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## Working towards BRICS cooperation, consultation and coordination

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ORF Director Sunjoy Joshi said 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 next year.

Taking forward some of the issues deliberated at the New Delhi BRICS Summit, held in March this year, but needed further discussions, Observer Research Foundation, along with the CUTS International, organised a half-day seminar on "BRICS Trade, Investment and Finance Cooperation" on July 17.

ORF, the official coordinator of the BRICS Academic Forum, had organised the 4th Forum meeting in New Delhi, a few weeks before the Summit, which had come up with a 17-point Recommendation, including the proposals to set up a BRICS Development Bank and an Investment Bank.

Giving the opening remarks, Mr. Sunjoy Joshi, Director, ORF, said this 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 next year.

Mr. Joshi said 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 host a number of visiting scholars from across BRICS countries at New Delhi this year along with a Track II meeting in India, in the run up to the next summit.

Setting the background for the discussion, Mr. Pradeep S. Mehta, Secretary General of the CUTS International, highlighted the importance of South-South cooperation and the promotion of fair and sustainable markets, emphasizing the high growth rate of South-South trade. He also raised issues like such as the impact of the Trans-Pacific Partnership on the BRICS group.

Delivering the opening remarks, Mr. G. K. Pillai, the R K Mishra Chair at ORF and a former Union Commerce and Home Secretary, pointed out the skewed information flow, skewed trade flows and also the skewed financial structure. He said the hegemony of western credit rating agencies such as Standard and Poor's and Moody's, who sometimes time their reports according to their biased agendas, should be countered with the BRICS coming together to form their own credit rating agency. He said 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.

Mr. Dinesh Bhatia, Joint Secretary (MER), Ministry of External Affairs, discussed the long term vision for BRICS countries. 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 Co-operation 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 United States by 2015. The five countries are collectively blessed with vast reserves of precious natural resources. China not only accounts for 12 per cent of the world's mineral resources, but it is also the world's factory. Mr. Bhatia highlighted how intra-BRICS trade comprises 8 per cent of the total global trade, having grown 9 times in the last 10 years. Unsurprisingly, China continues to be the largest trading partner.

In addition to trade, Mr. 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, Mr Zothan Khuma, Director, Ministry of Commerce, listed the 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. The countries will now 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 are yet to determine whether membership will be limited to government officials.

Interesting discussion 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 organization 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 to rebalance the global economy through a supplementary institution. Dr. Usha Titus explained the difficulties existing Multilateral Development Banks (MDBs) 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.

Mr. 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 per cent 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 said 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 not follow western precedent, meaning, they should not introduce the veto system that has come in for so much criticism. Instead, they should expand by bringing in other state members and distribute the shares on a 51 to 49 per cent basis with the majority stake being 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 of this kind of sessions should take place in the future to come up with ideas and suggestions to deal with the challenges. There was also a suggestion to propose a joint BRICS visa for all the member countries which would help ease travel.

The event, chaired by Mr. G. K. Pillai, was attended by experts and members of the strategic community, representatives from various ministries, diplomats and ORF faculty.

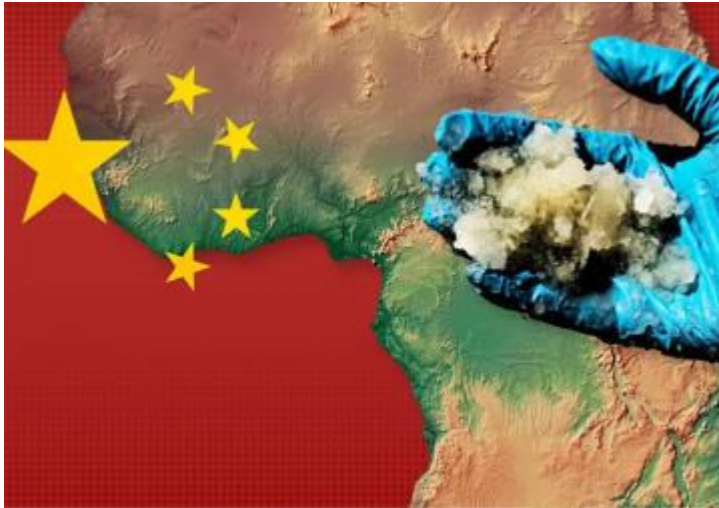
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