

CHAPTER I INTRODUCTION

A. Background

Nowadays there are many state groups to support the economic growth in the world, especially their own. One of the most popular state groups is the G8. The G8 is the most exclusive club in the world. There are 190 nations in the UN, 54 in the Commonwealth, 19 in NATO, but only United States, Russia, Japan, France, Germany, Great Britain, Italy and Canada can join G8. All the G8 countries are amongst the fifteen top-ranked leading export countries.¹ The G8 countries represent seven of the ten largest economies by nominal GDP² (Gross Domestic Product). Russia is not one of the ten countries with largest economies by nominal GDP³ but has the seventh largest GDP at purchasing power parity (PPP)⁴; Canada was 8th in 2006 but in 2007 it was replaced by Spain, as it was in 2003.

G8 offered major new finance and technology to developing countries, liberalized trade in environmentally enhancing products, had all major emitters accept the need to reduce greenhouse gas emissions by at least a half by 2050,

¹ "exports". cia factbook (Retrieved on October 16th 2010); available from <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html>.

² "nominal gdp". imf, world bank, cia factbook (Retrieved on October 16th 2010); available from [http://en.wikipedia.org/wiki/List_of_countries_by_past_GDP_\(nominal\)](http://en.wikipedia.org/wiki/List_of_countries_by_past_GDP_(nominal)).

³ S.E. Smith, What is GDP or Gross Domestic Product?, ed. O. Wallace, retrieved on 16th March 2011; available from <http://www.wisegeek.com/what-is-purchasing-power-parity.htm>

⁴ Brendan McGuigan, What Is PPP or Purchasing Power Parity?, ed. L. S. Wynn, retrieved on 16th March 2011; available from <http://www.wisegeek.com/what-is-purchasing-power-parity.htm>

pledged that all would act to control their carbon, and identified ways in which they would do so in the short and medium term. The group does not have a permanent secretariat or offices for its members⁵.

There are several problems that have been solved by G8 members successfully. On the economic side, amidst a housing crisis, credit contraction, slowing growth, rising inflation and soaring energy and food prices, the G8 leaders, for the first time in a decade, faced serious economic and financial concerns. They ignored the poor growth in their economies and chose inflation as the key concern, called for imbalances to be reduced and did nothing to stop the dollar's drop.⁶

G8 treatment of trade and energy was equally weak. It set new directions for managing sovereign wealth funds and offered political, if not practical, support for shared and secured innovation and intellectual property rights. On development, especially in Africa, G8 leaders moved forward on health, water, education and development assistance by reaffirming past commitments, adding mechanisms to monitor their compliance and supporting the healthcare workforce and the Millennium Development Goals (MDGs).⁷

⁵ Kirton, John. "A Summit of Substantial Success: The Performance of the 2008 G8"; G8 Information Centre University of Toronto July 17, 2008.

⁶ Daniels, Joseph P and Kokotsis Ella. "Summit Compliance: Are Summit Commitments Meaningful?" University of Colorado at Denver, June 19th 1997.

⁷ "Pemimpin G8: Pencapaian "MDGs " Dalam Bahaya," *AntaraNews.com – Mancanegara*, June 27th 2010; available from <http://www.antarane.com>

G8 produced innovative medium-term approaches to food security by exploring a G8 strategic grains reserve and asking their agriculture ministers to meet. It further enhanced infrastructure, reduced corruption and built peace support capabilities in Africa and around the world. On their pressing political security agenda, the G8 leaders moved decisively to restore democracy in Zimbabwe through actions set forth in a separate statement. They supported democracy in Afghanistan and their war against terrorism there. They will support sanctions and incentives to stop nuclear proliferation in Iran and offer incentives to do so in North Korea.

They stood up for democracy, the rule of law and human security in Myanmar, Sudan and the Middle East. On strengthening the G8's own architecture for global governance, its leaders created mechanism to monitor more credibly, and thus help deliver more effectively, their compliance with their many ambitious summit commitments, especially those on health, that come due in 2010. The G8 plays an important role in global governance. The world's "elite" economic and political countries make up for the G8. Together, these countries are able to push policies and agendas in formal world institutions.

For example, G8 countries have nearly 50% of the vote in the World Bank and International Monetary Fund (IMF). G8 countries also have enormous influence in the World Trade Organization (WTO) and the Security Council of the

United Nations (UN). It is through these formal international institutions that many of the G8's decisions become reality in the world.⁸ The data shown below:

Table 1: Voting Share in World Bank and IMF

Country	World Bank Voting Share (%)	IMF Voting Share (%)
United States	16,38	16,77
Japan	7,86	6,02
Germany	4,49	5,88
France	4,3	5,88
UK	4,3	4,86
Canada	2,78	2,89
Italy	2,78	3,19
Russia	2,78	2,69
Total	45,67	47,16

Sources: 1. IBRD, World Bank, 30th June 2008

2. IMF Members Quotas and Voting Power, and IMF Board Governors, IMF, 6th August 2008.

Beside G8, there was a new state group called BRIC (Brazil, Russia, India, and China). In 2001, Goldman Sachs bundled Brazil, Russia, India, and China together into an emerging market basket in deference to the four countries size and economic potential, for most of the decade despite significant differences in relative economic performance. BRIC is a coalition of regional and superpowers reportedly proposed by Russian President Vladimir Putin that first time launched in 2003. The members are also called new wave countries by the media.

