

New Institutions on the Block: The BRICS Financial Institutions and the Roles of Brazil and China

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Abstract: The rise of emerging markets and the creation of the BRICS group point to changes in international governance. This paper takes into account the initiatives that have emerged within the BRICS grouping regarding global financial governance, and considers the possible impact of these institutions. Brazil and China are very different countries, even though both are part of the BRICS and share common interests regarding the promotion of development and greater influence for developing countries over decision-making processes. In this sense, this paper differentiates China's and Brazil's positions in relation to the new financial institutions, in order to assess how each might influence them and benefit from them. We argue that China will most likely benefit the most from these new institutions and have increasing influence over them, while Brazil will most likely have a more marginal role due to recent domestic developments that have shifted the country's perception of priorities. Also, while China has a clear plan of engagement in international financial governance ranging from new sources of credit for development to the internationalization of its national currency to the detriment of the dollar, Brazil seems to not have such a clear agenda for its interests in international financial governance besides increasing developing countries' influences over decision-making processes. The new BRICS institutions present an important opportunity for the BRICS countries to change the rules of international financial governance. How much each member country will influence this process will depend on their engagement with these recently inaugurated institutions.

Keywords: China, Brazil, BRICS, Finance, NDB, CRA

Introduction

The influence the BRICS countries (Brazil, Russia, India, China, and South Africa) as a group have over international politics has increased since the creation of the BRICS, leading its members to seek greater engagement in international governance. Since then, the BRICS have become more than a mere forum of coordination among emerging markets on the sidelines of international organizations. The group now has annual summits where further cooperation

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initiatives and policy coordination are promoted. Nowadays, the group is engaged in the active promotion of changes and reforms in the international system, including the creation of complimentary yet alternative institutions when deemed necessary. This has been the case, especially in the financial and monetary systems.

The 2008 financial crisis marks an important change in the perception of emerging countries' roles and their engagement in international financial governance. After the crisis, emerging markets, especially the BRICS, came to be regarded as important actors that should take part in international financial governance so that economic stability could effectively be achieved. Since the crisis, the financial G20 became institutionalized and its meetings acquired more importance, the BRICS have pressed for the reform of the traditional organizations the International Monetary Fund (IMF) and the World Bank, and the BRICS have also proposed complementary financial institutions and instruments that are also alternatives to the existing ones.

Nevertheless, inside the BRICS, the influence that each country exercises in determining the agenda to be pursued is asymmetrical. This paper focuses on the difference between Brazilian and Chinese influence over the BRICS initiatives towards international financial governance. We focus on the demands made by the group regarding greater voice and the end of conditionalities in the traditional organizations, and the proposal of their own financial organizations, especially the New Development Bank (NDB) and the Contingent Reserve Agreement (CRA), seeking to determine Brazilian and Chinese roles.

The purpose of this paper is to observe how Brazil and China have influenced the BRICS' financial initiatives. Observing how these initiatives reflect the interests of China and Brazil will help us determine which country has the potential to benefit most from them. The BRICS' initiatives have the potential of providing benefits for both countries, but it will depend on how each country will be able to exert influence over the agenda's definition inside the BRICS and the institutions itself. The BRICS is also an important means of power projection in the international system for its member countries. The country that has more influence inside the group will be able to project it in international financial governance through the complimentary yet alternative institutions like the NDB and the CRA.

We argue that, despite the BRICS' rhetoric that no member state has more influence inside the group, there still are asymmetric relations that determine whether a country has more influence over the agenda-setting, leading to greater potential future advantages. After the crisis, both countries were in a relatively comfortable situation, having suffered mild impacts on their economies as a consequence of the crisis. China consolidated its position as a key

economic actor, providing liquidity and sustaining economic growth, avoiding a bigger downturn in the world economy. Brazil managed to sustain economic growth at first but, unlike China, was negatively affected by the downturn in commodity prices that followed the financial crisis. The country was then overcome by an economic downturn simultaneous to domestic instabilities stemming from a large-scale graft investigation in different levels of Brazilian politics. These events diminished Brazil's stance in the BRICS, giving China more room to lead the group and have more influence over agenda-setting.

