

# BRICS Leaders Conclusions on Exchange Rates, 2009–11

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## Summary of Conclusions on Exchange Rates in BRICS Leaders Documents

| Year               | # of Words | % of Total Words | # of Paragraphs | % of Total Paragraphs | # of Documents | % of Total Documents | # of Dedicated Documents |
|--------------------|------------|------------------|-----------------|-----------------------|----------------|----------------------|--------------------------|
| 2009 Yekaterinburg | 1          | 0.1%             | 1               | 5.9%                  | 1              | 100%                 | 0                        |
| 2010 Brasilia      | 6          | 0.2%             | 3               | 8.8%                  | 1              | 100%                 | 0                        |
| 2011 Sanya         | 5          | 0.2%             | 1               | 2.3%                  | 1              | 100%                 | 0                        |
| Average            | 4          | 0.17%            | 1.7             | 5.7%                  | 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 exchange rate-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 exchange rates 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 exchange rate 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 an exchange rate-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

The purpose of this report is to document all references to, or in other terms, all of what leaders concluded on exchange rates in official BRICS documents released at their summits.

A number of emerging market economies have moved from fixed to flexible exchange rates over the past ten years. One interpretation of this is that these countries place a high value on an ability to conduct an independent monetary policy. At the same time, flexible exchange rates are sometimes prone to volatility. Moreover, the freedom to pursue an independent monetary policy can sometimes be abused. In this regard, fixing the

exchange rate can allow a country to “borrow” monetary policy credibility from a low inflation partner.

Since the BRICS finance ministers and central bank governors began meeting in 2008 and leaders officially in 2009 until present, they have discussed the role of exchange rates to reduce countries’ vulnerability to economic crises. Furthermore, BRICS countries continually emphasize the need for a “stable, predictable and *more diversified* international monetary system” and look for ways to increase their cooperation by exploring the idea of regional monetary arrangements.

A key issue in the area of exchange rates is grievances by the United States against China to allow the renminbi to fully appreciate against international currencies. At a news conference in May 2011 following the annual strategic and economic dialogue between the two countries, U.S. treasury secretary Timothy Geithner stated: “We hope that China moves to allow the exchange rate to appreciate more rapidly and more broadly against the currencies of all its trading partners.” The issue is certain to continue to reappear at the BRICS leaders summits.

## **Search Terms**

The following keywords were used for this report.

### ***Inclusions***

Appreciation, balance of payments, capital controls, crawling peg, currency board, currency crisis, currency fluctuation, currency union, currency war, devaluation, dirty float, dollar, euro, exchange rate, exchange rate intervention, exchange rate markets, exchange rate peg, fiscal policy, fixed exchange rate, float, free float, global imbalance, managed float, monetary system, monetary policy, monetary union, pound sterling, private sector currency, target zones, trade controls, renminbi, yen, yuan, rupee, ruble, real, reserve currency, special drawing right (SDR).

### ***Exclusions***

### ***Coding Rules***

The unit of analysis is the sentence or paragraph.

The unit must contain a direct reference to exchange rates or a cognate term.

Cognate or extended terms can be used without a direct reference to exchange rates if they have previously been directly associated in summit document history.

## Conclusions on Exchange Rates in BRICS Summit Documents

**2009: Yekaterinburg, Russia, June 16**

*BRIC Countries' Leaders Joint Statement*

3. We are committed to advance the reform of international financial institutions, so as to reflect changes in the global economy. The emerging and developing economies must have greater voice and representation in international financial institutions, whose heads and executives should be appointed through an open, transparent, and merit-based selection process. We also believe that there is a strong need for a stable, predictable and more diversified international **monetary system**.

**2010: Brasilia, Brazil, April 15**

*BRIC Countries' Leaders Joint Statement*

7. We underline the importance of maintaining relative stability of major **reserve currencies** and sustainability of **fiscal policies** in order to achieve a strong, long-term balanced economic growth.
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**.
12. In the interest of promoting international economic stability, we have asked our Finance Ministers and Central Bank Governors to look into **regional monetary arrangements** and discuss modalities of cooperation between our countries in this area. In order to facilitate trade and investment, we will study feasibilities of **monetary cooperation**, including **local currency trade settlement arrangement** between our countries.

**2011: Sanya, China, April 14**

*BRICS Leaders Meeting Declaration*

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.