Challenging the Dominance of the World Bank and the IMF: The Role of the BRICS Countries and Their New Development Bank in Latin American and the Caribbean

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Abstract

Since the end of the World War II the World Bank and the International Monetary Fund (IMF) emerged as the pre-eminent international financial institutions (IFIs). Their roles have evolved overtime and today they are viewed inter alia as dictating access to development aid and promoting free-market policies. The BRICS (Brazil, Russia, India, China and South Africa) have created the BRICS Bank as an alternative to the traditional dominance of the IMF/World Bank. This paper pinpoints the role and functioning of the IMF/World Bank and their relations with Latin American and Caribbean (LAC) countries. It assesses the implications of the BRICS countries as an economic bloc and their emergent BRICS Bank for the LAC region. Official reports and secondary data are used to support the analyses.

Keywords: BRICS; BRICS Bank; International Monetary Fund; World Bank; Latin America and the Caribbean, LAC Countries

1. *Introduction*

Since the end of World War IIthe World Bank and the International Monetary Fund (IMF) emerged as the pre-eminent international financial institutions (IFIs). These IFIs were established to aid in the reconstruction of the war-ravaged economies and to help order the international monetary, exchange rates and payments systems. Their roles have evolved overtime and today they are viewed *inter alia* as dictating access to development aid, monitoring the world's economies and promoting free-market policies. The BRICS bloc of countries (Brazil, Russia, India, China and South Africa) at their 6th Summit held in Brazil in July 2014 formally created what is popularly known as the "BRICS Bank" seemingly as an alternative to the unchallenged dominance of the World Bank and the IMF. With its headquarters in Shanghai, the "BRICS Bank" takes the form of two new institutions. The New Development Bank (NDB), with US$50billion in initial capital, will finance infrastructure and sustainable development projects, somewhat like the World Bank. The Contingent Reserve Arrangement (CRA), with US$100billion in initial capital, will provide assistance to members in financial difficulty, much like the IMF.

BRICS member states saw the establishment of their Bank as providing them leverage to urge reform of the International Monetary Fund as well as impacting broader global economic issues and the leadership of international organizations such the World Trade Organization. Brazilian President, Dilma Rousseff, declared that the BRICS were not seeking to distance themselves from the Washington-based International Monetary Fund; "on the contrary, we wish to democratize it and make it as representative as possible" (Thomet, 2014). China's official Xinhua news agency, however, said in an editorial: "The plans of the emerging-market bloc of BRICS to establish a development bank usher in a long-awaited and helpful alternative to the Western-dominated institutes in global finance"(Thomet, 2014).

This paper assesses the implications of the BRICS countries as an economic bloc and their emergent BRICS Bank for Latin America and Caribbean (LAC).In doing so it pinpoints the role and functioning of the IMF and World Bank and the relations of these IFIs with Latin American and Caribbean countries; highlights the growing significance of BRICS countries as an economic bloc in the global economy; examines the current economic relations between BRICS countries and LAC; explicates the nature of the BRICS Bank and assesses the implications for LAC countries. The LAC region comprises 33 independent states and 9 territories. Official reports and secondary data are used to support the analyses in this paper.

2. The Roles and Functioning of the World Bank and the IMF

Popularly known as the Bretton Woods institutions, the IMF and World Bank were founded in 1944 by a collective agreement of 44 countries. The World Bank officially started in July 1944 and the IMF in December 1945. Driscoll (1996), writing for the IMF, described the two institutions as twin pillars supporting the structure of the world's economic and financial order. The original aims of the IMF were to: promote international monetary cooperation; facilitate the expansion and balanced growth of international trade; promote exchange rate stability; assist in the establishment of a multilateral system of payments and make resources available to members experiencing balance of payments difficulties.

