BRICs in the global economy under the prism of economic nationalism of IPE

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Abstract

The international economic crisis which began in 2007 has limited developed countries' growth rates and manifested debt crises in certain economies in the Eurozone. It is the aim of this article to analyze the role that the BRIC group of nations has played in international financial institutions under the prism of economic nationalism of International Political Economy. Firstly, it aims to deepen our understanding of the emergence of the BRICs in the world economy. To this end, a macroeconomic analysis is carried out with the aim of making clear the changes the BRICs have brought to the world economy. Secondly, an analysis is made of the extent to which the global economic crisis has enhanced the role of the BRICs in the world economy, for instance in the decisions taken by powerful institutions such as World Trade Organization, the International Monetary Fund and its sister organization the World Bank. An analysis of the findings of the study is also provided.

Keywords: BRICs, International Political Economy, World Trade Organization, International Monetary Fund, World Bank

JEL Classification: F33, F5, F52

1. Introduction

In 2001, Jim O'Neill, an economist and head of Global Economic Research at Goldman Sachs, published an article entitled "Building Better Global Economic BRICs", which introduced to the international bibliography the term BRICs to refer to the fast emerging economies of Brazil, Russia, India and China. The article makes clear certain global economic issues related to the emergence of the BRICs (O'Neill, 2001). The present study carries out an analysis of economic indices/rates at an international level, as well as the progress of the highly developed economies compared to that of the BRICs. This comparison highlights the dispute between the developed countries and the developing ones and especially BRICs. It is the aim of the present article to analyze the role the BRICs

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have played in the world economy. The school of thought of economic nationalism of International Political Economy has two main principles. Firstly, the international system is anarchic and at the same time the role of state is centric and sovereign for the configuration of world political and economic environment (O' Brien and Williams, 2011). According to Robert Gilpin, anarchy means that there is no higher authority than the nation-state for the configuration of world economic and political system (Gilpin, 2004, p. 30). The market operation is under the control of each nation state and functions in a certain social context. The international economic and political system reflects the national interests of the most powerful nation-states of the world economy. The nation-states serve their national interests according to their power in the international economic and political environment. The participation of powerful states in international organizations is not an option that restricts their interests. On the contrary, they do participate in order to reinforce their interests through their actions in the international economic organizations. Besides, this study underlines the fact that BRICs are trying to strengthen their national interests in the international economic organizations. In short, BRICs must be seen as four different nation states that are trying to amplify their power to the main international economic institutions. To follow this pursuit BRICs should reduce the power of highly developed economies to the international economic organizations.

At the same time the analysis undertaken in this study will examine to what extent is the empowerment of BRICs at world economy and in consequence to the main global economic institutions driven by the national interests. For this reason, this study firstly aims to deepen our understanding of the emergence of the BRICs in the world economy. To this end, a macroeconomic analysis is carried out aiming to specify the changes the BRICS have brought about. Then, what is investigated is the extent to which the global economic crisis has enhanced their role in the world economy. Moreover, emphasis is also placed on the roles they/the BRICS play in the decisions taken by powerful institutions such as World Trade Organization, the International Monetary Fund (IMF) and the World Bank are studies. Finally, an analysis of the findings is presented.

2. Macroeconomic analysis of the BRICs

The present section analyzes indices that demonstrate the strong progress made by the BRICs over the period from 2001 up to 2010, in other words, since the coinage/ invention of the term BRICs. The aim is to make clear the significance of the BRICs' growth. To this end, and in order to elaborate on the dynamics of the BRICs, a comparison of certain countries which belong to what is termed the "Trinity of Developed Economies" is made. More specifically, we will study the USA, Germany, France and Japan. The choice of these particular countries was based on the dynamic role they have played in recent years in the world economy. The indices to be studied are as follows: gross domestic product (GDP), participation in global GDP (as a percentage), the GDP growth rate, the GDP per capita, foreign direct investment (FDI) as a percentage of the global total, and the reserves of the countries studied.

