

**BRICS as New Alternatives in
Reforming International Financial Institutions and
Economic Partnerships**

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Abstract

The article aims to examine the role of the combined economies of Brazil, Russia, India, China and South Africa (BRICS) in reforming the international financial institutions and economic partnerships. BRICS offers new values and serves as alternatives for both its current and prospective members in having an equal access to source international investments.. The arguments revolve around BRICS' strategies to create an effective development program that not only revolves around their own growth agendas. In addition, BRICS have greater goals on establishing global trade relations and economic partnerships through the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) among many others. The discussion also focuses on other several key research areas related to BRICS' efforts in promoting economic partnerships and the overall impacts of the partnerships. By emphasizing the shared interests of developing nations and emerging markets, giving high-quality economic and trade development priority, promoting true multilateralism, and highlighting opportunities in emerging fields to contribute more to an open global economy, this paper offers recommendations for BRICS' future development. This study uses qualitative method to achieve the objectives of this study. The most fundamental characteristic of qualitative research is seeing the problems studied from the perspective of the subjects studied.

Keywords: BRICS, economic cooperation, financial institution, partnership

Abstrak

Artikel ini bertujuan untuk mengkaji peran gabungan perekonomian Brazil, Rusia, India, Tiongkok dan Afrika Selatan (BRICS) dalam mereformasi lembaga keuangan internasional dan kemitraan ekonomi. BRICS menawarkan nilai-nilai baru dan berfungsi sebagai alternatif bagi anggotanya saat ini dan calon anggotanya dalam mendapatkan akses yang setara terhadap sumber investasi internasional. Argumennya berkisar pada strategi BRICS untuk menciptakan program pembangunan yang efektif yang tidak hanya berkisar pada agenda pertumbuhan mereka sendiri. Selain itu, BRICS memiliki tujuan yang lebih besar dalam membangun hubungan perdagangan global dan kemitraan ekonomi melalui New Development Bank (NDB) dan Contingent Reserve Arrangement (CRA) dan banyak lainnya. Diskusi ini juga berfokus pada beberapa bidang penelitian utama lainnya terkait upaya BRICS dalam mendorong kemitraan ekonomi dan dampak keseluruhan dari kemitraan tersebut. Dengan menekankan kepentingan bersama negara-negara berkembang dan pasar negara berkembang, memberikan prioritas pembangunan ekonomi dan perdagangan berkualitas tinggi, mempromosikan multilateralisme sejati, dan menyoroti peluang di bidang-bidang baru untuk

berkontribusi lebih banyak terhadap perekonomian global yang terbuka, makalah ini menawarkan rekomendasi untuk pengembangan BRICS di masa depan. Penelitian ini menggunakan metode kualitatif untuk mencapai tujuan penelitian ini. Ciri yang paling mendasar dari penelitian kualitatif adalah melihat permasalahan yang diteliti dari sudut pandang subjek yang diteliti.

Kata kunci: BRICS, kemitraan, kerja sama ekonomi, lembaga keuangan

INTRODUCTION

Brazil, Russia, India, China, and South Africa are collectively referred to as BRICS. The acronym BRIC (without South Africa) was first coined in 2001 by Goldman Sachs economist Jim O'Neill, who predicted that by 2050, the four BRIC economies would take control of the world economy. In 2010, South Africa was added to the list (The Economic Times, 2023). At the initial summit in Yekaterinburg in 2009, the BRIC made a commitment to advancing reform of the global financial and economic architecture (BRICS, 2022a). Additionally, since 2011, BRICS presidents have also met informally during the G20 leaders' conference.

According to Varela & Delgado (2019), despite its limitations in transnational affairs, it has been one of the most visible examples of multilateralism's success in the Global South. The BRICS can promote an alternative to the existing international game rules and a more plural world. They have the ability to reform and construct international economic institutions that allow for more equitable distribution of material resources.

