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THE STRUCTURAL POWER OF BRICS IN MULTILATERAL DEVELOPMENT BANKING

Władza strukturalna BRICS w wielostronnej bankowości rozwojowej

Marek Rewizorski
University of Gdańsk, Faculty of Social Sciences
e-mail: marek.rewizorski@ug.edu.pl
ORCID 0000-0001-8075-8388

Abstract

The purpose of this article is to take a critical look and upgrade the concept of structural power to better reflect the 'area of social interactions', where both the West and non-Western actors trade goods and articulate their needs. It accentuates the role of BRICS as a bold group of non-establishment powers which have accumulated enough resources, capabilities and expertise to change the rules of the game and challenge the established order (or the traditional structure in development and finance) by creating 'alternative circuits' capable of redirecting the political current and presenting 'sticky' Western institutions with the prospect of being eclipsed. This article illustrates how BRICS, by using both exit-voice pressure through 'alternative circuits' (Multilateral Development Banks – MDBs) and incentives to resolve collective action problems (global infrastructure gap), can effectively shape regional and global structures in finance and development or, at least, influence those which have evolved from less nuanced forms of multilateralism.

Keywords: structural power; global governance; multilateral development banks; BRICS; NDB; AIIB; G20.

Streszczenie

Celem tego artykułu jest krytyczne spojrzenie i zmodyfikowanie koncepcji władzy strukturalnej w kierunku lepszego odzwierciedlania przez nią „obszaru interakcji społecznych", gdzie zarówno podmioty zachodnie, jak i niezachodnie dokonują wymiany dóbr i artykułują swoje potrzeby. W artykule podkreśla się rolę BRICS jako wyrazistej grupy wschodzących potęg, które zgromadziły wystarczające zasoby, zdolności i wiedzę, aby zmienić reguły gry i rzucić wyzwanie ustalonemu porządkowi (lub tradycyjnej strukturze w zakresie rozwoju i finansów) poprzez stworzenie „alternatywnych obwodów", zdolnych do przekierowania nurtu politycznego i ukazania mało elastycznym zachodnim instytucjom perspektywy ich zastąpienia. Niniejszy artykuł ilustruje, w jaki sposób państwa grupy BRICS, wywierając presję opuszczenia organizacji w przypadku niedostatecznego uwzględnienia ich głosów dzięki wykorzystaniu „alternatywnych obwodów" (wielostronne banki rozwoju – WBR) oraz tworzeniu bodźców do rozwiązywania problemów działania zbiorowego (takich jak globalna luka infrastrukturalna), mogą skutecznie kształtować regionalne i globalne struktury w zakresie finansów i rozwoju lub przynajmniej oddziaływać na te, które ewoluowały z prostszych form współpracy wielostronnej.

Słowa kluczowe: władza strukturalna; zarządzanie globalne; wielostronne banki rozwoju; BRICS; NDB; AIIB; G20.

Introduction

The concept of 'structural power' became increasingly popular with writings of the *grande dame* of International Political Economy (IPE), Susan Strange, in the late 1980s. It departs from the two most widely accepted approaches to power – a phenomenon once described as 'one of the most troublesome in the field of international relations' (Gilpin, 1981, p. 13). David Baldwin described these two dominant traditions of power analysis in IR in terms of the national power approach, which depicts power as resources, and of an actual or potential relationship (Baldwin, 2002). In this article I decided to employ the concept of structural power as a meta-power which allows the rules of the game to be changed in favour of the group of emerging markets and prominent participants of global economic governance, known as BRICS. This captures Steven Krasner's (1985, p. 14) understanding of meta-power, i.e. the power 'to change the rules of the game'. The reflection in this article focuses on structural power, which 'means rather more than the power to set the agenda of discussion or to design' (Strange, 1988a), and is much more than simple 'power over resources'. By asking questions about the capacity of BRICS to change the rules that underpin the structure of global economic governance, creating innovations and new institutional design (frequently perceived as contentious to the Western institutional pattern), the nature of leadership in BRICS, this contribution subscribes to debate about building bridges between economic and political understanding of international politics.

The purpose of this article is to take a critical look and upgrade the concept of structural power to better reflect the 'area of social interactions', where both the West and non-Western actors trade goods and articulate their needs in a way that is noticeable. I accentuate the role of BRICS as a bold group of non-establishment powers which have accumulated enough resources, capabilities and expertise to change the rules of the game and challenge the established order (or the traditional structure in development and finance) by creating 'alternative circuits' capable of redirecting the political current and presenting 'sticky' Western institutions with the prospect of being eclipsed (insufficient money to sustain the established order, lack of legitimacy to set global standards, norms, and values). To investigate the structural power of BRICS in global development and finance, I devised the framework of analysis which significantly differs from Susan Strange's concept. I argue that BRICS, by using both exit-voice pressure through 'alternative circuits' (Multilateral Development Banks - MDBs) and incentives to resolve collective action problems (global infrastructure gap), can effectively shape regional and global structures or, at least, influence those which have evolved from less nuanced forms of multilateralism (such as the G20, which was preceded by the G7). However, this structural power in finance and development has emerged as a by-product of the BRICS group's dissatisfaction with being 'left behind' by established powers rather than as an end in itself.

In the first section I reflect on the mainstream approaches to structural power, with particular attention being given to the ideas of Susan Strange (1987, 1988a, 1988b, 1994). The second section contains the framework for the analysis carried out in this article. The third section showcases how emerging powers strive to exercise their leadership in global economic governance, and shape and determine its structure. More specifically this section is devoted to investigating the phenomenon of reshuffling in multilateral development banking (MDB). Furthermore, in this section I showcase a case study of interactions on the basis of the employed framework and focus on cross-border co-ordination and co-operation in the provision of goods and meeting the needs of Western and non-Western countries, exemplified by the role of third wave MDBs and the G20 in addressing the problem of closing the 'global infrastructure gap'. The final section provides summaries and conclusions.

