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## **Much Ado About Something? Assessing the Potential of the India – Brazil – SA Forum**

**Peter Draper, Greg Mills & Lyal White**

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**Much Ado About Something?  
Assessing the Potential  
of the India–Brazil–SA Forum**

Peter Draper, Greg Mills & Lyal White

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# **Much Ado About Something?**

## **Assessing the Potential of the India–Brazil–SA Forum**

Peter Draper, Greg Mills & Lyal White<sup>1</sup>

### **Introduction**

Various questions are beginning to be asked about the progress and potential of the India–Brazil–South Africa (IBSA) Forum, which was created more than a year ago.

Following two ministerial meetings (the first of these the launch of IBSA in Brasilia in June 2003 and the second a follow-up session in New Delhi in March 2004), a broad agenda has been laid down. At present, however, the priorities for co-operative action remain relatively vague. No clear strategic path for the future has been demarcated. Yet the members of IBSA remain committed to the process of finally creating a successful South–South alliance capable of doing far more than uttering the rhetoric that has become synonymous with South–South dialogue.

Together the three regional powers constituting IBSA represent a total of over 1.2 billion people (see Table 1). Their combined GDP of some \$1.1 trillion is over three percent of the global total. Co-operation would, it is argued, translate into political and economic leverage over issues such as reform in both the World Trade Organisation (WTO), and the permanent membership of the United Nations (UN) Security Council. It would also allow the member countries to commit themselves to a number of technical co-

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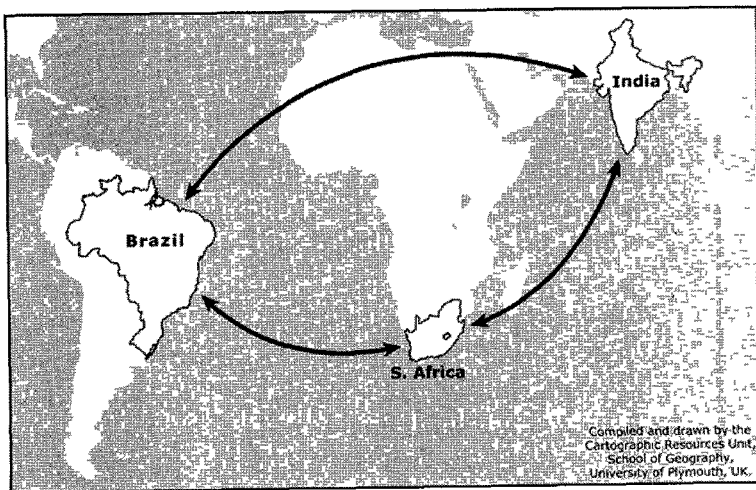
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## *Assessing IBSA's Potential*

operation agreements which could materially assist the efforts of each to address the scientific and social challenges common to all three.

IBSA may provide a constructive opportunity to assess and engage with globally relevant issues from a development perspective. Unlike previous examples of South–South initiatives, IBSA has grouped the key regional players in South Asia, South America and Southern Africa in one cohesive forum. All are 'middle power' emerging markets, active in the global stage.

This report examines developments in IBSA to date, assesses the potential of the initiative, considers the role IBSA could play in the international context, and evaluates each member's role.



### **Developments to date**

Following discussion at heads of state level, the foreign ministers of Brazil, South Africa and India met in Brasilia on 6 June 2003 to launch the IBSA forum.

IBSA was promoted as a constructive effort to elevate South–South dialogue to a more concrete level. While co-operation among developing countries had received substantial attention throughout the 1990s, the lack of either a clear agenda or a consensus among the broad-based membership of developing countries undermined the effectiveness of South–South dialogue and diverted attention from more pressing issues.<sup>2</sup> But the creation of IBSA and the consistent support for it expressed by self-styled leaders of the South, such as President Luis Inacio ‘Lula’ da Silva of Brazil, is a promising sign. Also, the collapse of the WTO’s Cancun round of talks in 2003 was another indication that South–South collaboration had truly come of age. IBSA is now expected to deliver ‘a fresh breath of life’ to South–South dialogue.<sup>3</sup>

One year after the Forum was created, all three members apparently realise that IBSA is far more important than they expected at the outset. (That it was launched by the foreign ministers and not the heads of state from each of the countries indicates that none of the countries involved believed that IBSA would generate so much interest and debate around the world; or that it would become one of the more significant coalitions in the emerging global order.