In order to meet the purpose of this paper, we first make a short review of how the BRICS went from investment destination to the voice of the developing world. In another section, we observe the BRICS' role in the post-crisis moment and the group's relationship with the traditional institutions. Then we discuss the BRICS' financial initiatives and which countries have had greater influence over this agenda. Later, we make a short comment on how China and Brazil - although in the same group - have very different priorities, interests, and policy strategies regarding international financial governance.

The BRICS: from investment destination to discontents with the international order

The term BRIC was first used by Goldman Sachs' economist Jim O'Neil (2001) to refer to a group of emerging countries considered good enough as investment destinations. Later, the governments of these countries decided to get together on the margins of the United Nation's General Assembly to better cooperate and coordinate their positions. After the financial crisis, in 2009, the group institutionalized its meetings, establishing annual summits to promote further cooperation and coordination. At this stage, South Africa was included so that Africa would be represented in the group which became the main voice of developing countries in the international arena.

The traditional power asymmetries consolidated in the international order are, notwithstanding, an important issue that brings the BRICS together in an effort to cooperate and coordinate their policies, in order to promote an international order where these countries have influence according to their capabilities and significance for the international economy. The BRICS want more influence over decision-making processes in international governance which corresponds to their newly acquired power capabilities. These are the result of their recent process of economic growth and development. China and Brazil share the same belief: that the international order needs to be revised so as to better attend to the peace and development agenda of emerging countries (Becard et al., 2015). In this sense, the countries

seek changes in the existing international governance institutions that are embedded in a power structure that no longer corresponds to the international reality.

The existing international order was built under American hegemony and prioritizes the interests of the hegemonic power and its closest allies. Sometimes, international institutions are used to serve the narrow ends of the hegemonic power, disregarding the needs of other countries (Acharya, 2014). This is the BRICS countries' perception about the traditional financial institutions. The 2000s witnessed the rise of formerly underdeveloped countries to the status of emerging markets through impressive growth rates sustained over a significant period of time. It is assumed that a country will try to have greater influence over the international order if its power increases (Gilpin, 1981). This is because states seek to increase their power capabilities so that they can exert greater influence over international governance and keep themselves safer (Gilpin, 1981). For developing countries like Brazil and China, more influence over international governance also implies a more favorable environment for the maintenance of the economic growth and development these countries have recently had.

Since the international order is based on power distribution, it is expected that emerging countries will demand changes in the international order so that it reflects their newly acquired power capabilities (Gilpin, 1981). This is what the BRICS is about, seeking a louder voice and more room for the BRICS to influence the future of the international order. China, specifically, has received a lot of pressure to act like a "responsible stakeholder", in Robert Zoellick's words. The BRICS have become an important tool through which China has been working on a bigger role in global governance and being a responsible stakeholder, using the proposition of new rules and institutions. Of course, Zoellick's words were not meant to be an encouragement to Chinese leadership over the international system, but that China should refrain from disturbing the existing international order.

The dissatisfaction and interest in taking a more active role in governance can be observed in the financial and monetary international systems. International financial and monetary governance is mostly led by institutions created under American hegemony, such as the IMF, the World Bank, and the Bank for International Settlements. Also, the United States' Treasury has the sole dominance of the dollar, the international reserve currency. We focus on the first two institutions, since the BRICS' initiatives in this field are directed at complementing and becoming an alternative to both the World Bank and the IMF. The BRICS' (and other developing countries') main issue with both institutions is the imposition of conditionalities, restricting access to credit in exchange for the suitability of domestic economic policies to their

liberal spelling book resumed in the Washington Consensus. Another important point of discontentment is the lack of proper representation in these institutions.

