

BRICS Leaders' Conclusions on Financial Crises, 2009-2011

Maria Marchyshyn
BRICS Information Centre, October 21, 2011

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
2009 Yekaterinburg	5	0.5%	3	17.6%	1	100%	0
2010 Brasilia	7	0.3%	5	14.7%	1	100%	0
2011 Sanya	10	0.4%	4	11.4%	1	100%	0
Average	7	0.4%	4	14.6%	1	100%	0

Notes:

Data are drawn from all official English-language documents released by the BRICS leaders 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 Summit in Japan, however, no official declaration or communiqué was issued. South Africa joined the other BRIC countries 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 home 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 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, of exit strategies, are also pertinent here. Given that the crisis did not have such a devastating effect on the BRICS economies-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 Summit Documents

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.

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.