

## Foreword

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The present global economic environment is fraught with challenges and global economic activity remains subdued. Even after seven years of global financial crisis, the world economy is struggling to regain momentum. Growth in advanced economies remains weak and that in developing and emerging economies remains way below potential.

As per World Bank's Global Economic Prospects Report (June 2016), global growth for 2016 is projected at 2.4 percent, unchanged from that of 2015. Prospects for major advanced economies have deteriorated, amid weak global trade and manufacturing activity. Advanced economies are expected to expand by 1.7 percent in 2016, 0.5 percentage point below January projections. Emerging market and developing economies face challenges, including the fall-out of sluggish advanced economy growth, tighter financial conditions, and low commodity prices. For 2016, growth in emerging markets and developing economies is forecast at 3.5 percent, 0.6 percentage point below previous projections.

The last two years have specifically seen deterioration in prospects of emerging markets, which have hitherto driven the global growth in the aftermath of the financial crisis. The BRICS countries accounted for about 40 percent of global growth from 2010 to 2015, up from about 10 percent during the 1990s. The group now accounts for more than one-fifth of the global activity – as much as the United States, and more than the Euro Area.

The report also identifies a wide range of risks that threaten to derail the global economic recovery, including a sharper-than-expected slowdown in major emerging markets, sudden escalation of financial market volatility, heightened geopolitical tensions, slowing activity in advanced economies, and diminished confidence in the effectiveness of policies to spur growth.

Notwithstanding the downside risks and challenges, some recent reports have indicated improved growth prospects for 2016-17 for large emerging economies, especially the BRICS countries. IMF's World Economic Outlook report (July 2016) indicates that the near-term outlook in China has improved thanks to recent policy support; Brazil's 2016 recession is projected to be slightly less severe, with a return to positive growth in 2017; Russia's GDP decline is projected to be milder owing to higher oil prices; South Africa is expected to see modest recovery in 2017 and economic activity in India is expected to remain buoyant.

Over the years, BRICS countries have evolved into a reckoning global force, which has been reshaping the global order through various new international institutions such as the New Development Bank. Since the formation of the BRICS group, BRICS has developed strategic cooperation mechanisms on numerous issues, some of which have been implemented already while others are deemed as ongoing issues for dialogue.

The aim of BRICS co-operation is to complement and strengthen the existing multilateral and bilateral relations between the member nations. There are several shared interests that bring the

BRICS economies together. In order to achieve their goals of sustainable, inclusive and dynamic growth, the leaders of the member nations, prioritized areas for co-operation between the member nations and with the rest of the world. The priority areas identified in the Strategy for a BRICS Economic Partnership include: Trade and Investment, Manufacturing and Minerals processing, Energy, Agricultural co-operation, Science, Technology and Innovation, Financial co-operation, Connectivity (Institutional, Physical and People to people connectivity), and ICT co-operation.

Development of intra-BRICS cooperation in various international and regional platforms is vital for the promotion of common interests in international trade, investment, industrial, scientific and technological cooperation. This would also strengthen their positions in the global economy.

Amidst the current global economic scenario, there is a need for new approaches, mechanisms and models to strengthen intra-BRICS economic co-operation. BRICS Business Council members are committed to working with each other and with the BRICS governments by building on synergies and complementarities across sectors to address the developmental challenges and achieve higher growth trajectory for their economies.

One of the most significant initiatives of the BRICS has been the institutionalization of the New Development Bank (NDB). Through NDB, BRICS seek to reform the global development financial architecture and to ensure that the needs of economically vulnerable sections of developing and emerging economies get priority in development financing. The NDB has already announced its first tranche of funding for green and sustainable projects for all five BRICS members. Other supporting organizations such as the New Development Bank Institute are also under consideration.

While the trade and investment flows amongst the BRICS nations have been increasing, these are still below potential. The first BRICS trade fair organized on the sidelines of the eighth BRICS Summit in India, was planned to bring together the business houses, entrepreneurs and other relevant players on a common platform and to provide a thrust to intra-BRICS economic and social engagements. The inaugural trade fair focused on Innovation and showcased the best technologies from across BRICS nations, which can help in providing solutions to the main development challenges across BRICS nations.

The BRICS Business Council has endeavoured to contribute to intra-BRICS co-operation, especially by identifying areas of co-operation from the perspective of the private sector communities of the BRICS countries, and suggesting initiatives and actions to the BRICS Governments to strengthen trade and investments ties.