Both China and Brazil have had different experiences with the IMF and the World Bank's conditionalities and policy recommendations. On the one hand, China listened to the World Bank's recommendations, but applied only what it deemed to be useful and in accordance with the country's interests (Arrighi, 2008). China's development path is guided much more in accordance with the Chinese Communist Party's guidelines than international pressure. On the other hand, Brazil borrowed a great sum of money from these institutions and followed the recommendations of the Washington Consensus, despite some adaptations like the strengthening of the state in the promotion of development and the maintenance of protectionist trade policies (Ban & Blyth, 2013). Each country's choice had a major impact on the development road that each followed. In China, privatization and the deregulation of markets came at a slow pace, with the focus being the development of the national economy without creating domestic instability as a result of these economic changes (Arrighi, 2008). In Brazil, privatization and deregulation were adopted according to the neoliberal recipe while seeking to maintain the government's control over the development process. China has also maintained strong control over foreign direct investment in the country (Arrighi, 2008). China's capital account is still very closed in relation to the neoliberal standards. This means that capital flows in the country are still under the strong control of the government, despite continuous pressure from the traditional institutions and the developed countries for the deregulation of capital flows in China. Currency control is another issue in which China does not follow the traditional international guidelines. Even though the Chinese government recently took steps in the direction of further liberalizing the renminbi's exchange rate, it backtracked in face of possible instabilities. Nevertheless, both Brazil and China position themselves against the imposition of conditionalities.

Another common demand between Brazil and China, and the other BRICS as well, is for better representation for emerging countries in the IMF and the World Bank. Brazil, for once, has linked the increase in developing countries' participation to achieving more effective international governance (Bosco & Stuenkel, 2015). The influence of a country over the decision-making process of the traditional institutions is given by the voting quota that is calculated by taking into account the contribution of a country to the organization and economic indices that measure the importance of a country in the international economy, its GDP for example, at the moment of their accession to the organization. This means that many developing countries have voting quotas that no longer correspond to the size of their contribution to the

organization and economic significance. According to Martin Jacques (2009), a global economic regime where the BRICS countries have greater influence would be more democratic than the existing one.

The United States has veto power in both institutions and the European countries - if coordinated - could also veto decisions in these organizations. In the World Bank, for example, the developed countries make the rules, while developing countries are the ones to actually use the Bank for loans (Strand & Retzl, 2016). In 2010, there was a revision of the quotas that increased mostly the quotas of developing countries. Nonetheless, the US and European states continue to have veto power, while the BRICS - even if combined - do not. This reform was only ratified by the US Congress in 2015.

Today, China plays an important role not only as a recipient of World Bank credit, but as a significant contributor. China has an extensive program of aid for development using its own domestic institutions and contributing to traditional ones. China has become an important contributor to the World Bank, and is becoming an important alternative source of international aid for development (Reich & Lebow, 2014). Also, during the crisis, China made important capital transfers, especially to the IMF, in order to help provide enough resources to reign in the consequences of the economic instability that followed suit. In relation to the IMF, Brazil is progressively leaving the position of a mostly borrower to become a creditor nation. In 2010, the country increased its contribution buying US\$10 billion worth of IMF-backed notes (Bosco & Stuenkel, 2015). Brazil is also among the top borrowers of the World Bank. Unlike China, Brazil has not become a major contributor to the World Bank's initiatives for investment in development (Bosco & Stuenkel, 2015).

The countries that make up the BRICS are different among themselves in terms of economics, culture, and political systems, but all these countries share a discontentment with the existing international order and their insufficient influence over international decision-making processes, despite their status as emerging economies. These differences entail that the influence each country exerts over the group is asymmetrical, and that the BRICS will not always share the same interests among themselves. Even though all the member states are emerging economies, some are in a farther stage of development than others. For instance, there is a clear economic gap between China and the rest of the BRICS. This fact becomes important when we take into account the BRICS' cooperation in economic issues. While China is still a developing country, it is already the second largest economy in the world. Brazil's economic performance on the last two decades - though stable - has been modest, resulting in more modest influence and prestige (Porzecanski, 2015).