In essence, IBSA provides a platform for India, South Africa and Brazil — three of the most vibrant and globally active democracies in the developing world — to examine and engage themes of international importance and of mutual interest. After the first meeting in Brasilia, the second took place in New Dehli on 4–5 March 2004. Its purpose was to define, rather broadly, the areas of

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<sup>2</sup> The UN Conference on Trade and Development (UNCTAD) is an exception. Its work has been successful and maintained some continuity, despite pressure from the developed countries.

<sup>3</sup> The developing countries of the South formed a coalition called the G20+, which opposed any further negotiations unless the agricultural policies of the US, Europe and Japan were reformed.

mutual interest and co-operation. The areas as identified in the broad 'Agenda for Co-operation' are:<sup>4</sup>

- multilateralism — notably including reform of the UN;
- peace and security;
- terrorism;
- globalisation;
- sustainable development; and
- social development.

These were further defined in an Action Plan that addressed specific sectors. Its aim was to create inter-sectoral relations between each of the countries in which each sector would assume responsibility for developing areas of co-operation and interaction through direct meetings and exchanges with its counterparts in the partner countries. This is expected to be a constructive means of interaction that is likely to produce tangible results. The sectors are:<sup>5</sup>

- transport (including civil aviation and shipping);
- tourism;
- trade and investment;
- infrastructure;
- job creation and small, medium and micro enterprises (SMMEs)
- science and technology;
- information technology;
- health;
- energy;
- defence;
- education;

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<sup>4</sup> These are the broad themes outlined in the 'Agenda for Co-operation' released by the three foreign ministries following the New Delhi meeting in March 2004.

<sup>5</sup> These sectors are discussed in the Action Plan released following the meeting in New Delhi.

- alleviation of poverty and hunger; and
- governance.

The agenda is clearly very broad and ambitious, which raises concerns about the viability of the process, and suggests that it may be difficult to achieve concrete progress within a realistic time frame. These areas of mutual interest may have to be refined once IBSA starts moving forward and agreements have been confirmed and implemented. A Trilateral Memorandum and Co-operation Agreement on the Information Society has already been signed.

Nevertheless, the foreign ministers of India, Brazil and South Africa have reaffirmed the determination of their governments to contribute actively to the implementation of internationally agreed development goals, with an emphasis on combating hunger and poverty. This will demonstrate their commitment to the IBSA agenda.

The next meeting of IBSA's Trilateral Commission is scheduled to be held in South Africa during the first quarter of 2005. In addition to meetings at the ministerial level, interested parties from the private sector and civil society have been invited to participate. A proposal by Brazil to host a seminar promoting better understanding among IBSA members has been endorsed by India and South Africa. This will allow for second-track analysis for academic or policy formulation purposes.

### **A strong political connection: The tie that (currently) binds**

The political affinity and commitment between the leaders of India, Brazil and South Africa is clearly the foundation on which IBSA is built. Many believe that this strong bond should be the focal point of the relationship (over and above the Plan of Action), as it seems to be one common area free from confusion or conflict of interests.



**Table 1: Basic economic and demographic data**

	<i>South Africa</i>	<i>Brazil</i>	<i>India</i>
Population (2004) (billion)	0.43	0.18	1.1
GDP (current \$) (2002) (billion)	104.2	452.4	510.2
GDP per capita (2003)	\$10,700	\$7,600	\$2,900
Population below poverty line (2000)	50%	22%	25%
Total exports (2003) (billion)	\$36.77	\$73.28	\$57.24
Total imports (2003) (billion)	\$33.89	\$48.25	\$74.15
External Debt (2002) (billion)	\$24.7	\$233.6	\$95.3
High technology exports —% of manufactured goods (2002 est.)	5.1	19.1	4.8
FDI (net inflows in reporting country) (2002) (billion)	\$0.739	\$0.17	\$3.0

Source: The World Bank ([www.worldbank.com](http://www.worldbank.com))

IBSA will undoubtedly deepen the considerable trilateral interactions that already exist. South Africa in particular has good relations with both Brazil and India. These are based on an interesting mixture of historical linkages and political traditions that have opened various avenues of collaboration; and common positions on trade and security matters in international fora.