Putri & Santoso (2023) emphasized that BRICS must continue to promote closer economic cooperation, harness the power of innovation and technology, and actively participate in global issues such as climate change, international security, and poverty alleviation. Agarwal and Kumar (2023) argued that

the slowing of growth in most BRICS countries, combined with limited success in achieving the Sustainable Development Goals (SDGs) limits the BRICS' international influence.

From the various studies above, it appears that there are untouched issues on the role of the combined economies of Brazil, Russia, India, China and South Africa (BRICS) in reforming the international financial institutions and economic partnerships and the effectiveness the NDB and CRA as the tools to establish global trade relations and economic partnerships.

Nevertheless, many drew attention to the bloc's low trade integration, uneven growth, lack of assertiveness in the face of the international order, lack of coordination regarding priority issues, and missed opportunity to create strategic cooperation agreements that characterize the bloc (Cynthia, Armijo, & Katada, 2017; Daldegan and Carvalho, 2021).

This paper will counter the arguments by presenting data and facts that BRICS have created an effective development program that not only revolves around their own growth agendas but also on greater goals by establishing global trade relations and economic partnerships through the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) among many others.

This paper also provides recommendations for future development of

BRICS by focusing on the common interests of emerging markets and developing countries, priority to high quality economic and trade development, the practice of true multilateralism and the opportunities in emerging fields to make greater contributions to an open world economy.

Theories

The political need to unite a number of rapidly developing nations led to the creation of the BRICS cooperation mechanism. The integration process has demonstrated the viability of enhancing the capabilities of the BRICS platform (Li & Pogodin, 2020). The current state of the world confirms that, when compared to geographical and physical similarities, trade relations have an advantage in preserving amicable relationships. The volume of trade reflects the degree of integration taking place within the BRICS. The idea of economic regionalism emphasizes the development of peaceful international relations between the BRICS nations (Shameem & Jayaprasad, 2020). As a result of the countries' growing economic interdependence, tension between them is decreased.

The BRICS leaders pledged to work together and with other partners to strengthen financial supervision and regulation, reform the mandates, scope, and governance of the global financial institutions to reflect changes in the global economy, and ensure that emerging and developing economies have a greater voice and representation in international financial institutions and equal opportunities to develop economic cooperation. One of many cases, the leaders supported the G20's central role in addressing the financial crisis (IFIs).

The BRICS cooperation has made uneven progress in its second decade. Although they have a very small catalytic impact on global governance, the institutional innovations of the BRICS, such as the New Development Bank and Contingent Reserve Arrangement, have contributed significantly to the creation of global public goods.

Research Method

This study uses qualitative methods for three reasons. First, qualitative research allows the researcher to gain an in-depth understanding of the details of the case under study. Second, given the limitations in collecting data, qualitative research allows researchers to collect data from document sources and unstructured interviews that are publicly published. Third, qualitative research is the right strategy to achieve the objectives of this study. The most fundamental characteristic of qualitative research is seeing the problems studied from the perspective of the subjects studied.

Further, critical analysis is applied in this research to comprehend and evaluate the arguments, theories, and proof in BRICS. Ultimately, a variety of analytical tools are employed, such as descriptive statistics, and conjuncture analysis, all of which are discussed in relation to a theoretical framework that challenges basic concepts like growing power and regional power.

RESULT AND DISCUSSION

Overview of BRICS' Financial Institutions and Mechanism: New Development Bank

Developing nations and emerging markets are on the rise, and there is a

trend for global economic governance to become more fragmented at the same time (Biermann et al., 2009). The framework is becoming more and more divided into intergovernmental clusters of cooperation, each with a set of behaviours and practices that contrast with the others in a variety of ways, such as cooperation versus competition and integration versus disintegration. With the rise of new (partially overlapping) constellations of emerging powers and initiatives to promote trans-regional cooperation and connectivity, the late 2000s and early 2010s have demonstrated the complex and sophisticated nature of global governance. Along with the debate on the emerging of the trans-regional cooperation and its impacts, many experts also raised questions on the legal framework for the cooperation.

