

BRICS Conclusions on Financial Crises, 2008–11

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Summary of Conclusions on Financial Crises in BRICS Documents

Year	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	Total Dedicated Documents
2008	11	1.7%	6	75.0%	1	100%	0
2009	28	0.8%	18	40.9%	3	100%	0
2010	6	0.2%	5	14.7%	1	100%	0
2011	16	0.5%	7	15.9%	2	100%	0
Average	15	0.8%	9	36.6%	1.8	100%	0

Notes:

Data are drawn from all official English-language documents released by the BRICS leaders and finance ministers as a group. Charts are excluded.

“# of Words” is the number of financial crises-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

“% of Total Words” refers to the total number of words in all documents for the year specified.

“# of Paragraphs” is the number of paragraphs containing references to financial crises for the year specified. Each point is recorded as a separate paragraph.

“% of Total Paragraphs” refers to the total number of paragraphs in all documents for the year specified.

“# of Documents” is the number of documents that contain financial crises subjects and excludes dedicated documents.

“% of Total Documents” refers to the total number of documents for the year specified.

“# of Dedicated Documents” is the number of documents for the year that contain a financial crises-related subject in the title.

The first informal meeting of the BRIC leaders took place during the G8 Hokkaido-Toyako Summit in Japan in 2008; however, no official declaration or communiqué was issued.

South Africa was invited to join the BRIC countries at the Sanyo Summit in 2011, when the grouping became known as BRICS.

Introduction

This analysis focuses on the global governance of systemic financial crisis. Such a crisis is defined as a sudden, surprising loss of confidence, liquidity or solvency in private financial institutions, financial markets or governments that the national governments are unable to control and that thus spreads to other countries in ways that do or might endanger the broader global financial system. A crisis can come in different varieties, especially in the current era of intensifying or “third wave” globalization. This era has brought increased “hot money” flows, credit risk, transmission of shocks, increasingly sophisticated financial institutions, highly leveraged institutions and regulatory arbitrage.

Not included in this definition are the related but separate issues of global imbalances, exchange rate misalignments and reform of the international financial institutions (IFIs) including the International Monetary Fund (IMF). The report does include, however, anything that may address the issue of financial crises from other issue areas, such as the ongoing America-turned-global financial crisis, instigated by a sudden credit contraction in the U.S. housing market, which gradually spread to global financial markets, sharply deteriorating the liquidity and solvency in the banking systems of advanced industrialized countries. This crisis adversely affected the exporting industries of emerging market economies, as well as quickly deteriorating the solvency and financial stability of transition economies of Eastern Europe, and spreading to the developing world as well. Discussions of regulatory approaches, the role of rating agencies and exit strategies are also pertinent. Given that the crisis did not have a devastating effect on the BRICS of Brazil, Russia, India, China and South Africa as it did on others, these countries are becoming increasingly important players in the global financial markets.

Search Terms

Inclusions

Banking systems, confidence, credit risk, crisis/crises (financial), crisis management, cross border crisis management, financial instruments, financial shocks, financial system, global crisis, hedge fund, hot money, leverage, liquidity, liquidity risk/facilities, regulatory arbitrage, regulation of financial institutions, restore stability, solvency, threats to market stability, vulnerability

Exclusions

Adaptation of standards and codes, currency exchange crises, exchange rate misalignments, financial architecture, Financial Stability Board (FSB), Financial Stability Forum (FSF), global imbalance, international financial institution architecture, International Monetary Fund reform

Coding Rules

The unit of analysis is the paragraph/sentence.

A direct reference to financial crises or a cognate term is required.

Cognate or extended terms can be used without a direct reference to financial crises if they have previously been directly associated together in summit communiqué history.