The coalition would encompass over forty percent of the world's population and hold a combined GDP of 12.14 trillion U.S Dollars.⁹ Over the next 50 years BRIC economies could become a much larger force in the world

⁸ Anup Shah, "G8 Summits: Empty promises each year" *Global Issues*, October 16th 2010; available from: <http://www.globalissues.org/article/720/g8-summits-empty-promises-each-year>.

⁹ Global Economics Paper No. 99: *Dreaming with BRICs: The Path to 2050*.

economy. Using the latest demographic projections and a model of capital accumulation and productivity growth, we can map out GDP growth, income per capita and currency movements in the BRICs economies until 2050. On almost every scale, it would be the largest entity on the global stage.

The idea to establish BRIC was proposed because of the growing concerns regarding the domination of the United States and the European Union over the world economy and political scene. As all the member economies have experienced enormous growth in the past few years and are expected to continue on this path, the coalition will likely grow to be a larger threat to Trans-Atlantic economic interests.

BRIC, however, is not simply a product of discontentment over American power. Instead, BRIC is a logical extension of globalization. In this process, commodities, work, technology, and companies have diffused outward from the United States across the world. Following the end of the Cold War or even before, the governments comprised BRIC all initiated economic or political reforms to allow their countries to enter the world economy. In order to compete, these countries have simultaneously stressed education, foreign investment, domestic consumption, and domestic entrepreneurship. As a result, even without BRIC the political coalition or alliance, the countries that make up BRIC would still be very

The developed states have experienced the economic shock because of the global economic recession in 2008. Actually, the main thing that caused this economic recession happened in United States because of the housing problem, and then the impact of this case affected not only economic aspect but also other aspects in United States. The seven countries that join in G8 that have close relation to United States were also shocked with this condition and they also got big bad impact because of this economic recession. However, BRIC still exists. India and China show rapid economic growth. BRIC is considered in the international level, even in the discussion about global economic crisis solution.

Actually the power of BRIC is not only from their big population (40 percent of world population) and the wide region (25 percent of the world area) but also the rapid economic growth of each member of BRIC and its economy in world trading. BRIC has reached 15 percent GDP of the world and big foreign exchange (42 percent of the world)¹⁰. These countries will undoubtedly face serious obstacles sustaining high growth rates over four decades. Even if each of the BRIC members could maintain its economic trajectory in the coming years, that success could undermine stability by creating demands for political change.

BRIC criticizes the domination and existence of G8 by doing similar thing to G8 and acts like G8. Members of BRIC try to increase their influence and domination within international organizations such as IMF and World Bank, by giving financial aid for those international organizations in order to make them

¹⁰ Antara News.2009. "BRIC, Kelompok Penekan Tata Ekonomi Dunia Baru." Retrieved on April 30th 2010 available from <http://www.antaranews.com/view/?i=1245744700&c=ART&s=PIIM>

increase their influence and domination more easily. BRIC also gave pressure to the United Nations (UN) to run well the multilateral diplomacy and to give important role to Brazil and India in UN in order to make these countries become the permanent members of Security Council in UN.

B. Research question

Why do BRIC criticize the existence of G8?

C. Purpose of the research

1. to describe the effort of BRIC to become the new economic power.
2. to analyze the phenomenon of BRIC's criticizing the existence of G8 using the international regime theory and concep.

D. Theoretical framework

In order to understand the phenomenon of BRIC's criticizing G8, this study uses the international regime theory and concept. Both of them will be explained in more details as follows:

International Regime

International regimes typically take the form of treaties or international organizations and may be thought of as tools used by the international community

to resolve global problems through collective efforts.¹¹ There are many definitions of *regime theory*, but the one formulated in the early 1980s by Stephen Krasner remains the standard formulation and it very effectively encapsulates the complexity of the phenomenon. Krasner (1983) states that regime is sets of implication of explicit principles, norms, rules, and decision making procedures around which actors' expectations converge in a given area of international relations. Krasner's definition reveals that a regime is more than a set of rules; it presupposes quite a high level of institutionalization. Indeed regime theorists have been criticized for doing no more than introducing new terminology to characterize the familiar idea of an international organization. Regime theorists acknowledge that international organization can be embraced by regime theory, but they insist that their approach encompassed much more. Distinction between institutions and organizations establishes the same point. The parameters of a regime can be illustrated by means of typology. There are four defining elements of a regime:

1. Principles are represented by coherent bodies of theoretical statements about how the world works.
2. Norms specify general standards of behavior, and identify the rights and obligations of states.
3. Rules operate at lower level of generality than principles and norms, and they are often designed reconcile conflicts which may exist between the

¹¹An ehow contributor *What Is an International Regime?*(retrieved on October 28 2010); available from http://www.ewhow.com/facts_5660297_international-regime.html

principles and norms. Third World states, for example wanted rules which differentiated between developed and underdeveloped countries.

