



**FACING CHALLENGES, BUILDING CONFIDENCE**

**BRICS BUSINESS COUNCIL  
SECOND ANNUAL REPORT 2014-2015**

**Ufa, Russia  
2015**

## FOREWORD

The Chairpersons of the BRICS Business Council (BBC) countries are honored to submit the “BRICS Business Council 2014-2015 Second Annual Report” to the Governments of the BRICS nations.

The current world economic situation is characterized by low growth, low trade flows, low investment, combined with high equity prices and high debt levels. According to the United Nations World Economic Situation and Prospects 2015 Report (Update as of mid-2015), growth of world gross product is projected to improve slightly from 2.6 per cent in 2014 to 2.8 per cent in 2015. In 2016, global growth is forecast to improve to 3.1 per cent, which is still well below the pre-crisis pace. The report notes that the growth divergence between the various regions will likely widen in 2015 because of the differing impacts from the recent drop in the prices of oil and other commodities. The short-term growth prospects of most commodity-exporting economies have been downgraded; by contrast, commodity-importers tend to benefit from the lower prices in the form of reduced inflationary, fiscal and balance-of-payment pressures.

There are still significant downside risks to the forecast related to the impact of the upcoming monetary policy normalization in the United States, ongoing uncertainties in the euro area, potential spillovers from geopolitical conflicts and persistent vulnerabilities in emerging economies. These individual risk factors are interconnected and could be mutually reinforcing, potentially leading to a weaker than expected expansion of the global economy. The broad-based weakness in investment worldwide not only holds back current growth, but also reduces potential growth in the future.

During the last years, the emerging countries have had an important role on the world stage, even as they faced a huge financial crisis. Their image has undergone a radical change through the most dynamic growth in the world and through the diminishing of the population growth rate which has led to an increase in GDP per capita. This was possible due to the increasing degree of economic integration of emerging countries in the global economy materialized in the trade and financial sectors.

BRICS countries are part of those emerging countries, and they have been playing an important role on the global economy. They are developing countries with relevant global economic performance and high potential and with systemic importance for the world economy. In this respect, their national performances have profound implications both regionally and globally. All these features together with a number of common interests’ shows that BRICS countries have emerged as a group of developing countries where government representatives have some weight in decision-making at the international level.

However, it should be noted that there are important differences in the five countries in terms of production structure by sector, opening outward, exchange rate regime etc., and social challenges that need to be considered.

The BBC is aiming at articulating the opportunities of cooperation from the perspective of the private sector communities of the BRICS countries, and suggesting initiatives and actions to the BRICS Governments in order to foment and enhance trade and investments ties.

Considering the above mentioned scenario, the BBC recognizes that public finance is essential for providing public goods and services, increasing equity, enhancing macroeconomic stability, and protecting sustainability. The emergence of new public development finance institutions in developing countries presents new opportunities to transform the outlook for international public finance to promote sustainable development. In this sense, the BBC congratulates the BRICS governments on the New Development Bank (NDB) initiative, which presents potential for scaling up financing for sustainable development and infrastructure.

In relation to sustainable growth, the BBC considers that climate change is a real issue that confronts all the countries, and that there is a collective responsibility to contribute to the mitigation effort. On the path towards energy efficiency and the use of renewable sources of energy, the achievement of a balanced agreement on climate change and sustainable growth at the global level is equally important, including all aspects related to climate action plan such as adaptation, emission reduction, availability of finance and transfer of technology at affordable cost. The energy sector should be based on three principles: affordable, reliable, sustainable energy for all; low carbon economy; and energy sector to be dovetailed as a catalyst to create sustainable economy and long term jobs, thereby attaining energy security in the BRICS region.

