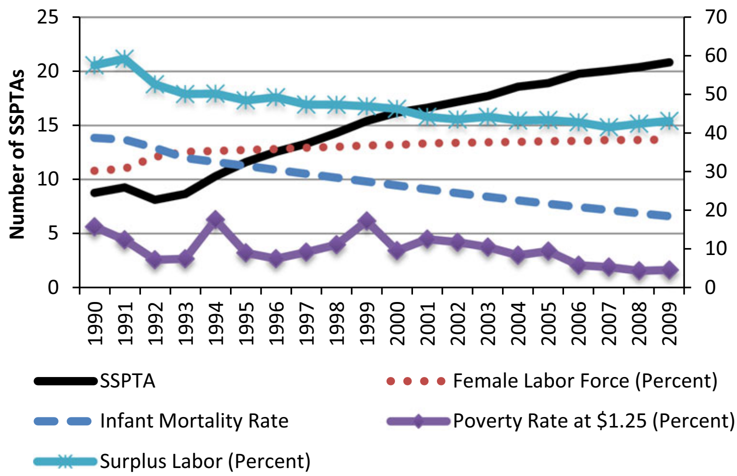

FIG 3. Development Indicators in Countries with High Numbers of SSPTAs

have increased intra-industry trade, while Anna Maria Mayda and Chad Steinberg (2007) find that COMESA has had a small, but positive impact on overall trade levels among its members. Our preliminary analysis (not presented here) indicates that among COMESA countries, this increase in trade is indeed driven by low-skilled manufacturing and agriculture—both sectors which employ poor or low-skilled workers. All in all, we anticipate that BRICs may be having unintended positive consequences on the global political economy.

Rising Powers and the Regime for Development Finance[10]

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The 2013 BRICS summit in Durban, South Africa, attended by the leaders of Brazil, Russia, India, China, and South Africa, produced a joint declaration that simultaneously heralded a new “BRICS Development Bank” and demanded the reform of existing “international financial institutions to make them more representative and to reflect the growing weight of BRICS and other developing countries” (eThekwini Declaration 2013). As they had at previous summits, the BRICS demanded reform of “the prevailing global governance architecture” that was conceived over six decades ago.

As Edward Mansfield (this issue) explains, international relations theory suggests that rising powers may seek to reform existing institutions or create new ones to challenge the prevailing system (Gilpin 1987; Hawkins, Lake, Nielson,

[10]*Author’s note*: I would like to thank Austin Strange and Andreas Fuchs for sharing their ideas about how to study emerging donors.

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and Tierney 2006). In the area of development finance, the BRICS appear to be attempting both. However, their rhetorical consensus obscures serious differences that make it unlikely we will observe sudden or substantial changes in the global development finance regime that was designed to set standards and enhance cooperation among Western donors. Further, while BRICS donors will become more important sources of development finance, they show little interest in joining the existing regime.

Global Governance of Development Finance

The current foreign aid regime is characterized by slowly evolving rules, norms, and principles that serve as aspirational best practices for donors. The body with primary responsibility for creating norms and helping members to implement policies consistent with these norms is the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC). Starting in the 1960s, the DAC convened Western donors in order to coordinate their foreign aid policies so that they might be collectively more effective and so that each donor government could monitor the behavior of other member states. While non-OECD countries did give foreign assistance from the 1960s through the 1990s (especially the Soviet Union, China, and oil-rich Middle Eastern states), OECD countries contributed the overwhelming majority of aid to developing countries in this period.

With the end of the Cold War, the stated purpose of development assistance became more explicitly focused on reducing poverty in recipient countries. At the same time "in-country coordination" between traditional bilateral donors and the major multilaterals increased. Traditional donors hosted several multilateral summits and high-level forums that were designed to enhance coordination and increase aid effectiveness by: harmonizing donor conditions and reporting procedures on recipient governments; shifting from policy conditionality to institutional selectivity where aid is allocated to countries with "good" institutions; enabling recipient country ownership of development projects; and increasing transparency about aid activities. This final norm, proposed by Great Britain in 2008, was institutionalized as the International Aid Transparency Initiative (IATI), which is now a core part of the Western-led regime. By the time of the 2011 High-Level Forum in Busan, the consensus among Western development officials was that aid effectiveness required country ownership, good governance, and market-friendly economic policies on the part of recipients and it required untied aid from donors, participation from civil society within recipient countries, and aid transparency on the part of donors (Kharas, Makino, and Jung 2011). However, a central objective of the Busan meeting was to convince the emerging donors that they should adopt the norms embodied in this new consensus. Western countries failed in this effort.

Distribution of Power in Development Finance

As in other issue areas of the global economy, the BRICS have emerged as increasingly prominent actors in the area of development finance. While aid from many OECD donors has leveled off or fallen since the 2008 financial crisis, aid from all five of the BRICS has increased. In the cases of Brazil, China, and India, aid flows have almost doubled over the past 5 years (OECD 2012). A growing literature argues that emerging donors are fundamentally changing the landscape of development cooperation in the international system and that this trend is likely to continue as long as these economies grow more rapidly than those of OECD donors (Mawdsley 2012; Strange, Parks, Tierney, Fuchs, Dreher, and Ramachandran 2013).

