By establishing the New Development Bank, the BRICS economies of Brazil, Russia, China, India and South Africa have made their biggest push yet towards redressing the economic world order.

The setting up of a BRICS – Brazil, Russia, China, India and South Africa – bank is the clearest sign to date of the changing global power structure and the failure of multilateral institutions, such as the International Monetary Fund (IMF) and World Bank, to adapt quickly enough.

The New Development Bank’s establishment has also been driven by a more general crisis in multilateralism and by the continued actions of the US government in forcing its foreign policy onto others by way of sanctions. On top of this come concerns about the ill effects on emerging markets of loose US monetary policy, and its subsequent withdrawal.

This much is clear from the statements made by the BRICS leaders as they announced the launch of the bank, with its initial authorised capital of $100bn, at a summit in Fortaleza in Brazil on July 15. They also agreed on a $100bn currency reserve pool, to assist countries in dealing with short-term liquidity pressures.

News agency Reuters quoted Brazilian president Dilma Rousseff as saying: “It will help contain the volatility faced by diverse economies as a result of the tapering of the US’s policy of monetary expansion… It is a sign of the times, which demand reform of the IMF.”

Russian president Vladimir Putin was quoted as saying: “Together we should think about a system of measures that would help prevent the harassment of countries that do not agree with some foreign policy decisions made by the US and their allies.”

Whether the BRICS countries can work together any better than the US and Europe have done – or rather not done – with the emerging powers remains to be seen. They are countries completely different, in both economic and political character, and the only thing they have in common is that they are large and increasingly significant in the international economy.

Unsurprisingly, there were the usual arguments about the location of the bank headquarters and presidency right up until the last minute (the headquarters will be in Shanghai and India will hold the first presidency), and there is likely to be tension as to whether the largest of the BRICS, China, is dominating the organisation. Interestingly, other countries can join the organisation but the BRICS shareholding cannot fall below 55% – a bit similar to the way the US and European countries retain a hold on the IMF and World Bank so not much of a change there.

Ironically, the BRICS bank was announced on the same day that India and China won a significant victory against the US in a ruling by the multilateral World Trade Organisation (WTO) on what constitutes a government entity for the purposes of judging whether trade is being conducted fairly. In a multi-polar world the multilateral approach of the WTO has struggled to reach agreement but it is still the best approach to laying down general rules on trade. In the BRICS context, it is hard to see how a protected market such as Brazil could very quickly open up to a flood of cheap Chinese imports.

But as far as financial support and infrastructure are concerned (China is also launching the Asian Infrastructure Investment Bank), the more sources there are the more options borrowers have. The outstanding question is whether BRICS terms will be any better than IMF terms.