The IMF: Today the IMF is an organization of 188 countries with a central responsibility for promoting global economic stability. In addition to the above aims the IMF "seeks to … promote high employment and sustainable economic growth, and reduce poverty around the world"(IMF, 2015). To undertake its global role the IMF has 3 broad functioning mechanisms –surveillance of financial and monetary conditions in member countries and the global economy, financial assistance to help countries overcome major balance of payments problems and technical assistance and advisory services to member countries (Nelson & Weiss, 2015).

Despite some changes to its structure and operations the IMF continues to be plagued by broad complaints and accusations by many of its member countries leading to calls for deep reforms. Kapur and Webb (2006) in a G-24 Policy Brief explained that the calls for IMF reform cover every aspect of the Fund, from its surveillance role to its role in debt management and emergency lending, to the nature of its advice and governance. Accusations include non-inclusiveness in IMF decision making despite the growth and prominence of many economies. Emerging market economies and developing countries (EMEDC), including BRICS countries, are demanding a more equitable representation consonant with their current economic strength. Further, the size of IMF resources has not kept pace with increased economic activity in the global economy (Nelson & Weiss, 2015). Kapur and Webb pointed out that a drift away from the IMF continued as many countries had prepaid their debts to the institution, rejected its role as debt arbiter, built up international reserves and were reforming their domestic economic policies to provide greater domestic financial stability. In addition these authors pointed out that there are now a "plethora of market mechanisms and government interventions" that can effectively mirror the roles of the IMF, hence lessening countries' dependence on the IMF. The IMF Board itself has been urging the US government to pass the proposed 2010 reforms which would both double the IMF's permanent lending authority and give emergent economies more say in the functioning of the institution. The United States is the largest voting member of the IMF with a share of 17 percent. The IMF gave the US government up to the end of 2014 to pass legislation approving the reforms but to date this has not been done. The republican-dominated US Congress has stalled any approval although the President and democrats are in favor of the reforms (Hill, 2014). Opponents to IMF reform are skeptical about the support of emerging economies for the existing norms and values of the prevailing international financial institutions. Further, opponents to reform are concerned that the emerging economies may opt for financial and trade strategies that are less aligned with those of the United States (Nelson & Weiss, 2015).

Official press reports from the BRICS's 6th annual Summit held in 2014 explained that BRICS leaders "reaffirmed their disappointment and serious concern at the non-implementation of the 2010 IMF reforms, and its impact on the Fund´s legitimacy and credibility… They also emphasized the need to continue the IMF reform processes" (BRICS, 2014).

The World Bank: Upon its inception in 1944, the main focus of the World Bank was the reconstruction of war-ravaged European and other nations. However, according to the World Bank (2015a), while reconstruction remains an important part of its work, at today's World Bank, "poverty reduction through an inclusive and sustainable globalization is the overarching goal…"

The World Bank has expanded from a single institution, the International Bank for Reconstruction and Development (IBRD) to a closely associated group (The World Bank Group) of five development institutions. Reference to the "World Bank" usually includes the two main development lending arms, the IBRD and the International Development Association (IDA) and that reference will be maintained in this paper. In broad terms the IBRD lends to governments of middle-income and some creditworthy low-income countries while the IDA provides interest-free credit and grants to government of the poorest nations of the world.

Some critics of the World Bank claim that the institution is ignoring the environmental and social impact of projects it supports. Further critics assert that the World Bank's lending is causing high and perpetual debt among developing countries resulting in more being spent on debt obligations than on basic social services. (The Levin Institute, State University of New York, 2015)

Underemphasized from the World Bank's focus is infrastructural development. Although some WBG projects have some infrastructural components and a few countries have road and water projects, public infrastructure (roads, bridges etc.) is seemingly not a focus for the World Bank lending at this time. The World Bank however recognizes that there is a serious infrastructure gap in developing countries as a whole and estimates the infrastructure gap in low and middle-income countries as a whole at US $1 trillion. The World Bank concludes that access to basic infrastructure services in these countries remain an issue (World Bank, 2015b)

