Contents

Rapid economic growth only solution for recovery: BRICS

From G Sudhakar Nair, PTI Cannes, November 3, 2011 -- Leaders of emerging giants Brazil, Russia, India, China and South Africa (BRICS) today expressed serious concern over fresh instability and volatility in markets and said rapid economic growth in a sustained and balanced manner was the only solution to recover from it. Prime Minister Manmohan Singh, Brazilian President Dilma Rousseff, Russian President Dmitry Medvedev, Chinese President Hu Jintao and South Africa President Jacob Zuma met at Hotel Carlton here in this French coastal resort prior to the meeting of the world's biggest economies. "The leaders agreed that the Eurozone sovereign debt crisis was a matter of serious concern for the global economy and had caused fresh instability and volatility in markets after the 2008 economic crisis," said a BRICS statement issued after the meeting. "They agreed that the only way to emerge from this crisis was to ensure rapid economic growth in a sustained and balanced manner, on a global basis," it said. The leaders expressed their full support to Europe's efforts to find an early solution to the crisis, underlining that the solution to the crisis had to be found by the European Union and the Eurozone countries themselves. The statement said the leaders expressed their support for a greater role of the International Monetary Fund (IMF) in efforts to help resolve the Eurozone sovereign debt crisis. The leaders agreed to intensify consultations between their financial and fiscal officials on a continuing basis to enhance coordination and exchange of views among themselves, including on the margins of the G-20 meetings.

[Back to top]

The global South needs a multilateral approach

Faisal Ahmed, Business Standard

November 6, 2011:The real challenge that the world faces today is to develop modalities of strengthening international cooperation and build common minimum commitments.

Hovering between the hope of implementation and the fear of closure on the one hand, and the alternative choices of Plan A and Plan B on the other, the Doha Round has definitely lost its sheen, if not the mandate, to strengthen multilateralism. Complete negotiation and implementation of the Doha Agenda does not seem to be possible in the near future. But its closure at this juncture would also be unworthy and undemocratic, as it would force disadvantages on the countries of the global South. The global South, comprising more than 150 developing and Least Developed Countries (LDCs) of the world, suffers from some of the most rudimentary development challenges.

The World Trade Organisation (WTO) essentially promotes a rule-based multilateral trading system. However, amidst such critical anomalies associated with the negotiations on the Doha work programmes, the real challenge that the world faces today is to develop modalities of strengthening multilateralism. This in turn will also help countries inculcate preparedness for the Doha Agenda.

In a recent address to CUTS International in September, Pascal Lamy, the director general of the WTO, chose not to speak on “the future of the multilateral trading system”, but preferred to voice his views on “the multilateral trading system of the future”. He argued that political leadership, pragmatism and the spirit of compromise, and the spirit of realism, were the three factors that needed urgent attention.

It is now for the international community to realise that these are not mere arguments or determinants. They are, in fact, major philosophical propositions which have the potential to enhance global co-existence, and are capable of creating sustainable livelihoods.

Throughout its various ministerial conferences, WTO has provided a sound platform for members to liberalise and enhance their global outreach. This obviously calls for a realisation that countries too, have their existing country systems and that they face a strenuous task of aligning their pursuits of economic diplomacy — carved out of their national interests — with that of their trading partners. Even trade costs like non-tariff barriers and those associated with logistics and trade facilitation generally become latent precursors of a country’s negotiating stance at the WTO. Consensus-building at a multilateral forum thus becomes a complex web of mutually exclusive assertions.

The real task ahead is not to predict the future of the Doha Round, but to explore modalities which can empower country systems to cooperate internationally and build common minimum commitments. This is because even if the round ends in a fiasco, such compelling issues like duty-free and quota-free market access for LDCs will continue to remain pertinent.

Such cooperation may be explored within the framework of south-south cooperation. Statistics reveal that the global South has gained from multilateralism in terms of its international trading position. The total exports of the LDCs have increased substantially from $20.1 billion in 2001 to an estimated $144.3 billion in 2010. The developing economies have also seen a remarkable surge in their exports, which currently stand at $6,302.9 billion, as compared to $1,985.5 billion in 2001.

Also, the trade between the regions within the global South has been on a trajectory of growth. For instance, the total trade between Africa and Latin America & the Caribbean increased from $7.2 billion in 2001 to $22.1 billion in 2010. Interestingly, as per the International Monetary Fund’s World Economic Outlook 2011, the emerging and developing economies are projected to grow at 6.5 per cent in 2012, as compared to 4.5 per cent for the advanced economies.

The onus thus lies in the hands of the developing economies themselves, which are gradually becoming the new locus of international trade and development. Some of the geo-strategically positioned congregations in the developing world that need to take a lead in strengthening multilateralism through south-south cooperation include Brazil-Russia-India-China-South Africa (BRICS), the League of Arab States (LAS), and the Economic Cooperation Organisation Trade Agreement (ECOTA).

BRICS represent 43 per cent of the world's population, has a trans-continental outreach and represent the developing world's most significant example of multilateral integration. These countries also engage deeply with the LDCs of Africa and contribute to trade, region-building and capacity-building initiatives.