Conclusions on Financial Crises in BRICS Leaders Summit Documents

2008: Sao Paulo, Brazil, November 7

BRIC Finance Ministers Communiqué

1. We, the Finance Ministers of Brazil, Russia, India and China held our first meeting in São Paulo, Brazil, on the eve of the Meeting of Finance Ministers and Central Bank Governors of the G-20. We reflected on the main causes of the current **financial crisis**, its latest developments, future scenarios, as well as BRIC experiences and policy responses. We also discussed possible options to overcome the present situation and to avoid recurrence of similar events. On a longer term perspective, we exchanged views on the reform of international financial institutions and global governance. We also discussed proposals put forward by the countries on reforming the global financial architecture. We welcomed the initiative to convene a summit of G-20 leaders on financial markets and the world economy on 15 November 2008, in Washington D.C.
2. We supported the decisive and unprecedented initiatives taken to curb the current **crisis** and stressed the importance of internationally coordinated responses to protect the global **financial system**, the international economy and world levels of income and employment. We committed ourselves to continue to undertake all necessary steps to lessen the impact of the recent turmoil on economic activity, aiming to preserve medium and long-term growth. We also stressed the importance of consolidating recent gains in social inclusion and poverty reduction. To that extent and to put the world economy back on a track of growth and stability, the adoption of countercyclical policies is essential.
3. We recognized that the **crisis** revealed **weakness in risk management, regulation and supervision in the financial sectors** of some advanced economies. Therefore we call for reform of regulatory and supervisory frameworks, as well as clearer rules and transparency.
4. We recognized that the **crisis** has to some extent affected all of our countries. We stress however, that BRIC countries have shown significant resilience. The full consequences of the present turbulence, its duration and impact, nonetheless, remain to be determined. We therefore stress the importance of maintaining strict vigilance in order that all necessary actions be undertaken in a timely and coordinated manner to prevent further contagion.
5. One of the most deleterious aspects of the current **crisis** is the **freeze in private credit markets**. There is an urgent need to find mechanisms, including through multilateral cooperation, to restore the real economy's access to credit, stimulate demand and to **resume capital flows** critical for sustainable growth and development, including ongoing infrastructure investment.

6. We welcomed the expansion and diversification of trade and investment flows among developing countries, which contribute to economic growth and also create new dynamic economic poles. We support all necessary steps to conclude a pro-development Doha Round and stress the importance of preventing protectionism particularly in face of the current **financial turmoil**. We urge all countries and the international financial institutions to take necessary measures to minimize the negative impacts of the **crisis** on low-income countries.

2009: Yekaterinburg, Russia, June 16

BRIC Leaders Meeting Joint Statement

1. We stress the central role played by the G20 Summits in dealing with the **financial crisis**. They have fostered cooperation, policy coordination and political dialogue regarding international economic and financial matters.
2. We call upon all states and relevant international bodies to act vigorously to implement the decisions adopted at the G20 Summit in London on April 2, 2009. We shall cooperate closely among ourselves and with other partners to ensure further progress of collective action at the next G20 Summit to be held in Pittsburgh in September 2009. We look forward to a successful outcome of the United Nations Conference on the **World Financial and Economic Crisis** and its Impact on Development to be held in New York on June 24-26, 2009.
6. The poorest countries have been hit hardest by the **financial crisis**. The international community needs to step up efforts to provide **liquid financial resources** for these countries. The international community should also strive to minimize the impact of the **crisis** on development and ensure the achievement of the Millennium Development Goals. Developed countries should fulfill their commitment of 0.7% of Gross National Income for the Official Development Assistance and make further efforts in increasing assistance, debt relief, market access and technology transfer for developing countries.

2009: Horsham, United Kingdom, March 13

BRIC Finance Ministers' Meeting Communiqué

1. We, the Finance Ministers and their representatives of Brazil, Russia, India and China held our meeting in Horsham, the United Kingdom, on the eve of the G-20 Finance Ministers and Central Bank Governors Meeting. We reverted once again to the current situation in the global economy and its latest trends, as well as fiscal and monetary policy responses in BRIC countries. We also discussed the forthcoming G20 Leaders' Summit agenda and the expected outcomes. We consider that the G20's position as the focal point to coordinate with global economic and financial challenges and to lead international efforts responding to the current **crisis** should be consolidated. We exchanged views on the reform of international financial

institutions. As a result of our deliberation we deem it necessary to focus the further international efforts in the following areas.

2. We agreed that the stabilization of international **financial system** through recapitalization, **liquidity** support and cleaning of bank balance sheets with such governmental action as may be necessary is a priority. These measures are vital to rebuild confidence, maintain and support credit flow to help restore growth
3. Presently, as many other countries, BRICs are taking measures to promote domestic demand in their national economies and will continue to do so, as necessary. While recognizing the need of such **anticrisis** measures we consider it necessary to ensure that they are implemented in such a way that they would not hamper efforts needed to ensure mid-term and long-term macroeconomic sustainability according to the particular conditions of each country.
5. As regards the current G20 policy agenda we realize the need to reduce the gap between the global nature of **financial markets** and the national character of regulation. In this context we call for achieving greater consistency in the regulatory principles that would apply to similar markets and institutions performing similar activities and strengthening cooperation between national regulators. It seems expedient that activities of such regulators should aim to reduce information asymmetries which have grown due to increasing complexity of financial markets. On the whole we share plans to reduce the procyclical character of existing regulatory practices which may induce the behavior of the financial institutions that amplify the magnitude of economic cycles.
6. We consider that all financial activities – especially those of systemic importance – must be subject to adequate **regulation and supervision**, including institutions which are in the “shadow banking system”. Internationally important financial institutions that are systemically relevant should be effectively supervised. We therefore firmly support the suggestion broadly discussed within the G20 working groups to intensify supervision of **hedge funds, and private pools of capital** which have made a significant impact on global markets but for a long time had been in a shadow of international regulatory system. **Rating agencies** should be also subject to adequate regulation and supervision.
7. We note that the **crisis** has led to a massive withdrawal of private capital in 2009 and this is likely to continue in 2010. It is imperative that multilateral **financial institutions** should expand their lending to offset the massive decline.
8. We draw our special attention to the reform of international financial institutions. We stand for reviewing the IMF role and mandate so as to adapt it to a new global monetary and financial architecture. We emphasize the importance of a strong commitment to governance reform with a clear timetable and roadmap.
 - The **crisis** has demonstrated that the Fund must strengthen its surveillance capability. To achieve this goal, we emphasize the importance of better-focused

