

**MEMBERS' REFERENCE SERVICE
LARRDIS
LOK SABHA SECRETARIAT, NEW DELHI**

REFERENCE NOTE

No.50/RN/Ref./November/2016

For the use of Members of Parliament

NOT FOR PUBLICATION

INDIA AND BRICS

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INDIA AND BRICS

Introduction

The term BRIC (Brazil, Russia, India, and China) was first coined by the Chief Economist of Goldman Sachs, in 2001 in the context of an exercise to forecast global economy trends over the next half century. BRIC as a forum was formalized with the meeting of Foreign Ministers of the four countries on the margins of the UN General Assembly in New York in September, 2006. The First BRIC Summit was held in Yekaterinburg, Russia in 2009. Following a consensus amongst the BRIC leaders, South Africa was invited to join the forum on 24 December, 2010 and BRICS was formed.

Key Features of BRICS Countries¹

<i>Country</i>	<i>Population</i>	<i>Gross Domestic Product</i>	<i>GDP Purchasing Power Parity</i>	<i>GDP Growth</i>	<i>Foreign Exchange Reserve</i>	<i>Literacy Rate</i>
		<i>US \$/2016</i>	<i>US\$</i>	<i>% 2015</i>	<i>2015</i>	<i>%</i>
<i>BRAZIL</i>	204,451,000	1,534.7 Bn	3,101.2 Bn	▼-3.5%	\$362,744 bn	92.6%
<i>RUSSIA</i>	146,300,000	1,132.7 Bn	3,684.6 Bn	▼-2.7%	\$358,500 bn	99.7%
<i>INDIA</i>	1,327,670,000	2,288.7 Bn	8,642.7 Bn	▲7.5%	\$352,131 bn	74.04%
<i>CHINA</i>	1,381,454,000	11,383.0 Bn	20,853.3 Bn	▲6.9%	\$3,899,285 bn	96.4%
<i>SOUTH AFRICA</i>	55,831,000	266.2 Bn	735.0 Bn	▲1%	\$47,190 bn	94.3%

The formation of BRICS was rooted in the long-term common economic interests of the member countries, which include reforming the global financial and

¹ www.economicstimes.indiatimes.com

economic architecture, strengthening the principles and standards of international law and supporting the complementarities in many sectors of their economies.

Reasons for collaboration of BRICS member²

- Member countries are big countries in both area and population, and face similar challenges.
- Member countries want to make proper use of their untapped economy through collaboration
- Member countries aim to create alternative goal infrastructure in economic and financial fields.
- Member countries want to explore the markets in their region as the countries are gateways into macro regions like South Africa for African region, Brazil for Latin American region

Starting essentially with economic issues of mutual interest, the agenda of BRICS meetings has considerably widened over the years to encompass topical global issues such as climate change and sustainable development, food and energy security, health, the global trading order, post 2015 development Agenda, reforms in international economic and financial institutions and international and regional political developments. BRICS cooperation has two pillars –

- (i) consultation on issues of mutual interest through meetings of Leaders as well as of Ministers of Finance, Trade, Health, Science and Technology, Education, Agriculture, Communication, Labour, etc.
- (ii) and practical cooperation in a number of areas through meetings of Working Groups/Senior Officials.