The BRICS countries established the multilateral New Development Bank (NDB), formerly known as the BRICS Development Bank. The discussion on the establishment of the NDB was first initiated at the fourth BRICS Summit in New Delhi (2012). The Bank's goal is to raise funds for infrastructure and sustainable development projects in the BRICS and other emerging economies, as well as in developing nations (BRICS, 2023). It was also decided that the Bank's initial funding should be significant and adequate for it to function effectively in financing infrastructure. The leaders of the BRICS nations signed the agreement establishing the New Development Bank at the sixth BRICS summit in Fortaleza, Brazil, in 2014 (BRICS, 2023). In this case, NDB further aims to enhance BRICS cooperation and support multilateral and regional financial institutions' work for global

development, helping to advance shared commitments to achieving the objective of strong, sustainable, and balanced growth. By accepting Bangladesh, Egypt, the United Arab Emirates, and Uruguay as its first new members in 2021, the NDB made significant advancements toward membership expansion, bringing over 280 million people who could benefit from the Bank's development solutions.

One million shares with a par value of \$100,000 each make up the bank's initial \$100 billion authorized capital. Divided into paid-in shares (\$10 billion) and callable shares (\$40 billion), the NDB's initial subscribed capital is \$50 billion (The Economic Times, 2015). The founding members (Brazil, Russia, India, People's Republic of China, and South Africa) each received an equal share of the bank's initial subscribed capital. Every member will have one vote, and no one will have veto power, according to the NDB Agreement (Hofman and Srinivas, 2022).

The establishment of the NDB itself has provided more opportunities for its members to source international investments. The latest available data indicated that the NDB has approved financing of USD32.8 billion for 96 projects in member countries (Porto & Donnellon-May, 2023). In the NDB 2021's annual report, the Bank highlighted that 2021 was a noteworthy year for NDB in many ways, with a number of noteworthy accomplishments. These include the Bank moving to its permanent headquarters, welcoming the first group of new member nations, and enhancing positive effects through its investment operations. Bangladesh, Egypt, the United Arab Emirates (UAE), and Uruguay were all admitted to NDB in

2021. Over 280 million people from these nations can take advantage of NDB's mission (NDB, 2021). The addition of their new members, who are from various parts of the world, strengthens NDB's function as a platform to foster collaboration in infrastructure and sustainable development.

In all the operations it supports, NDB seeks to maximize the impact on development. The projects approved in 2021 are anticipated to produce a variety of development outcomes, including the construction of 35,000 homes, 660 km of new or upgraded roads, 30 bridges, and 30 km of metro lines, as well as the reduction of 7.5 million tonnes of carbon dioxide (CO₂) emissions annually and 49,000 m³ per day more of drinking water supply capacity (NDB, 2021). Following the SDG Impact Standards for Bonds and the SDG Finance Taxonomy from the United Nations Development Programme (UNDP), NDB issued the first-ever Sustainable Development Goal (SDG) bond in 2021 (China) (NDB, 2021). As a pilot issuer, NDB collaborated closely with UNDP to help develop and test the standards and taxonomy. Additionally, NDB released its first floating-rate benchmark bond that was correlated to the Secured Overnight Financing Rate (SOFR) (NDB, 2022).

NDB has quickly developed from a concept into a fully operational multilateral development bank (MDB). The Bank's initial five-year general strategy, which was put into effect between 2017 and 2021, laid the groundwork for NDB's early years of operations and set it up for a smooth transition into its subsequent five-year strategy phase (NDB, 2022a). Additionally, it offered insightful lessons that will help the Bank as it continues to

develop. The General Strategy for 2022–2026 of the NDB (the Strategy) charts the Bank's course toward becoming a preeminent supplier of infrastructure and sustainable development solutions for EMDCs. The Strategy aims to improve the Bank's ability to mobilize resources at scale, finance a variety of project types, use sophisticated instruments, maximize impact, and continue developing a strong institutional profile in order to raise NDB to a higher standard of operational excellence and development impact (NDB, 2022a).