The contribution of such multilateral initiatives to the global South can be seen from the fact that the BRICS countries' total exports to the developing world crossed $1,000 billion in 2010, which is around five times what they were in 2001. Also, their exports to LDCs increased from $9.23 billion in 2001 to $46.6 billion in 2010. Interestingly, exports from LDCs to BRICS also increased almost three-fold in the last decade and currently amount to $5.7 billion, thus reflecting better market access for LDCs as well.

Also, a significant step toward strengthening multilateralism can well be undertaken by the LAS, which comprises 22 countries in West Asia and North Africa, most of whom are LDCs and dependent on official development assistance (ODA) from countries like India, China and Saudi Arabia, among others. The heterogeneity factor attached to this League — from hydrocarbon-rich Saudi Arabia to a beautiful but poor Comoros — positions it as a lead candidate to be entrusted with the task of developing institutional mechanisms through south-south cooperation. Interestingly, multilateral initiatives in the global South have also helped the LDCs gain from oil-rich Gulf Cooperation Council (GCC) economies. The exports from LDCs to the GCC increased several-fold from a mere $0.12 billion in 2001 to an estimated $2.6 billion in 2009.

Moreover, another congregation with potential to lead such an initiative is ECOTA. Apart from strategically located Turkey, ECOTA comprises of the geopolitically vibrant and resource-rich Afghanistan, Pakistan and Iran, and the naturally endowed Central Asian republics of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. ECOTA's total exports are estimated to be $289 billion. Intra-ECOTA development cooperation can itself support the respective government's preparedness for multilateral negotiations.

It is therefore important to see whether the forthcoming WTO Ministerial at Geneva can introspect not merely about what is deterring the negotiations, but necessarily what can enhance global preparedness for negotiations. The author is Associate Director at CUTS International, a Jaipur-based think tank and advocacy organization.

[Back to top]

Giving BRICS a non-western vision

Samir Saran & Vivan Sharan, Hindu

February 14, 2012: On issues of common interest, it is time the five-nation group developed its own responses.

India is all set to host the Fourth BRICS Summit in March this year. The journey from Yekaterinburg to New Delhi has demonstrated that the political will amongst member nations to sustain this contemporary multilateral process is strong. Along the way South Africa has been welcomed into the original "group of four." Yet, the challenge for BRICS has always been, and continues to be, the articulation of a common vision. After all, the member nations are at different stages of political and socio-economic development. While some have evolved economically and militarily they are yet to succeed in enabling plural governance structures, while others who represent modern democratic societies are being challenged domestically by inequalities and faultlines created by caste, colour, religion and history. The BRICS nations do have a historic opportunity — post the global financial crisis and the recent upheavals in various parts of the world — to create or rebuild a new sustainable and relevant multilateral platform, one that seeks to serve the interests of the emerging world as well as manage the great shift from the west to the east.

Way forward

Indeed, two out of the five economies in BRICS, China and Russia, have already emerged, and are veritable heavyweights in any relevant global political and economic discourse. Why then should BRICS depend on sluggish multilateral channels such as the World Trade Organisation (WTO), or try to imbibe didactic, non-pragmatic western perspectives on issues purely of common interest? It is amusing to be offered solutions to poverty and inequality, bottom of the pyramid health models, low cost housing options, education delivery, energy and water provision, et al by the wise men from organisations and institutions of the Atlantic countries. When was the last time they experienced poverty of this scale, had energy deficiency at this level and suffered from health challenges that are as enormous? The responses to the challenges faced by the developing world reside in solutions that have been fashioned organically.

BRICS could systematically create frameworks offering policy and development options for the emerging and developing world and assume the role of a veritable policy think tank for such nations, very similar to the role played by the Organisation for Economic Co-operation and Development (OECD) in the 20th-century world. Thus BRICS must create its own research and policy secretariat (for want of a better term) for addressing specific issues such as trade and market reforms, urbanisation challenges, regional crises responses, universal healthcare, food security and sustainable development (many of these issues are being discussed at the BRICS Academic Forum in March).

Non-traditional security

The OECD's stated mission is to "promote policies that will improve the economic and social well-being of people around the world." Although the BRICS nations account for a fourth of global GDP and represent over 40 per cent of the total global population, none of them are OECD members as yet; instead what they have is "enhanced engagement" with the OECD. The BRICS nations have already created a viable platform for "enhanced engagement" with each other through the institutionalisation

of the annual Leader's summit, preceded by an Academic Forum of BRICS research institutions and a Financial Forum of development banks (and this year, a newly instituted Economic Research Group will focus on specific economic issues). The dominant discourses within each of the BRICS nations today are centred on non-traditional security, which can be efficiently addressed through collective market based response mechanisms.

Despite intra-BRICS trade volumes rising exponentially over the past decade, there are few instances of actual financial integration within the consortium (aside from the case of Russia and China starting bilateral currency trading last year). A useful first step to enable this would be to institute a code of liberalisation of capital movements across the five countries, as a modern day parallel to the 1961 OECD code with an equivalent mandate. In the current environment of global economic uncertainty, multinational corporations are perhaps the most adaptable and profitable drivers of economic growth. Therefore, at the outset, the creation of favourable policies for multinationals to conduct business across BRICS would be well justified. Moreover, just as the OECD has a comprehensive set of guidelines that set benchmarks for various economic activities, from testing standards for agricultural goods to corporate governance of state owned enterprises, the BRICS nations could create their own guidelines on the best practices and standards within the consortium.