Table 1: GDP (Billion US dollars, at current prices)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	1278	1333	1377	1494	1584	1701	1857	1996	2001	2172
Russia	1073	1166	1335	1473	1696	2138	2387	2888	2699	2812
India	1681	1786	1949	2161	2434	2756	3118	3382	3644	4060
China	3337	3700	4157	4697	5364	6242	7338	8219	9057	10085
USA	10233	10590	11089	11812	12579	13336	13995	14296	14043	14582
Germany	2211	2275	2357	2466	2586	2776	2930	3052	2974	3071
France	1627	1704	1692	1761	1860	1991	2144	2178	2152	2194
Japan	3330	3417	3509	3708	3872	4071	4290	4316	4082	4301

Source: OECD (2011)

As illustrated in Table 1, the USA is still the largest economy in the world. At the same time, the size of GDP has also increased for the rest of the developed countries under consideration. A tendency for increased GDP can also be seen for the BRICs. However, in the last decade the size of China's GDP has increased very rapidly. What can also be seen is that China comprises the majority of the GDP of the BRICs. Of all the countries under investigation, the two countries that have displayed the sharpest increase in GDP in the last decade are China and India.

Table 2: Participation in Global GDP (in purchasing power parity, %)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.8	2.8	2.8
Russia	2.7	2.7	2.8	2.9	3.0	3.0	3.1	3.2	3.0	3.0
India	3.6	3.7	3.8	3.9	4.1	4.3	4.5	4.7	5.0	5.2
China	7.5	8.0	8.5	8.9	9.4	10.0	10.7	11.4	12.5	13.2
USA	23.3	23.1	22.9	22.6	22.3	21.8	21.2	20.7	20.4	20.1
Germany	5.0	4.9	4.7	4.6	4.4	4.3	4.2	4.2	4.0	3.9
France	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.0	3.0	2.9
Japan	7.4	7.2	7.1	6.9	6.8	6.6	6.4	6.2	6.0	5.9

Source: IMF (2011a)

The table above confirms the dynamic changes that have been made both in China and other BRIC nations in relation to the international economy. China has enjoyed the biggest increase among the countries under study. The USA's share of global GDP has fallen from 23% in 2001 to 20% in 2010. The total participation in global GDP of the four developed countries studied has also reduced from approximately 40% in 2001 to approximately 33% in 2010. By contrast, the BRICs increased their share from almost 17% in 2001 to 24.3% in 2010.

Table 3: GDP Growth Rate (% annually)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	1.3	2.7	1.1	5.7	3.2	4.0	6.1	5.2	-0.6	7.5
Russia	5.1	4.7	7.3	7.2	6.4	8.2	8.5	5.2	-7.8	4.0
India	5.2	3.8	8.4	8.3	9.3	9.3	9.8	4.9	9.1	9.7
China	8.3	9.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.3
USA	1.1	1.8	2.5	3.6	3.1	2.7	1.9	0.0	-2.7	2.9
Germany	1.2	0.0	-0.2	1.2	0.8	3.4	2.7	1.0	-4.7	3.6
France	1.8	0.9	0.9	2.5	1.8	2.5	2.3	-0.1	-2.7	1.5
Japan	0.2	0.3	1.4	2.7	1.9	2.0	2.4	-1.2	-6.3	5.1

Source: World Bank (2011a)

As Table 3 illustrates, the emerging economies display much higher growth rates than the developed economies in most of the reference years. The international economic crisis that emerged in 2007 has influenced all of the economies under study. In 2009, negative GDP growth rates are observable for all of the countries studied except for China and India. It should be pointed out that China and India enjoy the highest rates throughout the decade that has elapsed. In particular, China's high GDP growth rates reflect the rapid increase in its share of global GDP which have already been illustrated in Table 2 above.