NDB intends to increase its thematic bond issuance in response to the growing interest among international investors in diversifying their Environmental, Social and Governance (ESG) portfolios. As NDB intensifies its sustainability efforts, the Bank will keep looking into opportunities to issue cutting-edge sustainability debt instruments like green bonds, climate bonds, and social bonds.

The Bank will benefit from thematic bonds in three ways: (1) An expanded investor base, as the bonds draw a variety of impact investors, such as institutional or corporate investors with a mandate for sustainability; (2) Enhanced visibility, which will help the Bank develop its funding portfolio in both primary and secondary markets; and (3) Improved market positioning and brand image, as the Bank shows its steadfast commitment to sustainable practices (NDB, 2022).

Another NDB innovation is the use of national systems. When conducting financial and policymaking activities in a recipient country, country systems ensure that foreign actors use and abide by the administrative systems of the

home country (Hooijmaaijers, 2021). The NDB does not impose standards or conditions because it uses national systems for environmental, social, and procurement issues. Instead, it abides by the national labor, legal, and procurement laws. It demonstrates the BRICS nations' steadfast commitment to upholding national sovereignty. Otherwise, nations would require duplicate paperwork in both the local tongue and English. The majority of BRICS countries lack the administrative capacity to manage this excessive bureaucracy. Although the standards in the BRICS nations are not low, they are frequently not followed..

BRICS' Contingent Reserve Arrangement: New Alternatives to Address Balance of Payments

In order to provide support in the event of actual or potential short-term balance of payments pressure, the BRICS Contingent Reserve Arrangement (CRA) was founded in 2015. The Treaty for the Establishment of a BRICS Contingent Reserve Arrangement, signed on July 15, 2014 in Fortaleza, Brazil which serves as the legal foundation (Agarwal, 2014). Following announcement at the 7th BRICS summit in July 2015, it became effective after being ratified by all BRICS states. It aims to make up for the BRICS' dissatisfaction with the International Monetary Fund (IMF) reforms that were long promised but delayed by the United States until late 2015. The CRA serves as the members' first line of defence rather than serving as a lender of last resort, preventing them from needing to turn to the IMF for conditional assistance. Although all BRICS nations enjoy equality for strategic decisions, a contractual analysis of the CRA reveals that where operational decisions are

concerned, the CRA closely resembles the IMF's quota-based voting distribution (Agarwal, 2014). Despite this, because it does not give one party a veto position, it offers a more balanced voting system. Furthermore, the CRA lacks essential components like its own personnel and macroeconomic research facilities, as well as legal personality.

In accordance with the current system, countries' stocks of convertible currencies, primarily United States (US) dollars, and their IMF quotas make up international money. A country can only increase its reserves if its balance of payments (BOP) is in surplus if there is no quota increase. The global supply of dollars would rise if the US had a surplus. If there is a surplus in another nation, the current supply would merely be redistributed. The other nations collectively must run a current account surplus, specifically the US must run a current account deficit, for the supply of dollars to increase for the entire world. IMF quotas are periodically reviewed and may be raised with the consent of the members. In this scenario, the BRICS does not produce any new international currency. Loans to nations needing BOP deficit financing are probably going to be made in convertible currencies, primarily the dollar, and will likely be repaid in those same currencies. The BRICS nations will not be able to influence the supply of global money because no new global money is produced. This implies that even though there is now a second source of BOP financing, the burden of adjustment will still fall on the deficit countries. No adjustment pressure will be applied to surplus nations.

Finally, having the CRA will provide developing countries with alternatives,

since it will take some time to develop such a capital market with all the required institutional features. It will take several steps to achieve the goal of offering alternatives to developing nations. All developing nations would first need to be allowed to join. Their privileges and duties would need to be enshrined in law.