Approaches to structural power

Apart from resource and relational approaches to power, there is also a third widely debated understanding of this phenomenon in international relations. Supporters of this concept depict power in structural terms. Michael Barnett and David Duval (2005) in their 'taxonomy of power' distinguished structural (or constitutional in their words) power located among its compulsory, institutional and relational dimensions. The structural power it referred to was 'the power relationships inherent in a social structure beyond any conscious exercise' (Barnett & Duvall, 2005, p. 8). As an example, they present relations between capital-labour and master-slave, contrasting actors whose fates and conditions are subject impacted by structural power (Barnett, Duvall, 2005, p. 18). This understanding attracts transnational historical materialists, neo-gramscians and supporters of the World System Theory (Wallerstein, 1998; Holden, 2009, p. 11; Caporaso & Haggard, 1989, p. 103–109).

A purely structural approach to power focused on the determination of social capacities, when supplemented by constructivist accounts of how international normative and ideational structures determine identities, roles, interests, and ideas at domestic and international level, can be valuable when discussing the new role of BRICS and emerging powers in the world economy and in global governance. The notion that power is constituted primarily by ideas and cultural contexts (see Wendt, 1999, p. 97) is reflected in works of Stefan Schirm (2009, 2012). Pondering the basic conditions for the performance and leadership of emerging powers in the structures of global governance, such as the G20 or WTO, he plausibly confirmed the hypothesis that 'the inclusion of the interests and/or ideas dominant in another country into an emerging power's leadership project is a necessary condition for this other country to accept the policy positions, shift in power and/or status desired by the emerging power and to follow its lead' (Schirm, 2012, p. 229–230). In one of his earlier works (2009) Schirm built semantic constructions which describe the societal construction of his approach to structure and power. He defined interests as societal material considerations, for example, about tariffs and subsidies, and access to international decision-making. Ideas were considered as value-based collective expectations and beliefs about national, regional and international identities or about how to organise the international system (i.e. how politics should govern the market). This distinction between interests and ideas and including them into analysis enriches our understanding of structural power. Quite naturally, the 'pure structural' approach to power based on the unidirectional empowering of certain forces by the omnipotent structure becomes balanced by agent-based structural power, i.e. the capacity of an actor to change the underlying structures of the socio-economic and political conditions in line with its interests and ideas. This 'reformed' concept of agency-structure relations can be considered a step towards a better explanation of the performance of BRICS in global economic governance, and an upgrade of a classic idea of Susan Strange, criticised repeatedly for its non-intentional character, narrowness, poor operationalisation and insufficient theoretical explanation of the causation mechanisms of structural power.

Susan Strange's concept of 'structural power' stems from the analysis of the continual bargains being struck between governments and the market, the ordering (or prioritising) of values in any outcome and, finally, the allocation of risk (May, 1996). She defines structural power as 'the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientists and other professional people have to operate. This structural power (…) means rather more than the power to set the agenda of discussion or to design.' (Strange, 1994, p. 24-25). This concept in the early 1990s was criticised by Guzzini (1993) as non-intentional and too narrow. Not only did he point at its derivative character (the ability to shape security, financial, productive, and knowledge structures resembled Stephen Krasner's intentional meta-power), but also demonstrated the diffuse character of power wielded by some 'transnational empire' (Strange, 1989) via structures which are shaped or influenced by governments and other actors in non-intentional decisions and non-decisions. Criticism addressed towards the concept of structural power based on an unclear depiction of agent reference to power is multiplied by other concerns. Benjamin Cohen (2019) accentuates the pessimism of Strange in her claims about the devastating lack of governance at the heart of international political economy, which rests on the notion of politics being undermined by markets which have 'outgrown' governments and are thus eroding the global system

(Cohen, 2019). Others add the lack of precision in the Strange's equation (Helleiner, 2006, p. 76), and her omission of the issue of legitimacy in the relationship between leaders and followers. The latter, in the concept of Strange, are 'bound to listen', almost automatically accepting the authority of the leader. The rise of BRICS and its expansion in such innovative areas as the digitalisation and development finance shows that such followership is not necessarily compatible with the inclusion of the interests and/or ideas dominant in another country, which can be taken for granted. The followers (or future leaders) must regard the rules as legitimate.