² Russia SDWG analysis Power presentation

*BRICS Summits*³

- Over the past decade, eight summit meetings have taken place, attended by leaders of the respective BRICS countries with the first summit taking place in Yekaterinburg, Russia in 2009 and the eighth summit in October, 2016 in Goa, India.
- The First Summit (Yekaterinburg, Russia, 2009) mostly focused on economic and financial issues arising out of the 2008 financial crisis, reform of International Financial Institutions, Sustainable Development and measures to combat climate change.
- The Second Summit (Brasilia, Brazil, 2010), focused on identifying intra-BRIC cooperation initiatives and also included input from civil society. The joint declaration from this summit focused on increasing the voting quotas of the BRICS within the IMF and fostering greater involvement in the choice of leaders for the IMF and the World Bank.
- With the admission of South Africa to the BRICs fold, the Third Summit (Sanya, China, 2011) added strength to its geographical representation thus opening a new foray into the African continent. Apart from discussing UN reform, combating terrorism in line with the UN and economic cooperation, an Action Plan was formulated to deepen areas of cooperation in diverse fields such as health, science and technology, renewable energy, peaceful use of nuclear energy, eradication of hunger and poverty as well as re-emphasizing the UN Millennium Development Goals.
- The Fourth Summit (New Delhi, India, 2012) was remarkable for enunciating financial cooperation with third countries through the establishment of the BRICS Bank for financing infrastructure needs and

³ www.india-briefing.com

sustainable development projects of BRICS and other developing countries. The Agreement was also signed to facilitate credit approval in local currencies for establishing and strengthening the economies of BRICS countries.

- The Fifth Summit (Durban, South Africa, 2013) laid the foundation for ushering Contingence Reserve Arrangement with an initial amount of USD \$ 100 billion, adoption of the feasibility report for setting up BRICS Development Bank and establishing two important centres, namely, BRICS Business Council and BRICS Think Tanks Council for enhanced coordination and cooperation among member countries.
- At the Sixth Summit (Fortaleza, Brazil, 2014) to fund infrastructure and sustainable development projects in emerging markets were signed. Furthermore, under Contingency Reserve Arrangement (CRA), an amount of USD\$ 100 billion was allocated for forestalling short-term Balance of Payments pressures.
- The New Development Bank (NDB), that was decided at the Sixth Summit had a startup capital of USD\$50 billion with the capital increased to USD\$ 100 billion over time. With Pretoria, South Africa , being the regional hub and named as the ‘New Development Bank Africa Regional Center’, each of the constituent countries, Brazil, Russia, India, China and South Africa, made an initial contribution of USD\$ 10 billion each to the fund with the primary focus of lending on infrastructure projects of up to an estimated lending of up to USD\$ 34 billion annually.
- The Seventh BRICS Summit (Ufa, Russia, 2015) underwent the process of ratification of constituting agreements of Contingency Reserve Arrangement as well as the New Development Bank. With the consent of the Bank’s

Council of Governors and Board of Directors, Contingent Reserve Arrangements became fully operational thus providing a clear road map to strengthen, diversify and enhance trade and investment among the five BRICS countries.

- At the eighth Summit (Goa, India, 2016) member countries strongly condemned terrorism in all its forms and manifestations, particularly attacks against its members. Agreements for establishment of BRICS Agricultural Research Platform, Mutual Cooperation between Diplomatic Academies and Regulations on Customs Cooperation Committee were signed. The summit deliberated on the possibility of setting up an independent BRICS Rating Agency based on market-oriented principles, in order to further strengthen the global governance architecture. The summit also forged new bridge between BRIC nations and BIMSTEC nations comprising India, Nepal, Bangladesh, Bhutan, Sri Lanka, Thailand and Myanmar.

Challenges for BRICS⁴

- The BRICS economies share some domestic and socio-economic challenges that must be addressed independently of their group activism in order to accomplish their major goals as a group, viz. inequality (economic, social and political), corruption, improvements in health care and education, and human rights.
- There is the IBSA (another grouping of ‘democracies’ established in June 2003 named after its members, India, Brazil and South Africa). With such parallel groupings already at work, a major challenge for BRICS is to neatly manage the overlap in mandates that can arise in such situations.

⁴ <http://www.idsa.in/>

- The ultimate (and realistic) aim for the BRICS should be to take up a leadership role in reforming global financial and political institutions without rendering existing institutions null and void.
- Better understanding among the member states is also a major challenge.