BRICS' Economic Partnership Strategies Focusing on Development Priorities

The BRICS countries have made outstanding progress in cooperation despite growing uncertainties, supporting shared development and a global economic recovery. Since its establishment, the grouping has grown in terms of scope and depth, having around 150 meetings annually with over 30 agreements and memoranda of understanding provide a legal foundation for cooperation in the diverse areas from customs and tax to agricultural research and energy efficiency (South Africa's BRICS Chairmanship, 2023). BRICS has also transformed to a group of developing nations that together make up about 25% of the world's economy and represent about 40% of the world's population (European Commission, 2018). Experts predict that the BRICS nations will have a greater influence on the second half of the twenty-first century. In the forecast published by PricewaterhouseCoopers (2017), it is

predicted that after 2030, India's Purchasing Power Parity (PPP) economy will surpass that of the United States, while Brazil and Russia will surpass Germany and Japan (PwC, 2017). In the next 30 to 35 years, the economy of China will increase almost three times as much as that of India, and many other developing nations will also experience rapid growth. However, there is a lot of work that needs to be done in order for the BRICS nations to see these predictions come true.

In order to achieve sustainable economic growth, international cooperation is now thought to be essential. There is a need to identify and develop strategies to strengthen the legal foundations of economic cooperation among the BRICS countries, as well as to prepare proposals for their implementation. Cooperation on a global and regional scale is now viewed as a means of achieving economic growth. Each association member country's economy benefits from effective resource allocation, complementarity in relevant areas of industrial and technological cooperation, expansion of production networks, and markets. However, putting policies in place to promote economic cooperation and convergence in a variety of areas calls for a well-balanced strategy and a careful analysis of the anticipated advantages and disadvantages for individual nations, such as analysing the development priorities of the BRICS countries.

Table 1. Development Priorities of BRICS

Brazil	Russia	India	China	South Africa
Budget consolidation	Sustainable natural growth of population	Industrial and innovative development	Transportation	Eradication of destitution and poverty
Sustainable economic growth	Sustainable growth in real incomes	Energy	Power engineering	Accounting for the
Foreign trade facilitation		Infrastructure development	Digital economy	demographic
			Agriculture	
			Biotechnology	

Source: Author, 2023.

The most extensive programs are those of Russia and China, according to the analysis of national policies and economic development priorities of the BRICS member states. The main goals of the national development plans of South Africa, India, and Brazil, as well as the socioeconomic development policy of Brazil, are to solve the problems that are already present in each of these nations. Agriculture, the digital economy, energy, the environment, health care, finances, labor, and employment, as well as infrastructure and transportation, are among the main areas of interest for all of the BRICS nations. The Moscow Declaration of the 12th BRICS Summit and the New Delhi Declaration of the 13th BRICS Summit both included references to these areas of cooperation. Some analysts claimed that the BRICS partnership has served as a new catalyst for the world economy's recovery in addition to giving global development cooperation a boost.

The Strategy for BRICS Economic Partnership 2025 establishes the framework for member collaboration and specifies the development route for BRICS in light of current economic conditions and trends (University of Toronto, n.d.). By announcing their adoption of the BRICS Strategy, the nations show that they are committed to

work together to address recent global challenges, such as financial volatility and macroeconomic shocks, and to develop a positive, well-rounded, and concise economic agenda, including for intra-BRICS cooperation. The BRICS nations declared their desire to promote rapid economic growth, deal with macroeconomic shocks and financial volatility, support the multilateral trading system based on the principles of the World Trade Organization (WTO), and fend off the emergence of global uncertainty brought on by a variety of factors, including the rise of unilateral and protectionist measures that are at odds with the spirit and principles of the WTO (BRICS Information Centre at the University of Toronto, 2020).

