

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**OPENING REMARKS MADE BY THE FINANCE MINISTER SHRI
PRANAB MUKHERJEE AT THE BRICS FINANCE MINISTERS’
MEETING IN WASHINGTON D.C. TODAY**

**New Delhi: Chaitra 30, 1934
April 19, 2012**

**Please find below the text of the Opening Remarks made by the Union
Finance Minister Shri Pranab Mukherjee at the BRICS Finance
Ministers’ Meeting in Washington D.C. today:**

Dear Colleagues,

It gives me great pleasure to meet you once again to exchange views and discuss plans for BRICS cooperation on issues discussed in the G20 and those mandated by our Leaders when they met recently at the BRICS Summit in Delhi. I am confident that through our deliberations we can agree on new areas of cooperation not only for our mutual benefit but also for the wider global economy.

- 2. The first agenda for this meeting is the Global Economy and the Framework.**

3. Even as the after effects of the global crisis continue to linger in many advanced economies, steeply rising sovereign debt in the absence of a quick return to trend growth is making markets nervous. While near term economic data is encouraging, economic conditions overall remain weak, downside risks remain significant and unemployment at politically unacceptable levels.
4. Developing countries and emerging economies are expected to continue as growth drivers for the world economy. The fact, however, is that even here growth has decelerated.
5. As far as India is concerned, despite adverse conditions prevailing in our external environment, we are reasonably confident that the underlying growth fundamentals remain firm. We are intent on ensuring that the process of fiscal consolidation gains further momentum, with monetary policy remaining vigilant in dealing with inflationary pressures. We expect real GDP growth in 2011-12 to be around 7.0 per cent, and to gain further strength in the ensuing fiscal.
6. As we push the Framework process forward and work towards an Action Plan for Los Cabos, we need to ensure that the plan adopted by our Leaders is both credible and ambitious enough to put the global economy firmly on the path of recovery over the short run, and promote strong, sustainable and balanced growth and job creation over the medium to long-term. In this regard, I would like to emphasize that the action plan should pay greater attention to three important issues at this juncture.

7. First, as mandated by our Leaders, we will need to develop a framework to assess the progress made on G20 commitments.
8. Secondly, concerns over the global employment scenario, especially the falling labor participation rate and growing youth unemployment in advanced countries, need to be addressed.
9. Thirdly, the world has been pre occupied with dealing with problems in the financial sector, which was the need of the hour. However, in view of the tepid recovery from the crisis some members have been stressing the need to step up efforts to support investment in the real sector, and especially in infrastructure, to help revive global growth and support demand and job creation. There are a number of ways in which investment and infrastructure could be dovetailed into the G20 finance work-streams, especially through the Working Group on the Framework, by relooking the adequacy of MDB and RDB resources and through the regulatory reform agenda by providing incentive to infrastructure financing.

10. The 2nd agenda is on International Financial Architecture.

11. We agree that the Global Financing Safety Nets should be strengthened. The IMF recently made an assessment of a shortfall of about USD 1.1 trillion in the global firewall to be raised jointly by Euro-zone countries and the IMF. The recent announcement by the Euro Area Finance Ministers on augmenting the EU firewall is

welcome. However, recent movements in Bond Spreads in some large economies indicate that we may need to take a more careful look at the adequacy of the Euro-zone firewall.

12. The IMF and European countries are now approaching IMFC members for additional resources. We need to take a view on whether such an important matter needs to be rushed through and if we should not insist that adequate time be provided to us to take a decision in the above regard.
13. There is also the matter of disappointing progress in discussions on the Quota Formula and other aspects of IMF Governance Reforms. We must consider whether a strong message needs to be sent on the need to move quickly with Governance Reforms and discussions on the Quota Formulas.
14. In addition, I would like to know your thinking on alternative approaches, including possible contributions to the IMF to augment its resources.
15. I would also like to invite your views on whether we, the BRICS, should take a joint position in the G-20 and IMFC discussions on the above issue.
16. We regard the surveillance function of the Fund as most crucial and pre-emptive in the context of threats to stability, both global and national. For surveillance to be effective, it is vital that it is even-

handed, candid and unbiased so as to gain traction and legitimacy with members. There must also be consistency between multilateral and bilateral surveillance. We expect the ongoing surveillance reform to address these issues to better serve its membership.

17. **The 3rd agenda item is on Cooperation on Issues Relating to International Taxation, Transfer Pricing and Tax Avoidance**

18. With increased globalization and liberalization of national economies and removal and relaxation of control of foreign investments and foreign exchange, there has been manifold increase in cross-border transactions resulting in increased emphasis on issues relating to International Taxation and Transfer Pricing. At the same time, tax evasion and illicit flows have posed serious challenges to the world economy and the efforts of the countries to raise revenue for development.

19. The BRICS countries need to take a common approach for development of standards at the UN and OECD to protect the tax base and to prevent the erosion of tax base of developing countries and emerging economies. It also needs to be ensured that prior to such meetings, notes may be exchanged by the representatives of BRICS countries.

20. India, like most of you, has signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. To make the Convention really effective, we may give a call through G20 that the

Convention is signed by Offshore Financial Centers and countries traditionally believing in secrecy of bank laws and that countries should not give exemptions which will eclipse the efficacy of the Convention.

21. To ensure that these issues are raised effectively, a central point of contact on taxation matters may be established in each of our countries, who may remain in regular touch with each other on all issues relating to international taxation, transfer pricing and tax avoidance and exchange of information, so as to have a joint approach at the international forums.

22. **The final agenda is on the follow up on the Delhi Declaration, including the proposal for a new Development Bank**

23. At the recent BRICS Summit in New Delhi our Leaders mandated us to work on a number of areas, including those contained in the BRICS Report. While there would be separate processes for each, I would like to draw your pointed attention to the mandate to examine the feasibility of setting up a new Development Bank through a working group to complement the existing efforts of multilateral and regional financial institutions for global growth and development. We now need to carry this process forward expeditiously as the Leaders expect a report from us at the next Summit in South Africa. I propose that a Working Group be set up comprising representatives from our finance ministries, central banks and other experts co-chaired by India (as the current BRICS chair) and South Africa (as the next BRICS chair). The Working Group may

decide on its own composition, work plan and processes and report back to us by our next meeting in November 2012, so that we are in a position to report back to the Leaders by the next BRICS Summit.

DSM