Even the staunchest promoters of centralised political co-operation will agree that trade is a significant dimension of IBSA. It is expected to develop into the 'new and improved' driving force behind the Forum. For South Africa, trade with India (close to \$700 million in 2002) and Brazil (\$660 million) has increased over the past decade by 1,334% and 268% respectively. Brazil-India trade is about \$937 million, and has grown by an impressive 450% during the last 10 years.<sup>6</sup> There is little doubt that a more focused IBSA agenda will provide structure and incentives for an even more substantial development in trade and investment between the three partner countries.

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<sup>6</sup> These figures were supplied by Trade and Investment Policy Strategies (TIPS) ([www.tips.org.za](http://www.tips.org.za)).

**Table 2: Trilateral trade flows:1992–2002 (\$ 000)**

	<i>Brazil–South Africa</i>	<i>Brazil–India</i>	<i>India–South Africa</i>
<b>1992</b>	204,06	206,74	40,251
<b>1994</b>	451,21	613,73	266,75
<b>1996</b>	706,94	353,7	571,18
<b>1998</b>	503,88	415,82	626,43
<b>2000</b>	539,40	442,02	684,89
<b>2001</b>	626,29	905,14	688,22
<b>2002</b>	662,45	936,85	662,75
<b>% increase</b>	268%	450%	1,334%
<b>Source:</b> The World Bank ( <i>www.worldbank.com</i> )			

South Africa’s bilateral relations with Brazil are further cemented (at a more sentimental but no less important level) by Brazil’s possessing the largest population claiming African descent outside of Africa. (It has the second largest overall, surpassed only by Nigeria.) The African diaspora represents an aspect that should never be underestimated in assessing South Africa’s relations with Brazil.

India, on the other hand, has long-standing links with South Africa that pre-dated Mohandas Gandhi’s arrival in the country in 1914 through Delhi’s stance against apartheid, which was pursued in the UN and other international bodies. This translated into a strong sympathy between India and the new South African government, especially during the Mandela years. As President Mbeki put it when on a visit to India in October 2003:<sup>7</sup>

I stand here feeling that I have indeed come home again. This is particularly because Indian and South African freedom fighters have shared an enduring and special bond of kinship, friendship, solidarity and comradeship for more than a century. We can therefore say, without any hesitation, that we are not fair-weather friends — we have been, we are and always will be strategic partners for all seasons.

For South Africa, IBSA fits in, too, with the development paradigm the country has adopted since 1994. The government wants to

<sup>7</sup> The third Alfred Nzo Memorial Lecture, Indian Council of World Affairs, 16 October 2003, available at <http://www.dfa.gov.za/docs/mbek031016.htm>.

establish South Africa as a competitor on equal terms with other manufacturing countries across the world. The IBSA arrangement may help to put stronger pressure on the developed North, for example, on tariff reform and agricultural subsidies. It may also help to bring to fruition South Africa's current free trade area negotiations through the Southern African Customs Union (SACU) with the Common Market of the south (Mercosur) in Latin America, and indirectly influence those that have been opened with the US and the European Free Trade Area (EFTA). FTA negotiations with India are also moving to a higher position on the South African government's agenda. IBSA also corresponds with South Africa's other plan for the development of the African continent, the new Partnership for Africa's Development (Nepad).

It is important to the government that IBSA should not be viewed with suspicion, or as an alternative to South Africa's development programmes on the African continent. Rather it should be welcomed as an initiative that co-exists with, and actually supports, the upliftment of Africa.

### **South Africa: Arguably the focal point**

South Africa is the smallest of the three member countries in terms of population and size of the economy. However, South Africa is a giant in the African context. It is widely regarded as the most prominent political and economic force on the African continent, and a leader in the loose alliance known as the countries of the South. South Africa is known to 'punch above its weight' in global fora and is quick to identify the opportunities offered by South-South initiatives like IBSA.

