



Report of CUTS-ORF Seminar

BRICS Trade, Investment and Finance Cooperation

New Delhi, July 17, 2012

BRICS: Working towards Cooperation, Consultation and Coordination

CUTS International and Observer Research Foundation (ORF) jointly organised a half-day seminar on 'BRICS Trade, Investment and Finance Cooperation' at New Delhi, on July 17, 2012. The objective of the seminar was to seek answers for some of the technical questions related to such recent developments on trade, investment and finance in order to provide policy inputs for BRICS members around operational frameworks.

Speakers of the session included Sunjoy Joshi, Director, ORF; Pradeep S Mehta, Secretary General, CUTS International; Dinesh Bhatia, Joint Secretary (MER), Ministry of External Affairs; Zhotan Khuma, Director, Ministry of Commerce; Usha Titus, Director, Ministry of Finance; Bandi Ram Prasad, Financial Technologies Knowledge Management Co. Ltd, Financial Technologies Group (MCX). G K Pillai, former Commerce and Home Secretary and Chair, RKM Fellowship, ORF & Distinguished Fellow CUTS International chaired the session.

The BRICS grouping has come a long way since its first summit in Russia in 2008. The New Delhi summit held in March 2012 gave a clear indication that the developing world is taking the lead in the global-decision making process.



Sunjoy Joshi, Director, ORF stated that the seminar on BRICS trade, investment and finance

cooperation is part of the ongoing research agenda which will feed into the South African Summit to be held in 2013. He added that apart from the work on trade, finance and investment issues, ORF is also undertaking research to formulate a long-term strategic agenda for BRICS. As part of this process, ORF is going to be hosting a number of visiting scholars from across BRICS countries at New Delhi in 2012 along with hosting a Track II meeting in India, in the run up to the next summit. The seminar resulted in the identification of crucial areas in the field that need to be discussed further and worked upon.

Pradeep S Mehta, Secretary General, CUTS International, set the background for the discussion by highlighting the importance of South-South cooperation and the promotion of

fair and sustainable markets, emphasising the high growth rate of South-South trade. He raised other important issues, such as the impact of the Trans-Pacific Partnership on the BRICS group. He also highlighted the work being done under the aegis of the BRICS Trade & Economic Research Network cofounded by CUTS along with premier think-tanks from other four countries.

G K Pillai, former Commerce and Home Secretary asserted the control of intelligence and information is biased in many ways. He expressed the need for BRICS to get together to set up their own rating agencies which could do independent assessment. BRICS countries will get serious competitive opportunities in the world markets if they have high-quality and politically unbiased ratings of their creditworthiness and financial responsibility.

Dinesh Bhatia, Joint Secretary (MER), Ministry of External Affairs discussed the long term vision for BRICS countries. He pointed out the BRICS pledge of fund to the EU to help come out of the eurozone crisis, and BRICS was emerging as a factor of stability and growth. The emergence of this union has been a keenly watched development in world affairs. This grouping is unique, dissimilar to geographical groupings like the Association of Southeast Asian Nations (ASEAN) and more far reaching than economic unions such as the Organisation for Economic Cooperation and Development (OECD).



The BRICS' economic clout has risen considerably over the years. With individual members rapidly closing the gap with developed nations, the aggregate GDP of the BRICS nations is set to surpass that of the US by 2015. The five countries are collectively blessed with vast reserves of precious natural resources. China not only accounts for 12 percent of the world's mineral resources, but is also the world's factory. Bhatia highlighted how intra-

BRICS trade comprises of eight percent of total global trade, having grown nine times in the last 10 years. Unsurprisingly, China continues to be the largest trading partner.

In addition to trade, Bhatia singled out the energy sector as an area for further cooperation. The BRICS nations have the advantage of a large labour force and a growing middle class. The countries should continue their engagement on the basis of the three Cs – Cooperation, Consolidation and Consultation. The action plans after each summit have been instrumental in providing opportunities for the BRICS representatives to meet on the sidelines of other

multilateral meetings, thus, giving greater opportunities for consultations and discussions. The BRICS Exchange Alliance has been an important step towards deeper economic integration among the countries.

Speaking on intra-BRICS trade and commerce, Zothan Khuma, Director, Ministry of Commerce, listed future prospects and challenges member nations might face. The BRICS Contact Group on Trade and Economic Issues, which was established in 2011, met in March 2012 to discuss greater cooperation in trade. The meeting resulted in a consensus that there is great scope for custom cooperation and trade facilitation. The group found discrepancies in data collection and agreed on the need for comprehensive data on service and trade. In the future, the countries will try to establish working groups for areas identified for cooperation (such as investment). The group will consist of experts from the five countries, though they have yet to determine whether membership will be limited to government officials.

Interesting discussions took place on the idea of the New Development Bank. Usha Titus, Director, Ministry of Finance, explained the rationale behind the idea of the Bank – the need for an organisation to perform the role of a financial intermediary and mobilise savings. Emerging Market and Developing Economies (EMDEs) require large investments in infrastructure in order to sustain a high growth rate relieve the pressures of urbanisation and chart a course for sustainable development. The underlying idea of the BRICS Development Bank is to make the grouping more cohesive and rebalance the global economy through a supplementary institution.

Titus discussed difficulties existing Multilateral Development Banks (MDBs) currently face, with the credibility and legitimacy of their governance structures being questioned post-financial crisis. She also raised important questions regarding the structure of the envisioned Development Bank. What currency should be used for raising and lending resources? Will it be a non-concessional/concessional/syndicated lender to sovereign/non-sovereign projects? There were also suggestions that the Bank should go beyond financing and provide macroeconomic forecasts for EMDEs.

Bandi Ram Prasad from Financial Technologies Knowledge Management Co. Ltd, Financial Technologies Group (MCX) spoke about the Commodity Trade and Market Integration within BRICS. He stressed that BRICS accounted for nearly 50 percent of the new capital raised in 2011 and that FDI flows have grown over the past few years. The BRICS countries are fast becoming important donors in the international arena. He brought up the idea of ‘anchor countries’ which would lead to greater competence. He concluded by stating that if the BRICS countries grow closer through continued growth, they will soon turn from price-takers to price-setters.

During the discussion, with regard to the issue of the New Development Bank, it was suggested that BRICS should expand by bringing in other state members and distribute the shares on a 51 to 49 percent basis with the larger shares retained by BRICS members.

Issues regarding difficulties in obtaining visas for companies to work within the BRICS countries were acknowledged and it was agreed that more such sessions should take place in the future so to as come up with ideas and suggestions to deal with the challenges brought to light during this meeting.

Pillai concluded that BRICS should be viewed as a work in progress and that there remains a need for closer cooperation in many areas among the five countries.