3. World Bank and IMF relations with LACs

Latin America and Caribbean countries have had long and lasting relations with the World Bank. Many of these countries had started out receiving IDA assistance and have, in a way "graduated" to other forms of assistance from the World Bank. This "graduation" means that the countries are subject to more non-concessionary forms of lending. In the five-year period between January 2010 and the end of 2014 the World Bank had funded or committed funding to a total of 362 projects in Latin America and the Caribbean. By the end of 2014, 250 of these projects remained active while 112 were closed. Over US$38 billion was committed to LAC projects by the World Bank during the last 5 years and funding went to a number of countries and sectors within Latin America and the Caribbean (World Bank, 2015c). Notable exclusions from World Bank project funding during this period are Venezuela and also Cuba which withdrew its membership in 1960.

The LAC overview outlined that the Bank's support in the region was aimed at "creating opportunities for all through public and private sector projects that expand public services, improve regional productivity, competitiveness and integration, create quality jobs and assist those most in need." The WBG mentioned noteworthy projects in the areas of education, climate change and health (World Bank, 2015c).

Many LAC countries have not applied for nor received IMF financial support in over a decade. Some of the regional economies including Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Panama, Barbados, Peru and Uruguay have had no disbursements from the IMF in over 10 years. Countries like Brazil and Argentina have had public struggles with the IMF and since 2006have "broken free" of the dictates of and dependency on the IMF by pre-paying their loans with the institution.

4. BRICS countries and the Nature of the BRICS Bank

According to data provided by the World Bank (2015d) the BRICS represent approximately 42% of the world's population and account for approximately 22% of global Gross Domestic Product (GDP), in current US dollars, and over 30% of Gross National Income (GNI) based on Purchasing Power Parity (PPP) in 2014. A significant feature of the BRICS bloc is that it is comprised of mainly large emerging market economies, some with leading growth rates in their respective regions and globally. China is the most populous country in the world and the second largest global economy with an output of US$10.36trillion and 7.4 % economic growth in 2014.India is the second most populous country, ranked 9th in terms world GDP and its economy grew by 7.4% in 2014.Russia is the 10th largest economy in the world. Brazil is the largest economy in Latin America, the most populous country of the LAC region and the 7th largest economy in the world. Brazil is also among the world's largest food producers (Wolfe, 2008). South Africa is ranked an upper middle income country; it is the second largest economy in Africa; and, was ranked 33rd in the world, by size of GDP, in 2014(World Bank, 2015d). The other four BRICS economies ranked between 2nd and 10thby size of GDP. Total trade between the BRICS countries was $6.14 trillion, or nearly 17 percent of the world's total in 2013. (RT News, July 15, 2014). Table 1 provides key economic indicators for the BRICS in 2014.

Pavgi (2012) observed that twenty years ago, the BRICS countries were net aid recipients, struggling to correct failed economic policies and grappling with deep social crises, but, today, they are raising global powers and have shown an interest in contributing to the global conversation on best practices in development. Regarding the BRICS as an opportunistic partnership, Kliman (2013) expressed skepticism about the coherence and viability of the BRICS bloc, viewing its members as geopolitically and ideologically disparate if not also rivals. Gvosdev (2012) argued that "what brings them together is that all five share a generally common view of the international system -- the importance of multi-polarity and state sovereignty -- that has given the group some degree of cohesion." A core issue upon which the BRICS countries commonly agree is the need to move ahead with reforms to the IFIs and currency rules, in order to shift greater influence to the global South in the IMF and reduce the dollar's position as a reserve currency through a greater role for the IMF's special drawing rights (Cooper, 2011).