Finally, within the BRICS nations, there are both import and export centric economies. This provides an excellent template for a realistic multilateral negotiating platform where obdurate self serving bargaining positions are natural starting points. The stalled discussions at the Doha Round of the WTO are an example of the difficulties of consensus building. Since the BRICS nations are already addressing a plethora of issues covered by the Doha Round, they are well placed to move ahead of it, and resolve mutual positions and common concerns.

What started as an investment pitch by Goldman Sachs (BRIC) has evolved into a useful multilateral instrument, for the BRICS nations. BRICS must now move on from being a grouping of individual nations, discussing agendas, to becoming a “go-to” institution for setting regional and global agendas. The essence and ethos of such an institution must in turn, flow from the inorganic prism of stability, security and growth for all. Stability from business cycles and financial governance failures, security from traditional and non-traditional threats posed to humans and the environment, and unbiased growth and prosperity are common aspirations for all BRICS nations, and they must be achieved and delivered from within. The Fourth BRICS Academic Forum will attempt to address these imperatives.

(Samir Saran is Vice-President and Vivan Sharan an Associate Fellow at the Observer Research Foundation. The foundation is the Indian coordinator for the Fourth BRICS Academic Forum on March 5-6, in New Delhi.)

[Back to top]

The next step for BRICS

Biswajit Dhar, Livemint

Mar 12 2012: In two weeks from now, leaders of BRICS (Brazil, Russia, India, China and South Africa) countries will meet in New Delhi for the fourth summit meeting of the group. Summit meetings of BRICS (South Africa joined the forum last year) have been seen with considerable interest since the first one held in Yekaterinburg in Russia in 2009. This is because the outcomes of the summit meetings are seen as statements of collective intent by some of the more influential countries in today's geo-politico-economic context.

The decision of the then BRIC countries to convene their first meeting came at a historically important juncture when there were unmistaken signs that the balance of economic power had started to tilt away from the hitherto global powers. The prediction that Jim O'Neill of Goldman Sachs had made in 2001 about the emergence of BRIC as economic powerhouses by the middle of the century looked not only credible, it seemed for the first time that perhaps the BRIC countries would be in the driver's seat much earlier.

The confabulations in the first summit clearly indicated that leaders of the BRIC countries were keen to intervene in multilateral fora to not only address the economic crisis, but also to ensure that decisions taken at these fora resulted in a structural transformation of the global economy. More importantly, these countries made an unequivocal statement that the "dialogue and cooperation of the BRIC countries would (be) conducive not only to serving common interests of emerging market economies and developing countries, but also to building a harmonious world of lasting peace and common prosperity".

This intent of the BRICS countries will be tested fully at the forthcoming New Delhi summit for the global economy and polity faces a number of critical challenges. Addressing these challenges is important as most predictions point to a slowdown in the global economy in 2012 coming on the back of the uncertainties facing the euro zone.

At this stage, the first order of business for BRICS as a collective should be to make a decisive intervention to help stave off yet another economic slump. There are ample signs that influential countries are refusing to learn lessons from the immediate past and are not putting in place the systems that can prevent another crisis. Yet again, the most worrying signals are coming from the financial sector—the banking sector is on a tightrope walk. At the height of the pervious financial crisis, banking regulators had taken decisions to introduce stricter capital adequacy norms of the banks and to put in place mechanisms to improve the transparency and disclosures relating to their activities by 2013. There are, however, several roadblocks that would have to be overcome if the new norms are to become effective by the due date, including the tardy progress made by most of the major banking centres towards implementing them.

Strengthening of the regulatory frameworks is but one pillar of a comprehensive reform of the financial sector that BRICS have been arguing for: change in the management of the international financial institutions and allowing emerging economies to have a greater say in the running of these institutions was the other. Although recent reports have indicated that the executive board of International Monetary Fund has informally agreed to a restructuring of the organization's voting rights, giving the emerging economies a better chance to influence its decisions, BRICS would have to ensure through collective action that this change is formalized.

Interlocking of financial and commodity markets leading to a steep rise in commodity speculation has come to be recognized as one of the more undesirable fall-outs of the booming derivatives business. Commodity speculation has had severe impact on the prices of foodgrains: prices of these commodities have touched historically high levels in recent years. As a consequence, the spectre of food insecurity has loomed large. In their first summit, BRIC leaders had taken a grim view of this problem and had agreed to "support the adoption of a wide range of mid- to long-term measures…to provide for a solution to the issue of food security". In order to implement their commitment, these countries should develop a framework of cooperation for reaching out to the countries in distress.

Another equally important issue, one that has not yet found substantial mention in the BRICS summit meetings thus far is public health. Besides growing concerns in a large number of developing countries regarding pandemics such as HIV/AIDS, malaria and tuberculosis, access to affordable medicines and health services are problems that afflict almost every developing country. BRICS health ministers had met after last year's summit to reflect on the most compelling problems and to identify the global forums in which BRICS should intervene. In New Delhi, the leaders must lend their political endorsement to such interventions in order to ensure that the BRICS countries are able to make a change for the better.