Also, China has had more success in the process of the internationalization of its economy than Brazil, which aggravates this asymmetric relation between both countries (Becard et al., 2015). In this sense, China seems to have greater influence, at least over economic issues, inside the group. Nevertheless, the discourse of the group is that no country solely leads the grouping, but that each member state makes important contributions. These differences, though, played a significant role in how each BRICS country contributed in the aftermath of the crisis.

The 2008 crisis and international financial governance

The 2008 financial crisis has had a major impact on the international economy, bringing important lessons to the fore and changes in emerging countries' roles in international financial and monetary governance. The first major lesson from the crisis was that the developed markets were not immune to crises. This revealed the intrinsic vulnerabilities of countries such as the BRICS whose economies depend on those of the developed markets. For example, Brazil depends on foreign markets' demands for its commodities, while China depends on their demands for Chinese manufactured products.

The second major lesson was that the United States' ability to maintain a stable international economy was under dispute, since the crisis originated in that country itself. The predominance of the dollar was also perceived to be under threat in the face of the American inability to underwrite the existing international economic system (Jacques, 2009). The US, once regarded as the source of stability for the world economy, came to be seen as a source of economic instability, and the country is the largest debtor in the world (Reich & Lebow, 2014). This does not mean that the United States did not act to help control the effects of the crisis, but that it could not do so without the participation of emerging countries. The United States' action in the post-crisis moment was crucial to its management (Nye, 2015).

It is expected that a hegemonic power will provide order and stability in the international system during the period of its dominance (Gilpin, 1981). When the hegemonic power is no longer able to keep up its duties or is regarded as a source of instability, discussions arise about the possible decline of the hegemonic power. This, in turn, leads to the perception that there is room for emerging powers to increase their influence over the order and governance of the system. Observing the international economic regimes and governance structures, it is possible to observe such a dynamic nowadays.

After the crisis, it was expected that the G8 would be called in a meeting to address to possible effects of the crisis that exploded in the United States. Instead, the G20, a little-known

institution which incorporated emerging markets, including Brazil and China, was called by then-President George W. Bush to address the issue at hand. At the time, the group declared itself the most important forum for economic cooperation (Bosco & Stuenkel, 2015). This represented the end of developed countries' capability to solve a major international economic crisis without active help from large emerging economies (Jacques, 2009). Overall, the crisis revealed that developing countries from then on were required to take part in efforts for the stabilization of the international economy - countries that previously were considered unqualified to take part in this kind of responsibility (Brzezinski, 2012). It also pointed to American inability to maintain its leadership over the world economy in the long haul (Brzezinski 2012).

China had a major role in sustaining global economic activity and reducing the strength and endurance of the crisis' consequences by acting as an important source of international liquidity in the post-crisis scenario. The Chinese government's commitment to the maintenance of international economic stability led to the country assuming the role of liquidity provider and becoming a major promoter of economic growth. China's major post-crisis stimulus package to its domestic economy, along with the US' stimulus package, was important to assure that the global recession would not last long (Cohen, 2017). Later, China was an important actor, purchasing European bonds that helped control the Eurozone crisis. As stated by Simon Reich and Ned Lebow:

“(…), heavy Chinese support for the dollar and the euro, unprecedented aid and investment in the Global South, timely intervention through capital infusions to support American banks, record investments overseas, the stabilization of currency exchange, and the incremental convertibility of the RMB have all been essential to preserving global economic stability since 2007”. (Reich & Lebow, 2014: 128)

In 2011, China became the world's greatest lender when the country's holding of US Treasury bills reached US\$1.16 trillion (Reich & Lebow, 2014). China is beginning to occupy a place that usually belongs to the hegemonic power in the system: the lender of last resort, the provider of liquidity. The control over international liquidity is deemed import, since through it a country can obtain military superiority, especially because military technologies are increasingly more capital intensive (Arrighi, 2008).