5. The BRICS Bank

The BRICS at their 6th Summit held in Brazil in July 14-16, 2014created what is popularly known as the BRICS Bank (a pair of two institutions) headquartered in Shanghai, China. The official names for the pair are the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA).The BRICS Bank was created out of a concern that the architecture and governing structure of existing IFIs should be restructured and should reflect the changes in the world economy, increasing the voice and representation of emerging economies and developing countries. (Pant, 2011)

While there are other components and agreements coming out of the summit, for example a Cooperation Agreement on Innovation and a Memorandum of Understanding (MOU) for cooperation among BRICS export credit insurance agencies, this paper deals only with the following two components :-

1. New Development Bank (NDB) funded by a $50 billion pool of resources. Each of the five countries is expected to contribute $10 billion to create a multilateral financial institution, in a way, modeled after the World Bank.
2. A Contingent Reserve Arrangement (CRA) which is a $100 billion fund geared toward providing short term liquidity support to members of the group in similar fashion to the operation of the IMF.

The Agreement on the New Development Bank explains it purpose thus:

"The Bank shall mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development." (BRICS, 2014)

This disposition to empower emerging economies and developing countries by focusing on their infrastructure and sustainable development is in marked contrast to the current objectives of the World Bank.

The Contingent Reserve Arrangement: The Contingent Reserve Arrangement is the BRICS equivalent to the IMF. The CRAestablishes a self-managed contingent reserve fund to forestall short-term balance of payments pressures, provide mutual support and further strengthen financial stability among BRICS member nations. The CRA is seen by the BRICS as strengthening the global financial safety net and complementing existing international monetary and financial arrangements (BRICS, 2014). While currently limited to the BRICS members the Governing Council for the CRA is authorized to approve the entry of new countries.There is seemingly no provision for borrowing by countries not involved in the CRA.

McDowell (2014) observed that the IMF/World Bank has crisis management capital of $800 billion with about 200 member countries having access to these resources. The BRICS CRA currently has $100 billion with five member countries. McDowell concluded that the CRA gives each of the BRICS greater drawing rights than their quota in the IMF. McDowell contends further that the BRICS Bank will bolster and not challenge the status quo of the global financial system.

6. LAC Economic Relations with the BRICS

In order to assess the implications of the BRICS Bank for the region it is also necessary to derive an understanding of the bilateral relations between the BRICS and the region. Latin America and the Caribbean countries have had long standing trade and investment relations and arrangements with many of the BRICS nations. In this paper emphasis will be given to LAC economic relations with China, India and Brazil.

China and the LAC countries: The Economic Commission for Latin America and the Caribbean (ECLAC) 2015 pointed to recent robust growth in trade, investment and other economic activity between LACs and China. ECLAC reported a 22-fold increase in trade of goods between LAC and China between 2000 and 2013 compared to a 3-fold growth in trade with the world during the same period. Further, LAC's exports to China rose 27-fold while imports increased 20-fold.Thomet (2014) reported that China's massive purchases of commodities and exports of manufactured goods to the resource-rich region have boosted its two-way trade with Latin America to a total of $261.6 billion in 2013.ECLAC projected that with current trends (12% annual growth) remaining the same, trade between the region and China would be greater than US$500 billion by 2019.

With the exception of Brazil, Chile and Venezuela, the LAC countries all had trade deficits with China in 2013. The region's total trade deficit with China was over $65.5 billion influenced in large measure by Mexico's US$54.8 billion deficit. Paraguay, Ecuador, Colombia and Argentina all had trade deficits with China of over US$3 billion. Sixteen percent of Mexico's imports in 2013 originated from China. In contrast, between 2000 and 2013, LAC's exports to the US declined in percentage terms from close to 60% to approximately 40%. Similarly, imports into the region from the US declined from close to 50% to approximately 30% (ECLAC, 2015).

In 2013 China was the single largest importer of goods from Brazil, Chile and Cuba, moving up the ranks from 5^{th}, 12^{th} and 6^{th} respectively in 2000. China significantly improved its relevance as an importer from at least 25 LAC countries between 2000 and 2013 and currently ranks between the 1^{st} and 6^{th} top importers from at least 25 countries in the region.