South Africa is said to have been the primary initiator of IBSA. Some commentators have described it as 'Mbeki's brain child'.<sup>8</sup> The idea

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<sup>8</sup> Interview, Pretoria, June 2004.

emerged some years ago in response to the lack of progress made in implementing the recommendations arising from South–South dialogue. President Mbeki apparently addressed a number of letters to ‘important developing countries’. These suggested the idea of a smaller, more constructive South–South forum, the nature of which he left open to discussion. India and Brazil were quick to respond, and eager to play a part in the initiative.<sup>9</sup>

IBSA began to materialise during the inauguration of President ‘Lula’ da Silva in January 2003. The Brazilian foreign minister invited the South Africans and Indians who had attended to return to Brazil in June to launch the IBSA forum. The official opening was followed up by the inaugural Brazil–Africa forum in Fortaleza, which many analysts see as indicative of Brazil’s broader ambitions of forging closer commercial and political ties in Africa.

The areas of mutual interest and the items raised in the Plan of Action support the claim that South Africa was the initiator of IBSA, as they run parallel to the domestic and regional goals South Africa is currently striving toward strong similarity. IBSA’s objective also shows a strong similarity to initiatives South Africa is driving on the African continent, most notably Nepad.

A highly-placed Brazilian official has described South Africa as the ‘political driver’ and ‘initiator’ of the process, justifying these appellations by explaining that South Africa is the only one of the three capable of initiating such a coalition because it enjoys preferential relationships with both Brazil and India. It is also geographically positioned between them.<sup>10</sup>

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<sup>9</sup> Other precursors include the proposal for a ‘G5 of the South’ a WTO, post-Seattle initiative suggested by the then South African Trade and Industry Minister, Alec Erwin, in the build-up to Doha. Although the idea was not acted upon, it provided an important intellectual stimulus for the subsequent creation of the G20 in Cancun.

<sup>10</sup> Private discussion with a Brazilian official in June 2004.

However, recent events indicate that Brazil has taken the lead on the multilateral trade front, with strong support from South Africa. The latter appears to be less outspoken than both India and Brazil on various issues, mostly related to trade. In that respect, India and Brazil have used the size and strategic positioning of their countries to influence the global trade agenda, in anticipation of the influence IBSA is expected to exert over the reform process.

While South Africa may not have an economy or population comparable in size to those of Brazil and India, it certainly does carry international political influence, which contributes to the credibility of the initiative. This is partly because its approach to international relations is broadly regarded as more flexible and accommodating than confrontational. South Africa's economy is also the most liberalised and globally integrated of the three.

South Africa has good relations with a large number of countries, and is currently negotiating bilateral agreements with states in both of the North and the South. Some commentators would argue that South Africa is regarded by many as representing the voice of reason in IBSA. For this reason, it could develop into the Forum's chief negotiator, especially when IBSA is dealing with countries outside the alliance or, on a different level, when the sensitive issue of IBSA expansion is broached within it. By assuming such a role South Africa may be able to steer the trilateral initiative toward the same objectives has been pursuing in its own foreign policy and trade strategies in recent years.

### **India: Life after the BJP**

Very little is expected to change in India's IBSA policy following the Congress Party's victory over the Bharatiya Janata Party (BJP) in the recent national elections, given that 'Indian Foreign Policy is based

on a national broad-based consensus'.<sup>11</sup> Indeed, in its election campaign the Congress Party emphasised development goals that are very much along the lines of those advocated by IBSA. Having adopted a more intense focus on development and poverty alleviation through collective action, India's new government will, if anything, place greater emphasis on the Forum.

Unlike South Africa, which was forced into multilateral diplomacy very soon after its political transformation by virtue of its position in Africa, India has more political experience. It has therefore assumed the role of the functional driving force within IBSA. One South African diplomat remarked,<sup>12</sup>

The Indians are 'doers', and if it is up to them they will constructively manage, control and drive the process...taking the other partners along with them, and they will be good at it!

A senior Brazilian official tends to agree with this statement, describing India as the practical engine behind IBSA. India was the first of the three to look for business opportunities in IBSA, and to suggest the inclusion of business interests in the Forum. This demonstrates India's interest in generating tangible and commercial benefits from trilateral integration. Indian non-governmental experts, however, propose that IBSA should focus primarily on addressing security-related issues, including terrorism and the environment, and on creating 'bargaining power on trade matters'.<sup>13</sup> When IBSA is discussed with any official from India, this general characterisation is endorsed. All hold the general principles of IBSA in high regard; but they are eager to get the process moving in a more constructive direction, to produce visible results. These, they believe, will only be realised once the Plan of Action agreed upon

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<sup>11</sup> Discussion with the High Commissioner, Shiv Shankar Mukherjee, in Pretoria, South Africa in June 2004.