China's economy was affected by the 2008 crisis in the sense that it reduced consumption from developed countries, the main destination for its exports. This, in its turn, reduced China's demand for commodities, negatively affecting commodity-exporting developing economies like Brazil which also faced the reduction of demand from developed countries due to the crisis. Nevertheless, Brazil had a positive posture in the post-crisis,

exemplified by the then-Brazilian President, Luis Inácio Lula da Silva's claims that Brazil would be hit only by a small wave of the crisis, the country therefore having nothing to fear. Later, though, the country was fully hit by economic downturn when the commodities prices fell in the international market due to the decline in international demand.

The crisis ignited a domestic debate and efforts in China to promote a shift in the country's economic model, to lessen its dependence on foreign markets and increase its domestic consumption base (Christensen, 2015). Brazil did not engage in such an effort, remaining strongly dependent on commodity exports, even though the crisis burst the bubble in commodities prices and revealed the economic susceptibility due to dependency on primary products. These different economic choices made by China and Brazil will likely keep playing an important role in determining each country's role and influence over international economic governance. Nonetheless, the BRICS as a group took important steps to increase the group's influence over financial international governance, including the creation of new institutions.

The BRICS and financial governance in the post-crisis

The crisis and the evident inability of developed economies, especially the United States, to solve the economic issues at hand created an opportunity for the developing countries to enhance their influences, promote their demands for better representation in the traditional institutions, and propose new governance solutions of their own. In the post-crisis, the BRICS reinforced the pressure for demands regarding reform of the voting quotas in the IMF and the World Bank, and reinforce these countries' uneasiness towards the conditionalities imposed by both institutions to credit access. An agreement was made in 2010 that revised the voting quotas in the IMF. In this agreement, most BRICS countries had their voting quotas increased, while the US and the European states had theirs decreased. The United States' Congress failed to ratify the agreement, "even though it would cost the United States almost nothing" (Nye, 2015). The agreement was only ratified by the Congress in 2015.

The reforms brought by the 2010 agreement were not enough, since they did not remove the American veto power in the organization, and neither did any developing country or the sum of the BRICS countries come near to having a veto power in the organization. There is still an important gap between the US' and the BRICS' voting power in the traditional multilateral institutions. Voting power is important, as it is the measure of a country's influence over the decision-making process of an institution (Strand & Retzl, 2016). Nevertheless, these countries reinforced their commitment to the traditional institutions through the increase of their contributions and ad hoc contributions to help provide liquidity during the crisis, primarily

China. The BRICS helped boost IMF emergency funds in face of the European crisis (Christensen, 2015).

Despite the BRICS' commitment to the traditional institutions in which their influence is limited by the power structure inaugurated after World War II, they have worked towards their own complementary and alternative institutions. China and Brazil believe that the BRICS can be an important instrument to show that developing countries can assume the lead in the resolution of its own members' development issues (Becard et al., 2015). In the BRICS Summit in 2009, it was decided that the viability of a development bank and a fund of their own would be studied by the BRICS' member states. The proposition for such institutions came from India, and was discussed in the BRICS Summit held there in 2012 (Batista Jr., 2016). In Fortaleza, Brazil, 2014, the BRICS' bank, named the New Development Bank, and the Contingency Reserve Agreement were created. Both institutions began to function in 2015.

The Contingency Reserve Agreement

The BRICS' Fifth Summit Declaration and Action Plan claim that the purpose of the CRA is to protect BRICS countries from international monetary instabilities (BRICS, 2014). The CRA's function is to complement the role of the IMF, issuing loans to help the BRICS countries correct any imbalances derived from international financial crises or capital speculation that might result in a loss of currency. The CRA could become an important instrument for the BRICS to reign in hard currency fluctuations as a result of speculation of their national currencies (Lima & da Silva, 2016).