This third annual report details the progress and implementation of the work program set out for BRICS Business Council for 2015-2016 as identified by the members in the first and second annual report, in terms of creating a favorable business environment; local currency payment system; facilitating business travel; implementing trade facilitation; ensuring regulatory cooperation;

promoting cooperation in infrastructure development; engagement with the New Development Bank; steps towards enhancing investment ties including implementation of BRICS Business Council Declaration on Investment Principles.

In this document, BRICS Business Council reports on various intra-BRICS business initiatives during 2015-2016 and sets out actions that BRICS economies could take to enhance economic, trade and investment ties amongst the BRICS countries.

The reports of the seven BRICS Business Council 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, Manufacturing, Skills Development and Deregulation.

The Chairpersons of the BRICS Business Council countries are honoured to submit the 'BRICS Business Council 2015-2016 Third Annual Report' to the Governments of the BRICS nations.

It is highly encouraging that some of the key recommendations of the BRICS Business Council in the last two annual reports were noted in the annual Summit Declarations adopted by the BRICS Leaders.

BRICS Business Council submits the third annual report to the BRICS leaders and looks forward to discussing its recommendations with the Governments. We continuously seek the guidance of our leaders towards enhancing co-operation between BRICS countries and contributing meaningfully to achieve the common objectives of driving growth, generating employment and promoting sustainable development of our economies.

Goa, India, 15 October, 2016

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## Key Recommendations for the BRICS Governments

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The key recommendations of the BRICS Business Council to the BRICS governments as detailed in this Annual Report are summarized as below:

### **1. BRICS Social Security Agreements**

The BRICS Business Council supports the idea of creating a 'BRICS Social Security Agreement' or bilateral agreements amongst BRICS countries, with a view to alleviating the burden of dual social security contributions. Such agreements will make it possible for the periods of service rendered by employee in the host countries to be combined to determine eligibility for social security benefits. The Social Security Agreements will thus benefit workers moving across borders and also the companies as it will reduce the cost of doing business and create social safety nets.

### **2. Financial Framework for Sustainable Development**

Promoting a financial framework for sustainable development is one of the key areas of cooperation among the BRICS for ensuring inclusive development. There are huge opportunities to collaborate on climate change technology, climate finance adaptation measures and other sustainable development areas. BRICS Business Council recommends drawing up a financial cooperation program for sustainable development projects. The Council has suggested that the New Development Bank may fix a specific percentage of its resources for funding sustainability projects aligned to achievement of SDGs in BRICS nations. The BRICS Business Council commends the progress made in the signing of co-operation agreement between the relevant Development Finance Institutions.

### **3. BRICS Infrastructure Project Preparation Facility**

BRICS Business Council has sought support of New Development Bank in setting up of a BRICS Infrastructure Project Development Facility. Such an organization can provide assistance on the entire gamut of project development expertise including project identification, pre-feasibility, post-feasibility, preparation of DPR and environment & social impact assessment. Through such a platform, projects can be converted from conceptualization stage to the bankability stage. In countries where such an institution exists, NDB can help enhance such structures and where there are none, NDB can help set up an independent unit.

### **4. Local Capital Markets development through New Development Bank**

To unlock capital markets in BRICS countries for development financing, the BRICS Business Council has sought support of the New Development Bank in development of deep and vibrant local bond markets in BRICS countries. This would further provide governments and corporates with an alternative and cost effective source of debt funding, especially for green economy projects.

## **5. BRICS Angels Network**

The BRICS Business Council has recommended creation of a BRICS Angels Network, which can help talented young entrepreneurs across BRICS countries to create an eco-system of start-ups, thereby fostering entrepreneurship and promoting innovation among the BRICS economies.

## **6. BRICS Trade Settlement in Local Currencies**

To promote common interests and objectives of BRICS countries on trade, business, investment and manufacturing ties, the BRICS Business Council urges the respective governments to expand the scope and scale of pricing in local currency for intra-BRICS transactions and to develop the necessary infrastructure to support such payments.

## **7. BRICS co-operation in Agri-business**

Agri-business is one of the key priority areas for intra-BRICS co-operation. BRICS Business Council support enhancing this co-operation by sharing best practices related to sustainable agriculture production, productivity, environment protection and food security and contributing towards research activities in these areas.

