack of BRICS representation has led to the Bank being guided by a set of principles advocated by the established powers and often regarded as inappropriate and unacceptably intrusive by the developing world and the BRICS. India and China, along with other developing countries, also expressed opposition to perceived liberal biases in the World Bank's annual Doing Business Report, introduced in 2004 [Bretton Woods Project, 2013]. Having noted that, the Bank has undergone a more profound reform than the Fund, being the faster of the two organisations to downplay the Washington consensus rhetoric of the 1990s in favour of a more open development paradigm [Barnett and Finnemore, 2004; Rodrik, 2006].

The principle disagreement of the BRICS with the established powers' insistence on conditionality is perhaps most directly prominent in their refusal to adopt the "Western" standards in their own donor practice. In other words, as the BRICS have acquired the capacities to become themselves donors of development assistance, they challenge the existing rules and standards as so far defined and upheld especially through the policies of the Development Assistance Committee of the OECD (OECD/DAC). While over the decades the developed countries have adopted a set of best practices supposed to improve the effectiveness of development assistance, with a focus on its long-term effects, the BRICS explicitly challenge these standards [Tierney, 2014]. This holds not only for the OECD/DAC rules, but also for not strictly inter-governmental arrangements, such as the International Aid Transparency Initiative where none of the BRICS participates [Asmus *et al.*, this volume; Tierney, 2014; International Aid Transparency Initiative, 2017].

Institutional outcome

Reforms at the World Bank may be classified as marginally more significant than at the IMF [Lipscy, 2015], yet ultimately, they share a similar profile by failing to incorporate the BRICS in positions commensurate with their capabilities or aspirations [Vestergaard and Wade, 2013; Reisen, 2015]. In response to the growth of emerging economies including the BRICS, established powers conceded a reform process at the World Bank known as Voice Reform, which was approved at the World Bank's Board of Governors in March 2010 [World Bank Development Committee, 2010]. This centrally involved the addition of an extra seat to the Executive Board of Directors for Sub-Saharan African countries, taking the total from 24 to 25, and a reallocation of voting quota that improved the positions of emerging and developing countries. Yet, as Vestergaard and Wade show in detail [Vestergaard and Wade, 2013; 2015; Wade, 2013], these changes were more cosmetic than surgical. They conclude that while the IBRD's official guiding principle is that voting power "should reflect members' weight in the world economy" [World Bank Development Committee 2010, p. 3], this is more rhetoric than reality. As Reisen summarises, "the BRICS were right to conclude that developed countries have no intention of losing voice and voting power in the established multilateral institutions" [Reisen, 2015, p. 300].

In response to inadequacies of World Bank reform, the most direct institutional outcome of the BRICS' effort to make their views represented in development finance has been the establishment of two new multilateral development banks, first the 'BRICS' New Development Bank in 2014 and then, in 2015, the Asian Infrastructure Investment Bank (AIIB) [Biswas, 2015]. Especially the latter has attracted widespread attention, as the AIIB quickly attracted as new members a number of traditional donor countries, including the United Kingdom and all other European major donors [Peng and Tok, 2016]. The lack of adequate representation of BRICS in the World Bank is widely seen as a core reason—alongside a desire for more infrastructure investment, the accumulation of large financial reserves, and a desire to pursue national interests—for them to establish these institutional alternatives [Kaya, this volume; Chin, 2016; Faude and Stephen 2016; Larionova and Shelepov, 2016; Pratt, 2017].

The increased number of development assistance arrangements may mean more plurality in aid, not necessarily more fragmentation [Han and Koenig-Archibugi, 2015]. At the same time, to the extent to which there exists a development assistance regime, it is hard to see it as not being challenged by the establishment of new bodies which may or may not refuse the rules the regime has applied (or purported to apply) so far. At a minimum, the creation of new multilateral development banks by the BRICS creates room for institutional choice and increases the bargaining leverage of borrowing countries. This further fragments the institutional landscape.

15.7 Conclusion and Future Research

This survey of BRICS representation in GEG is far from comprehensive, and many other institutions could have been included. Nonetheless, our focus on the major economic multilaterals suggests that dissatisfaction with their representation in existing institutions is a major hallmark of the rise of the BRICS, although the specific nature of the representation conflicts that ensue is heavily mediated by features specific to individual institutions. The “need” to make GEG more representative in response to the rise of the BRICS appears driven partly by power considerations (the need to co-opt new powers who could challenge the status quo), partly by performance concerns (the need to ensure systemically significant countries have a say), and partly by normative questions of legitimacy (the perception that major developing countries and new world powers ought to have a commensurate role in international institutions). One avenue for future research could be to formulate and assess more specific claims about which of these factors is most important in explaining institutional adaptation to new demands for representation. We speculate that in light of the historically protracted legitimacy deficits of existing institutions, the roles of power and (especially) functional performance appear primary in driving institutional responses to emerging powers.