Each BRICS country contributes to the fund according to its economic capabilities. The total amount subscribed to the institution is US\$100 billion. From the total, China has promised around US\$41 billion, while Brazil has committed to US\$18 billion (Rooney, 2014). This shows the gap between both countries' contributions, which could later result in different levels of influence over the institution. It is important to point out that China holds the largest reserves in the world.

The New Development Bank

The NDB is the direct result of the BRICS' dissatisfaction with the existing multilateral institutions in international financial governance (Batista Jr., 2016). The NDB's purpose is to complement the role of the World Bank, issuing loans to promote investment for the sustenance of economic development in the BRICS and other developing countries. The NDB is focused on investments in infrastructure and green technologies. The focus on infrastructure is related

to the understanding that developing a good infrastructure web is important for a country's development. Infrastructure is essential to a country's economic efficiency, dynamism, and economic growth (Brzezinski, 2012). Also, estimates point out that the World Bank, the major provider of credit for development, does not have such a focus and does not have enough resources to attend to all the demand from the developing countries. There is a projection of a shortage of resources to fund infrastructure and sustainable development in the long run (Griffith-Jones, 2014). Also, the NDB promises to act in a faster and more efficient fashion without sacrificing quality, differently from the traditional organizations where access to loans can be a long and bureaucratic process (Batista Jr., 2016).

The NDB's authorized capital is US\$100 billion; the subscribed capital is US\$50 billion. It is expected that in 2022 the NDB's paid-in capital will reach US\$10 billion and could easily be able to reach US\$13 billion if new members are admitted (Batista Jr., 2017). In comparison, the World Bank has a paid-in capital of US\$16 billion and has few expectations of increasing this amount, since its greatest contributors, the US and European countries, do not seem inclined to increase their contributions (Batista Jr., 2017). Since the inauguration of the Trump government, the US has announced a series of cutbacks in its contributions to international organizations, including the IMF and the World Bank. These cuts will make it even more difficult for the World Bank to be capable of attending to development demands from around the globe in the long run.

There is the potential for further expansion of the Bank's reach, meaning that other developing countries might be able to be granted access to the NDB's loans. In this sense, the NDB is an institution with globally reaching ambitions (Batista Jr., 2017). The Bank's purpose is to include members from all continents, but developed countries, though they could be granted membership, will not be able to get loans from the NDB (Batista Jr., 2016). The expansion of the Bank's reach may become a controversial issue, since some of the BRICS countries would prefer the investment to be focused on the organization's member states. Today, the expansion of the NDB to include new members faces opposition mainly from Russia, which is concerned about the financial restrictions the country faces in the international markets due to imposed sanctions, and which sees in the NDB an important source of financing in such a scenario (Batista Jr., 2017). New members of the Bank could include those responsible for the imposition of such sanctions. Another possible future issue of contention could be the balance among the BRICS' different interests regarding the areas that should be targeted by the Bank. It might become an issue to get investments for areas in which China is not interested in investing (Becard et al., 2015).

The capital contribution to the Bank is equally divided among the members, meaning that each country is responsible for providing 20% of the total amount, which entails in an equal voting share for each country (Batista Jr., 2016). Unlike the IMF and the World Bank, no country has a veto power in the NDB, and decisions are made by a simple majority. So far, China has the Bank's headquarters in Shanghai and Brazil holds the first Board of Directors' presidency. Because of the political and economic instabilities surrounding Brazil, the country has not fully exercised its influence over the institution in the last couple of years. According to Paulo Nogueira Batista Jr (2017), a Brazilian former vice-president of the NDB, the country never represented itself in the governors' meeting of the NDB. Despite the discourse that China will not dominate the BRICS institutions, the reality is that the country's superior contributions, economic size, and robustness might eventually result in its greater influence over the Bank's dynamics. When Brazil does not represent itself in the NDB's meetings, it opens space for China's dominance over the institution.