Table 4: GDP per capita (current US dollars)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	3,130	2,812	3,042	3,610	4,743	5,793	7,197	8,628	8,251	10,170
Russia	2,101	2,375	2,976	4,109	5,337	6,947	9,146	11,700	8.615	10,440
India	463	484	563	668	762	857	1,105	1,065	1,195	1,477
China	1,042	1,135	1,274	1,490	1,731	2,069	2,651	3,414	3,749	4,393
USA	35,898	36,797	38,196	40,309	42,534	44,663	46,606	43,277	35,143	36,084
Germany	22,967	24,445	29,588	33,269	33,811	35,429	40,468	44,264	40,670	40,542
France	21,867	23,555	28,870	32,874	33,913	35,558	40,460	44,117	40,663	39,460
Japan	32,210	30,475	33,113	36,051	35,627	34,148	34,264	38,212	39,456	43,161

Source: World Bank (2011b)

Table 4 highlights the intense economic inequalities between the developed and developing economies. The residents of the developed economies enjoy a much higher standard of living than the residents of the developing countries. In 2010 both Brazil and Russia's per capita GDP were over 10,000 US dollars. However, although China and India have particularly high GDP growth rates, as shown earlier, they have the lowest per capita GDP.

Table 5: Inward Foreign Direct Investment (% of global total)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	2.718	2.646	1.771	2.444	1.533	1.288	1.755	2.583	2.190	3.895
Russia	0.333	0.552	1.389	2.080	1.311	2.032	2.794	4.300	3.080	3.312
India	0.663	0.898	0.754	0.778	0.776	1.391	1.286	2.439	3.008	3.312
China	5.674	8.414	9.341	8.167	7.369	4.974	4.238	6.210	8.107	8.502
USA	19.303	11.884	9.277	18.299	10.667	16.221	10.957	17.566	12.902	18.353
Germany	3.197	8.538	5.651	-1.372	4.828	3.805	4.070	0.242	3.175	3.709
France	6.110	7.822	7.420	4.386	8.645	4.915	4.882	3.680	2.871	2.726
Japan	0.756	1.474	1.104	1.053	0.282	-0.445	1.144	1.400	1.007	-0.101

Source: UNCTAD (2011)

FDI reflects how attractive the economies are to investors. During the last decade, as Table 5 illustrates, the BRICs overall became increasingly attractive to investments from abroad. In 2001, the BRICs received 8.4% of global FDI. By 2010, their share had reached 19%, with China holding a predominant position. By contrast, the four developed economies studied here saw a fall in their share of global FDI, from 29.3% to 24.6%.

Table 6: Reserves of Foreign Exchange and Gold (in trillion US dollars)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	-	-	49.3	52.94	53.8	-	180.3	193.8	238.5	288.6
Russia	-	-	76.94	124.5	182.2	303.7	476.4	427.1	439.4	479.4
India	-	-	102.3	126	136	176.1	273.9	254	274.7	287.1
China	212.2	286.4	412.7	609.9	825.6	1.073	1.534	1.955	2.426	2.876
USA	-	-	85.94	86.94	-	65.89	70.57	77.65	130.8	132.4
Germany	-	-	96.84	-	101.7	111.6	136.2	138	180.8	216.5
France	-	-	70.76	-	74.36	115.7	115.7	102.9	133.1	166.2
Japan	-	-	664.6	-	835.5	954.1	954.1	1.011	1.024	1.063

Source: The World Factbook (2011a)

The reserves of foreign exchange and gold, illustrated in Table 6, form an index that shows the potential of each economy to respond to recessionary conditions such as those being experienced today on a global level. According to the data shown in Table 6, the BRIC group of nations increased its reserves of foreign exchange and gold over the last decade. China achieved a huge increase in reserves by augmenting its reserves of US dollars. This increase has created an interdependent relationship between China and the USA. China has invested in dollars because it considers it to be a particularly safe investment. At the same time, China has put a great deal of pressure on the USA in exchange for the enormous pressure exerted on China because of its monetary policy. The USA believes that China is keeping its national currency devalued so that its products are more competitive in the international markets. According to the USA, this has resulted in an imbalance in the world economy, which in turn has pushed the USA into a deficit in its current account balance. The USA has announced that in order to protect its industry it may have to apply trade restrictions.

In contrast, China holds the view that its currency displays its real value and a potential revaluation would simply restrict the competitiveness of Chinese exports for the benefit of other countries. China also claims that the weakening of the competitiveness of the American economy is imprinted in the restricted exchange reserves that the USA affords (Morrison and Labonte, 2008). Increases in reserves of foreign exchange and gold are seen for all the developing countries under study. Japan differs from the other three developed economies as it increased its reserves particularly dramatically.