<sup>12</sup> Private discussion with a prominent South African diplomat, June 2004.

<sup>13</sup> Discussion with C Raja Mohan of Jawaharlal Nehru University, Chicago, June 2004.

during the first meeting (mentioned earlier) becomes IBSA's central focus.

### **Brazil: Does it share Lula's enthusiasm?**

Brazil, under the leadership of President 'Lula' da Silva, has placed emphasis on promoting IBSA by giving it a high public profile and emphasising multilateral approaches. Since the launch of IBSA, Lula has visited various countries in all the developing regions of the world. He has been to South Africa twice, and attended India's Republic Day celebrations, which took place on 26 January 2004. The Brazilian government remains enthusiastically committed to the initiative, both privately and publicly. It sees structured co-operation as offering distinct advantages, a case of the whole being greater than the sum of its parts.

In all his travels Lula has emphasised his commitment to building an 'axis of the developing South', the centre of which will be the alliance between India, Brazil and South Africa in IBSA. During his numerous engagements in India the Brazilian president stressed the possibilities offered by the IBSA forum, and in particular the channels it will open for South-South co-operation. In Delhi he noted, 'the Group of Three [India, Brazil and SA] are getting together ... to change or at least improve the economic geography of the planet'.<sup>14</sup> In May 2004 Lula visited China, where he reiterated his commitment to South-South co-operation and said he hoped to forge closer ties with that country. Many have speculated that Lula's visit to China, while primarily focused on boosting its bilateral (predominantly business) relations with his own country, might have masked his true intentions, which is to bring China into IBSA at

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<sup>14</sup> Lula has frequently used the term 'new economic geography'. See, for example, [http://archive.wn.com/2004/01/28/1400/uruguay\\_economy/](http://archive.wn.com/2004/01/28/1400/uruguay_economy/).

the earliest possible opportunity. Lula is seen to be acting as IBSA's unofficial primary diplomat.<sup>15</sup>

Apart from Lula's efforts to promote IBSA in a wide range of countries, Brazil's contribution was central to the creation of the G20+<sup>16</sup> at the Cancun Round of WTO talks in 2003. The G20+ was a group of countries who collaborated to counter the weight of the industrialised nations of the North in the WTO, with a view to advocating the gradual liberalisation of agricultural subsidies in those countries. The G20+ was successful in blocking the US–EU position on agriculture at Cancun, and in supporting the recent draft framework agreement reached in Geneva. In the interim Lula has suggested that a preferential trade agreement which could be extended to other developing nations over time should be drawn up between G20+ members. This proposal was reiterated at the recent United Nations Conference on Trade and Development (UNCTAD) meeting in Brazil. This makes it clear that Lula has placed trade, trade reform and the governance of organisations like the WTO at the centre of IBSA's (arguably increasingly overloaded) agenda.

The Brazilian position is an interesting one, but by no means new. Under the leadership of President Henrique Cardoso, Brazil pursued a strong South–South agenda in partnership with South Africa, the latter under the leadership of first President Nelson Mandela and subsequently President Thabò Mbeki.<sup>17</sup> Lula has once more made

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<sup>15</sup> It has also recently become clear that Brazil would like to bring Russia into IBSA. This would presumably strengthen the Forum's UN reform agenda. When Russia has acceded to the WTO it could also add to IBSA's voice in trade negotiations.

<sup>16</sup> The original members of the G20+ were: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Indonesia, Nigeria, Mexico, Paraguay, Pakistan, Peru, Philippines, South Africa, Thailand, Venezuela. Countries that have subsequently withdrawn from the G20+ (all Latin American) include Colombia, Costa Rica, Peru, El Salvador, Guatemala and Ecuador. Countries that have subsequently joined the G20+ include Tanzania and Zimbabwe.