The new institutions' impact on financial governance

Even though the focus of this paper is not to assess the impacts of such institutions in global governance, it seems important to leave a note on its probable repercussions, since Brazil and China will be affected by it. Unlike the IMF and the World Bank, both institutions claim to impose no conditionalities in the sense of policy recommendations in exchange for credit access. This is an important difference in relation to the traditional institutions. For developing countries, in general, this represents an improvement and considerably reduces the costs of obtaining credit. This lack of standards for credit access is criticized by the developed countries that claim that it could become a means for non-democratic governments to obtain credit without fearing sanctions.

Both the NDB and the CRA are new institutions, and their impact cannot be fully measured yet. Nevertheless, they seem to represent much more a supplement to than an undercutting of the existing international order at the moment (Christensen, 2015). Both institutions seem to follow the model of traditional institutions, but without the application of conditionalities. In this sense, they can impact the way credit is made available for development, changing long-established practices. It is important to note that Brazil is against the complete lack of social and environmental standards as a prerequisite for credit access, and believes that the total absence of such standards in the BRICS institutions would be a regression in relation to the traditional institutions (Becard et al., 2015).

Another possible consequence of such institutions is that they allow a further internationalization of the BRICS' national currencies. In this sense, Brazil and China have very different goals and interests. The successful internationalization of the RMB or the real could lead to a decrease in the dollar's predominance in the international economy. So far, this still is a distant possibility. Overall, if the NDB and the CRA prove to be solid institutions, they may become important alternatives rivaling the traditional institutions for the promotion of development, crisis management, and could play an important role in bringing an end to the hegemony of the dollar.

Other financial initiatives

To present day, the NDB and the CRA are the only innovations brought by the BRICS to international financial governance that are completed and fully working. Nevertheless, there is a range of other financial institutions and mechanisms being evaluated in the sense of determining their viability. For example, there have been talks about a possible BRICS rating agency to rival Standard & Poor's and Moody's, but no formal step has been taken for the concretization of such an initiative so far.

In the last summit in Xiamen, in September 2017, it was agreed that the BRICS would establish their own local currency bond fund, and there were also proposals for a transnational multilateral payments system (Gupta, 2017). China, for example, is already working on its own version of a payment system - China Union Pay - to rival Visa and MasterCard, and the Cross-Border Interbank Payment System to rival the predominant SWIFT. This points to a crucial difference between China and Brazil in their engagement in the international financial and monetary system. While China is committed to the creation and innovation of institutions of global financial governance, Brazil though engaged with the BRICS initiatives, does not have a plan as clear as China's about the position it desires to occupy in international financial governance. This reflects the difference in economic capabilities between both countries. Brazil does not have economic capabilities enough to create and promote its own financial instruments that might have a significant impact on the global economy. Also, it is not among the Brazilian agenda's priorities that such a profound rupture with the existing institutions and instruments should occur, even though the country could benefit from these alternatives.

China and Brazil: same bed, different dreams

As a new decade of cooperation within the BRICS dawns, there are many roads the group could take. For Sourabh Gupta (2017), the BRICS should become an important forum for the

discussion and proposition of an alternative to the current international monetary system, adapted to today's international capital flows. The BRICS, as the main voice of the developing world, could become increasingly indispensable for global governance. It is necessary, though, for the group to be able to keep an important level of cooperation among themselves and not let it be disturbed by eventual conflicts between its members and cleavages with the developed countries.