Biswajit Dhar is director general at Research and Information System for Developing Countries, New Delhi

[Back to top]

Needed: Brics with Mortar

Sreeram Chaulia, Economic Times

21 Mar, 2012: The fourth summit of the Brics (Brazil, Russia, India, China and South Africa) group of countries in New Delhi on March 29, represents a high-water mark in South-South cooperation. It signifies the will of the five nations to act jointly in global economic and political spheres to further expedite the move away from domination of the planet by erstwhile colonial powers. Brics member states have greater influence on the world stage when seen as talking and acting as a collective instead of individual entities ploughing their respective furrows. Finding strength in numbers has been a time tested strategy in diplomacy and Brics shows how groups command respect for pooling material and ideational power. Generically, the purpose of Brics is to reform the existing institutional framework of post-WW II-post-Cold War origins. Specific proposals and initiatives Brics have undertaken since their first official summit in Russia in June 2009 can be seen to fit under this larger stated purpose. This year's summit has been preceded by the most elaborate preparations ever, with multiple background negotiations prior to the heads-of government show on March 29th. As the host, India is donning the mantle of generating new institutional thinking in the group by advocating a 'Brics bank' that will lubricate the wheels of expanding South-South economic ties and serve the developmental needs of poorer parts of the world. The concept of an intergovernmental bank paralleling or opposing the World Bank and operating on different ideological and procedural bases is not novel, as there is already a 'Bank of the South' (Banco del Sur) in existence in Latin America. It is a monetary and lending organisation with seven member countries, including Brazil, and a modest seed capital of $20 billion. Its mere presence has carved an autonomous space. India's motive and selling point in advancing the proposal for a Brics bank is, likewise, that the Bretton Woods institutions have historically failed to meet the developmental requirements of the Global South and that alternatives can now be erected on the shoulders of rising powers within the South, which have accumulated vast capital reserves. It would be a financial revolution if the proposed Brics bank is integrated with the Bank of the South in Latin America through the common bridge of Brazil. Brics must avoid dangling the threat of launching a new bank only to win some more representation within the World Bank and the IMF. The Brics bank must not become a mere bargaining ploy which could be shelved if more voting rights were given to the five emerging economies in western-led international financial institutions. A bank for the entire Global South should be non-negotiable, so that Least Developed Countries (LDC) keep faith in emerging powers who are growing at a much faster rate. Another challenge for the Brics bank is that Chinese financial might, reflected in the renminbi's gradual globalisation, could have an overshadowing effect.

Reports that China prefers to arrogate to itself permanent leadership of the new Brics bank convey a dangerous turn which could replicate 'reservation' of posts at the top of the IMF and World Bank for European and American nominees. India's preference for a rotating governorship of the Brics bank is more palatable with the overall vision of the grouping that global financial reforms should derive from, and also deepen, multipolarity. The problem of China becoming another Germany, i.e. a super state that controls the Brics financial agenda just as Berlin runs the European Union, needs to be managed by forcing compromise on Beijing. The theme for the New Delhi Brics summit prominently includes the word 'security' alongside economic growth. There is a dire need for better coordination among Brics nations on international political issues. Last year, Brics states were caught flat-footed by the west on the question of intervention in Libya. This year, Brics are split right down the middle on the Syrian crisis, with Russia and China vetoing a western resolution in the Security Council while South Africa and India voted in favour. Unity of 'IBSA' (India, Brazil, South Africa) that negates Brics weakens both groupings. The threadbare unanimity that Brics have demonstrated on global political developments presages a dangerous chasm, whereby emerging powers confine themselves to challenging economic institutions while letting war and peace to continue being dictated by the west. Brics cannot upend the global economic order without soldering a distinctive Southern platform on military developments. Intra-Brics trade and investments do intensify poverty reduction and growth of middle classes, but unless there is a 'Brics line' on international security, our collective worth in the world will remain under-realised.

(The author is Vice Dean, Jindal School of International Affairs)

[Back to top]

BRICS in the wall

Hindustan Times

March 29, 2012: BRICS represents the first important non-western global initiative in the post-Cold War world. But despite the forward movement achieved at the New Delhi summit, Brazil, Russia, India, China, and South Africa remain in search of a common ground that can help turn BRICS into a weighty geopolitical alliance. Without clearly defined objectives and an agreed plan of action, BRICS will be weighed down by internal contradictions, as symbolised by its members' starkly varying political systems, economies, and national ambitions.

The disparate nature of the group's membership — bringing together the world's largest autocracy and democracy, as well as commodity-exporting and resource-hungry economies — has prompted cynics to dismiss BRICS as an acronymic ingenuity without substance. To its protagonists, however, BRICS is a product of the ongoing global power shifts, and has the potential to evolve into a major instrument in shaping the architecture of global governance. As a unified alliance, BRICS could play midwife at a time the qualitative reordering of power symbolises the birth-pangs of a new international order.