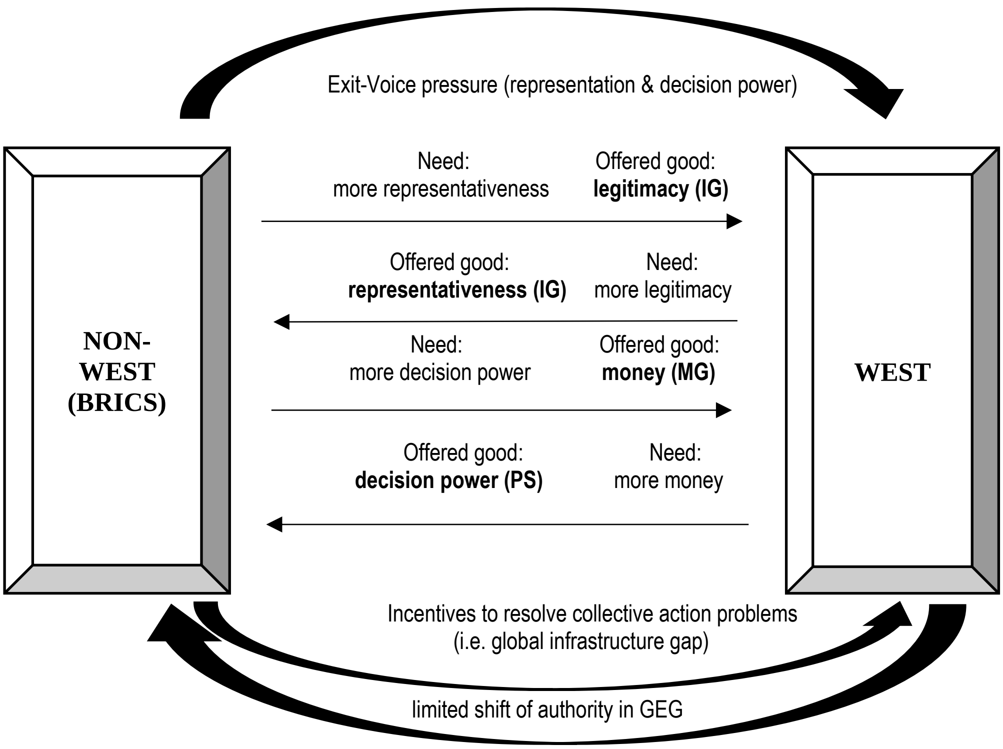
Despite these flaws, Strange's approach still has great value for explaining structural power as the ability to mould economic, financial and other systems, not only by the United States but also by China, India, Brazil, Russia and South Africa seeking leadership on the global and/or regional scale and attracting followers. I am referring here to four key structures of power in the world economy, identified by Strange as security, production, finance, and knowledge. Of these, the financial structure, conceived nowadays as the core of global financial governance, was listed as third. Notwithstanding, the financial structure was 'no less important than security and production' (Strange, 1994, p. 90) and certainly 'the one about which she [Strange] has written most' (May, 1996). Vividly depicting the global financial structure as the power to create credit, which implies 'meta-power' to shape ordinary peoples' lives, Strange focused on the meaning of managing/mismanaging the currency in which credit is denominated, rates of exchange (the price of credit) and, finally, the power to create credit as influence over purchasing power and ability to influence markets for production. Her basic tenet was that the financial structure of the world economy was based on two pillars. The first one comprised the (sub)structures of the political economy through which credit is created and in which power is shared by governments and banks. The second pillar of the financial structure was made up of national monetary systems creating the global superstructure, which 'determines the relative values of the different moneys in which credit is denominated', and where 'the exchange rates between the different moneys, or currencies, are determined by the policies of governments and by markets' (Strange, 1994, p. 90). In later sections of this article I will focus on the first pillar of the financial structure of the world economy.

Framework of analysis

Not fully adhering to Strange's notion of the financial structure as the sum of all the arrangements governing the availability of credit plus all the factors determining the terms on which currencies are exchanged for one another, I decided to move beyond this approach and adjust the 'structural power approach' to analyse the emergence of BRICS in development finance. The proposed framework (Fig.1):

1. binds the financial sector more to development, and thus departs from purely macroeconomic factors and the narrow accentuating of credit and currency issues;
2. focuses on the first pillar of Strange's financial structure;
3. shifts our understanding of the financial structure from Strange's 'power of influence' to 'power of social interaction'. The latter is based on a nexus between goods and needs articulated by various actors, with a special role conferred upon states as legitimate 'decision and structure shapers' (DSS). Their power is rooted in determining not only prevailing meanings, ideas, interests and institutions within a particular community but also in deciding which goods can be traded off to meet the needs of both the West and non-West (here BRICS).

Figure 1
The framework of analysis



IG – ideational good, PS – positional good, MG – material good, GEG – global economic governance

Source: Own elaboration

Specific goods and needs have particular importance in this framework. Drawing on structural and positional approaches to goods (Pustovitovskij & Kremer, 2012; Hirsch, 1977) I assume that:

a) there is a difference between resources and goods. Resources turn into goods only when another actor articulates a corresponding need and exchange for another good becomes possible.
b) all goods fall into three categories: material, positioning and ideational.
c) material goods are tangible, can be seen, touched or transferred from one place to another (i.e. money, clothes, cars). In particular money can be used by BRICS to mould 'voice and vote' reform which has been launched in the wake of the Asian Crisis (1997–1998), but is incremental and time-consuming. Two opposing camps – the West and the EMDCs, with a pivotal role played by BRICS, treat the reform as a 'swap area', where the political significance and decision-making power of the emerging powers is traded for the capital needed to rescue the lending capacities of Western institutions.
d) positional goods (such as the ozone layer, clean air, drinkable water, natural beauty, infrastructure, antiques) are (1) more scarce in some absolute or socially imposed sense and (2) subject to congestion and crowding through more extensive use (Hirsch, 1977, p. 27). Their 'positionality' means that the utility derived from a good is (inter alia) dependent on the extent to which other people possess or make use of the same (kind of) good (see Claassen, 2008, p. 1021–1049). Utility in the definition of positional goods is due to their second feature – social scarcity. Goods may be directly or indirectly scarce. In the first case scarcity is linked to the satisfaction which derives from the scarcity itself (i.e. art or fashion enthusiasts hunting for artefacts). In the second case, satisfaction derives from intrinsic characteristics, but is influenced by the extensiveness of use. Fred Hirsch (1977, p. 20) dubbed this form of scarcity as 'congestion'. He claimed it can be either physical (houses in suburbs, deserted beaches, roads) or social (opportunities for leadership, job opportunities, etc.). Social congestion moves away from purely physical or natural scarcity (or limitations) towards a social construction of scarcity. This distinction between two kinds of scarcity was underlined by Karl Polanyi who noted that social scarcity is different from physical or natural scarcity and derives from 'the non-economic order of things' (Polanyi, 1968, p. 94). This kind of order is inextricably linked to status, power, and political leadership positions which are socially scarce. Hence the BRICS group's pursuit of positional goods (such as decision power in international organisations) and its determination to change the state of play in international politics. By