The analysis of the six macroeconomic indicators presented above leads to the following three conclusions. First, the BRICs have enhanced their position in the world economy over the last decade and are now relatively closer to the developed countries than they were in the past in terms of competitiveness. The creation of regional unions has enabled emerging economies to exert more pressure. However, it seems that the structures of regional unions aim at satisfying national interests. For example, the BRICs seem to be focused on the reinforcement of their national interests against those of the developed states. They are less interested in the development of regional competition that would restrict the potential for enhancing their national interests. This position confirms the argument of economic nationalism about the centric role of a nation state for the configuration of world economic and political environment.

Second, the economies of the BRICs are still very inferior to those of the developed countries. The per capita GDPs of the emerging economies highlight that there is still a long way for the emerging economies to go before their people can enjoy the same prosperity levels enjoyed by those of the developed countries. Third, in the last decade the world economy has changed without precedent ever since World War II. It was the first time the traditionally strong powers have seen other countries to join them by contributing greatly to the world economy. The aim of the emerging economies is to reap the benefits of world development. However, the 2007 global crisis has highlighted that global development is neither continuous nor stable.

3. The WTO and the BRICs

The end of Second World War II created the preconditions for the determination of international trade environment. The experience of interwar period was negative because of the protectionism to merchandise transactions. For this reason, USA and Great Britain received the initiative for the beginning of trade negotiations. In 1947 the negations ended by the establishment of General Agreement on Tariffs and Trade with the participation of 27 countries (Cohn, 2009). The main role of GATT was the liberalization of world trade even if it had limited jurisdictions. In 1995 World Trade Organization was established as a consequence of the willingness of the states for a more effective conformation of world trade issues. GATT was a contractual agreement among its members-states. By contrast, WTO is an international organization with legal personality.

The adoption of the trade policy of its nation-state is related to its comparative advantages. But more than (the comparative advantage) this, what should be pointed out is that the trade policy of its nation state is also related to national security issues. For this reason, WTO is making an effort to solve disputes among its member-states and at the same time to control the tariffs policies to its member state. It was for these reasons that both China and Russia delayed to become member states of WTO. According to Zimmermann:

> "China applied for membership in 1986. The complicated accession process began in the same year with the establishment of a GATT Working Party. However, it was clear that the bilateral negotiations with the US and the EU would be by far the most important arenas and they would also determine the success or failure of the Chinese quest. Hampered by delays and setbacks, such as a two-year break after the massacre of Tiananmen Square in June 1989, the negotiations dragged on interminably. In particular, US–Chinese negotiations were marked by a high degree of mistrust and the corrosive effects of American domestic conflicts. In the end, the WTO accession negotiations lasted for 15 years until China was definitely admitted in December 2001 (Zimmermann, 2007, p. 820)".

Furthermore, Russia applied to join WTO in 1993 and became a member on 22 August 2012. According to Zimmermann:

> "Thus, the WTO/Russia negotiations appear to be an instance in which commercial aspects were finally subordinated to larger geostrategic considerations and the interest to posit the EU as global actor.
>
> Of course, once the EU had secured its over-riding objective (and Russia in fact had signed the Kyoto protocol), it also tried to take care of the unresolved economic issues (Zimmermann, 2007, p. 827)".

The foregoing two accession cases to the World Trade Organization that of China and Russia posit the fact that the developed economies through their agreement for accession are trying to solve political issues of high importance for their own interests. At the same time, the powerful nation states utilize their power for the maintenance of the leadership to the decision making of international economic organizations.

The rest of the countries under study became member of WTO on 1 January 1995. In the subsequent discussion we analyze the goods and services exported as a percentage of GDP and the current account balance as a percentage of GDP.