On burning international geopolitical issues like Iran and Syria, BRICS actually stands out as the voice of moderation and caution, seeking to provide the balance to the interventionist impulse of western powers. But as the recent UN human-rights resolution on Sri Lanka showed, the grouping is badly split on other issues. The group's main economic giant, China, is also the political outlier that rejects the very concept of national elections and is ever ready to advance its commercial and strategic interests by coming to the succour of a fellow human rights-abusing State.

Economically, BRICS is likely to remain the most important source of global growth. The BRICS grouping, after all, represent more than a quarter of the Earth's landmass, over 41% of its population, almost 25% of world GDP, and nearly half of all foreign-exchange and gold reserves. In a spectacular reversal of fortunes, the developing economies, with their large foreign-currency holdings, now finance the mounting deficits of the wealthy economies.

In this light, BRICS, with its members' collective weight, can exercise significant global financial clout if it gets its act together. BRICS indeed can be called the R-5, after the names of its members' currencies — the real, rouble, rupee, renminbi, and rand. Yet in the period since the Russia-India-China (RIC) initiative enlarged in 2008 to include Brazil and take the name of BRIC — a term coined by a Goldman Sachs economist in 2001 — the group has remained a loose, informal bloc. Last year's expansion of BRIC into BRICS with South Africa's addition has only accentuated the challenge to establish an institutional structure and a common plan of action, even as this enlargement threatens to make irrelevant yet another initiative — IBSA (India, Brazil, and South Africa).

For Brazil, South Africa, Russia, and India, BRICS serves as a forum to underscore their rising economic clout and showcase their emergence as global players. But for China, which needs no recognition as a rising world power, BRICS offers tangible — not just symbolic — benefits. China indeed has cast a lengthening shadow over the grouping, seeking, for example, to control the proposed common development bank — something India and Russia, in particular, are loath to accept.

At a time when China is under pressure for continuing to manipulate the value of the renminbi in order to artificially reduce the price of its goods and services abroad, the BRICS framework offers it a platform to expand its currency's international role. As part of its quest to build the renminbi into an international currency, a cash-rich China is to extend renminbi loans to the other members of BRICS.

Lending and trading in renminbi will further boost China's international status and clout. China's undervalued currency and hidden export subsidies, however, have been systematically undermining manufacturing in other BRICS states, especially India and Brazil.

BRICS proponents still hope that the group can serve as a catalyst for international institutional reforms. The global institutional structure has remained virtually static since the mid-20th century despite the rise of non-western economic powers, and even the G20's formation was an improvisation designed to defer genuine reforms.

Yet, on international institutional reforms, China is hardly on the same page as the other BRICS members. It is a revisionist power concerning the global financial architecture, seeking an overhaul of the Bretton Woods system. But it is a status quo power with respect to the UN system, and unwaveringly opposes expansion of the Security Council's permanent membership. It wishes to remain Asia's sole country with a permanent seat — a position that illuminates its effort to regionally confine India.

BRICS can become a pressure group in international relations only if its members are able to agree on a common action plan. The BRICS States, for example, are generally united in their frustration with — but not in their proposed response to — the dollar's status as the world's reserve currency. Indeed, the most-important bilateral relationship each BRICS country has is with the US. As long as BRICS is unable to present itself as a unified bloc seeking to push specific changes in the present ailing international order, it will continue to be seen by the old powers as embodying an aspiration rather than a threat.

Despite the steps agreed upon at the New Delhi summit, it is uncertain whether BRICS will evolve into a cohesive alliance with defined goals and institutional mechanisms to help pluralise the global order or remain an initiative with a beguiling acronym that does little more than annually bring together its leaders for more discussions. If it is able to develop brick by brick, BRICS could find itself on the evolutionary path treaded by the now-supplanted G7, which also began as a discussion platform before advancing to joint coordination and action among its members on key international issues.

(Brahma Chellaney is Professor of Strategic Studies at the New Delhi-based Centre for Policy Research)

[Back to top]

Prime Minister’s Statement at the BRICS Summit

Ministry of External Affairs website

Prime Minister’s Statement at the Plenary Session of the Fourth BRICS Summit,

New Delhi, on March 29, 2012:

Your Excellency President Dilma Rousseff,

Your Excellency President Dmitry Medvedev,

Your Excellency President Hu Jintao,

Your Excellency President Jacob Zuma,

Distinguished delegates,

Let me once again welcome all of you to New Delhi. India is privileged to host the fourth BRICS Summit and assume the Chairmanship of the group.

The global situation facing us today presents a mixed picture. On the one hand, emerging market economies are growing at a healthy pace and increasing their share in global trade and output.

On the other hand, many obstacles have to be overcome if we are to sustain rapid growth in the years ahead. We are all affected by the global economic slowdown, the volatility in food and energy prices, the challenge of reconciling growth with environmental objectives, the political uncertainty in West Asia and the rise of terrorism and extremism. Our responses to these challenges may be different, but there is much common interest that binds us together.

I would like to share some thoughts on ten specific issues that I believe concern us all.

First, each of our countries has a unique demographic profile that presents its own challenges. In India, for example, we need to create 8 to 10 million jobs every year over the next decade to absorb the expected growth in the labour force. We are working on ambitious programmes of skill upgradation and education and creation of an environment conducive to an expansion of productive job opportunities. We would like to learn from the experiences of other BRICS countries on how they are dealing with these problems.

