

New BRICS Development Bank Announced

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In September 2006, four original BRIC nations met in New York. On May 16, 2008, Yekaterinburg, Russia hosted a full-scale diplomatic meeting.

In June 2009, Brazil, Russia, India and China again met in Yekaterinburg.

Early steps were taken to end dollar supremacy. Eventual plans may replace it with a global currency or basket of major ones.

In 2010, South Africa joined the BRIC alliance. It was formally invited to do so. The group was renamed BRICS. Annual summits are held.

On March 26 and 27, Durban, South Africa hosted the group’s fifth one. More on that below.

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America’s economic supremacy is declining. BRICS countries are some of the world’s fastest growing.

They comprise a significant economic and political block. They account for over 20% of world GDP.

They’re on three continents. They cover more than one-fourth of the world’s land mass.

Their population exceeds 2.8 billion. It’s 40% of the world total. By 2020 or earlier, China may become the world’s largest economy.

By mid-century or sooner, India’s predicted to be number three, Brazil number five and Russia number six.

Between 2000 and 2008, BRICS contributed about half of global growth. In the late 1990s, Russia’s debt default and Brazil’s currency crisis rocked world economies. Today they have vast foreign exchange reserves.

BRICS have more global trade than America. China’s the world’s largest exporter. India’s an information technology powerhouse.

Brazil’s a dominant agricultural exporter. It’s highly competitive. It has vast amounts of fertile land. It’s known as “the world’s biggest farm.” Russia is oil and gas rich.

South Africa holds resources worth an estimated \$2.5 trillion. It's rich in gold, platinum, uranium, chrome and manganese ore, zirconium, vanadium, and titanium.

Two key institutions emerged from Durban's summit. A BRICS Joint Business Council (JBC) and Development Bank were announced.

JBC formerly functioned as a forum. It encourages free trade and investment. Two meetings will be held annually. Rotating chairmen will head them.

Each BRICS country chose five top business executives to represent them. They'll coordinate relations between member states and private sector players.

Separately, China and Brazil agreed to a bilateral currency swap line. It permits them to trade up to \$30 billion annually in their own currencies.

Doing so moves almost half their trade out of US dollars. It suggests other BRICS partners will make similar moves.

They endorsed plans to create a joint foreign exchange reserves pool. Initially it'll include \$100 billion. It's called a self-managed contingent reserve arrangement (CRA).

It's a safety net precaution. It's to strengthen financial stability. It's an additional line of defense.

They agreed to establish a new Development Bank. The idea was proposed last year in New Delhi.

"It's done," said South African Finance Minister Pravin Gordhan. BRICS leaders "will announce the details," he added.

South African President Jacob Zuma said:

"We have agreed to establish the new development bank. The initial capital contribution to the bank should be substantial and sufficient for the bank to be effective in financing infrastructure."

Ahead of the summit, officials said each country may contribute \$10 billion for starters. It's aim is to fund infrastructure and other development projects.

It'll operate separately from Western international lending agencies. It'll challenge their global dominance. It'll test how they do business. They prioritize neoliberal harshness.

It includes privatizing state enterprises, selling them at a fraction of their worth, mass layoffs, deregulation, deep social spending cuts, wage freezes or cuts, unrestricted market access for Western corporations, business-friendly tax cuts, trade unionism marginalized or crushed, and harsh recrimination against non-believers.

It strip mines nations for profit. It shifts wealth from public to private hands. It destroys middle class societies. It turns workers into serfs.

It substitutes debt peonage for freedom. A race to the bottom follows. An elite few benefit at the expense of most others. It sacrifices economic growth for private gain. It's the worst of all possible worlds. Nations are transformed into dystopian backwaters.

BRICS have other ideas in mind. They seek a multipolar world. Much work remains to be done. Agreement on details must be finalized. It'll take time to begin operations.

It'll be a second alternative to Western debt bondage. In December 2006, Hugo Chavez proposed a Bank of the South (Banco del Sur).

A November 2007 summit launched it. In September 2009, it was established. Its members include Venezuela, Brazil, Argentina, Ecuador, Bolivia, Uruguay and Paraguay. Plans are to increase initial capitalization.

Member countries pledge to contribute. Full operations are expected to begin later this year. At issue is representing the needs of the South. It'll contribute to its development. It'll do so free from debt bondage.

BRICS Development Bank intends no one country to dominate. Voting rights will reflect equality. Economic growth matters most.

India's Minister of Commerce, Industry and Textiles, Anand Sharma, said:

"Our countries are making their own statement that we are proactively engaged in balancing the global economy."

"We are creating new axis of global development. The global economic order created several decades ago is now undergoing change and we believe for the better to make it more representative."

BRICS trade today exceeds \$360 billion. By 2015, it should reach \$500 billion. Continued longterm growth is expected. Mutual cooperation helps sustain it. Each member country benefits.

It remains to be seen how plans unfold. Hopefully global changes for the better will follow. They're long overdue. Dominant emerging economies will play leading roles. They're laying the groundwork to do so.

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