Despite being the voice of the developing world, the BRICS is characterized by power asymmetry among its members. The continuance of Chinese ascension and Brazil's muddling through economic and political instability could push the influence gap between both countries even larger. Brazil already is least committed to innovations in global financial governance in comparison to China, and these domestic issues may drive the country even farther from the leadership of initiatives of this type. In this sense, it is important for Brazil that it is not left behind in the reconfiguration of the BRICS institutions in international financial governance. China has declared itself a leader and champion of the developing world (Christensen, 2015), while Brazil struggles to keep the same level of influence as it had between the end of the 2000s and the beginning of the 2010s. China is moving forward, aiming for global leadership, while Brazil has had to put any such plans on hold for the time being, so it can reorganize its domestic politics.

The BRICS and its initiatives were the focus of Brazilian foreign policy during President Lula's terms (Bosco & Stuenkel, 2015), but the same cannot be said of his successor, President Rousseff. During Rousseff's second term, Brazil distanced itself from the BRICS, focusing on the domestic political issues that arose as the result of investigations that culminated in the impeachment of President Rouseff due to crimes of responsibility, and a major graft investigation that has reached most Brazilian political parties, and institutions, and some major companies. Another reason for Brazil's lack of energy in innovations in the area of international financial governance is that the Brazilian economy is a lot less integrated into the world economy than the Chinese's. Today, Brazil is mostly marginalized from global production chains (Porzecanski, 2015), while China is the focal point of production chains in Southeast Asia and globally.

The difference in economic stances shapes the interests and commitment of both Brazil and China in relation to the reconfiguration of international financial governance. China is committed to the creation of a parallel order that will complement and be an alternative to the existing institutions. For that purpose, China is engaged in increasing the use of its national currency in the international system, which might lead to the further erosion of the dollar's

position as the main reserve currency (Reich & Lebow, 2014). Brazil does not have the same dreams about the real. The Brazilian real is not among the most-traded currencies internationally, being less used than the RMB and the Indian rupee (Porzecanski, 2015). China seeks to use the international markets of capital and goods as a means of increasing national power and has pursued this with discipline and pragmatism (Arrighi, 2008). On the other hand, Brazil seems to struggle with how to efficiently use the international market in its favor. This suggests that China has very clear ideas about what it expects in terms of changes in international monetary and financial governance, meanwhile such goals may not be as clear to Brazil. Despite being co-members of the BRICS, China and Brazil might not always have the same interests in respect to financial governance; both countries' interests will not always coincide. In sum, while China has a successful strategy of the integration of its economy globally, Brazil struggles with a lack of planning and uncoordinated institutional practices (Becard et al., 2015).

It is important to note that Brazil is an important ally to China as it expands its investments and economic interests in Latin America. Nevertheless, such a close relationship can become negative, since Brazil lacks leverage in negotiating with China. The BRICS can be an important place where China and Brazil can come to terms with China's growing presence in South America.

In the last BRICS Summit, while China occupied the spotlight as a host with propositions for cooperation in different areas, and about the possibility of new members for the group, Brazil left the summit without any decisive proposition to strengthen the country's role in the BRICS group (Exame, 2017). This recent trend in Brazilian foreign policy could be changed after presidential elections in 2018, if the newly elected president decides to strengthen Brazilian engagement with the BRICS and its institutions.

Conclusion

The BRICS has become the main voice of developing countries in international financial governance. Nevertheless, the group is characterized by asymmetries in economic capabilities among its member states, which gives them different levels of effective influence and interests in such issues. Brazil and China are very different countries in this sense.

In the financial and monetary framework of governance, the group has developed its own new institutions that aim to complement and be an alternative to the traditional institutions based on the American hegemony of the system. While China is not only committed to the provision of institutions in the BRICS scope, it is also committed to creating its own alternatives

in the framework of financial governance. Brazil is mostly engaged in initiatives inside the BRICS' scope, and even this engagement has been victim of increased disinterest and loss of priority in face of domestic economic and political instabilities.

The BRICS has great potential to change the framework of international financial governance to become more favorable to emerging and developing countries' needs and interests. Undoubtedly China will play a major role in this process, while Brazil will likely keep following Chinese leadership, playing a more marginal and discreet role.

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