Considering this background, the BBC adopted this Second Annual Report, themed “Facing Challenges, Building Confidence”. Our work program for 2015-2016 is focused on the following priorities:

- Creating a favorable business environment;
- Trade in local currencies;
- Facilitating business travel;
- Implementing trade facilitation;
- Regulatory cooperation;
- Promoting cooperation in infrastructure development;
- The New Development Bank;
- Enhancing investment ties;
- Business promotion;
- Recognizing the advisory role of the BBC and establishing dialogues within the governmental structures of the BRICS.

The above list of priorities identified by the BBC under the Brazilian leadership was built having in mind the current macroeconomic situation and based on the

recommendations made by members in the First Annual Report, developed with the guidance of South Africa and delivered to BRICS Heads of State during the VI BRICS Summit, in Fortaleza, Brazil.

In this document, BBC reports on its initiatives during 2014-2015 and sets out practical actions that BRICS economies could take to advance greater economic, trade and investment ties amongst the BRICS countries.

The reports of the six BBC Working Groups are annexed to this report, bringing detailed information of their activities and recommendations in the following areas: Agribusiness, Energy and Green Economy, Financial Services, Infrastructure, Manufacture, and Skills Development.

This Second Annual Report brings also the document "Recommendations for the NDB", prepared jointly by the Working Groups, and the text of the "BRICS Business Council Declaration on Investment Principles", which will be also delivered to the BRICS Leaders during the VII BRICS Summit in Ufa, Russia.

BBC commends this report to the BRICS Leaders and looks forward to discussing its recommendations during a future dialogue between the private sector and the Governments of the BRICS economies.

Ufa, 8<sup>th</sup> July 2015.

Mr. Sergey Katyrin (Russian Federation)

Mr. José Rubens de La Rosa (Federative Republic of Brazil)

Mr. Onkar Kanwar (Republic of India)

Mr. Ma Zehua (Peoples Republic of China)

Mr. Brian Molefe (South Africa)

## KEY RECOMMENDATIONS FOR THE BRICS GOVERNMENTS

The recommendations of the BBC to the BRICS Governments in this Second Annual Report are summarized, as following:

- **Favorable business environment** - Concentrate efforts in deepening the provision of information on how to do business in their respective countries, focusing on transparency promotion over local legislations and requirements for trade and investments, and establishing national focal points, where business doubts could be resolved;
- **Trade in local currencies** - Develop the infrastructure to support payment in the local BRICS currency, including the settlement system, and to formulate the relevant supporting policies, establishing an on-lending cooperation mechanism and also improving the arrangements on bilateral currency swaps;
- **Business travel facilitation** - Initiate discussions about developing a “BRICS Business Travel Card”, as well as to agree on Reciprocal Visa Exemption Arrangements and Visa Facilitation Agreements;
- **Trade facilitation** - Reinforce their cooperation on ratification of the Protocol of Amendment to insert the Trade Facilitation Agreement into Annex 1A of the WTO Agreement, organize a roundtable among BRICS customs authorities on trade facilitation, and sign mutual recognition agreements of the Authorized Economic Operator programs;
- **Regulatory cooperation** - Begin negotiations on regulatory coherence and convergence between the BRICS countries, and promote a closer relationship amongst regulatory authorities;
- **Cooperation in infrastructure development** - Invest in infrastructure, particularly in integral development projects, which ensure not only the basis for economic growth, but also for improvement of the population’s quality of life, and for environment preservation; and cooperate in the existing regional physical integration initiatives within the five countries;
- **Investment ties** - Prioritize the initiatives related to investment facilitation and cooperation in the BRICS, develop joint initiatives and studies on foreign investment, and endorse the BBC Declaration on Investments Principles;
- **Advisory role** - Recognize the advisory role of the BBC through presenting its recommendations to BRICS Leaders at Annual Summits and sharing its recommendations with the CGETI, and also in relation to the NDB;
- **NDB** - Endorse the recommendations of the BBC concerning the NDB, as stated in this document, particularly those affirmed in the Annex X of this Second Annual Report, called “Recommendation for the NDB”.