a combination of material goods (money), 'exit-voice pressure' (by creating alternative institutions to the established Western counterparts, such as the NDB and AIIB), and incentives to resolve collective action problems such as the global infrastructure investment gap, the BRICS countries strive to secure certain assets in international organisations (such as the International Monetary Fund) or access to informal global clubs of the 'systemically significant' (G20). Decision-making power in global governance institutions, exemplified by chairing positions on the IMF board of directors, or a permanent UN Security Council seat, are nothing more than scarce and desirable positional goods rarely offered on the market of ideas by 'western vendors'.

e) ideational goods, unlike material or positional goods are virtual in nature, do not exist separately from needs (as is the case with material and positional goods, which exist as physical resources until they are related to a need). They 'live' or, in other words, are materialised only when they are met by a specific need (Pustovitovskij & Kremer 2012, p. 63). In our case, without the idea of representativeness or legitimacy, there can be no need of representation or legitimisation. Ideational goods (such as representation or legitimisation) are associated with what is called 'social power' which can be defined as 'the ability to set standards, [and] create norms and values that are deemed legitimate and desirable, without resorting to coercion or payment' (van Ham, 2010). This definition captures two important features of power: its non-coercive sources and its claims to legitimacy. Legitimisation is here understood as an intersubjective belief in the ways in which the mechanisms of global economic governance should be set. They depend on public readiness (or lack thereof) to sustain them at a given moment. In this particular social sense, which can be seen as constitutive for this analysis, understanding the dynamic relations between Western countries *vis-a-vis* emerging powers such as BRICS allows for a deeper understanding of the (in)stability of global economic governance and irregularities in the international order in the post-crisis era.

f) needs as the last (but not least) constitutive element of the framework can be defined as 'the aim an actor is not able to achieve on his own, but rather by means of (foreign) policies, and which he articulates in a way that is noticeable to other actors' (Pustovitovskij & Kremer, 2012, p. 64; Moravcsik, 1997).

Referring to the first premise of the framework, it highlights the ties that bind financial and development governance. The significance of the latter form of global steering is explicitly linked to the 'new development consensus', which was initially advocated by leading emerging markets, especially South Korea and China in the G20 and international financial institutions (Luckhurst, 2018, p. 17). Gradually built over decades of difficult collaboration between EMDCs and the World Bank and in the aftermath of the Asian financial crisis (1997-98), this new sustainable consensus rejects the prescriptivism of 'the Washington Consensus' (Stiglitz, 1998; Rodrik, 2006) and advocates for more 'South-South' cooperation (Abdenur, 2014). Despite being heavily influenced by resource and capabilities, rich China, which actualises its potential by exerting its global and regional leadership in the AIIB and Belt and Road Initiative (BRI), the 'South-South' cooperation embodied to the full in the NDB, retains its legitimised quality thanks to the incorporation of the principle of equality amongst peers. Both MDBs (AIIB and NDB) are focused on combining development goals with economic growth. They prioritise such policy areas as infrastructure investment and inclusive finance. Of these two development banks, the NDB was established as the developing countries' supplier of capital for infrastructure and industrialisation projects without resorting to traditional institutions such as the World Bank, and seems to better reflect the principles and practices of contemporary South–South cooperation.

