



JPNN|V S Chandrasekar, Fortaleza | July 16, 2014|victory for India, the BRICS Summit on Tuesday decided to establish the new development bank with an initial authorised capital of USD 100 billion for which the initial subscribed capital will be equally shared by the founding members, a point New Delhi emphasised to prevent by domination by anyone of the members. The agreement on establishing the bank and a contingency reserve arrangement with an initial size of 100 billion dollars came at a Summit meeting of the five-nation grouping in which Prime Minister Narendra Modi launched his first multilateral engagement with

global leaders. The bank will have an initial authorised capital of USD 100 billion. The initial subscribed capital shall be of USD 50 billion to be equally shared by the founding-members. China won the race for getting the bank's headquarters in Shanghai even as India also made a pitch for its location in New Delhi. India will be the first President of the bank while the first chair of the Board of Governors will be from Russia. The new development bank's Africa regional centre will be established in South Africa and currently with the headquarters. "We direct our Finance Ministers to work out the modalities for its operationalisation," the leaders said in the Fortaleza Declaration adopted at the Summit. India's insistence on the equal sharing of the initial subscribed capital was based on the premise that BRICS bank should not fall into the practices of the Bretton Woods institutions like the IMF and the World Bank dominated by the United States.

Hailing the establishment of the bank and the CRA, Modi said in the plenary session that the bank would now benefit not only the member-nations but also the developing world. The two institutions would now be a new instrument of safeguarding the economic stability in the context of the great international financial volatility. He said there was a great need for reforms of the UN Security Council and international financial institutions to reflect the ground realities and to create a new financial architecture. Noting that it is his first BRICS Summit, Modi said he looks forward to working with the leaders and building from personal bonds in the days to come.

He said BRICS entered the second cycle of Summits today at a time when instability is growing in many regions. For a climate of peace and stability, it calls for newer levels of cooperation, he said. "I believe for the first time an institution like BRICS brings together a group of nations on the basis of future potential rather than existing prosperity. The very idea is forward-looking. BRICS must provide a united, clear basis for a peaceful and stable world", the Prime Minister said. Modi said that along with the reform of the UNSC and international financial

organizations, the WTO regime should also be reformed so that an open trading regime is necessary for a strong global trading arrangement that must address the aspirations of the developing world. The agreement on the new development and the CRA was signed by ministers from five countries, including Minister of State for Finance Nirmala Sitharaman in the presence of Modi and Presidents of China, Russia, South Africa and host Brazil.

The Declaration said BRICS as well as other emerging markets and developing countries continue to face significant financing constraints to address infrastructure gaps and sustainable development needs. It is in this backdrop that one has to see the signing of the agreement for establishing the new development bank for mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies, it said. Based on sound banking principles, the Declaration said the bank will strengthen cooperation among BRICS countries and will supplement the efforts of multilateral and regional financial institutions for global development, thus "contributing to our collective commitments for achieving the goal of strong, sustainable and balanced growth."

It said the BRICS Contingent Reserve Arrangement (CRA) with an initial size of US\$ 100 billion will have a positive precautionary effect, help countries forestall short-term liquidity pressures, promote further BRICS cooperation, strengthen the global financial safety net and complement existing international arrangements. The agreement is a framework for the provision of liquidity through currency swaps in response to actual or potential short-term balance of payments pressures, according to the Declaration. The BRICS also signed a Memorandum of Understanding on Cooperation among BRICS Export Credit and Guarantees Agencies that will improve the support environment for increasing trade opportunities among the member-countries. "We appreciate the progress our Development Banks have made in enhancing and strengthening the financial ties among BRICS countries. Given the importance of adopting innovation initiatives, we welcome the conclusion of the Cooperation Agreement on Innovation within the BRICS Interbank Cooperation Mechanism," said the Declaration. Pointing to the potential for BRICS insurance and reinsurance markets to pool capacities, the Summit directed the relevant authorities to explore avenues of cooperation in this regard, said the Declaration.

The Declaration said that the member countries believe that sustainable development and economic growth will be facilitated by taxation of revenue generated in jurisdictions where economic activity takes place. Expressing concern over the harmful impact of tax evasion, transnational fraud and aggressive tax planning on the world economy, the BRICS countries affirmed their commitment to continue a cooperative approach on issues related to tax administrations and to enhance cooperation in the international forums targeting tax base erosion and information exchange for tax purposes. "We are aware of the challenges brought by aggressive tax avoidance and non-compliance practices," the Declaration said adding the

## PM Modi's 'BRICS Victory'

Written by JPNN

Friday, 18 July 2014 08:58 - Last Updated Friday, 18 July 2014 09:37

---

Summit directed concerned authorities to explore ways of enhancing cooperation in this area. The member-states, the declaration said, remained seriously concerned with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF's legitimacy, credibility and effectiveness. "The IMF reform process is based on high-level commitments, which already strengthened the Fund's resources and must also lead to the modernisation of its governance structure so as to better reflect the increasing weight of EMDCs in the world economy. The Fund must remain a quota-based institution. We call on the membership of the IMF to find ways to implement the 14th General Review of Quotas without further delay. We reiterate our call on the IMF to develop options to move ahead with its reform process, with a view to ensuring increased voice and representation of emerging markets and developing countries in case the 2010 reforms are not entered into force by the end of the year," the Declaration said. It also called on the membership of the IMF to reach a final agreement on a new quota formula together with the 15th General Review of Quotas so as not to further jeopardize the postponed deadline of January 2015. Agency