Second, the conceptual analysis that produced the positive BRICS narrative was based on a model of catch-up growth in which supply side constraints were not adequately addressed.

Today, it is clear that constraints such as the availability of energy and food for countries that account for more than 40% of the world population can impede the entire story. Water is another critical area of scarcity which needs much greater attention than it has received thus far. We have much to learn from each other in how to handle these problems, and there is also room to cooperate internationally.

Third, we are united in our desire to promote sustained and balanced global economic growth. As members of the G-20, we must together ensure that appropriate solutions are found to help Europe help itself and to ensure policy coordination that can revive global growth. We should also cooperate closely to breathe life into the Doha Round, looking for innovative solutions to overcome barriers that have stalled progress.

Fourth, as large and diverse economies, we should make a special effort to find ways to exploit intra-BRICS complementarities. We should promote greater interaction amongst our business communities. Issues such as easier business visas must be prioritized. As large trading countries, BRICS have a strong interest in removing barriers to trade and investment flows and avoiding protectionist measures.

Fifth, to revive global demand and growth, developing countries need access to capital, particularly for infrastructure development. We must address the important issue of expanding the capital base of the World Bank and other Multilateral Development Banks to enable these institutions to perform their appropriate role in financing infrastructure development.

We have agreed to examine in greater detail a proposal to set up a BRICS-led South-South Development Bank, funded and managed by the BRICS and other developing countries.

Sixth, BRICS countries must also work together to address deficiencies in global governance. Institutions of global political and economic governance created more than six decades ago have not kept pace with the changing world. While some progress has been made in international financial institutions, there is lack of movement on the political side. BRICS should speak with one voice on important issues such as the reform of the UN Security Council.

Seventh, each of our countries is grappling with how to pursue 'green' growth without compromising on current needs. At the core of this complex issue is the use of fossil energy and the impact that it has on the environment.

We must reduce energy intensity of GDP by promoting energy efficiency and developing clean energy sources. This calls for greater investments in research and development, sharing of best practices, and encouraging transfer of technology. A dialogue between energy producers and consumers would also help in ensuring stability in energy markets.

Eighth, as our countries experience significant increases in per capita income, we will also face issues related to income inequality within our countries. Inevitably, we will handle the problem differently, but it may be useful for us to share experiences in this area.

Ninth, urbanization presents common challenges for all our countries. We should encourage sharing of experience in areas such as urban water supply and sanitation, waste management, storm water drainage, urban planning, urban transport and energy efficient buildings.

Finally, the continued prosperity of BRICS is linked closely also to the geopolitical environment.

In our restricted session, we discussed the ongoing turmoil in West Asia and agreed to work together for a peaceful resolution of the crisis. We must avoid political disruptions that create volatilities in global energy markets and affect trade flows.

All of us understand the threat that terrorism poses to our societies. We must therefore enhance cooperation against terrorism and other developing threats such as piracy, particularly emanating from Somalia.

We have also agreed on the need to restore stability in Afghanistan, and the importance of sustained international commitment to its future.

Excellencies, we have drawn up an ambitious Action Plan that will be adopted today along with the BRICS Delhi Declaration. I hope that we will be able to collaborate and cooperate with each other to shape global developments and bring tangible benefits to our peoples.

India reaffirms its full commitment to work with BRICS in this endeavour.

Thank you.

[Back to top]

Scope to improve intra-BRICS trade

Ritesh Kumar Singh, Hindu Businessline

Non-tariff barriers and unexplored potential in services trade have held back trade among these countries.

3 April: The continuing economic slowdown in EU, Japan and the US emphasises the role of BRICS (Brazil, Russia, India, China and South Africa) as a new global growth engine, an alternative export market, and a key sourcing hub. The economic might of BRICS can be gauged from the fact that it accounted for 42.3 per cent of global population, 18.2 per cent (25.7 per cent on PPP basis) of global GDP, 17.8 per cent of FDI and 16.3 per cent of global trade in 2010.

However, despite the existence of the huge trade (and investment) potential on account of similar consumer preferences, comparable per capita income, and often complementarities of resource endowment, the intra-regional trade among BRICS nations isn't even 10 per cent of their total trade.

India's trade

When it comes to India's trade (export and import taken together) with the BRICS, it has grown from roughly US$ 9 billion in 2000-01 to US$ 106 billion in 2010-11. As a result, its share in India's merchandise trade has almost doubled (from 9.4 per cent to 17.1 per cent) in this period.

This is quite in contrast to the share of India's traditional trading partners — EU-27 and North America — which has declined from 36.5 per cent in 2000-01 to 22.6 per cent in 2010-11. When it comes to India's export, this decline (in the share of EU-27 and North America) is sharper i.e. 29.3 per cent in 2010-11 from 46.3 per cent in 2000-01. This underlines the growing importance of the BRICS region as a key export market vis-à-vis the developed markets.

