

A New Leader's Big Banking Opportunity To Improve Global Development



*Marco Fernandes -
Photo: Twitter*

Will the New Development Bank and the Contingent Reserve Arrangement be able to fulfill their original mission with the arrival of the new bank president Dilma Rousseff?

The first event of President Lula da Silva's long-awaited visit to China in mid-April 2023 is the official [swearing-in ceremony](#) of Dilma Rousseff as president of the New Development Bank (popularly known as the BRICS Bank) on April 13. The appointment of the former president of Brazil to the post demonstrates the priority that Lula will give to the BRICS countries (Brazil, China, India, Russia, and South Africa) in his government. In recent years, BRICS has been losing some of its dynamism. One of the reasons was the retreat of Brazil—which had always been one of the engines of the group—in a choice made by its right-wing and far-right governments (2016-2022) to align with the United States.

A New Momentum for BRICS?

After the last summit meeting in 2022, hosted by Beijing and held online, the idea of expanding the group was strengthened and [more countries](#) are expected to join BRICS this year. Three countries have already officially applied to join the group (Argentina, Algeria, and Iran), and [several others](#) are already publicly considering doing so, including Indonesia, Saudi Arabia, Turkey, Egypt, Nigeria, and [Mexico](#).

The BRICS countries occupy an increasingly [important place](#) in the world economy. In GDP PPP, China is the largest economy, India is third, Russia sixth, and Brazil eighth. BRICS now [represents 31.5 percent](#) of the global GDP PPP, while the G7 share has fallen to 30 percent. They are expected to contribute over 50 percent of global GDP by 2030, with the proposed enlargement almost certainly bringing that forward.

Bilateral trade between BRICS countries has also grown robustly: trade between [Brazil and China](#) has been breaking records every year and reached \$150 billion in 2022; between [Brazil and India](#), there was a 63 percent increase from 2020 to 2021, reaching more than \$11 billion; [Russia tripled exports to India](#) from April to December 2022 compared to the same period the preceding year, expanding to \$32.8 billion; while trade between [China and Russia](#) jumped from \$147 billion in 2021 to \$190 billion in 2022, an increase of about 30 percent.

The conflict in Ukraine has brought them closer together politically. China and Russia have never been more aligned, with a “no limits partnership,” as visible from President Xi Jinping’s [recent visit to Moscow](#). [South Africa](#) and [India](#) have not only refused to yield to NATO pressure to condemn Russia for the conflict or impose sanctions on it, but they have moved even closer to Moscow. India, which in recent years has been closer to the United States, seems to be increasingly committed to the Global South’s strategy of cooperation.

The NDB, the CRA, and the Alternatives to the Dollar

The two most important instruments [created by BRICS](#) are the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). The first has the objective of financing several development projects—with an emphasis on sustainability—and is regarded as a possible alternative to the World Bank. The second could become an alternative fund to the IMF, but the lack of strong leadership since its inauguration in 2015 and the absence of a solid strategy from the five member countries has prevented the CRA from taking off.

Currently, one of the major strategic battles for the Global South is the creation of alternatives to the hegemony of the dollar. As the Republican U.S. [Senator Marco Rubio](#) confessed in late March, the United States will increasingly lose its ability to sanction countries if they decrease their use of dollars. Almost once every week, there is a new agreement between countries to bypass the dollar, like the one recently announced by Brazil and China. The latter already has similar deals

with [25 countries and regions](#).

Right now, there is a working group within BRICS whose task it is to propose its [own reserve currency](#) for the five countries that could be based on gold and other commodities. The [project is called R5](#) due to the coincidence that all the currencies of BRICS countries start with R: renminbi, rubles, reais, rupees, and rands. This would allow these countries to slowly increase their growing mutual trade without using the dollar and also decrease the share of their international dollar reserves.

Another untapped potential so far is the use of the [Contingent Reserve Arrangement](#) (totaling \$100 billion) to rescue insolvent countries. When a country's international reserves run out of dollars (and it can no longer trade abroad or pay its foreign debts), it is forced to ask for a bailout from the IMF, which takes advantage of the country's desperation and lack of options to impose austerity packages with cuts in state budgets and public services, privatizations, and other neoliberal austerity measures. For decades, this has been one of the weapons of the United States and the EU to ensure the implementation of neoliberalism in the countries of the Global South.

Right now, the five BRICS members have no issues at all with international reserves, but countries like [Argentina](#), Sri Lanka, Pakistan, [Ghana](#), and Bangladesh find themselves [in a bad situation](#). If they could access the CRA, with better conditions for repaying the loans, this would mean a political breakthrough for BRICS, which would begin to demonstrate their ability to build alternatives to the financial hegemony of Washington and Brussels.

The NDB would also need to start de-dollarizing itself, having more operations with the currencies of its five members. For instance, from the [\\$32.8 billion of projects](#) approved so far at NDB, around \$20 billion was in dollars, and around the equivalent of \$3 billion was in Euros. Only \$5 billion was in RMB and very little was in other currencies.

To reorganize and expand the NDB and the CRA will be a huge challenge. The leaderships of the five countries will need to be aligned on a common strategy that ensures that both instruments fulfill their original missions, which won't be easy. Dilma Rousseff, an experienced and globally respected leader, brings hope for a new beginning. Rousseff fought against Brazil's civil-military dictatorship in

the 1960s and 1970s and [spent three years in prison](#) for it. She became one of President Lula's key ministers in the 2000s, and she was elected Brazil's first female president and then won reelection (2010 and 2014). She was in office until she was overthrown by a [coup](#) based on fraudulent grounds by Congress (2016)—which has already admitted the fraud. She just returned to political life to run one of the most promising institutions in the Global South. After all, President Dilma Rousseff has never shied away from huge challenges.

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