Expanding its Network

The confirmation that the five BRICS member states are now seriously considering the introduction of a BRICS reserve currency is the most important recent development from the group. The new currency, which will be based on a basket of each country's domestic currencies—the Chinese yuan, the Russian ruble, the Indian rupee, the Brazilian real, and the South African rand—will be developed to better serve the economic interests of the BRICS countries. Because of this development,

recent reports that several nations have applied to join the BRICS countries should not be shocking. In addition to Algeria, Argentina, and Iran submitting formal applications, it is widely believed that Saudi Arabia, Turkey, Egypt, Afghanistan, and Indonesia have also either already submitted applications or will do so soon. According to additional media reports, the BRICS union has also received interest from Kazakhstan, Nicaragua, Nigeria, Senegal, Thailand, and the United Arab Emirates (UAE).

The following three factors are primarily responsible for BRICS' growth: the first is the strong East- West conflict; the second is the development of "BRICS Plus" collaboration; and the third is the demand from "node" nations (Peng, 2022). The battle between the East and the West has gotten more attention in the current setting of the ongoing Russian-Ukrainian conflict and the escalating Sino-American rivalry. As a result, both parties desire to strengthen their alliances through growing their social networks. The BRICS countries have a strong incentive to accept other "node" nations with crucial strategic positions and flourishing economies to join the camp because they are emerging economies and significant powers in the region. The drive for BRICS expansion is stronger the more heated the East-West conflict is. The assistance of regional states, especially "node" nations with significant influence and crucial strategic positions in the region, is essential to the ongoing expansion of BRICS Plus cooperation which model will be further explained in the next section. Without these node nations' active involvement, BRICS Plus cooperation will lack a sizable hinterland, making it challenging to maintain or grow bigger and stronger.

As a result, the node nations with pronounced national advantages and advantageous geographic locations, such as Argentina and Indonesia, will see that being able to benefit from the BRICS Plus collaboration and ride the wave of the BRICS' rapid development is just a good deal with big rewards. As a result, these nations are likewise open to joining the BRICS family. The growth of BRICS is also essential for advancing a new, non-Western model of global development that is fair, environmentally sustainable, and meets the socioeconomic requirements of the vast majority of people on earth, especially the poor.

Promoting Common Development

The BRICS economic and trade ministers agreed to increase cooperation in areas like the digital economy, trade investment, sustainable development, supply chain, and multilateral trade mechanisms. Further, the NDB had approved more than 80 projects in member countries by June 2022, with a total portfolio of about 30 billion US dollars, ranging from renewable energy projects in Brazil to programs to upgrade the Indian railway network and new toll roads in Russia (NDB, 2022b).

According to the bank, member nations will receive 30 billion dollars in financial assistance from 2022 to 2026, with 40% of the funds going toward global warming mitigation. The BRICS Partnership on New Industrial Revolution (PartNIR) Innovation Center was established in Xiamen, east China's Fujian Province in December 2020 to give BRICS countries a foothold to utilize technological innovation and digital transformation. It serves as a new and powerful impetus for development. The two parties agreed to prioritize

cooperation in areas like artificial intelligence, the industrial Internet, energy conservation, and environmental protection through joint research, personnel training, and information sharing on infrastructure and sustainable programs in a memorandum of understanding (MoU) they signed earlier in June with the NDB to facilitate bilateral cooperation and promote the common development of BRICS countries (XinhuaNet, 2020).

According to Paul Krugman's New Economic Geography theory, most cross-border trade occurs between nations that have comparable rates of production and returns to scale (Robinson & Thierfelder, 2002). Although the BRICS countries share the trait of being regional economic powerhouses, they differ greatly in other respects, including their systems of government, legal traditions, commercial organization, and relationships between the state and society. Despite these contrasts, there are startling similarities in the way they are developing their trade law capacities, making internal institutional adjustments, and engaging with the global trade regime. The demands and aspirations of many developing nations have been satisfied by BRICS cooperation in areas like poverty reduction, food security, green development, industrialization, the digital economy, and connectivity. The BRICS collaboration has not only given global development cooperation a boost, but it has also served as a fresh catalyst for economic growth on a worldwide scale.