4. Decision making procedures identify specific prescriptions for behavior, the system of voting, for example which will regularly change as a regime is consolidated and extended.

One simple but useful classification establishes a typology of regimes along two dimensions.¹² The vertical dimension highlights the formality of a regime. A regime can be associated with a highly formalized agreement or even the emergence of an international organization. But, at the other extreme, a regime can come into existence in the absence of any formal agreements. Historically, informal agreements between states have been established on the basis of precedence. The horizontal axis then focuses on the extent to which states expect or anticipate that their behavior will be constrained by their accession to an implicit or explicit set of agreements.

If there are no formal agreements, and no convergence in the expectation that rules will be adhered to, then it's clear that there is no regime in existence. On the other hand, even in the absence of formal rules will be observed, suggesting the existence of a tacit regime. By contrast, it is also possible to identify situations where formal rules have been brought into existence, without any expectation that they will be observed, indicating the existence of a dead-letter regime. Finally,

¹² Levy, Jack S. 1992. *Prospect Theory and International Relations: Theoretical Applications and Analytical Problems.* Political Psychology. 1992.

there are full-brown regimes, where there is a high expectation that formal rules will be observed.

The study of regimes has long been plagued by definitional issues and a lack of conceptual clarity.¹³ These issues have never really been solved. Despite continued criticism, however, there seems to be a general consensus that the concept taps into something important. Perhaps the study of regimes has endured despite these significant problems because the question, with which it is concerned, namely international cooperation, is perhaps the central issue for international relations. Although some of the earliest studies of regimes focused on their distributional consequences, research quickly shifted to try to understand how regimes are formed and transformed as well as their influence on behavior.¹⁴ The importance of regimes is certainly evident in the fact that virtually every theoretical tradition in international relations has taken a crack at explaining some aspect of regimes.

During the course of the last two centuries the advancement of technology made it possible for more and more people to come into increasingly close contact across the globe. Worldwide communication is now instantaneous in many areas of activity. As we move through the twenty first century, however, it becomes increasingly clear that not every aspect of this globalization of world politics is

¹³ Haggard, S., and B. A. Simmons. 1987. Theories of International Regimes. *International Organization* 41 (3):491-517.

¹⁴ Krasner, Stephen D. 1983b. Regimes and the Limits of Realism: Regimes as Autonomous Variables. In *International Regimes*, edited by S. D. Krasner. Ithaca: Cornell University Press.
Krasner, Stephen D. 1983c. Structural Causes and Regime Consequences: Regimes as Intervening Variables. In *International Regimes*, edited by S. D. Krasner. Ithaca, NY: Cornell University Press.

beneficial. Regime theory is premised on the twin observations that international politics is highly interdependent,¹⁵ thus implying mutual interests in cooperation, and that 'international behavior is institutionalized' in a variety of ways.¹⁶ There is agreement over these empirical phenomena, but the approach includes a diverse set of theoretical and methodological orientations.

Regimes must be understood as something more than temporary arrangements that change with every slight of power or interests. It is the infusion of behavior with principles and norms that separate regime governed issues in the international system from the conventional issues guided mainly by narrow calculations of interest. A distinction must be made between regimes and agreements. Agreements are ad hoc, often 'one shot' arrangement. The purpose of regimes is to facilitate agreements and can have an impact when pareto optimal outcomes could not be achieved through uncoordinated individual calculations of self interest. Thus, mutual cooperation becomes very rational as the sum of relatively small cooperative pay-off over time can be greater than the gain from a single attempt to exploit the opponent, followed by an endless series of mutual defections.

E. Hypothesis

BRIC criticizes the existence of G8 because the domination of the G8 members in decision making process in the world and of the spread of their regime and power are not relevant with recent world economy.

¹⁵ Keohane, Robert O. and Nye, Joseph (1977), *Power and Interdependence: World Politics in Transition*, Boston, and Little Brown.

¹⁶ Ruggie, John G. (1975), 'International Responses to Technology: Concepts and Trends', 29 *International Organizations*, 557-583.

F. Method of research

Library research is applied in data collection. Then, the problem is explained and the hypothesis is analyzed. All of the information that supports this research uses the secondary data in the forms of books, newspapers, journals, internet, and other literature sources.

G. Range of research

Focusing more on the topic of the research, the writer limits the time, on which the research is conducted. The writer is going to explain about BRIC that criticizes the existence of G8 since BRIC was established for the first time in 2001. The writer also collects the data which they are relevant to be used in this research.

H. System of writing

The outline of this research will be described as follows:

CHAPTER I explains the background, research question, purpose of research, theoretical framework, hypothesis, method of research, range of research, and system of writing.

CHAPTER II discusses BRIC as the potential new economic power in the world.

CHAPTER III explains the G8's domination on the world economy and its

CHAPTER IV discusses BRICs criticism to G8 Domination in the world economy

CHAPTER V contains the conclusion from all chapters and also answers the