Table 7: Exports of goods and services (% of GDP)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	12	14	15	16	15	14	13	14	11	11
Russia	37	35	35	34	35	34	30	31	28	30
India	13	14	15	18	19	21	20	23	20	22
China	23	25	30	34	37	39	38	35	27	30
USA	10	9	9	10	10	11	12	13	11	29
Germany	35	36	36	38	41	45	47	47	41	47
France	28	27	26	26	26	27	27	27	23	25
Japan	11	11	12	13	14	16	18	18	13	15

Source: World Bank (2011c)

The statistics in Table 7 highlight the export dynamics of the economies under study. It was at the beginning and the end of the decade that the exports of both the emerging and the developed economies did show some movement. Both China and Germany deserve a special mention. In the year 2010 China's exports as a proportion of GDP amounted to 30%. Taking into account the country's rapid GDP growth rates in the last decade, it is evident that China has increased its exports very rapidly over the same time period. In 2010, it was ranked second in the world in terms of exports. Germany too displays a particularly high rate of exports. In 2010, it was ranked third in the world (The World Factbook, 2011b).

Table 8: Current Account Balance (% of GDP)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brazil	-4.199	-1.527	0.752	1.755	1.571	1.248	0.114	-1.724	-1.544	-2.561
Russia	11.609	8.436	8.229	10.067	11.057	9.530	5.925	6.222	4.020	4.728
India	0.287	1.373	1.473	0.113	-1.270	-1.024	-0.701	-2.021	-2.884	-3.083
China	1.314	2.436	2.796	3.554	7.126	9.336	10.641	9.649	5.960	4.697
USA	-3.861	-4.304	-4.673	-5.313	-5.915	-5.990	-5.107	-4.655	-2.680	-3.190
Germany	0.020	2.005	1.891	4.651	5.112	6.452	7.611	6.729	4.890	6.055
France	1.754	1.241	0.720	0.541	-0.483	-0.572	-0.998	-1.907	-1.931	-1.790
Japan	2.144	2.874	3.221	3.736	3.640	3.907	4.819	3.214	2.796	3.088

Source: IMF (2011b)

The current account balances plotted or illustrated in Table 8 show the degree to which the countries under study are performing well. There is no single dominating image for the BRICs. Brazil has displayed a negative current account balance since the beginning of the global financial/economic crisis in 2007. Both Russia and China have been influenced by the crisis as their current account balances have fallen, without going negative however. India had shown a deficit in the current account balance before the crisis began. The total picture for India in the last decade is of an economy that is not yet particularly competitive on a global level.

The developed countries also display individualities. Over the whole decade, the USA has shown a deficit. This demonstrates the restriction on export possibilities in the American economy. According to certain economists, the high deficit in the current account balance in the USA limits its ability to attract FDI. As a consequence, it is very likely for the country to increase its interest rates so as to attract foreign capital. In addition, the high interest rates and low investment percentage can lead to a restriction of long-term development (Morrison and Labonte, 2008). Germany and Japan both display a surplus in their current account balances throughout the decade. By contrast, France has run a deficit since 2005. To recapitulate then, what the figures in the table show is that both the emerging and the developed economies are trying to make use of their comparative advantages in order to enhance their position in the world economy.

4. The IMF and the BRICs

The IMF is an international economic organization which was created at the Bretton Woods summit in the USA in 1944. After the end of World War II, there was a need for a stable monetary environment. The basic aim of the IMF was to maintain fixed exchange rates so that the negative economic repercussions that had been seen in the inter-war period could be avoided. The IMF members were obliged to contribute currency and gold in order to establish a reserve fund that would help countries suffering from a liquidity shortage. At the same time, if a country was experiencing a fundamental imbalance in its economy, a readjustment of its exchange rate in relation to the dollar would be possible. A fundamental disequilibrium considered as restricting international demand for the products of a country. In this situation, if the currency of the country is not devalued, its economy will be led into recession, causing both unemployment and external deficits to rise (Krugman and Obstfeld, 2011, p. 390).

All of the eight countries studied in this survey joined the IMF when it was established, apart from Russia, which became a member after the collapse of the Soviet Union, in June 1992 (IMF, 2011c). The voting shares in the IMF are related to the countries' contribution to the capital of the IMF. In the first section, the increased contribution which the emerging economies are making to the world economy was pointed out. However, the limited role they play in world decision making indicates a mismatch between their economies and their ability to maximize their national interests (Woods and Lombardi, 2006). In Table 9, the participation quotas of the eight countries are displayed, both in terms of IMF capital and votes, and the changes made within the IMF over the last few years.