However, growth in India-BRICS trade isn't homogeneous across all member countries. A deeper analysis of the trade data shows that (i) roughly three-fourth of India's trade with BRICS is accounted for by China & Hong Kong (ii) trade with Russia hasn't kept pace with the growth of either India's overall trade or trade with the BRICS region; India's export to Russia has increased by 78 per cent in contrast to Brazil (1657 per cent), China (762 per cent) or South Africa (1183 per cent) in 2001-11 (iii) In this period, India's exports to China & Hong Kong has increased by 8 times, while import from China & Hong Kong has shot up by 21 times (iv) India has a narrow export basket with respect to China, with iron ore and copper cathode accounting for more than half of its export in terms of value (v) Again, India has a narrow import basket with respect to Brazil, Russia and South Africa, where a few items account for more than half of its imports.

This situation has to change if India-BRICS bilateral trade has to reach US$ 500 billion by 2015 and India has to overcome the adverse impact of financial crisis in its traditional export markets. It would be interesting to know what factors are impeding India-BRICS trade, especially the trade between India and 'non-China & Hong Kong BRICS' members.

Factors affecting trade

The most important factor hampering India-BRICS trade is poor infrastructure and trade facilitation regimes which add to the cost of trade transactions. Cumbersome documentation and customs clearance (India & Russia), poor inland transportation and terminal handling (Brazil, Russia & South Africa) reduce net realisation from trade, and often drive out businesses operating on thinner margin from the export markets.

Relatively higher duties on items of trade interest e.g. textiles and clothing, transport vehicles and food products have hampered trade between India and Brazil. Here, the limited nature of India's PTA with the Latin American trade bloc Mercosur, covering a few hundred items with 10-20 per cent duty discounts hasn't been of much help. Logistical disadvantage arising out of dearth of direct shipping lines between India and Brazil also impedes trade between India and its Latin American BRICS counterpart Brazil.

Russia's unpredictable trade policy environment, being a non-WTO member country, and its poor trade facilitation regime have not helped India-Russia trade take off after the break-up of the Soviet Union. Experience shows that trade flows get boosted by flow of investment. Despite the BRICS region being one of the largest recipients of FDI, intra-regional FDI in BRICS region is low, and that is truly reflected in low intra-BRICS trade.

But the most important factors hampering intra-BRICS trade in general, and India-BRICS trade in particular, are prevalence of non-tariff barriers and relatively-low emphasis on trade in services, even though the service sector accounts for 60 per cent or more of GDP in all BRICS countries except China (43 per cent). Increasing cost of compliance with a barge of non-tariff trade barriers, especially TBT and Sanitary and Phyto-Sanitary (SPS) measures adversely affect the cost-competitiveness of traded products and hurt intra-regional trade flows.

Less focus on trade in services has kept the largest segment of the BRICS economies from benefiting from the economic expansion of the region, and exposes individual economies to fluctuations in Europe and North America. Trade in services is more advantageous in the sense that it isn't affected by customs duties, poor infrastructural facilities, and logistical disadvantage. Besides, given the abundant supply of educated workforce in India, it has natural cost advantage in services.

Trade prospect

What needs to be done? The goodwill generated during the recent BRICS summit in Delhi can be leveraged to address these issues when WTO Doha round talks are stalled, and continuing economic slowdown and growing protectionism have led to the shrinkage of traditional export markets of the EU and US. This calls for renewed emphasis on greater South-South cooperation.

The principle measures needed are inclusion of trade in services under intra-BRICS PTAs and development of mutual recognition agreements (MRAs) to reduce the trade-distorting effect of NTBs and SPS regulations. Rationalisation of trade documentation and customs procedures will improve trade facilitation. Liberal FDI regimes to attract intra-regional FDI inflows would be a great boost-up.

Expansion of India-Mercosur PTA into a comprehensive economic pact covering trade in goods, services and investment, as well as India-South Africa Customs Union trade agreement, will help in increasing India's trade with Brazil and South Africa. Russia's entry into the WTO fold will open up the huge markets of Russian customs union for businesses. Extension of credit facilities in local currencies and multilateral letter of credit confirmation will further help intra-BRICS trade.

However, all these steps will not be sufficient to deal with the imbalances of India-China trade. This will require concerted efforts to widen India's export basket. China, on its part, will have to do away with many of its instruments of unfair trade, and make its trade regime WTO-compliant. This is easier said than done.

(The author is an expert in international trade for a top corporate house.)

[Back to top]

BRICS Push to Redress Power Imbalances at New Delhi Summit

Bridges Weekly Trade News Digest

4 April: Heads of state from Brazil, Russia, India, China, and South Africa - collectively known as the BRICS countries - concluded their fourth annual summit meeting in New Delhi on 29 March, with officials signing an accord to promote intra-BRICS trade in local currencies and proposing the creation of a new development bank to mobilise resources in the five-country group.

The one-day summit resulted in the Delhi Declaration, named after this year's host city. The heads of state gathering was the second since the original BRIC grouping took on a fifth member, South Africa, and the fourth since Brazil, Russia, India, and China began meeting collectively in 2009.

World Bank race

A major overhaul of the Bretton Woods institutions has long been a goal of the BRICS countries, with the issue drawing additional relevance now that the race for a new World Bank head is underway in earnest. At the summit, the five heads of state reiterated earlier pleas for the World Bank and International Monetary Fund (IMF) chiefs to be selected through "an open and merit-based process."