China imports primarily raw materials (73%) and natural resource-based manufactures from the region and in turn exports mainly manufactures to the region. Brandt et al. (2012) described China's demand for natural resources as "insatiable" and explained that due to China's resource and other constraints it has set out to exchange dollars for resources. Among exports to China from the region are copper in different forms, soya bean, petroleum, wood, frozen meat, leather and hides, aluminum, flours, iron ores, sugar, motor cars, mineral substances, coffee, zinc ore, electrical integrated circuits, tin, and ferro-alloys. Expressing optimism about the future trade, between China and the LAC region, President of the Inter-American Development Bank, Luis Alberto Moreno explained that demand for commodities from the region will continue to grow as the Chinese government invests almost US$7 trillion in urban infrastructural development aimed at adding 100 million residents to its cities (Morena, 2014).

China's Foreign Direct Investment: ECLAC (2015) reported that prior to 2010 very little foreign direct investment (FDI) flowed from China to the LAC region and that in the prior two decades (1990– 2009) inward flows from China accounted for only US$7 billion. ECLAC explained that data from 10 LAC countries showed FDI from China as totaling US$42.7 billion between 2010 and 2013, 90%of which went to natural resources in the region. China is a major foreign investor in oil and gas extractions in Argentina, Venezuela, Brazil and Columbia. Chinese oil companies have a presence in most LAC countries that export oil and gas with the exception of Bolivia and Mexico.

Infrastructure and other Financing: LAC countries are prime targets for China's lending. These countries are not only resource-rich but also credit-deficient (Brandt et al, 2012). Brandt et al. explained that as of 2010, China loaned more to Latin America than the World Bank, Inter-American Development Bank and US Ex-Im Bank combined. According to these authors between 2005 and 2012 China provided approximately $75 billion in loan commitments to Latin America, primarily through the China Development Bank and Chinese Ex-Im Bank. China has loaned to countries in the region such as Venezuela and Argentina that have been deemed non-creditworthy by western lenders. Between 2007 and 2012 China loaned Venezuela $42.5 billion. In 2012 China and Brazil signed a ten-year, $10 billion loan agreement in which Petro bras agreed to send oil to China for a decade (Brandt, 2012).

Recently a Chinese investor company, Hong Kong Nicaragua Canal Development Investment Company (HKND Group) was contracted by the Nicaraguan government to build the $50 billion Nicaragua Interoceanic Canal. The Nicaragua Grand Canal, as it has become known, has been promoted as the world's largest engineering project. Construction commenced in December 2014 and is estimated to be completed in 2019 (Sticklor, 2015).

Latin America's poor infrastructure is a cause for concern. China's Ex-Im Bank has agreed along with the Inter-American Development Bank (IDB) to establish an infrastructure development fund to finance infrastructure investment in the region (Morena, 2014).

China also provides funding for other development banks in the region such as the Caribbean Development Bank (CDB). Additionally China provides large commitments of aid in the form of grants to the region which goes directly to governments (Brandt et al.).

India and the LAC countries: Heine and Viswanathan (2011) reported that from 2000 to 2009, Indo–LAC trade grew eight-fold to approximately $20 billion annually. The region's four main exporters to India are Venezuela, Brazil, Chile, and Mexico, accounting for over 80% of the region's exports to India between 2009 and 2011 (ECLAC, 2011). For most LAC countries, India is still an unexploited export market. Like China, the region's exports to India are concentrated in primary products and natural resource-based manufactures. India is a minor source of imports for the region. Brazil, The Bahamas, Mexico, Colombia, Chile, Peru and Argentina absorbed 86% of the region's total imports from India in 2010 with Brazil accounting for almost 40%. (ECLAC, 2011).

Heine and Viswanathan stated that India is now a palpable economic presence from the Caribbean to Uruguay, and its interests are remarkably diverse. They reported that some 35,000 Latin Americans work for Indian companies in the region today—more than half in IT, business process outsourcing and knowledge process outsourcing.