Table 9: Quota Shares of the Countries under Study in terms of IMF Capital and Voting Shares

	Quota Shares				Voting Shares			
Country	Prior to Singapore (2006)	March 2011	After the 2008 Reform	After the 2010 Reform	Prior to Singapore (2006)	March 2011	After the 2008 Reform	After the 2010 Reform
Brazil	1.420	1.395	1.782	2.315	1.402	1.377	1.713	2.217
Russia	2.782	2.732	2.493	2.705	2.734	2.686	2.385	2.586
India	1.945	1.911	2.441	2.749	1.916	1.882	2.336	2.627
China	2.980	3.718	3.994	6.390	2.928	3.651	3.803	6.068
USA	17.380	17.071	17.661	17.398	17.023	16.723	16.718	16.741
Germany	6.086	5.978	6.107	5.583	5.968	5.863	5.800	5.306
France	5.024	4.935	4.502	4.225	4.929	4.842	4.284	4.022
Japan	6.228	6.118	6.553	6.461	6.108	6.000	6.221	6.135

Source: IMF (2011d)

The decision taken at the annual IMF meeting held in Singapore in September 2006 was to increase the participation of China, Korea and Turkey. The reforms of 2008 and 2010 further reinforced the role of the emerging economies in the decisions of the IMF. It should be pointed out that the quota change reform of 2010 was put into force on March 3, 2011 (IMF, 2013). According to a statement made in November 2010 by the former Managing Director of the IMF, Dominique Strauss Kahn, this reform constitutes the most drastic change made to the IMF structure since its establishment. It plots a course for an enhanced role for the emerging economies in the world economy (IMF, 2011e). The IMF's aim is to adjust the quotas of its state members according to the roles they play in the world economy. Overall, the top ten members of the IMF are the USA, Japan, the BRICs and the four strongest economies in Europe, namely Germany, France, the UK and Italy.

What the figures in the above table demonstrate is that the role of the emerging economies in the IMF has increased in the last five years. The macroeconomic analysis presented earlier highlights why the BRICs will shortly belong among the ten strongest state members of the IMF. At the same time the USA remains the most powerful country in the IMF, highlighting its position in the world economy.

Before the Singapore meeting of the IMF, the emerging countries had held approximately 9% of the votes. After the implementation of the reform decisions of 2010, they share 13.5% of the votes. Although this increase is evident, it does not correspond to the rapid development of the BRICs, particularly China. This highlights that the nation states that currently dominate the decision making are pursuing a slow transition to a new system of decision making in which their national interests will be quite restricted.

To sum up, the analysis of the role of the emerging economies in the world economy highlights two points. First, the BRICs now play a much stronger role in international economic organizations, specifically the IMF. Second, this increase in participation does not match their increased contributions to the world economy (Rapkin and Strand, 2006). Should the traditional countries continue to maintain these imbalances in the decision-making power then it is very likely that the emerging economies will aim to secure their national interests either by weakening the role of the IMF, and therefore that of the developed countries, or by adopting economic policies that intensify the negative consequences on the world economy that occurred as a result of the 2007 crisis.

5. The World Bank and the BRICs

The World Bank, like the IMF, was established as a result of the Bretton Woods summit. Today, it comprises five institutions. In 1944, the International Bank for Reconstruction and Development (IBRD), the first organization of the World Bank, was founded. Its basic aim was the financing of Europe's reconstruction following World War II. Today, it aims to diminish poverty in middle-income countries and poorer countries. These aims are achieved through loans, guarantees, the provision of counseling services and the promotion of risk management products that enhance sustainable development (World Bank, 2012a). States finance and participate in the decision making of the World Bank organizations through votes defined by their contribution to the WB's finances.

The member states hold the power to make decisions related to World Bank policy, the entry of new members and the financing of the World Bank. The main decision-making organs of the World Bank are the Board of Governors, which is the main policy body, and the Boards of Executive Directors. The Board of Governors is comprised of representatives of the member states. In most cases, these are the Ministers of Finance or Development of the member states.

The governors assign specific competences to the 25 executive directors. The USA, the UK, Germany, France and Japan – the countries with the highest economic participation in the World Bank – each of them appoint an executive director, while the remaining member states are represented through elected executive directors. Thus, the structure of the World Bank allows the more developed countries of the planet to control the World Bank's decisions to a large extent. This also highlights that the international economic system is still structured very much alike as it was after World War II (World Bank, 2012b).