The engagement of BRICS in the MDBs shows that members of this club emphasise the developmental role of the state. That notion interlocks with the second and third premise of our framework. The former focuses on one element taken from Susan Strange's concept of financial structure, which is built on (sub)structures of political economy 'through which credit is created and where the power is shared by governments and banks' (Strange, 1994, p. 90). Referring to our case, this notion not only accentuates the central role of governments, who decide on contributions and thus the equity of the MDBs, but also is indicative of certain (sub)structures embodied in multilateral development banks as institutions which do not have a specific nationality. With regard to the third premise of the framework, China and other members of BRICS burnish their cognitive authority and ideational influence as 'decision and structure shapers' (DSS). They can use banking projects in development finance to legitimise their strategy of multilateralism and enhance their positive image as responsible global actors, willing not only to contest global economic governance and be perceived as 'veto powers', but also to reform 'sticky' institutions of the established international order. Their efforts are exemplified by the relentless pursuit of influence over norms and practices by setting cooperative mechanisms in IFIs and development bodies (such as the Development Assistance Committee, DAC). The strategy of BRICS is built on meeting the needs of the West which wants to secure its access to material goods (such as money) or ideational goods (legitimacy) and pay with ideational (representativeness) and positional (decision power) goods, which are pivotal for BRICS in their efforts to change the rules of the game and to gain more political influence in their regions and over world politics (Schirm, 2012). However, the BRICS countries also act as leaders who want to attract followers. As 'decision and structure shapers' they can use political and cognitive clout to gain control over the material resources (such as money or raw materials) necessary to 'pay' for decision-making power or greater representativeness. BRICS' activities can be interpreted as constructive or destructive, as shown by reference to this club's increasing presence in Africa. The positive context of BRICS' engagement is that of the fifth summit in Durban (2013), where the leaders of the five BRICS countries took up the problems of cooperation with the African group. Within the New Partnership for Africa's Development (NEPAD), they decided to support the process of industrialisation of the continent, especially through foreign direct investment, exchange of knowledge, diversification of imports from Africa, and the development of infrastructure programmes (Jordaan, 2012, p. 293–294; Rewizorski, 2015, p. 35). More recently, at the BRICS Business Forum in Xiamen (3–4 Sept., 2017), where African leaders met with their BRICS counterparts, South African President Jacob Zuma encouraged close cooperation between Africa and BRICS. By invoking the example of the high value of trade between South Africa and the other BRICS ($31.2 billion in 2016), he accentuated the value of cooperation through development structures such as the New Development Bank's Africa Regional Centre, which was launched in mid-August 2017 in Johannesburg, and the dialogue between Emerging Market and Developing Countries, where the leaders of Egypt, Guinea, Mexico, Tajikistan and Thailand joined BRICS leaders in discussing global development cooperation and South-South cooperation (Xinhua, 2017). While these perspectives appear to be 'win-win' situations for BRICS and Africa, a number of voices describe them as destructive and reminiscent of the colonial expeditions to 'scramble for Africa' (Carpintero *et al*, 2016). Edging out Western countries in Africa in the areas of trade and investment, and to some degree of development aid, BRICS demonstrate their investment perseverance in the mining sector, large infrastructure projects, opening new routes for extracting resources and for deepening a growth model that has a serious impact on local societies and on the environment (Garcia, 2016, p. 14). Adopting its own competitive strategies and developing bilateral relations with countries across Africa (by using so-called bilateral investment treaties, BITs), BRICS members, despite their efforts to establish themselves as a cohesive group in multilateral fora and legitimised leaders of EMDCs, are criticised as 'thugs'. Their critics point out that, not long after the GFC members of BRICS 'invaded Africa with money, goods, ideas, drilling and mining equipment' (Kimenyi *et al*, 2011, p. 19), they began to act according to a logic of competition over natural resources and market access that is 'imperialist in nature and is taking colonialism back to Africa in modern times' (Garcia, 2016, p. 14).

BRICS and the power to change the rules of the game

Emerging powers strive to exercise their leadership in global (economic) governance, and to affect its structure by institutionalising inter-state cooperation, which bypasses the centres of the institutional network generated by the West. BRICS, as an inter-state club has become the most influential and respected group of emerging powers, despite competition from other groups of international 'South-South' cooperation, including CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), the Next Eleven (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam), and MINT (Mexico, Indonesia, Nigeria, and Turkey). Since the first BRIC summit, which was held in Yekaterinburg in Russia in 2009, BRICS (South Africa joined in 2011) has been gradually transforming into a multi-level mechanism for building partnerships among member states, and, alongside the G20, has become the most innovative example of informal inter-state cooperation (Cooper, 2016; Larionova & Kirton, 2018). Beyond intra-BRICS cooperation, the 'BRICS Plus' model of open cooperation is gradually taking shape. BRICS Plus cooperation, created at the 2017 BRICS Xiamen summit, continued at the 10th BRICS summit in Johannesburg in 2018, with leaders of developing countries outside BRICS being invited to join the dialogue. It aims to foster and set up a more broad-based 'South-South' cooperation platform for the common development of emerging market economies and developing countries under the principle of openness, inclusiveness and win-win cooperation. As well as opening new pathways and fostering new alliances, BRICS could also perform the role of an 'aggregating platform' for some regional trade agreements (RTAs) and other types of agreements (Lissovolik, 2017).

Taking the form of a club of countries contesting the status quo in international politics, the BRICS countries manifest considerable autonomy in the creation of 'alternative circuits', institutions which not only complement the operations of Western institutions but also which work toward the redistribution of power to EMDCs. The term 'alternative circuits' refers in particular to the Contingent Reserve Arrangement (CRA) and to the New Development Bank (NDB), designed to complement the IMF and World Bank. The former institution originated in 2013 at the G20 summit in St. Petersburg, Russia, where the leaders of the BRICS countries agreed to create a $100 billion pool of currency reserves in order to ease short-term liquidity pressure and safeguard the stability of emerging economies (Xing, 2014, p. 13).

Beyond CRA, in 2014 BRICS and China created two multilateral development banks – NDB and AIIB – showcased in our framework as elements of the financial structure which do not have a specific nationality and showcase the cognitive authority and ideational influence of the BRICS countries as 'decision and structure shapers' (DSS). By MDBs, I mean international institutions of usually regional reach that engage in lending and other activities aiming to foster economic growth and social development in developing countries. Their emergence was inspired by the introduction of the post-war Bretton Woods international financial regime. The International Bank for Reconstruction and Development (IBRD), commonly referred to as 'the World Bank' (WB), in terms of membership, geographic scope and capitalisation has taken a leading position in the field of international development (Marshall, 2008). Initially offering lending opportunities to war-devastated European countries, it later shifted its focus to developing and middle-income countries. Success of the IBRD paved the way for the emergence of the subsequent regional multilateral development banks (MDBs), which appeared in three waves. The first wave lasted from the mid-1950s to the mid-1970s and coincided with the process of decolonisation. The second wave of MDBs emerged from the early 1990s to the early 2000s in response to developments in Europe, namely the collapse of communism in Central and Eastern Europe and the urgent need to develop the private sector in this new democratic environment. The third wave of multilateral development banking has been marked by the creation of the New Development Bank (NDB), also referred to as the ‘BRICS bank’, and the Asian Infrastructure Investment Bank (AIIB). These new banks appeared at the time of a power shift in the international system – from industrialised countries to emerging economies. The above-mentioned recalibration of the world economy, with the centre of gravity shifting towards East Asia, is the case here, as the NDB and AIIB can be considered the shadow institutions of the Bretton Woods system institutions – especially given the fact that BRICS and other emerging markets and developing countries (EMDCs) have voting rights in the IMF and WB which do not correspond to their share in the global economy (Table 1).