Braziland the LAC countries: Brazil is the only BRICS country located in the region. It has long settled border disputes with all its neighbors and has trading relations with many LAC countries. Argentina is Brazil's 3rd largest trading partner after China and the US. Brazil has other significant trade with Venezuela, Chile, Mexico, Columbia, Peru, Bolivia, Uruguay and Paraguay. Its trade with Venezuela is somewhat lopsided with Brazilian exports to Venezuela almost 5 times as much as its imports from that country. Some countries in the region have direct investment in Brazil. However foreign direct investment outflows from Brazil to other Latin American and Caribbean countries have generally been minimal. Pigatto, Pigatto and Baptista, (2014) explained that since 2004 Brazilian companies have been investing largely in the developed countries in Europe and Asia and reducing their investments in neighboring South American countries .

Russia, South Africa and the LAC countries: The region's economic relations with Russia and South Africa remain minimal but there are indications that both countries are seeking to develop stronger economic ties with the region.

7. Implications of the BRICS Bank for LAC

Given the understanding of current economic relations between the BRICS and the LAC region what are the implications of the BRICS Bank for the region? Although the BRICS bank is a recent establishment, interest in its operations and role in the international financial landscape is mounting. It is touted as a challenge to the operations of the World Bank and the IMF. But, the emergent institution can also be viewed as complementary to the work of the longer established IFIs. Its relationship with and implications for other emerging market economies and developing countries (EMEDC) including the LAC countries are yet to be fully revealed. Recent relations with the BRICS and the Memoranda of Understanding for its new financial institutions provide some indication of the implications for Latin America and the Caribbean.

The CRA Component and the LAC: The CRA component of the BRICS agreement is not intended to involve countries outside of the BRICS group at this time. The only LAC country that can be impacted immediately by the CRA's operations is Brazil. For Brazil, the CRA represents a safety net that can help with short term balance of payments difficulties. Brazil, however, must be prepared to assist other member countries should they be in need of financial support.

The New Development Bank (NDB) and LAC: Because of its emphasis on infrastructural development, the BRICS NDB seems the more likely of the two components to appeal to and impact Latin American and Caribbean countries. The preoccupation of the US with its internal politics and its major focus on wars and terrorists threats have created a vacuum of emphasis on the development concerns of emerging economies and developing countries such as those in Latin America and the Caribbean. This neglect by the US of the development concerns of LAC countries has provided the legitimacy and opportunity for BRICS countries and their New Development Bank to play a greater role in the region.

LAC countries are in a good position as a region to bargain with the BRICS's NDB. The Community of Latin American and Caribbean States (CELAC) established in 2011 comprises 33 independent states and 600 million population and can provide a unified forum for dealing with the BRICS Bank. Brazil's membership of both CELAC and the BRICS may facilitate this purpose.

Mahapatra reported that CELAC officials have been mandated to promote the interests of its member countries with other nations including the BRICS. Talks were held with India, Russia and China. Regional leaders have been trekking to these BRIC countries in search of aid and trade, while the leaders of BRIC nations have been reciprocating with visits and holding talks with CELAC countries. There is a familiarity and an ease of relations between the BRICS, especially China and India, and the countries in LAC. Mahapatra stated: "The BRICS' engagement with CELAC is not only a factor in promoting multilateralism and fostering a multi-polar world structure, but it also accrues economic advantages to both the groupings. While the BRICS members are fast raising economies with huge financial resources, the CELAC countries have also registered growth despite global economic slowdown. ... The huge population of CELAC makes the region a vast market for investment and also for import from the BRICS countries." (Mahapatra, 2014) Mahapatra viewed the BRICS bank as an effective tool and concluded that relations between the BRICS as a collective and the LAC region can lead to the emergence of common strategies in exploring the resources of the region for mutual advantage. While the BRICS NDB's immediate concern is with its current five members, the door has been left open to possibly provide aid to other economies and LAC seems very poised to receive financing.

However, the NDB is first and foremost a financial institution and will likely operate in a prudent, effective and efficient manner aimed at bringing about results consonant with the goals of the BRICS and the purpose of the Bank. Lending will be done for sound projects to the governments of countries most likely to repay.