In order for a country to become a member of the World Bank, and more specifically of the IBRD, it must first become a member of the IMF. Under the IMF framework, each new member state is assigned a quota based on its economic participation in the IMF. Each new member state of the World Bank receives 250 votes plus one for each share the country contributes to the capital of the Bank. The quota assigned by the IMF is used to define the number of shares each new member state contributes to the Bank. The voting power also varies between different organizations of the World Bank (World Bank, 2012c).

In the subsequent discussion an analysis is carried out of the member states' participation and corresponding shares of the votes in the various organizations of the World Bank. The main aim is to highlight the role of the developed and BRIC countries in the World Bank's decision making.

Table 10 below shows the eight focal countries' subscriptions in the IBRD, depicting that the developed countries under study contribute more than 35% of the capital in the Bank. The USA contributes the highest share. Their voting power is similarly around 35%. The BRICs hold 9% of the capital and a similar share of the votes. Thus there is a marked divergence between the developed countries under study and the BRICs. The enhanced role of the BRICs in the world economy, shown in the first part of this study, is not reflected in their participation in the IBRD, just as it is not in the IMF.

Table 10: Subscriptions and Voting Power of Eight Member Countries of the IBRD

	Total Subscriptions		**Voting Power**	
Country	Amount (in US $ millions)	Percentage of total	Number of votes	Percentage of total
Brazil	3,328.7	1.97	33,537	1.93
Russia	4,479.5	2.65	45,045	2.60
India	1,498.1	0.89	15,231	0.88
China	5,886.4	3.49	59,114	3.41
USA	28,118.3	16.66	281,433	16.22
Germany	8,245.0	4.88	82,700	4.77
France	7,369.5	4.37	73,945	4.26
Japan	15,840.4	9.38	158,654	9.14

Source: World Bank (2011d)

Table 11 shows the member states' voting power in the International Development Association. The developed countries under study hold 28.3% of the votes, while the BRICs hold just under 7%.

Table 11: Voting Power in the International Development Association

	Voting Power	
Country	Number of votes	Percentage of total
Brazil	330,266	1.51
Russia	68,902	0.31
India	661,909	3.03
China	449,652	2.06
USA	2,270,761	10.38
Germany	1,219.662	5.57
France	833,247	3.81
Japan	1,882,463	8.60

Source: World Bank (2011d)

Table 12 shows the member states' subscriptions and voting power in the International Finance Corporation. It is evident that he developed countries under study contribute more than 40% of the capital subscriptions and hold 39.4% of the votes. At the same time the BRICs make 9.5% of the total capital subscriptions and hold a corresponding share of the votes.

Table 12: Subscriptions and Voting Power in the International Finance Corporation

	Total Membership		**Voting Power**	
Country	Amount (in US $ thousands)	Percentage of Total	Number of votes	Percentage of Total
Brazil	39,479	1.66	39,729	1.64
Russia	81,342	3.43	81,592	3.37
India	81,342	3.43	81,592	3.37
China	24,500	1.03	24,750	1.02
USA	569,379	24.01	569,629	23.56
Germany	128,908	5.43	129,158	5.02
France	121,015	5.10	121,265	5.02
Japan	141,174	5.95	141,424	5.85

Source: World Bank (2011d)

The subscriptions and voting power in the Multilateral Investment Guarantee Agency are given in Table 13. The developed countries under study contribute 33.3% of the total capital subscriptions and hold 27.4% of the votes. The BRICs contribute 10% of the capital and hold 9.1% of the votes.

