Meeting of BRIC Finance Ministers and Central Bank Governors Communiqué

London, September 4, 2009

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.

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.

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.

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.

Further, we realize that reducing the development gap between advanced and developing countries is of great importance to achieve a sustainable and more balanced global growth. Providing an inclusive process of growth in the world economy is a matter not only of fundamental fairness, but also of strategic importance to the economic and political stability of the world.

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.

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.

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 noncooperative jurisdictions, we see the need to tackle this issue on the basis of sound qualitative criteria rather than superficial quantitative measurements on information sharing.

The reform of international financial institutions is crucial to ensuring a stable and balanced global economy. For the IMF and the World Bank Group, the main governance problem, which severely undermines their legitimacy, is the unfair distribution of quotas, shares and voting power. Priority should be given to a substantial shift of quotas and shares in favor of emerging market and developing countries. We propose the setting of a target for that shift of the order of 7% in the IMF and 6% in the World Bank Group so as to reach an equitable distribution of voting power between advanced and developing countries. This would lead the overall share of emerging market and developing countries in the IMF and World Bank to correspond roughly to their share in world GDP.

We reiterate our support for an open and merit-based selection of IMF and World Bank management. The next Managing Director of the IMF and the next President of the World Bank should be elected in such a manner, irrespective of nationality or any geographical preference. We also support a revision in the composition of the executive boards of the IMF and the World Bank, of the IMFC and of the Development Committee to allow for a more adequate representation of the emerging markets and developing countries.

We support only those reform proposals that would not deepen the current under-representation of emerging and developing countries or further distort the internal decision making process within the international financial institutions. Consequently, we are not in favor of any measures that may lead to a change in the permanent status of or in other way weaken their Executive Boards, which are vital for the accountability, integrity and good governance of the IMF and the World Bank Group. In the IMF, we do not favor the discussion of replacing the IMFC by a ministerial-level Council as a weighted-voting decision-making body. With the voting shares that prevail in the Fund at present, the Council would be a much more unrepresentative body than the consensus-based IMFC. The increased engagement of Ministers and Governors in IMF related issues canbest be achieved through improvements in the functioning of the IMFC.

We welcome the progress that has been made in strengthening the IMF's lending capacity. We reiterate our view that the immediate financing to the IMF agreed at the G-20 London Summit should be implemented through temporary measures and in a way that does not undermine the next quota review to be completed by January 2011. For us, IMF notes or bonds are the best option to provide immediate resources to the IMF without undermining the quota reform process. We are together contributing US$ 80 billion to supplement the resources of the IMF. The IMF is a quota-based institution and should remain so. We propose that the next quota review should at least double the overall size of quotas.

We believe that the World Bank Group also requires a review of its capital base in order to be able to fulfill an effective countercyclical role, especially in trade finance, and to deliver its development mandate over the long term. Moreover, relaxing single borrower limits and providing new funding for infrastructure projects in low and middle-income countries are urgently needed.

We note the need to both expand the capital base, and improve the efficiency and transparency of the governance structure at the World Bank. We propose to choose a combination of a selective capital increase followed, if necessary, by a general capital increase, in order to strengthen the lending capacity of theinstitution.

We expect a positive outcome to be reached at the UN climate change conference in Copenhagen by the end of this year. We reaffirm the UNFCCC should be the main channel for international negotiations of climate finance, and the discussion of climate finance should be consistent with the principles of the UNFCCC, the Kyoto Protocol and Bali Action Plan, in particular the principle of common but differentiated responsibilities.

We attribute great importance to the consolidation of the G-20. Now transformed into a leaders` forum, the G-20 is establishing itself as an effective mechanism for international deliberation and decision on global economic and financial affairs. We believe this role should be enhanced and consolidated by improving the internal governance of the G-20 and establishing clearer rules and working procedures, moving forward only on those issues on which there is clear consensus. We commit ourselves to pursue these objectives and strengthenthe dialogue and cooperation among our four countries.

Source: Press Information Bureau, Government of India