even-handed surveillance across all IMF members, especially in respect to advanced economies with major international financial centers and **large cross-border capital flows**.

- We call for the study of developments in the international monetary system, including the role of reserve currencies. This would help clarify the role of the Fund in the international economy in light of lessons drawn from the **crisis**.

11. We had a fruitful discussion on other actual international financial issues and decided to enhance our collaboration, including through greater exchange of information, in light of deepening of the **global crisis**. We also agreed to hold our next meeting in Istanbul prior to the 2009 Annual IMF and World Bank Meetings.

2009: London, United Kingdom, September 4

BRIC Finance Ministers' Meeting Communiqué

1. We, the Finance Ministers and Central Bank Governors of Brazil, Russia, India and China met in London on the occasion of the G-20 Finance Ministers and Central Bank Governors Meeting. We discussed the situation of the world economy, as well as fiscal and monetary policy responses in BRIC countries. We exchanged views and proposals regarding the G-20 Ministerial Meeting as well as the forthcoming G-20 Leaders' Summit agenda and expected outcomes. We noted the key role that the G-20 has played as the focal point in the coordination of international responses to the **global crisis** and exchanged views on the reform of international financial institutions.
2. We welcome the first signs that the global economy is beginning to improve and that the worst of the **crisis** may be behind us. In contrast to other junctures, emerging market economies have shown resilience and helped the world economy absorb the impact of the **deterioration of trade, credit flows** and demand. In many of them, growth is already back on track after a few quarters of recession or slowdown. We resolve to commission a study from our finance ministries and central banks regarding where the world economy will be in the near future and the role of the BRIC countries.
3. Despite these positive signs, it is too early to declare the end of the **crisis**. The global economy still faces great uncertainty, and significant risks remain to economic and financial stability. A sustainable recovery requires a more solid basis. The recent turnaround, to a great extent, derives its strength from the unprecedented response by governments and from their determination to restore stability and growth. G-20 countries should continue to implement countercyclical fiscal and monetary policies in sustainable and internationally coordinated manner, and take effective measures to guard against potential economic risks, respecting the particular conditions of each country.
4. In particular, more needs to be done to address the threat that many small middle-income countries (MICs) and low-income countries (LICs) will lag further behind in

the development process due to their lesser capacity to respond to the severity of the **crisis** and to adapt to the new world economic landscape.

6. Protectionism remains a real threat to the global economy and should be avoided, both in direct and indirect forms. Ongoing **regulatory reforms in the financial sector** should not impede **cross-border capital flows and investments**. Failure to do so would risk compromising the expected recovery of the world economy. We believe that governments should work towards prompt and successful conclusion of the WTO Doha round in a way that ensures an ambitious, comprehensive and balanced outcome.
7. We realize that permanent, sustainable reforms must still be implemented on multiple fronts. The world needs a fair, equitable, inclusive and well-managed financial and economic architecture. We cannot miss the opportunity to change international practices, rules and governance structures to make the global economy more resilient to future **crises**. We also believe that there is great need for a stable and predictable international monetary system.
8. We welcome the actions taken so far by G-20 countries to identify and remove national and international deficiencies in **regulation and supervision of financial markets**. We remain committed to the improvement of our own national systems and to further international cooperation. We expect all G-20 countries to strengthen their efforts to reform the financial system and not to return to a pattern of lax financial regulation and deficient oversight. Regarding non-cooperative jurisdictions, we see the need to tackle this issue on the basis of sound qualitative criteria rather than superficial quantitative measurements on information sharing.

2010: Brasilia, Brazil, April 15

BRIC Leaders Meeting Joint Statement

3. We stress the central role played by the G-20 in combating the **crisis** through unprecedented levels of coordinated action. We welcome the fact that the G-20 was confirmed as the premier forum for international economic coordination and cooperation of all its member states. Compared to previous arrangements, the G-20 is broader, more inclusive, diverse, representative and effective. We call upon all its member states to undertake further efforts to implement jointly the decisions adopted at the three G-20 Summits. We advocate the need for the G-20 to be proactive and formulate a coherent strategy for the **post-crisis period**. We stand ready to make a joint contribution to this effort.
10. Despite promising positive signs, much remains to be done. We believe that the world needs today a reformed and more stable financial architecture that will make the global economy less prone and more resilient to future **crises**, and that there is a greater need for a more stable, predictable and diversified international monetary system.