Table 1
The most underrepresented IMF member countries with reference to their gross domestic product based on purchasing power parity (GDP PPP)

Country	Votes (in per cent of total) (as of 15.02.2019)	Share in the world economy GDP (PPP)
China	6.09	19.18
India	2.64	7.98
Russia	2.59	3.04
Brazil	2.22	2.46
Indonesia	0.95	2.62
Iran	0.74	1.14
Turkey	0.95	1.66

Source: IMF (2018) GDP based on PPP, share of world. World Economic Outlook. https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD, accessed 15 February 2019; IMF (2019). IMF Members' Quotas and Voting Power, and IMF Board of Governors. https://www.imf.org/external/np/sec/memdir/members.aspx, accessed 15 February 2019.

Like the CRA, the NDB and AIIB can be considered vehicles for enhancing the status of BRICS countries in international politics and the means of securing a stronger voice (decision power) and increased representation. This ‘voice and vote’ reform in fact already started a few years ago, but is incremental and time-consuming. Two sides – the West and the BRICS group – treat it as a ‘swap area’, where the political significance of the emerging powers is traded for the money needed to capitalise western institutions. Nevertheless, the results of the 2010 Quota and Governance Reforms, authorised by the US Congress on 18th December, 2015 were considered meagre by BRICS. Although more than 6 per cent of quota shares shifted to the EMDC and four emerging market countries (Brazil, China, India, and Russia) ranked among the ten largest members of the International Monetary Fund (IMF, 2015), BRICS representation and voting power remained at a modest level when compared to their share of the world economy. BRICS represent 33.2 per cent of world GDP (PPP), but have only approximately 14.2 per cent of votes in the IMF, while the European countries are allocated 30.2 per cent of votes in the IMF despite having a mere 18 per cent of output in the world economy (IMF, 2018; IMF, 2019). It is therefore no surprise that BRICS and other EMDCs have expressed their dissatisfaction with the unjust representation patterns in the executive boards of international financial institutions (IFIs) such as the World Bank, IMF and regional development banks. Europe, acting as a stumbling block for decisive reform, goes hand in hand with other G7 members, all guarding their privileged position. A good example of this distorted representation is provided by the Asian Development Bank (ADB), ruled by Japan and the United States, both members of the G7, holding 45 per cent of the entire subscribed capital and 37.8 per cent of voting rights. By contrast, China and India (the other three BRICS are not ADB members) hold a mere 12.8 per cent of total subscribed capital and 10.8 per cent of voting rights (ADB 2016).

Stumbling blocks for increased representation and the voice of BRICS in multilateral development banking and the infrastructure investment gap pushed members of this interstate club towards the idea of rebalancing the MDBs by introducing new solutions. The NDB and AIIB, as shadow institutions introduced by the most influential EMDCs, have become central elements of the exit-voice mechanism, depicted for the first time by the game theorist Albert O. Hirschman (1970). Hirschman argued that the individuals who are dissatisfied with the performance of the organisation they belong to may try to improve their lot either by 'exiting' from the organisation, and thus forgoing the goods or services it provides, or by remaining with the organisation but attempting to improve its performance by 'voicing' their discontent (Gehlbach, 2006, p. 397). Hirschman's model implies that the 'exit option' is generally assumed to be costly and the joint payoff to members and their leadership is greater when exit is avoided. Thus there is a surplus to be divided between the organisation's leadership and its members. The incentive for members to develop their voice, which is manifested by organising to bargain with the leadership, is to gain a share of this surplus.

Referring Hirschman's model to the MDBs' representation and voice (as ideational and positional goods), it should be noted that rising levels of pressure stemming from the EMDC's dissatisfaction with their diminished impact on development banking promotes seeking alternative ways of boosting their power by creating parallel institutions to the established, traditional, and western-led MDBs. The NDB and AIIB, seen this way, can be perceived as the materialisation of the 'exit' option, which comes at the cost of fragmented multilateralism (see so-called exit-voice pressure in Fig.1). On the other hand, if the EMDCs decide to stay within the system of traditional MDBs, the cost of their voice is attributed to their relative incapacity to influence norms, principles, and procedures. The creation of the shadow institutions by emerging economies increases the value of exit and, consequently, makes voice relatively less attractive, even though it boosts the effectiveness of voice, conditional on the EMDCs being sufficiently organised. As Milner and Keohane (1996) observed, the availability of the exit creates an advantage of 'influence', such as favourable policy treatment or a bigger share in decision-making. This reasoning in the framework of this article was specified as a 'limited shift of authority in GEG' from the institutions of established international order and their founders (the West) to the institutions empowering the EMDCs (BRICS in our case) and equipping these groups of countries with a limited quantity of valuables (positional and ideational goods), which are, however, insufficient to meet their needs.

