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BRICS Credit Rating Agency Proposal Being Finalized

By Rajeev Sharma

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A man walking by a floral display announcing the BRICS summit in Durban. **Rogan Ward**

NEW DELHI — Finance ministers from Brazil, Russia, India and China will meet ahead of country leaders on Tuesday in Durban, South Africa, to work on details of a proposal to create a BRICS credit rating agency.

"The issue ... will come up for some intense discussions when BRICS finance ministers meet in Durban on March 26 ahead of the BRICS leaders' fifth summit," said an Indian official closely involved in the intra-BRICS discussions on this matter. He spoke on condition of anonymity, since he is not authorized to speak to the media.

"The ball will now be in the court of BRICS finance ministers who will decide what is to be done. The matter would be put before the BRICS leaders' consideration only after the finance ministers make such a determination in their wisdom," the official added.

He also said the move was aimed at creating long-term political and economic benefits.

Politically, a BRICS-run rating agency would have the goal of providing an alternate mechanism to give credit ratings to emerging-market countries, assessments that are independent of the developed world's ratings — often seen in the developing world as being biased and politically motivated.

Economically, a BRICS rating agency would aim to get market share in the ten billion dollar rating industry, the official said. Currently, three Western giants — S&P, Fitch and Moody's — have a 90 percent share of the ratings market and are headquartered in the United States. Fitch has dual headquarters in New York City and London and is controlled by a French company.

The Indian position on the subject was highlighted by retired Indian Home Secretary Gopal Krishna Pillai. While speaking at a seminar organized by the Indian think tank Observer Research Foundation in New Delhi in July, Pillai said BRICS members should also establish an international credit rating agency to offset the biased agendas of some of the rating agencies. He said this was necessary to control what he called the "skewed information inflows" in the world.

"The control of intelligence and information is so biased in many ways," Pillai said.

Russia has begun to publish its own sovereign debt ratings early this month in a move that is widely seen as a challenge to the grades given by U.S. rating agencies, which the Kremlin has said are not completely fair.

Moscow-based rating agency Expert RA issued its first sovereign debt rating last week, with Russia getting an A- grade, higher than its current BBB rating assigned by U.S. majors Standard & Poor's and Fitch Ratings.

Russia has also had the third-lowest investment grade, Baa1, from Moody's.

"It's already abundantly clear that the work of all three American agencies is directed toward inflating the U.S. rating and lowering ratings for emerging economies," President Vladimir Putin's economic adviser, Sergei Glazyev, said at the presentation of the ExpertRA rating, Bloomberg reported.

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