BRICS nations can work together to manage and disseminate knowledge on sustainable approaches to agricultural technology. They can also jointly develop technical programmes to support innovation in mechanization and facilitate the implementation of sustainable technology initiatives at the field level. Exchange of knowledge on water conservation is also of critical importance. The idea of a BRICS Seed Bank has also been discussed in the Business Council.

## **8. BRICS co-operation in Energy**

In order to build a common and strategic long term view about the future of their energy sectors and a productive business environment among the BRICS countries, Business Council recommends developing a broad guideline, including definitions; approaches, recommendations on enabling policies and enabling environments for promoting effective mechanisms for cooperation; knowledge transfer and corporate partnerships related to energy within the developmental mandate of BRICS countries. In addition, the countries should accelerate R&D into renewable energy, the development as well as transfer of energy efficient and environmentally friendly technologies and equipment and establish centers of excellence in BRICS countries to share the unique capabilities of each country.

BRICS Business Council has also requested the New Development Bank to establish a BRICS renewable energy fund and to adopt a set of specific policies within the NDB to provide support for the implementation of the energy projects in BRICS and other emerging economies.

## **9. BRICS Co-operation in Skill Development**

The BRICS nations should increase bilateral and multilateral cooperation in skills development for Industry 4.0. The skill development institutes across the BRICS nations can collaborate to innovate and develop cost-effective learning tools related to Industry 4.0. BRICS nations can also collaborate towards the development of a standard qualification framework. Such a standard

qualification will support a worker's mobility from one BRICS nation to another BRICS nation and, at the same time, will allow him or her to pursue education for the next level of qualification, avoiding any repetition.

Since skill development is a focal area for all BRICS countries, the Business Council has also recommended establishing a Skills Development Fund, in order to provide financial support to the projects in the field of training and quality education.

#### **10. BRICS Co-operation in Manufacturing**

Manufacturing sector is a priority area of co-operation. BRICS nations should continue to promote and increase value added trade and manufacturing amongst themselves.

#### **11. BRICS Trade Facilitation Network**

To facilitate trade as well as to advance cooperation initiatives, including the provision of technical assistance to developing countries, the BRICS Business Council has recommended that the governments continue trade facilitation efforts considering the perspective of private sector.

#### **12. BRICS Standardization Research Framework**

To ensure best practices on institutional and policy mechanisms on various regulations and standards across BRICS countries, the BRICS Business Council suggests setting up a BRICS Standardization Research Framework. Such a framework can facilitate better harmonization of trade and investment policies among BRICS economies and help find effective solutions for removal of trade barriers.

#### **13. Advisory role and observer status for BRICS Business Council in New Development Bank**

Private sector participation and involvement in various government discussions, dialogues and policy formulation is essential to find practical and effective solutions to address the issues and challenges faced by our economies. It is in this context that BRICS Business Council can be effectively engaged as an advisory council to the New Development Bank. BRICS Business Council has requested the New Development Bank to provide observer status to the chairpersons of the BRICS Business Council.

#### **14. Cooperation and Facilitation of intra-BRICS Investments**

The BRICS Business Council reiterated the importance of the Common Declaration on Investment Principles, adopted at its meeting in July 2015, in Ufa, Russia, and reaffirmed its commitments, asking the Governments to discuss forms of enhancing cooperation and facilitation of intra-BRICS investments.

In addition to the above, there are a few other areas that were examined by the BRICS Business Council. In relation to the BRICS Rating Agency and New International Payment Card System proposals, some members of the BRICS Business Council feel that there is a need for further discussions.

### **BRICS Rating Agency**

The idea of a Rating Agency that takes into account the emerging market realities has been discussed by the Council members. While most members felt that such an institution could eventually provide a more thorough and complete credit rating analysis of companies in the BRICS countries, some concerns have also been highlighted that need further deliberations. It was suggested that BRICS countries should also study how to establish cooperation to develop markets for private credit rating agencies.

### **New International Payment Card System for BRICS**

The BRICS Business Council members are discussing an international payment card system among the BRICS to promote settlements of international transactions in national currencies. The Financial Services Working Group has created a sub-group that would focus on the proposal of a New International Payment Card System. It is also suggested that Central Banks of member countries be engaged in these discussions to take into account the interests of all BRICS countries.