The possibility of the 'transfer of power' from the West to non-Western countries increases with the incentives of emerging countries to resolve collective action problems (see Figure 1) in global economic governance, defined as 'the international rules-based framework through which economic actors (…) promote cross-border co-ordination and co-operation in the provision or exchange of goods, money, services and technical expertise in defined issue areas of the world economy' (Moschella & Weaver, 2014, p. 4). This 'area of social interactions' in cross-border co-ordination and the co-operative provision of goods, and meeting the needs of the West (more money to sustain the established order, more legitimacy to set global standards, norms, and values) and non-West (more representation and decision-making power in global governance institutions), is exemplified by the role of the MDBs and G20 in addressing the problem of the 'global infrastructure gap' (GIH, 2017; Woetzel *et al*, 2016). The latter, understood as the difference between a country's investment need and what is likely to be spent under current trends, has been considered a matter of primary importance due to the enormous size of the gap and the vast needs of investments worldwide. According to the McKinsey Global Institute (2016), the world's infrastructure investment gap in energy, water, communications, and transport amounts at $800 billion annually. This is the annual additional amount of investment needed to support current projected GDP growth trends until 2030, and implies that infrastructure investments need to increase from the current $2.5 trillion annually to $3.3 trillion annually by 2030, equivalent to 3.8 per cent of global GDP (Woetzel *et al*, 2016, p. 1–9). Slightly less dramatic is the estimation prepared by the Global Infrastructure Hub (GIH), launched by the G20 during the Australian presidency in 2014 and based on the expertise of Oxford Economics. Using a different timeframe and approach, the GIH estimated the annual world infrastructure gap to be around $700 billion annually until 2040. Both developed and developing countries have underinvested in infrastructure, as evidenced by the fact that the largest gaps in absolute terms are found in the United States, followed by China, Brazil, Russia, and

India. Given that under current trends infrastructure needs in electricity, roads, telecoms, rail, water, ports and airports between 2016 and 2040 will grow 47 per cent faster than expected investments in infrastructure in the Americas, 29 per cent in Africa and 10 per cent in Asia (GIH, 2014, pp. 22–33), the activity of the MDBs (both traditional and new, such as the NDB or AIIB) becomes crucial for providing project lending and assistance to sovereign states through technical expertise to prepare 'bankable' projects (Moore, Kerr, 2014).

Table 2

The list of projects approved for financing by the New Development Bank in 2018

Project name/Country	Loan amount	Borrower	Target sector	Approval date
Environmental Protection Project (Brazil);	USD 200 mln	Petroleo Brasileiro S.A. ("Petrobras")	sustainable development	28.05.2018
Maranhão Road Corridor – South North Integration (Brazil);	USD 71 mln	Government of the State of Maranhão	sustainable development, transport	05.03.2018
Pará Sustainable Municipalities Project (Brazil);	USD 50 mln	Government of the State of Pará	sustainable development, urban development	5.03.2018
Banco Nacional de Desenvolvimento Econômico e Social, BNDES (Brazil)	USD 300 mln	BNDES	renewable energy (wind, solar etc)	26.04.2018
Sustainable infrastructure in relation to "ZapSib-NefteKhim" Project (Russia)	USD 300 mln	SIBUR	sustainable development	18.09.2018
Small Historic Cities (Russia)	USD 220 mln	Government of Russian Federation	urban infrastructure, sustainable development	28.05.2018
Volga (Russia)	USD 320 mln	Government of Russian Federation	Water supply and sanitation, sustainable development	28.05.2018
Mumbai Metro Rail Project (India)	USD 260 mln	Government of India	Transport Infrastructure	16.11.2018
Madhya Pradesh Major District Roads II Project (India)	USD 350 mln	Government of India	Transport Infrastructure	11.09.2018
Madhya Pradesh Bridges Project (India)	USD 175 mln	Government of India	Transport Infrastructure	18.09.2018
Bihar Rural Roads Project (India)	USD 350 mln	Government of India	Sustainable infrastructure, transport	28.05.2018

Project name/Country	Loan amount	Borrower	Target sector	Approval date
Chongzuo Water Resource Rehabilitation and Ecological Conservation Project	USD 300 mln	PRC Government	Water; Sustainable Development	-
Guangdong Yudean Yangjiang Shapa Offshore Wind Power Project (China)	RMB 2 bln	PRC Government	Renewable Energy	18.11.2018
Jiangxi Natural Gas Transmission System Development Project (China)	USD 400 mln	PRC Government	Energy	16.11.2018
Hohhot New Airport Project (China)	RMB 4.2 bln	PRC Government	Transport Infrastructure	16.11.2018
Chongqing Small Cities Sustainable Development Project (China)	USD 300 mln	PRC Government	Urban infrastructure, sustainable infrastructure	28.05.2018
Greenhouse Gas Emissions Reduction and Energy Sector Development Project (South Africa)	USD 300 mln	The Development Bank of Southern Africa ("DBSA")	Clean energy and sustainable development	-
Durban Container Terminal Berth Reconstruction Project (South Africa)	USD 200 mln	Transnet SOC Ltd.	Transport Infrastructure	28.05.2018

