The BRICS Bank is a Feeble Strike Against Dollar Hegemony

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The new financial institutions announced by the Brics nations in July – a development bank and an arrangement to share currency reserves – have been compared by many observers to the World Bank and the International Monetary Fund.

There is no doubt that they reflect frustration in the developing world over governance at the multilateral institutions that emerged from the Bretton Woods summit 70 years ago. These remain dominated by the US and western Europe despite their relative economic decline. In truth, however, the new initiatives break little ground.

President Vladimir Putin of Russia has said the Brics countries want to end the international monetary system's dependence on the policy of US authorities. If so, they are off to a poor start. Whereas only 10 percent of the World Bank's paid-in capital was contributed in dollars, all the start-up funding for the Brics bank will be in greenbacks, creating new demand for dollar assets.

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