BRICS Plus Cooperation Models: Expanding Collaboration

In 2017, China put forth the "BRICS Plus" cooperation model, which aims to increase cohesion by fortifying the BRICS members' unity and coordination while also continuing to widen the "circle of friends" of the BRICS in an effort to pursue common development and prosperity for all emerging markets and developing nations (BRICS, 2022b). Foreign ministers who participated in the BRICS dialogues supported and agreed with the "BRICS Plus (+)" cooperation model after presiding over a video dialogue of foreign ministers between BRICS and emerging markets and developing nations. The BRICS processes of interstate economic cooperation are related to the provision of favourable conditions for the consistent creation of centres of attraction for innovations, investments, highly qualified personnel, and the production of goods competitive on global markets in the common interstate economic space. The use of integration tools and mechanisms will ensure the system-wide implementation of economic development plans as well as the intensification of cooperation not only in raw material sectors but also in non-commodity sectors of the economy. This creates the conditions for improving the quality of economic growth among member states over the long term. The concept of BRICS+, which aims to expand the organization's membership, is extremely pertinent and timely. A number of new emerging market nations have emerged, including Turkey, Iran, Indonesia, Bangladesh, Nigeria, and Mexico, to name a few. They simply cannot be disregarded given their increasing economic and political relevance as well as their ability to advance regional and global peace. By

including them, the BRICS+ mechanism will become a more representative global and regional platform.

These updated concepts are being promoted to establish guarantees of trust and openness of the movement of capital in international financial law as part of cooperation between the BRICS nations and other integration associations. These include the mutual recognition of non-discrimination in business, foreign exchange transactions, trade in systemic structural reforms, preservation of the business environment for competition, encouragement of novel investments, and financing of infrastructure capital investment. The growth of ecosystems, the implementation of a system of direct financial settlements between the BRICS member countries and their partners in bilateral and, in the future, multilateral formats, the development of digital currencies, and the gradual phasing out of settlements in dollars and euros are all significant links. The BRICS interaction format has repeatedly shown its effectiveness in the modern world. The association has attracted many players in international politics over the course of its existence. In the modern era, the BRICS association has successfully assimilated into the framework of international relations and strengthened its position on the most important interstate interaction platforms, like the UN and the G20. The BRICS association may be needed in the modern era to strengthen the multilateral structure of international relations. Through the BRICS cooperation model, the BRICS countries contribute to the balanced development of emerging markets and developing nations, making it a haven for many nations.

Challenges to BRICS

Regarding their global ambitions, such as, for example, in international financial governance, there are a number of key challenges that BRICS may anticipate moving forward. First, there are significant differences between the individual BRICS countries on the political, economic, military, and demographic levels. In this context, a number of trends are crucial and emphasize the growing disparities in the economic development of the BRICS nations, such as China's continued rise in contrast to Brazil's decline. For China, this includes swift shift from production-led growth to consumption-led growth as well as relatively fast rates of economic development (Arapova, 2018). In contrast, Brazil experienced a severe recession in 2015 following a decade of uninterrupted economic growth, and the COVID-19 pandemic struck the nation as it was beginning to recover.

Disparities and asymmetries within the BRICS are likely to worsen as a result of the COVID-19 pandemic. China was the only BRICS country to register economic growth in 2020, and its GDP increased in the first quarter of 2021, despite its modest growth compared to previous years (BBC, 2021). In addition, BRICS countries have a very different GDP structure. While Brazil is considered as an agricultural country, Russia and South Africa are heavily reliant on their trade in goods. In the meantime, the Indian economy is dominated by services while China is dominated by manufacturing industries. There is also a growing concern on India and South Africa that are becoming increasingly protectionist in the past few years and as the economic growth in BRICS countries

are heavily dependent on low-cost labor and significant mineral reserves without few innovations and investment in human capital, such economic growth is unsustainable (Kralikova, 2014).