13. Recent events have shattered the belief about the self-regulating nature of **financial markets**. Therefore, there is a pressing need to foster and strengthen cooperation regarding the **regulation and supervision of all segments, institutions and instruments of financial markets**. We remain committed to improve our own national regulations, to push for the reform of the international financial regulatory system and to work closely with international standard setting bodies, including the Financial Stability Board.

Development

15. We reiterate the importance of the UN Millennium Declaration and the need to achieve the Millennium Development Goals (MDGs). We underscore the importance of preventing a potential setback to the efforts of poor countries aimed at achieving MDGs due to the effects of the economic and **financial crisis**. We should also make sustained efforts to achieve the MDGs by 2015, including through technical cooperation and financial support to poor countries in implementation of development policies and social protection for their populations. We expect the UN MDG Summit, in September 2010, to promote the implementation of MDGs through policy recommendations. We stress that sustainable development models and paths of developing countries should be fully respected and necessary policy space of developing countries should be guaranteed.
16. The poorest countries have been the hardest hit by the economic and **financial crisis**. The commitments regarding the aid to the developing states, especially those related to the MDGs, should be fulfilled, and there should be no reduction in development assistance. An inclusive process of growth for the world economy is not only a matter of solidarity but also an issue of strategic importance for global political and economic stability.

2011: Sanya, China, April 14

BRICS Leaders Meeting Declaration

12. We note that the world economy is gradually recovering from the **financial crisis**, but still faces uncertainties. Major economies should continue to enhance coordination of macro-economic policies and work together to achieve strong, sustainable and balanced growth.
14. We support the Group of Twenty (G20) in playing a bigger role in global economic governance as the premier forum for international economic cooperation. We expect new positive outcomes in the fields of economy, finance, trade and development from the G20 Cannes Summit in 2011. We support the ongoing efforts of G20 members to stabilize international **financial markets**, achieve strong, sustainable and balanced growth and support the growth and development of the global economy. Russia offers to host the G20 Summit in 2013. Brazil, India, China and South Africa welcome and appreciate Russia's offer.

16. Recognizing that the international **financial crisis** has exposed the inadequacies and deficiencies of the existing international monetary and **financial system**, we support the reform and improvement of the international monetary system, with a broad-based international reserve currency system providing stability and certainty. We welcome the current discussion about the role of the SDR in the existing international monetary system including the composition of SDR's basket of currencies. We call for more attention to the **risks of massive cross-border capital flows** now faced by the emerging economies. We call for further international **financial regulatory oversight and reform**, strengthening policy coordination and **financial regulation** and supervision cooperation, and promoting the sound development of global **financial markets and banking systems**.
17. Excessive volatility in commodity prices, particularly those for food and energy, poses new risks for the ongoing recovery of the world economy. We support the international community in strengthening cooperation to ensure stability and strong development of physical market by reducing distortion and further **regulate financial market**. The international community should work together to increase production capacity, strengthen producer-consumer dialogue to balance supply and demand, and increase support to the developing countries in terms of funding and technologies. The **regulation of the derivatives market** for commodities should be accordingly strengthened to prevent activities capable of destabilizing markets. We also should address the problem of shortage of reliable and timely information on demand and supply at international, regional and national levels. The BRICS will carry out closer cooperation on food security.

2011: Washington DC, United States, September 22

BRICS Finance Ministers' Meeting Joint Communiqué

While BRICS countries recovered quickly from the 2008-09 global **financial crisis**, some of us have been subject to inflationary pressures and growth prospects of all our countries have been dampened by **global market instability**. In advanced countries, the build up of sovereign debt and concerns regarding medium to long-term plans of fiscal adjustment are creating an uncertain environment for global growth. Also, **excessive liquidity** from aggressive policy actions taken by central banks to stabilize their domestic economies has been spilling over into emerging market economies, fostering **excessive volatility in capital flows** and commodity prices.

The immediate problem at hand is to get growth back on track in developed countries. In this context we welcome the recent fiscal package announced by USA as well as the decisions taken by Euro area countries to address **financial tensions**, notably by making the EFSF flexible. It is critical for advanced economies to adopt responsible macroeconomic and financial policies, avoid creating **excessive global liquidity** and undertake structural reforms to lift growth create jobs and reduce imbalances.

The BRICS are open to consider making additional efforts in working with other countries and International Financial Institutions in order to address the present **challenges to global financial stability**, depending on individual country circumstances.