

Growth and co-operation : The India Perspective

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Initial words

- **I am honored by the invitation to speak here at the Fundacao Dom Cabral International Advisory Council Meeting. Thank you for inviting me.**
- **Today, I would like to speak about growth and cooperation amongst our countries from an Indian perspective.**

India-Brazil : Trade relationship

- Over the last decade, trade between India and Brazil has grown significantly. From \$400 Million in 1999, to \$2 Billion in 2005, this has now reached \$7.73 Billion in 2010. Our governments have resolved to take this past \$10 Billion over the next few years.**
- Brazilian products such as soy and processed food are growing in demand in India, while Indian companies are developing their businesses in information technology, energy, sugar, agro and pharmaceutical sectors of Brazil.**

India-Brazil : Trade relationship

- **Brazil's reserves in oil and iron ore and India's demographic dividend of highly skilled technological talent are significant areas of mutual trade interests.**
- **Brazil is the 7th largest global market in terms of IT spending. It is a mature IT outsourcing market and has the potential to be one of the top 5 markets for Infosys.**

India-Brazil : IT opportunity

- **Infosys Tecnologia do Brasil Ltda., which represents Infosys' business and operations in Brazil, is the key to Infosys' success in LATAM.**
- **Today, 25% of Infosys' global clients have a strong presence in Brazil and most of the Global 2000 companies are looking for the "South Cone Solution" covering Brazil, Argentina and Chile.**

India-Brazil : IT opportunity (2)

- Infosys has chosen Belo Horizonte as the first location to consolidate its Latin American operations.**
- Infosys is leveraging the local talent with Portuguese speaking abilities at Belo Horizonte.**
- Infosys do Brasil currently employs 180 people and is expected to house 750 employees by 2013.**

India-Brazil : IT opportunity (3)

- **Collectively, the BRIC countries, Brazil, Russia, India and China, represent 26% of the world's land area, more than 40% of the world populations and almost 15% of the world GDP.**
- **Goldman Sachs estimated that, together, the BRIC may account for more than 40% of the world's market capitalization by 2030.**

Fostering the trade relationship further

- While robust domestic consumption has been a key factor leading to this growth, increase in trade across the BRIC has also supported this momentum.**
- As you may be aware, the Heads of BRIC nations have been meeting regularly over the last 3 years, first in Ekaterinburg (Russia), then in Brasilia (Brazil) and most recently in Sanya (China), to deliberate upon key initiatives to drive growth and cooperation amongst the BRICS, the "S" being added with the induction of South Africa in 2011.**

Fostering the trade relationship further (2)

- At the World Economic Forum 2011, there were 365 corporate executives from BRIC and other emerging nations out of the 1000 participants.**
- Deliberations in these forums have focused on a wide array of issues pertaining to international economics and finance, international trade, human development, globalization of talent, agriculture, poverty alleviation, energy, climate change and counter-terrorism.**

Fostering the trade relationship further (3)

- **As per UNCTAD, of the 21,000 multinational enterprises originating from developing countries, approximately 3,500 are from China, about 1,000 from Russia, 815 from India and 220 from Brazil. This evolving change in the markets has been led by :**
 - **the diminishing of demand in traditional developed markets.**
 - **the need to find new export markets for trade development, and**
 - **the booming consumption demand in emerging economies.**

Fostering the trade relationship further (4)

- Co-operation amongst the BRIC countries can drive significant growth resulting from this momentum in the future.**
- Trade amongst the BRIC countries has improved significantly in the last decade aided by trade agreements, better transport infrastructure and enhanced connectivity.**
- However as I look at the growth potential of our countries, I have to assert that significant ground is yet to be covered .**

Fostering the trade relationship further (5)

- Going forward, the economic growth outlook for the emerging economies looks promising.**
- The IMF estimates that emerging markets GDP may expand by 6.5% in 2011, more than double the 2.5% for developed countries.**
- This translates to a lucrative trade opportunity for export-focused economies to diversify from their dependence on developed markets.**

Fostering the trade relationship further (6)

- **To leverage these opportunities and realize the growth potential, we have to :**
 - **Expand the scope of our trade agreements**
 - **Develop infrastructure to accelerate connectivity**
 - **Enhance trade facilitation procedures**
 - **Coordinate efforts on exchange management**