Second, there is still a lack of institutional capabilities and governance of BRICS. While BRICS has acted as a collective actor as indicated by its 12 summits and about 60 collective mechanisms, including the NDB and CRA, reforms are required to enhance BRICS' greater role in global economic governance. Countries and other major global actors still have to deal with each of BRICS member individually on a bilateral basis, rather than through one unified or collective platform.

Even with the creation of the NDB, there are still substantive and operational challenges to the institutional mechanism of BRICS. For example, China has the majority of the share capital of the Bank at \$41 billion, much larger than Brazil, India, and Russia at \$18 billion each and South Africa at \$5 billion (Iqbal & Rahman, 2017). It may be proven difficult to balance the diverging interest of the BRICS members with China dominating the shares. Nevertheless, the creation of the NDBs remain important to accelerate reform measures as well as providing alternative source of funds apart from the World Bank and IMF – which will also equally strengthen the institutional mechanism of BRICS itself.

Third, with all the potentials, BRICS is considered less cohesive and less integrated as a bloc. While the economic cooperation has improved, BRICS countries have the histories of conflict such as on territorial disputes and regional domination (Mostafa, 2015). Both Brazil and South Africa has concern

on Chinese investment and cheaper imports that would threaten their local industries, while Russia has a security concern on China's growing dominance in the Siberian and Far East region. Similar to Russia, India also has major conflicting interests with China on their influence in South and Southeast Asia (Pandey, 2007; Renard, 2009; Narlikar, 2013; Luckhurst, 2013). Such conflicts may escalate and further restrict cooperation among the BRICS member and affect future economic generation.

Policy Recommendations

Noting these challenges, policy changes may be required to ensure effective partnership of the grouping. First, it is important for the BRICS members to address the economic imbalances and discrepancies between its members, particularly to address China's dominance. China's massive exports to the other members will pose trade deficit that may give negative effect on the existing BRICS cooperation.

Second, structural reform must be prioritized for BRICS members. For instance, while collectively BRICS countries are outperforming the developed countries on several economic indicators, there are ample room for BRICS countries to improve. While BRICS members have demographic dividends of its 3 billion people, the lack of opportunities given the existing challenges might turn the demographic bonus into serious problems. In addition, reforms on democratic institutions, addressing corruption, as well as lowering social unrests are also crucial to ensure BRICS countries in maintaining and improving their economic growth, with the aim to

expand its markets and create more business and investment opportunities.

Third, BRICS needs to strengthen its financial and monetary cooperation, including by strengthening the CRA operational mechanism. In addition, BRICS capabilities to respond to possible financial crisis needs to be enhanced. Some possible endeavors include the establishment of the BRICS Local Currency Bond Fund and strengthen coordination on macroeconomic policies to ensure the effective and improved economic and financial system.

Finally, the fourth, the initiation of NDB opens the possibilities for BRICS to advance its collective weights as new emerging economies. Such condition would be beneficial for the BRICS members to exert their political and economic influences through various policy initiatives. The establishment of NDB should also pave way for BRICS countries to deepen their global development partnership. Finally, as the global order has leaned towards the growing interdependence, NDB may provide alternative channel for development assistance, shifting from the traditional methods of development assistance to a more equal partnership that is more inclusive and sustainable

through the improvement in research and innovation and the upgrade of domestic production.

CONCLUSION

Based on the existing BRICS' financial institutions and mechanism as well as its economic partnership strategies, this essay examines that BRICS has the potentials to advance multilateralism and rise as the new world economic order, particularly as it offers new alternatives on financing and reduce reliance to the current economic order. However, BRICS countries also face various challenges and uncertainties, particularly with regard to the economic system imbalance, its lack of institutional mechanism, and its lack of cohesion and integration. Such challenges may affect the current economic potentials and limit their advancement as the new rising power in the current global order. To this end, further studies and research are required to draw a general conclusion as to whether BRICS has been successful in promoting the reform on international financial institutions as well as in promoting economic partnership among its members.

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