<sup>17</sup> It is important to note that commercial considerations play a role in Brazil's calculations. Much of the country's more advanced technology exports,



South–South dialogue a priority of Brazilian foreign policy. In so doing he is influencing the nature of the current global order. (G20+ and UN reform are indirect evidence of this.) Nonetheless, with opinion polls in Brazil indicating a dramatic drop in Lula's domestic popularity, and the Free Trade Agreement of the Americas (FTAA) in a state of deadlock, Lula seems to regard South–South dialogue and particularly IBSA as an essential element of its political survival. His left-leaning tendencies stem from his unionist background. His South-South development initiatives therefore come as little surprise, even considered moderate when compared to his past.

It is not clear whether domestic support in Brazil matches Lula's enthusiasm. There are wide divisions of opinion among government departments, not to mention between business and government and the various sectors of industry, with regard to the FTAA.<sup>18</sup> Do these same extremes exist concerning IBSA? This is highly unlikely, simply because of the scale of the economic differences and the number of partners involved in the two processes. But while there does not seem to be any political opposition in Brazil toward the IBSA process, it is still unclear whether the Forum will receive the blessing of big business and industry, which is the prerequisite for its economic success.

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particularly machinery, go to Latin American markets. India, South Africa and Africa in general are logical extensions of this export base. However, India, Brazil and South Africa are competitors in similar product niches. Consequently the Brazilians advocate co-ordinated strategy development in key industrial sectors of the three countries. Discussion with a senior Brazilian trade promotion official in Pretoria, July 2003. The question is how South African industry would participate in such arrangements, were they to materialise.

<sup>18</sup> For more details, see Zourabichvili A, 'Brazil's position in the Free Trade Agreement of the Americas Negotiations Process', *SAIIA Trade Policy Briefing*, 5, February 2004.

## **Reform of the global order**

One priority that emerged from the New Delhi meeting in March 2004 was the need for political co-operation in multilateral initiatives. All three members of IBSA believe such collaboration is lacking in the current global order. Therefore they intend not only to strengthen multilateral systems, but to use their collective weight to lobby for reform in these institutions, particularly the UN and the WTO.

The intention expressed is to '...make it [the UN] more democratic and responsive to the priorities of its member states, particularly those of the developing countries that constitute the vast majority of its membership'.<sup>19</sup> However, it should not be forgotten that each of the three nations aspires to a permanent seat in an expanded UN Security Council (which many analysts argue may have provided the initial impetus for forming IBSA).

The composition of the UN Security Council, with only five permanent members (the P-5) is, as India, Brazil and South Africa see it, not representative of 'present-day realities'. Therefore they support the reallocation of the permanent and non-permanent seats in the Security Council in a way that will allow it to serve the interests of the global community better. It goes without saying that each member of IBSA will support the others in their bids to gain permanent seats on the Security Council — India as the representative of South Asia, Brazil of Latin America, and South Africa of Africa.<sup>20</sup> However, the latter would be contrary to the African Union's preference for a rotating incumbency of a permanent seat for Africa. This points to one of the key challenges that IBSA states face: that most of the resistance to reform of the present Security Council comes not from the current P-5, but from

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<sup>19</sup> See 'Agenda for Co-operation', released after the Ministerial meeting in New Delhi. ([www.mre.gov.br](http://www.mre.gov.br)).

<sup>20</sup> *Ibid.*

the contenders who are unlikely to gain permanent seats if reforms are carried out. These countries include Argentina, Mexico, Pakistan, Nigeria and Egypt.

Related to questions of political co-operation are the Forum's efforts to improve peace and security and to participate in the fight against terrorism. All three IBSA countries agree that human development, poverty alleviation and the promotion of a better life underpin international peace and security. The consensus reached within IBSA on the Iraqi situation accepts the vital role of the UN, and the need for full sovereignty to be restored to the Iraqi people. However, no constructive measures or suggestions to address peace and security matters or confront the Iraqi issue have been put forward by the IBSA group as yet.<sup>21</sup>

India, Brazil and South Africa agree that terrorism is the 'most significant threat faced by the world today', and that collective action is required. They also support the UN Security Council Resolution 1373 on combating terrorism,<sup>22</sup> but, as with general peace and security, the IBSA members have been reluctant to develop and implement a formal common security arrangement that is equipped to address trans-national terrorist threats within their own countries and regions.

