

WHY CHALLENGE THE WASHINGTON CONSENSUS NOW?

A number of outlets are reporting on the BRICS move to establish a competitor to the World Bank.

The so-called BRICS countries agreed to form an international development bank with aspirations to challenge the dominance of the World Bank and the International Monetary Fund.

Leaders of Brazil, Russia, India, China and South Africa said Tuesday that the New Development Bank will start with \$50 billion in capital and \$100 billion as a currency reserve fund for liquidity crises. Operating details still need to be resolved.

Still, the BRICS bank, which could add more member nations, represents a bid to expand the influence of the BRICS emerging markets and act as a counterbalance to institutions run by the U.S. and other developed nations, experts said.

“This is about the consolidation of BRICS 2.0,” said Marcos Troyjo, professor of international and public affairs at Columbia University and co-director of the BRICLab Center. “If BRICS 1.0 was about capturing investor attention to the scale of their economic relevance, BRICS 2.0 is about embarking on institution building.”

I absolutely understand the reason for the move. These large countries have been demanding more influence over the World Bank for years, to no avail. And US policies like Quantitative Easing have been really damaging to some of the

countries, particularly Brazil. Though, this move may well come too late for Brazil and certainly for Dilma Rouseff.

“I don’t think that if Brazil was now to be thinking about these plans from the drawing board, it would really be thinking about a Brics development bank,” says James Lockhart-Smith, a Latin America risk analyst at Maplecroft in New York. “It would be more focused on restarting growth in the country.”

But at a time of slow growth, Brazil probably needs these economies on side more than ever. Add to that, trade with economically troubled Argentina – traditionally one of its biggest trading partners – has become more difficult in recent years.

So while I understand the move, I wonder why now – aside from the fact that the World Cup provided a handy excuse for a meeting in Rio de Janeiro. It may be too late for Dilma, and India’s new neoliberal Prime Minister Narendra Modi seems like an odd fit for the group.

Meanwhile, consider this. While Russia won’t get any of the big perks in the new bank (it will be headquartered in Shanghai, India will pick the first President, Brazil will pick the first Chairman, and the bank will be denominated in – really! – dollars), Putin was also making other interesting moves in the hemisphere, at least according to RT (definitely click through for Putin’s expression, which surely is staged to be that stern).

Moscow and Havana have reportedly reached an agreement on reopening the SIGINT facility in Lourdes, Cuba – once Russia’s largest foreign base of this kind – which was shut down in 2001 due to financial problems and under US pressure.

[snip]

Russia considered reopening the Lourdes base since 2004 and has sealed a deal with Cuba last week during the visit of the Russian President Vladimir Putin to the island nation, reports Kommersant business daily citing multiple sources.

Russia shut down the base to more easily reschedule debt held by the US. Along with reopening the base, Russia will forgive a bunch of outstanding Cuban debt to Russia.

The timing of this – a year after Snowden’s disclosures, but more importantly, as the US continues to try increasingly unilateral sanctions against Russia’s involvement in Ukraine – makes a ton of sense. The US refuses to believe it can’t impose its will in Ukraine, in spite of increasing reluctance from our European partners, especially Germany, to ratchet up the pressure. Reopening a front in America’s back yard as the US bunkers down on Ukraine makes perfect sense.

For some reason, the US appears to have believed it could simply impose its will indefinitely on the rest of the world. They appear not to have considered that, at some point, such behavior would provide the rest of the world cause to fight back.