Table 13: Subscriptions and Voting Power of the Member Countries in the Multilateral Investment Guarantee Agency

	Total Membership		**Voting Power**	
Country	Amount (in millions of USD	Percentage of total	Number of votes	Percentage of total
Brazil	26.06	1.47	2,844	1.30
Russia	55.28	3.12	5,766	2.63
India	53.71	3.04	5,609	2.56
China	55.30	3.13	5,768	2.64
USA	325.64	18.40	32,802	14.99
Germany	89.36	5.05	9,174	4.19
France	85.65	4.84	8,803	4.02
Japan	89.79	5.07	9,217	4.21

Source: World Bank (2011d)

The above analysis of the organizations of the World Bank highlights the power the developed countries under study hold over decision making in comparison to the BRICs. Almost seventy years after the World Bank came into existence, the USA still maintains its leadership position, based on the fact that it played a leading role in its foundation and continues to be the strongest economy in the world. In most of the World Bank organizations, the BRICs are represented by no more than a 10% voting share. However, their role in the international economy has increased rapidly in the last decade. The analysis in the first part of this study showed that their contribution to 2010 global GDP was 24.3%. Clearly there is a mismatch between their contribution to their global GDP and their voting power in the World Bank.

In conclusion, the World Bank remains a financial organization which is controlled by developed countries, particularly the USA, disproportionately to their role in the global economy. It is worth pointing out that it was the USA that defined the sovereign financial policies of the World Bank, extending its influence over the Bank's economists (Wade, 2002). The mismatch in decision making combined with the intense consequences of the global financial crisis in the developed countries means that they must take initiatives to enhance the integration of the emerging economies into the global economy, and in this way limit the likelihood that the BRICs will pursue protective policies.

6. Conclusion

The widely held view that economic power is shifting from the traditionally rich to the emerging economies is hardly new, but it is taking a new form. For the past couple of decades, emerging economies have been grabbing a rising share of world manufacturing production and exports, thanks to their lower wage costs (Woodall, 2012). They already produce more than half the world's exports. P. Woodall, a senior economics writer, argues that in 2012 the upstarts will import more goods than the rich economies. To give his words, "that is a dramatic change since 2000, when they imported barely half as much as rich countries did. This rapid growth in developing countries' buying power will boost the profits of companies in rich economies over the coming years."

The rich world's financial crisis has hastened the shift in global economic power towards the newcomers. At the beginning of 2012, the total real GDP of the rich economies was not much higher than at the end of 2007. In contrast, the output of the emerging economies jumped by almost a quarter over the same period.

Emerging economies need to import advanced machinery and equipment from rich countries in order to build new factories and improve their infrastructure. Consumer spending is also rising rapidly. Even more important is the increase in their spending in absolute dollar terms, at twice the rate of the developed world. China will overtake America as the world's biggest importer by 2014. Selling to China and the (world) other world emerging markets will keep many Western firms busy for the years to come.

This study on the role BRICs should take in the world economy raises issues that will be at the center of the global political economy over the next few years. The macroeconomic analysis carried out in this paper has pointed to two basic conclusions. First, it was in the first decade of the twenty-first century when the strongest emerging economies developed at a very rapid rate and have managed to integrate themselves into the world economy to a far higher degree than previously. Second, the BRIC group of nations still trails the traditionally strong economies in terms of their involvement in the international system. In the years to come, the challenge for the emerging economies will be to raise their prosperity levels at home. For this aim to be achieved it must be combined with continued strong development (People's Daily Online, 2013). This should also ensure that the development gap between the developed and the developing countries is gradually reduced.

The analysis of the role the BRICs play in decision making in the framework of WTO, the IMF and the World Bank raises two main issues. First, the emerging economies' integration into these three major institutions of the world economy is happening at a much slower rate than their integration into the world economy. Second, the nation state remains sovereign and centric in the global political economy as the developed countries pursue the slow integration of the emerging economies into the decision making of the IMF and the World Bank. The obvious reason behind this is that it serves their own interests according to school of thought of economic nationalism of International Political Economy.

At a time when many developed countries face major fiscal problems, what is needed is the integration of the emerging economies in decision making in a way that reflects their integration into the world economy (Sklias, 2011). Otherwise, the emerging economies may limit their participation in the IMF and the World Bank, which would restrict the developed countries' role in the world, or they may create new institutions in cooperation with other emerging economies, as is the case with BRICS. The creation of competitive regional unions and the reinforcement of national economic/financial competition could drastically limit the development of the world economy, leading a number of strong economies into prolonged recession. If the findings of this study succeed in arousing discussion among scholars, the main object of it will have been achieved.

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