Caution is in order here. While estimates vary widely, in part because nontraditional donors do not report their aid commitments in a consistent format, there is a consensus among scholars that the share of global foreign aid allocated by BRICS and other nontraditional donors is rising. However, while the rate of increase may be rapid, the share of total global aid is still quite small relative to traditional OECD donors. Depending on what you are counting as "aid," the total amount allocated in recent years has ranged from $100 to $180 billion (Tierney, Nielson, Hawkins, Roberts, Findley, Powers, Parks, Wilson, and Hicks 2011). But total aid from BRICS countries in 2011 was less than $5 billion.[11] If we compare across issue areas, BRICS donors contribute a smaller share of total development assistance than to total economic activity, total growth, or total trade. When identifying "rising powers" that are likely to shape outcomes in the global economy, Mansfield (this issue) cautions against conflating the growth of some measure with the relative share of that variable. On a global scale, the BRICS donors currently comprise a small but growing share of the total.

Multilateral Institutions and Development Finance

International relations theory suggests that when the rules of multilateral organizations no longer reflect the underlying distribution of power in the system (or the regime issue area), we should expect conflict, noncompliance, efforts to reform the rules, or increased forum shopping on the part of underrepresented states (Gilpin 1981; Downs, Rocke, and Barsoom 1996; Hawkins et al. 2006). Mansfield (this issue) shows that at least some of the BRICS are rapidly increasing their relative power positions in the international system. Further, the BRICS are rising rapidly in the aid donor ranks, but are all still much smaller than the leading Western donors. Perhaps unsurprisingly, we currently see little change in the formal power of BRICS within the Bretton Woods financial institutions. Formal rule changes and voting shares have not kept pace with changes in the size of the BRICS economies. Belgium has more votes than Brazil despite the fact that Brazil's economy is four times larger; Germany and Japan have almost twice the number of votes as China, which is now the second largest economy in the world.

The BRICS consistently argue for greater voice and vote in these institutions. Over the past several years, every BRICS Summit and G-20 meeting has included calls for a reallocation of voting shares in the Bretton Woods institutions to increase the power of these emerging donors. Perhaps because such changes have been slow in coming, these states announced their intention to create a BRICS Development Bank in March 2013. Reactions among many observers were sweeping. Oliver Stuenkel (2013) suggests that it "may be a game changer in developmental finance across Africa…" and "the creation of the BRICS Development Bank may be seen as the beginning of a BRICS Consensus—symbolized by the pursuit of a state-led economic growth strategy." Stephen Spratt, Musab Younis, and Noshua Watson (2013) claim that "the indirect effects of a BRICS bank are bound to be significant: the World Bank will have a serious competitor for the first time. If nothing else, this will force it to pay attention to what its customers want, and restrict the ability to impose its will." Whether or not a

[11]According to OECD (2012) estimates, China contributed almost $3 billion in "ODA-like" funding, while India was second among the BRICS at just under $800 million. Hence, aid from BRICS constitutes less than 5% of total global aid. By comparison the United States gave more than ten times as much as China at $31 billion, the UK gave over $13 billion, and even Switzerland gave more than China in 2011.

BRICS Bank will fundamentally change the development landscape, this last point is interesting. To the extent that developing countries have alternative sources of capital that are de-linked from the conditions imposed by traditional donors, it will be easier for them to obtain the type of development finance they want on terms that they prefer.

But the prospect of a BRICS Bank having these effects is limited in the short run. There is no guarantee that these governments will be able to sustain such an institution given their very different interests and fiscal conditions. Moreover, if the Bank is created as planned, it will be expensive, redundant, and medium in size. The current plan to capitalize the BRICS Bank at $100 billion would make it about the same size as the Inter-American Development Bank, which does not look like a *game changer* by any definition.[12] Michael Tierney et al. (2011) estimate that there are currently over 70 different multilateral organizations that allocate development assistance. And while other development banks were also launched in part to shake up the existing order (for example, Islamic Development Bank, the OPEC Development Bank, and the African Development Bank), most now collaborate as co-financiers of the traditional Western donors (Shihata 1978).

The 2011 High-Level Forum in Busan was designed (and failed) to persuade emerging donors to adopt the best practices of the global foreign aid regime. Instead of papering over differences with a joint communique, China led the BRICS donors in explicitly rejecting core principles of the regime. Non-DAC donors rejected the suggestion that they should untie their aid, report their projects in the IATI data standard, and coordinate allocations through traditional donor mechanisms. Instead, they argued that "South–South cooperation" was qualitatively different from Western assistance and should not be governed by traditional aid principles (Fraeters 2011). China took the strongest position, arguing that the "principle of transparency should apply to north–south cooperation, but ... it should not be seen as a standard for south–south cooperation" (Tran 2011). To date, 15 bilateral donors, 19 multilateral donors, and 22 "partner countries" have signed up to the IATI principles first articulated at Accra. Not a single BRICS donor has joined.

Scholarship on Aid and the Rise of the BRICS

Given the purported rise of BRICS donors, several research questions demand attention. First, and as a necessary condition for progress in other research areas, we need more and better data on the type, destination, and volume of aid allocated by BRICS donors. Current official data is incomplete, highly aggregated, and non-comparable (Strange et al. 2013). Second, as recipient governments have additional "outside options" as sources of finance, we should observe reduced aid conditionality and more aid flowing to sectors favored by recipient governments because recipients should be able to drive harder bargains with traditional donors. Finally, as data on BRICS donors becomes available, we should replicate the numerous studies on aid allocation and aid effectiveness that have been done using the restricted sample of OECD donors (Tierney et al. 2011). If the norms of the Western aid regime have been efficacious, and BRICS donors refuse to play by these rules, then the causes of BRICS' allocation and the effects of their largesse should be distinguishable from OECD aid.

[12]For comparison, the World Bank (IBRD only) is capitalized at over $300 billion.