Welcome, the BRICS Bank

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The New Development Bank (NDB) was established by the five emerging economies known as BRICS consisting of Brazil, Russia, India, China and South Africa. Its Head Office has been established at Shanghai with India's K V Kamath as its first President. The NDB provides a new window for the developing countries to access funding without having to follow the nefarious diktats of the International Monetary Fund (IMF) and World Bank (WB) duo. These two institutions are dominated by the developed countries and they have worked mainly to secure the interests of these majority shareholders of theirs. Challenge before the NDB is to chart a new course that is focused on stand alone development of the BRICS countries and not to rely on the crutches of the Multinational Corporations (MNCs).

The IMF and WB duo engineered the "Washington Consensus" in the eighties in order to push the interests of the MNCs. The moneylender looks sees an opportunity in the troubles of a borrower. The death of the breadwinner leads the hapless family to approach the moneylender. The moneylender grabs the land in the pretext of providing help. Similarly, a crisis in a developing country is a golden opportunity for the IMF-WB duo. They use the crisis to push the interests of the Multinational Corporations who are their true ringmasters.
India's Balance of Payments crisis of 1991, for example, was really a manifestation of the decrepit closed door and bureaucracy centric economic policies followed by us in the eighties. The technologies used by our industries were obsolete. The Ambassador car, for example, then gave an average of 12 kilometers a liter against 18 kilometers obtained by cars made in other countries. Our growth rate was low because we were burning more fuel to do the same work that was being done by other countries with lesser fuel. Our cost of production was high because we used outdated technologies. We could not export because our goods were costly and of poor quality. This led to a fall in our exports, less inflow of dollars and pushed us into a Balance of Payments crisis in 1991.

The problem could be handled in two ways. One strategy was to encourage Indian industries to buy frontline technologies so that they could compete in the global market and provide them financial support to do this. Other strategy was to "open up" the economies of the developing countries for MNCs that are based mainly in the developed countries. The MNCs would bring capital and investment and produce goods in the developing countries. The two strategies would lead to entirely different consequences. The domestic industry-based strategy would be slow to take off because buying technologies and upgrading domestic production would take time. However, this would be hugely beneficial in the long run because there would be no profit repatriation to New York and London. Also domestic engineers would get the inner information about the technologies. The MNC-based strategy would deliver relief quickly but would trap the developing countries into perpetual profit repatriations. It would also kill the entrepreneurship of the developing countries whose businesses would be smothered by the prowess of the MNCs.

The IMF-WB combine pushed aggressively and successfully for the MNC-based strategy. Their objective was to pry open the economies of the developing countries for entry of MNCs located in the developed countries. IMF-WB used our crisis in 1991 to push the interests of their MNCs just as the moneylender sees a death in the family of the borrower as a golden opportunity to enslave him. The result is before us. China and India have become wage labourers for the developed countries. MNCs come here, employ our cheap labour, export the goods to their home countries and the long term potential of the developing countries to challenge the hegemony of the developed countries has been killed. A more glaring example is that of the so-called East Asian "tigers" of the nineties. The collapsed in the late nineties. These have now become pet puppies of the MNCs.

A small portion of the world's people living in the developed countries continue to consume most of the world's resources. A report by Worldwatch Institute says that 12 percent of the world's population that lives in North America and Western Europe accounts for 60 percent of private consumption spending, while the one-third of the world's population living in South Asia and sub-Saharan Africa accounts for only 3.2 percent of the world consumption. The United States, with less than 5 % of the global population, uses about a quarter of the world's fossil fuel resources. This continuing imbalance in consumption is the logical result of the IMF-WB policies that have systematically stymied the economic development of the developing countries. The IMF-WB have played this despicable role because their shareholding pattern is skewed. The BRICS countries, for example, have 42 percent of the global population, 25 percent of the global economy but only 11 percent of the votes in the IMF-WB. Contrariwise the developed countries have smaller share of the global population but higher share in the votes. Task before the NDB is to break away from the MNC-based strategy of the IMF-WB duo and support the domestic industry based strategy by funding purchases of advanced technologies, for example. 100 percent share of the New Development Bank are held by the BRICS countries hence the NDB can pursue an independent strategy and not follow the IMF-WB diktats.

A more difficult problem though is of mental slavery. Persons manning key positions are driven by their training as well as their personal interests to toe the IMF-WB teachings. Professors look for consultancy assignments and jobs, and bureaucrats look for postings in the developed countries. Challenge before the NDB is to break this financial and mental stranglehold of the IMF-WB. This is not likely to be easy. Chinese finance minister Lou Jiwei said during the inauguration ceremony of the NDB that the Bank will "supplement the existing international financial system" meaning thereby that the NDB will follow the policies of the IMF-WB. China has recently also floated the Asia Infrastructure Investment Bank. This Bank is already talking about jointly financing projects with the World Bank. The entire Chinese economic development model is based on being a second fiddle to the developed countries. China seeks their capital and technology, exports its goods to them and invests its foreign exchange reserves in their banks. It is unlikely, therefore, that China will take a bold stand against the IMF-WB policies. So the key question is whether the NDB can break from the IMF-WB mindset and implement a truly people-oriented development paradigm.