Source: Own elaboration based on NDB data

Given that MDB operations in developing Asia (mainly the ADB and the World Bank), most of which provide support for public sector finance, are estimated to have contributed around only 2.5 per cent of the region's infrastructure investments in 2015 (above 10 per cent if both the PRC and India are excluded), there is still place for third wave regional MDBs – the NDB and AIIB. Their ascendance, in metaphorical language, means 'new blood' for the multilateral development banking system, which was dominated until recently by the West (money), and legitimates the whole system as potentially viable and desirable to sustain and develop (legitimacy). Interactions between 'the West and the rest' in this domain take place in the Group of Twenty (G20), which in the eyes of Eric Helleiner (2016) has become the high water mark of cooperation in international financial relations and an important part of the 2008+ crisis legacy. This global governance institution, representing a reaction to the outbreak of the financial crisis in April 1997 in Thailand, the lack of efficiency of the IMF and the World Bank in mitigating its effects, and the demands voiced publicly by emerging economies (Rewizorski, 2015, p. 33), is much more heterogeneous than the west-centric G7 in terms of economics, politics and culture. John Kirton (2013, p. 33) remarks that 'in contrast to the G7 being a concert, [the] G20, with its many non-major power members, including a few non-democratic ones, is not a concert (…) But it is still compact, continuing, clear, and consciously constructed enough to constitute (…) a club with known members with well-understood collective responsibilities and rights'. The G20 as the so-called 'premier forum for international economic cooperation' fulfils its mandate is to promote strong, sustainable and balanced growth, with the bulk of its attention devoted to infrastructure. This area of interest has been perceived as an important pillar of the Development Consensus for Shared Growth since the Seoul G20 summit in 2010. The G20 leaders, with China and the United States exercising their leadership positions, strive to provide assistance for both traditional MDBs (such as the World Bank, ADB) and new ones (such as the AIIB and the New Development Bank) which, despite their efforts, represent only around 3.6 per cent of total infrastructure investments, and whose contribution to closing the infrastructure gap is insufficient (Pereira dos Santos and Kearney, 2018, p. 8). The G20's interest in infrastructure financing was particularly evident during China's 2016 G20 presidency, when finance ministers and central bank governors agreed to support common growth objectives and the 2030 Agenda for Sustainable Development by reaffirming their 'commitment to promote investment with a focus on infrastructure in terms of both quantity and quality' supported by a joint declaration by 11 MDBs (G20, 2016, par. 6). A year later, during the German presidency in the G20, the leaders gathered in Hamburg to announce a special action plan which elaborated the 'Framework for Strong, Sustainable, Balanced and Inclusive Growth' by introducing a policy package set on maintaining the momentum on structural reform, inclusive and sustainable growth (G20, 2017). It included the examples of investments in infrastructure in both emerging and developed economies to support medium term growth, such as: (1) Argentina investing $33 billion of investment in maritime, aero and rail infrastructure; (2) Australia investing in a national Rail Programme for urban and regional rail investment by 2020–2021 and a second airport in Sydney (G20, 2017).

As well as declarations, action plans and fuzzy commitments, the G20, focusing on infrastructure, investments and growth, resorted to a combination of 'catalyst', and 'parallel treatment' – approaches frequently exercised by summitry institutions (Putnam and Bayne, 1987). Acting as a catalyst, the G20 can exert a powerful influence on change through endorsement, stimulus or compellence. Acting as a companion, the G20 can also create its own mechanisms working in parallel with existing institutions. By a combination of the catalyst and other roles in infrastructure investment, the G20 can (1) improve the legitimacy of inefficient institutions of development finance, such as the MDBs and (2) assist MDBs from the West and non-Western countries in finding 'common ground' for cooperation. In the latter case, the G20's involvement lowers the risk of inconsistent infrastructure standards, and gives a better chance for the sustaining growth trends. While building consistency, the G20 can disarm the traps of fragmentation, improve the legitimacy of the established, western institutions, and enhance the representation and impact of BRICS in global development and finance. This can be achieved by combining initiatives to grow the pipeline of bankable projects and strengthen the coordinating mechanisms that include the Global Infrastructure Hub and the Global Infrastructure Connectivity Alliance (created by the G20 in 2014 and 2016 respectively), alongside the forging by the G20 of its own mechanisms to work in parallel with existing institutions, such the MDBs. In the latter case, the G20 can play a role in promoting MDB cooperation to increase infrastructure investment, in particular by downplaying the trade-off between efficiency and standards among the MDBs, encouraging the new MDBs to uphold high standards while they seek more efficient ways to do business, investing in the Global Connectivity Alliance as a coordinating body to promote complementarity and avoid duplication among the MDBs, and 'working to diffuse any tensions that might arise among relevant major shareholders that are also G20 members in the event of overt competition among the MDBs' (Wurf, 2017, p. 236).

Conclusion

The findings from this analysis confirm that power continues to be one of the most troublesome concepts in the field of international relations. Even restricting our understanding of power to that of 'structural power' brings no comfort, as this concept is fuzzy, cumbersome, challenging, and continually open to interpretation. The ideas of Susan Strange, although criticised by many as non-intentional, narrow, poorly operationalised and insufficient for the theoretical explanation of the causation mechanisms of structural power, nevertheless brilliantly disclose forces that can shape the structures of global finance. Chosen as a point of departure toward better understanding of the realm of the global financial structure, in this article her concept was upgraded to better reflect the transition from the domain of a 'transnational empire' to the 'area of social interactions', where both the West and non-Western actors trade goods and articulate their needs. The analysis in this article indicates that BRICS, by using both exit-voice pressure through 'alternative circuits' (MDBs) and incentives to resolve collective action problems (global infrastructure gap), can effectively shape regional and global structures or, at least, influence those which have evolved from less nuanced forms of multilateralism (such as the G20, which was preceded by the G7). However, this structural power in finance and development has emerged as a by-product of the BRICS group's dissatisfaction with being 'left behind' by established powers rather than as an end in itself. This is one of their points of difference from the West, which, by the creation of global economic and financial structures with institutional hubs contributing to the establishment and sustaining of the Bretton Woods system, Washington and later post-Washington consensus, wielded structural power for its own sake. BRICS, conversely, use their structural power to build 'South-South' cooperation, while not imposing their vision of international order as the only one, and use it as a complex tool to acquire more positional (decision power) and ideational (representation) goods in exchange for improving the legitimacy and capitalisation of the established international order.

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