India in BRICS⁵

- India shares close economic and cultural ties with her BRICS partners. India attaches high importance to engagement with BRICS as a platform for coordination, consultation and cooperation on current issues. India's engagement with BRICS countries may be seen in the context of our proactive and broad-based international engagement to contribute towards building a peaceful and prosperous world.
- India's trade with BRICS partners is about US\$ 95 billion [2013-14 data from the Ministry of Commerce & Industry of India]. India's strengths lie in labour, services, generic pharmaceuticals, and information technology. There are significant synergies with other BRICS partners which may be tapped to further strengthen intra-BRICS linkages in these areas.
- India's notable contribution to BRICS is proposal of the New Development Bank which was put on the BRICS agenda at the 4th Summit hosted by India in New Delhi in March 2012. Subsequently, India hosted the first Negotiation Meeting for taking this initiative forward in August 2012. After several rounds of negotiations and Finance Ministers' meetings, the Agreement for setting up the Bank has been signed at the 6th Summit in Brazil in July 2014. The Bank has headquarters in Shanghai, with a regional office in South Africa. The first President of the Bank is from India.

⁵ <http://www.indianembassy.ie>

- Other Indian initiatives include a BRICS Report released at the Delhi Summit in March 2012 focusing on synergies and complementarities between the BRICS economies and highlighting their role as growth drivers of the world economy.
- India also added the Urbanization Forum to BRICS cooperation mechanisms to bring greater focus on intra-BRICS cooperation to learn from each other's experience in tackling challenges of rapid urbanization faced by all BRICS members.
- India institutionalized the practice of holding BRICS Academic Forum meetings as preparatory meetings feeding into the Summit agenda by hosting the first such meeting in New Delhi in May 2009 before the first BRIC Summit held in Yekaterinburg, Russia in June 2009.
- At the 6th BRICS Summit in Brazil in July 2014, India has proposed important initiatives in order to strengthen intra-BRICS cooperation. These initiatives relate to online education, an affordable health care platform, a virtual BRICS university, BRICS language schools, cooperation in small and medium enterprises, tourism, youth exchanges, a Young Scientists Forum and disaster management.

NEW DEVELOPMENT BANK (BRICS Bank)⁶

The New Development Bank is key milestone of the cooperation among emerging economies and developing countries. It is a testament of coming of age of these countries in the world of development finance.

The idea for creation of the New Development Bank was *first mooted in the Fourth BRICS Summit at New Delhi on March 29, 2012* to meet the development funding requirements of the five founding countries namely Brazil, Russia, India, China & South Africa (BRICS) and other emerging economies and developing countries as well. On July 15, 2014 at the Sixth Summit in Fortaleza, Brazil the member countries signed the Articles for the New Development Bank with an *Authorized Capital of USD 100 billion*

The founders established the Bank with a purpose of mobilizing resources for *infrastructure and sustainable development projects* in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development. The first Board of Governors meeting of the Bank was held in Moscow, Russia on July 7, 2015 where the Bank formally came into existence as a legal entity. **Mr. K.V. Kamath** was elected the first President of the Bank and the Vice-Presidents were appointed by the Governors. The bank is *headquartered in Shanghai, (China) with a regional office in Johannesburg, (South Africa).*

Conclusion

BRICS member countries, home to 43 per cent of the worlds' population, account for around 30 per cent of global GDP and 17 per cent share in the world trade. In other words, the BRICS countries are collectively the largest market in the world, and their cumulative GDP has more than tripled in the last ten years. However, despite these impressive figures and the institutional mechanism already in place, the volume of trade within the alliance, which in 2013 was estimated at \$300 billion, accounts for a mere 6.5 per cent of their total turnover of goods with the outside world. This can be explained by the fact that there are great distances separating the BRICS member countries, and not just geographically. Member countries enjoy different rates of economic growth; direct air service exists only between a few of their very largest cities; their respective languages are not commonly studied at schools and universities, meaning that even educated people from the five countries have very little understanding of their respective histories and cultures; and their societies are made up of different ethnic and religious groups. For the success of this forum and to face the existing global challenges BRICS member countries will have to realize on its full potential and resources by involving the rest of the world.