Expand the scope of our trade agreements

- One of the enablers to trade has been the trade agreements, which have increased significantly over the last few years.**
- While a trade agreement between Mercosur, (a regional trade bloc that includes Brazil) and India was signed in 2004 (effective 2009), it covers less than 5% of the products traded between India and Brazil.**

Expand the scope of our trade agreements (2)

- Meanwhile, multiple agreements have been signed in areas such as agriculture, biofuels and merchant shipping.**
- We should work towards expanding the scope of our trade agreements and include more sectors to cover a significant proportion of the products we trade.**

Expand the scope of our trade agreements (3)

- While there is no concrete evidence that trade agreements make trade larger, cheaper and easier, data shows that the trade between India and Brazil increased from \$2 Billion in 2005 to almost \$8 Billion in 2010.**
- Trade agreements which have depth in commitment and breadth in the scope of coverage do result in freer movements of labor, capital and knowledge in addition to free trade.**

Expand the scope of our trade agreements (4)

- The relationship between Indian Council for Agricultural Research and its Brazilian counterpart, Embrapa, to help make progress in the area of agricultural productivity, is an illustration.**
- We should focus on increase such knowledge exchange partnerships in core areas such as education, healthcare and energy.**

Develop infrastructure to accelerate connectivity

- **While connectivity has improved in general in the last decade, moving goods is still very expensive.**
- **Multiple challenges such as long distances, ageing vehicles, poor infrastructure and high shipment costs all add up to trading costs.**
- **An integrated BRIC agenda focused on infrastructure development to connect trade partners is a must.**

Develop infrastructure to accelerate connectivity (2)

- The long awaited conclusion of a bilateral air service agreement to increase air connectivity between India and Brazil is a case in point. Now both countries can designate any number of airlines on a reciprocal basis, which is a significant improvement from the past when only one airline was allowed by each country.**

Develop infrastructure to accelerate connectivity (3)

- From a longer term perspective, UNESCAP estimates that the APAC region alone needs an annual investment of more than \$600 billion in transport, energy, water and telecommunications, with an annual shortfall of more than \$200 billion.**
- We should facilitate and attract FDI from the developed countries to meet the investment needs.**

Develop infrastructure to accelerate connectivity (4)

- We can look at forming a financial ecosystem comprising the BRIC economies to intermediate between the developed and the developing economies, and to leverage growing savings and foreign exchange reserves to bring them to meet uncovered investment requirements.**

Enhance trade facilitation procedures

- The tedious trade procedures across the BRIC need to be simplified. While the IBSA (India, Brazil and South Africa) economic ministers met in March 2005 to deal with non-tariff barriers which impede mutual trade, India and Brazil needs to make tangible progress in simplifying customs procedures, creating flexibility in business immigration regulations and exchange of technical expertise in the fields of energy, agriculture and food processing.**

Enhance trade facilitation procedures (2)

- BRIC countries should leverage the advances in e-commerce and build a robust ICT network. This network should enable easy trade and improve trade data sharing.**
- Complications such as lack of privacy laws and sharing of cross border trade data should be overcome through concentrated dialogue. BRIC countries have to harmonize existing legal regimes to improve trade facilitation.**

Coordinate efforts on exchange rate policies

- As we all know, the BRICS have multiple exchange rate regimes. Large swings in US dollar cause instability in exchange rates and at times, make trade uncompetitive.**
- We need a coordinated currency management system which reduces exchange fluctuations and facilitates trade and macroeconomic stability.**

Coordinate efforts on exchange rate policies (2)

- At the April 2011 Annual Summit at Sanya in China, the BRICS announced their decision to refuse mutual payments in US Dollars and extend credit to each other only in national currencies.**
- The development banks of the BRIC countries are currently engaged in taking this discussion forward.**

Coordinate efforts on exchange rate policies (3)

- **Merits of such measures and their long term impact on growth of trade and economic collaboration needs to be discussed and implemented for economic and financial integration across the BRIC countries in the long term.**

Concluding words

- **As I look at the growth of our countries and the progress we have made over the last decade, I see great opportunities for the emerging economies that have survived multiple crises and are poised for even greater heights in the coming decade.**
- **This has been possible despite uneven development across our countries.**

Concluding words (2)

- To strengthen our bond, we should build consensus in areas that promote growth and better economic collaboration.**
- We should resolve easier issues first before taking on the difficult ones.**
- We should be open and inclusive, trust each other, and work towards a common agenda.**

Thank you