The main purpose of the NDB is to support infrastructure and sustainable development in BRICS and other EMEDCs. Latin America has a huge unmet need in the area of infrastructure and is likely to be supported in this area. There was much evidence of this intention at the 6thBRICS summit in Brazil. Shortly after their meeting crystalizing the NDB in July 2014 the leaders of Brazil, Russia, India, China and South Africa held closed-door talks in Brasilia with counterparts from Argentina, Chile, Colombia, Ecuador, Venezuela and other Latin American nations (Thomet, 2014). Thomet reported that Brazilian President Dilma Rousseff alluded to the possibility that aid may be provided to debt-ridden Argentina which is at risk of defaulting on $1.3 billion in debts after losing a US Supreme Court battle with hedge funds. Thomet cited Argentina's cabinet chief, Jorge Capitanich, as saying "We need development banks that act as tools to finance infrastructure works and increase competitiveness, unlike development banks with the extortionist tools of developed nations."

Latin American and the Caribbean, however, may be in direct competition with African, Asian and other developing countries for funding from the NDB. It helps, though, that in 2014 Asian countries established the Asian Infrastructure Investment Bank (AIIB) with half of its financial support coming from China. Then there are the $40 billion Silk Road Investment Fund to "break the connectivity bottleneck in Asia", and an US$810 million (5 billion yuan) private Maritime Silk Road Bank from which Asian countries will benefit (Penna, 2014).These investment funds all have major financial backing from China. The fact that Asia has these recent funding initiatives may lessen reliance on the New Development Bank and open possibilities for LAC and African countries.

Working in LAC's favor is the fact that the region already has strong development banks and other institutional arrangements that can support and help channel funding from the NDB. Many of these institutions have purposes that are similar to that of the NDB. In addition, some of the BRICS already have financial interests in some of the region's development banks. As such, BRICS through their NDB, may be comfortable co-financing projects with the regional and multilateral development institutions like the CAF Development Bank, the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB). The benefit of co-financing with reputable institutions, sharing similar purposes, is that the NBD can leverage the human and other capital of these more established institutions and their knowledge of the region. It is noteworthy that China is one of the non-borrowing members of CDB. China provides, through the CDB, concessional loans for infrastructure and other development initiatives in the Caribbean.

The BRICS countries, in particular China and India, have been aggressively courting and cultivating a passionate love affair with the LAC countries. Drawn to the abundant natural resources of the region, its predominantly peaceful and democratic nations, its yearning for foreign direct investment and development aid, the Asian BRICS have been pursuing an aggressive import/export regime, expanding their investments in raw materials and infrastructure, and steadily eroding the dominant influence of the United States the region. The allure of the region is in part noted by UNDP 2015:

"Latin America and the Caribbean is a middle-income region, with the majority of its 42 countries and territories belonging to that category. Within this heterogeneous region are countries that range from the Western Hemisphere's only low income country, Haiti, and some of the world's rising powers: Chile and Mexico belong to the OECD, the developed nations organization; Argentina, Brazil and Mexico are G20 members and Brazil is the world's seventh largest economy"(UNDP, 2015).

Whereas the U.S. and the EU nations have tied aid and assistance to the LAC countries to conditionality's such as democracy, human rights, environment safeguards and free market policies, the BRICS have been less concerned with these as preconditions for economic relations and assistance. So, Cuba qualifies for BRICS involvement. Further, countries such as Argentina, Venezuela and Ecuador deemed as not creditworthy by the IMF/World Bank and western countries have been specifically targeted by China for loans and investment programs. Bilateral agreements apart, the New Development Bank is likely to complement, if not follow the policy lead of the BRICS countries in their bilateral relations with LAC.