Another observation flowing from this survey is inter-institutional variation. Some institutions such as the G20 and the WTO have reformed and accorded the BRICS greater representation fairly rapidly, while others, such as the IMF and World Bank, have done so only slowly and reluctantly. Given the more informal nature of the representation hierarchies in the cases of the G20 and WTO, this suggests that more formal institutions with lower veto thresholds will have a harder time at adjusting to international power shifts.

Lack of representation of the BRICS in GEG more broadly has the potential to undermine both the performance and legitimacy of existing institutions. In the longer term, this tendency is likely to lead to greater institutional fragmentation, as dissatisfied powers—either rising or established—seek alternatives to multilateral institutions [Acharya, 2016; Stephen, 2017]. This raises concerns regarding inter-institutional coordination [Kahler, 2016]. An overview of representation conflicts and subsequent institutional outcomes in GEG is provided in the Table 1 below.

Table 1: Representation Conflicts and Institutional Outcomes in Global Economic Governance

		Institutional Outcome		
	Representation Conflict	**Representation**	**Policy output**	**Fragmentation**
G7	Membership in the focal institution for informal GEG	Major policy functions shifted from the G7 to the newly created G20	Successfully coordinated response to global financial crisis	None: policy tasks migrated from G7 to G20
WTO	Membership in the inner circle of multilateral negotiations	Shift from the old ‘Quad’ to new negotiation circles involving Brazil, India, and China	Increased tendency towards negotiation deadlock	Yes: shift towards Preferential and Regional Trade Agreements
IMF	Voting quota, seats on the Executive Board, selection of Managing Director	Minor redistribution of voting quota, move to all-elected Executive Board, Managing Director still European	Minor adjustments to policy output	Yes: BRICS’ CRA, ASEAN+3 AMRO

World Bank	Voting quota, seats on the Board of Directors, selection of President	Minor redistribution of voting quota, addition of new seat to the Board of Directors, President still American	Minor adjustments to policy output	Yes: BRICS' New Development Bank, China's AIIB

By way of suggesting further avenues for future research, we highlight several inductive observations that would benefit from more rigorous investigation.

First, under what conditions do international institutions respond to the rise of new powers by according them increased representation? Based on the four cases examined in this chapter, it would appear that informal institutions which embody membership-based representational inequalities are more responsive than formal institutions with zero-sum representational inequalities. The integration of India and Brazil into the inner negotiation circles of the WTO membership during the Doha Round required only an adaptation of pre-existing negotiation practices rather than any formal procedural amendments. The shift to the G20 as the focal institution of GEG also required no formal changes to existing institutions. At the same time, each of these adaptations entailed an expansion of membership rather than any redistribution of power among members. As such, both the formality of existing institutions and the nature of representational inequalities (club-based vs. zero-sum) appear to affect institutional responsiveness. Informal, club-based institutions appear most adaptable to international power shifts, while formal institutions with hierarchical voting rules appear least adaptable.

Second, how does the promotion of rising powers within existing institutions affect policy outcomes? In the case of the WTO, adaptation to rising powers appears to have exacerbated negotiation deadlock, while in the G20 and the other institutions, this was not the case. This may be a result of the WTO's special institutional structure, which combines a requirement for consensus with binding and legally enforceable policy commitments and a strong dispute settlement mechanism. Both the need for consensus, and the need to find agreement on highly legalised forms of policy output, may negatively affect institutional adaptation to new representation demands. This combination of institutional features only appears in the WTO case.

Third, under what conditions has the rise of the BRICS contributed to institutional fragmentation via the creation of new institutions? Of our cases, it is only the G7 that largely avoided fragmentation (by shifting to the G20). The G20 is also the only institution to have successfully increased the BRICS' representation and continued to deliver on its (loose) policy mandate. While the WTO successfully accorded rising powers increased representation, its trade liberalisation mandate was paralysed in the process, increasing the incentive for dissatisfied countries to pursue outside options. The IMF and World Bank, by contrast, have largely failed to increase representation for the BRICS, which in turn has given rise to BRICS' own pursuit of outside options through institutional creation. From these observations, it would appear that institutions need to pass a double test to avoid fragmentation under conditions of external power shifts. They need both to accord new powers increased representation, and maintain their policy effectiveness. While these speculations need to be further explored [Pratt, 2017; Faude and Stephen, 2016], this would appear to be a tough hurdle for global economic governance to meet.

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