Historically, the United States has picked one of its own to head the World Bank, while the IMF chief has always been European. The trend continued last year, when former French Finance Minister Christine Lagarde was selected to replace Dominique Strauss-Kahn as the IMF's new managing director.

The US has nominated Jim Yong Kim - a global health expert who is currently president of a US university - as a candidate to fill outgoing World Bank President Robert Zoellick's spot. Kim is competing for the post with Nigerian finance minister Ngozi Okonjo-Iweala - backed by South Africa, among others - and former Colombia finance minister José Antonio Ocampo.

Despite calls for a more open process, however, the BRICS countries have yet to coalesce behind either of the candidates vying against Kim for the post, which some analysts note is an indication of a broader difficulty to foster unity among the five emerging economies.

BRICS development bank?

The heads of state also put forward the possibility of their own development bank, one that would be charged with "mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries."

BRICS finance ministers have been directed to explore such an initiative's feasibility, and report back to leaders at next year's summit.

The suggestion of a BRICS development bank was backed by Zoellick, who promised that his institution would support a BRICS bank, though he acknowledged that such an initiative might not be easy to implement.

If the BRICS countries "decide they want another financing vehicle - fine. Let's figure out how to work with it… I'm enough of an economist that I'm not a monopolist," the World Bank chief told the Financial Times.

Trade and development

With the WTO's Doha Round of trade talks having been declared at an impasse last year, the BRICS leaders pledged to continue efforts for the round's successful conclusion, "based on the progress made and in keeping with its mandate."

"Towards this end, we will explore outcomes in specific areas where progress is possible while preserving the centrality of development and within the overall framework of the single undertaking," the group said.

Long-standing disagreements between developed economies - such as the US and EU - and major emerging economies - such as Brazil, China, and India - on non-agricultural and agricultural market access have widely been faulted for putting the Doha negotiations on hold.

In light of the Doha stalemate, trade ministers agreed in December to explore "new negotiating approaches" that would allow for members to advance the trade talks in areas where progress might be achieved.

However, at last week's meeting, the BRICS leaders stressed that members should be wary of pursuing plurilateral initiatives in the absence of movement in the Doha talks.

"We do not support plurilateral initiatives that go against the fundamental principles of transparency, inclusiveness, and multilateralism," they said. "We believe that such initiatives not only distract members from striving for a collective outcome but also fail to address the development deficit inherited from previous negotiating rounds."

A subgroup of 16 WTO members - including the US, EU, and Australia - has recently begun holding "exploratory talks" on the possibility of a services liberalisation agreement. The prospect of this services initiative has not received a warm welcome from all WTO members, with emerging economies being among those that have questioned the systemic implications of adopting a plurilateral approach to negotiations.

Speaking to reporters in February, US Ambassador Michael Punke noted, however, that "everyone's preference is for the emerging economies to be part of all the [services] discussions we have in Geneva because those are the markets that everybody is most interested in."

Officials from the BRICS countries also signed two agreements to provide credit lines to the business community - pacts that are seen as a step toward fulfilling the five countries' long-standing goal of eventually replacing the dollar as the main unit of currency between them and increasing intra-BRICS trade.

Rich country monetary policy under fire

Monetary policy featured prominently in the joint statement, with the group lambasting "aggressive policy actions" taken by developed countries to protect their domestic economies, which have been blamed for releasing global liquidity that spills over into emerging markets, such as Brazil, causing currency appreciation and affecting export competitiveness.

Speaking to Reuters prior to the event, Brazilian Trade Minister Fernando Pimentel said that Brazil - which has been hard-hit by the appreciation of its currency, the real - would be pushing its emerging market peers, including China, to denounce what it calls unfair monetary policies by the US and the euro area.

Before the five-country meet, China had been concerned that language on global monetary imbalances could make it seem like Brazil "could be indirectly referring to them," Pimentel said, given that Brazil and India have traditionally been worried about the negative effects of an undervalued Chinese currency on their exports.

However, “today’s [problem] doesn’t have to do with China,” the Brazilian trade minister continued. “It has to do with the dollar and the euro.”

Rio+20

The upcoming Rio+20 conference also featured in the final summit declaration, with leaders calling the event a “unique opportunity” for the international community to renew its commitment to supporting sustainable development.

However, the heads of state cautioned, “the concept of a ‘green economy’, still to be defined at Rio+20, must be understood in the larger framework of sustainable development and poverty eradication and is a means to achieve these fundamental and overriding priorities, not an end in itself,” referring to the ongoing debate among countries over whether the concept of a ‘green economy’ could be synonymous with green trade protectionism and conditionalities.

“We resist the introduction of trade and investment barriers in any form on the grounds of developing green economy,” they added, calling instead for flexibility for governments to “define their paths towards sustainable development based on the country’s stage of development, national strategies, circumstances, and priorities.”

Together, the BRICS countries represent over 40 percent of the world’s population and approximately a quarter of the global economy at US$13.5 trillion. The next BRICS summit will be hosted by South Africa in 2013.

[Back to top]