The upshot of the involvement of the BRICS and their NDB is the significant expansion of the menu of development attention and possibilities for the LAC region. There is some indication of renewed interest and investment by the United States in advancing renewable energy resources for the LAC region (World Politics Review, July 27, 2015). The United States will be constrained to compete with the BRICS in term of showing development interest or else risk eroding its considerable influence among the region's countries. The economies of LAC countries stand to benefit in a developmentally transformative way from the increased attention it is receiving from both the BRICS and the United States. The Obama Administration's initiative to restore diplomatic relations and end the trade embargo with Cuba undoubtedly hasbeen influenced by the strong trade winds blowing from the BRICS that would in time erode the potency of the 50 year embargo.

The role of the BRICS in the region is not only economic. It is also social and political. BRICS have been joining and engendering regional political alliances. Further, China has been promoting its Confucius institutes across the LAC countries and Chinese immigration has been increasing in countries like Argentina. Through its political and economic policies the United States, over the last few decades, has promoted a relatively stable democratic environment among the Latin American and Caribbean countries in its backyard. Yet, the region has remained poor with an estimate of one out of five Latin Americans living in chronic poverty (Vakis, Rigolini & Lucchetti, 2015). Drug trafficking is an insidious threat that can be reduced as policies are implemented to reduce poverty and inequality. UNDP, 2010 stated that Latin America and the Caribbean is the most unequal region in the world. Ten of the 15 countries with the highest levels of inequality are in the region. Further, this inequality is high, persistent and self-perpetuating in areas where social mobility is low; and, it poses an obstacle to progress in human development. The report noted however that both poverty and inequality in the region have been reducing due to economic growth and an improvement in the impact of social spending as a result of the implementation of specific programs. Further, it was found that despite progress in the last decade, about 216 million Latin Americans or 38 percent of the total population are still vulnerable and risk sliding back into poverty. The report states:

"Over the past decade, Latin America and the Caribbean went through its highest economic growth period since the 1960s. This economic boom, along with job creation and some of the world's most innovative social policies lifted over 90 million people into an emerging middle class. Today, 34.3% of the population is in the middle class (with incomes between $10 a day and $50 a day), and 25.3% are still under the moderate poverty line of PPP $ 4 a day, according to the most recent data released by the Socio-Economic Database for Latin America and the Caribbean SEDLAC." (UNDP, 2010)

A concern among the LACs is that China has shown interest in extracting primary commodities from the region and exporting manufactured goods to it. This has led to the perception that China is sustaining the center periphery relationship of the West that has contributed to the dependent underdevelopment of the region. While there is undoubtedly merit to this argument, the focus by the BRICS and its NDB on infrastructure development may enable a mutually beneficial relationship that can contribute to real development in the region. This will of course be dependent on the integrity of LAC governments and the yet unproven ability of some of their leaders to resist corrupt deals that would sacrifice the future of their countries.

LAC countries have already begun to reduce the footprint of the IMF and the World Bank in the region. This reduction represents a major shift in the economic policy directions of the LAC region. The less these countries rely on these traditional IFIs the greater the role the BRICS and their NDB may assume in the region.

The emergent BRICS financial institutions are seen as complementing the roles and functioning of the IMF and the World Bank. Realistically, however, they also pose a challenge to these IFIs. Such competition can redound to the benefit of the Latin American and Caribbean region.

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Table 1: Key Economic Indicators for BRICS, 2014

INDICATORS	**BRAZIL**	**RUSSIA**	**INDIA**	**CHINA**	**SOUTH AFRICA**
GDP (US$)	$2.346 trillion	$1.86 trillion	$2.067 trillion	$10.36 trillion	349.8 billion
Ranking by GDP	7th	10th	9th	2nd	33rd
GNI per capita US$	$11,760	$13,210	$1,610	$7,380	$6,800
Population (million)	202.0	143.8	1,267	1,364	54
Poverty rates[1]	8.9%	10.8%	21.9%	4.6%	53.8%
Income classifications	Upper middle income	High income (non-OECD)	Lower middle income	Upper middle income	Upper middle income