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The Decision-Making Process of the Central Banks of Brazil and India in Regional Integration: A Comparative Analysis of MERCOSUR and SAARC (2003-2014)

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Abstract : Central banks can play a significant role in promoting regional economic and monetary integration by strengthening the payment and settlement systems. However, close coordination and cooperation require facilitating the implementation of reforms at domestic and cross-border levels in order to benchmark with international standards and commitments to the liberal order. This situation reflects the normative power of the regulatory globalization dimension of strong states, which may drive or constrain regional integration. In the MERCOSUR and SAARC regions, central banks have set financial initiatives that could facilitate South America and South Asia regions to move towards convergence integration and facilitate trade and investments connectivities. This is qualitative method research based on a combination of the Process-Tracing method with Qualitative Comparative Analysis (QCA). This research approaches multiple forms of data based on central banks, regional organisations, national governments, and financial institutions supported by existing literature. The aim of this research is to analyze the decision-making process of the Central Bank of Brazil (BCB) and the Reserve Bank of India (RBI) towards regional financial cooperation by identifying connectivity instruments that foster, gridlock, or redefine cooperation. The BCB and The RBI manage the monetary policy of the largest economies of those regions, which makes regional cooperation a relevant framework to understand how they provide an effective institutional arrangement for regional organisations to achieve some of their key policies and economic objectives. The preliminary conclusion is that both BCB and RBI demonstrate a reluctance to deepen regional cooperation because of the existing economic, political, and institutional asymmetries. Deepening regional cooperation is constrained by the interests of central banks in protecting their economies from risks of instability due to different degrees of development between countries in their regions and international financial crises that have impacted the international system in the 21st century. Reluctant regional integration also provides autonomy for national development and political ground for the contestation of Global Financial Governance by Brazil and India.

Keywords : Brazil, central banks, decision-making process, global financial governance, India, MERCOSUR, connectivity, payment system, regional cooperation, SAARC
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