Economic co-operation in the realm of multilateralism is another issue at the forefront of the IBSA agenda. IBSA has been relatively successful in developing significant leverage in the WTO and lobbying developed countries to change the current international trade agenda, as noted above. India, Brazil and South Africa each have an interest in changing the current international trade regime,

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<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*

which all feel is determined by the US and Europe.<sup>23</sup> With the support of China, and of the consensus expressed by developing nations at recent meetings (notably UNCTAD), it seems extremely likely that the international trade agenda will alter in favour of the developing world. IBSA is likely to be at the centre of any drive to change the current trade dispensation.

### **From commitment to performance**

Those who are sceptical of IBSA's chances of success argue that earlier South-South initiatives have come up with few tangible solutions to the problems of the developing world. IBSA is by no means in opposition to any nation or organisation; nor is it an alternative to previous attempts at South-South co-operation. Its strength lies in the weight carried by its members. When India, Brazil and South Africa speak, their voices will be heard, particularly when they argue from a common position. So it makes sense to add to their collective weight by adopting a clear action plan.

IBSA has been described as the underpinning element in the 'axis of the South' and the 'hard core' of activism on behalf of the developing world in multilateral organisations like the WTO. It thus provides a stepping stone for broader South-South initiatives. But IBSA is also likely to serve as a catalyst in generating FTAs between its members.

For a long time (since 2000) SACU and Mercosur have been trying to enter into negotiations toward an FTA, but with little success. This

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<sup>23</sup> This issue is of slightly less concern to South Africa than to India and Brazil. The dispute surrounding the WTO hinges on agricultural and the so-called 'Singapore' issues (the inclusion of services, investments etc into WTO agreements). While these are relevant to South Africa, the nature of South Africa's economy allows it to be less reliant on agriculture and more sympathetic to including the Singapore issues into WTO negotiations. But for the sake of solidarity and some economic benefits, South Africa has pledged its support to Brazil, India and the Africa group in this matter.

has resulted in a great deal of frustration and even mistrust between representatives of the two regions, creating unnecessary difficulties for South Africa and Brazil (the driving forces behind the SACU–Mercosur FTA). At one stage some concern was expressed that these problems between SACU and Mercosur would affect the IBSA initiative. Senior Brazilian officials contended in early 2004 that Pretoria needed to follow through on its commitment with substantive actions on inter-regional co-operation.<sup>24</sup> This would include South Africa's devoting resources both to IBSA and to concluding the SACU–Mercosur trade negotiations. The latter have yet to progress beyond the framework agreement signed in 2000 to substantive talks. The process appears to have lost momentum under the pressures of both South Africa's overloaded trade negotiations agenda and Argentina's domestic economic problems.

The formation of IBSA may actually inject fresh momentum into the SACU–Mercosur FTA process, or at least provide alternative arrangements. There is even talk of developing a trilateral FTA under the current IBSA framework. This could happen only if South Africa devoted a great deal more attention to the proposed FTA between SACU and India and if the current trade negotiations between Mercosur and India were accelerated.<sup>25</sup> That would complete all three sides of the triangle, and open the way for a shared FTA.

Deepening trade and investment relations, possibly through an FTA between India, Brazil and South Africa, is important to the survival and success of IBSA. While noble gestures, political will and commitment from all three governments are important, and have generated a great deal of international interest in IBSA, commercial

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<sup>24</sup> Private discussion, Brazilian foreign policy planning staff, New Delhi, February 2004.

<sup>25</sup> The latter concluded a framework agreement in 2003 accompanied by an initial exchange of preferences on some 700 goods.

bounds will provide the glue that holds IBSA together. They may also provide its motive power in the future. As a top Indian official noted, 'In real terms, if business and industry does not get behind IBSA, there is no IBSA!'

The evolution of IBSA from a 'talk-shop' to a 'swop-shop' of tangible exchanges will involve not only constructive action, but also the expansion of its membership to include other, like-minded developing nations. Whilst no country has been intentionally excluded from IBSA, at present the idea is to get the process moving before additional members are invited to join. The IBSA partners have stated that they would have no objection to any country's becoming part of the Forum, and many from Africa, Latin America and Asia have expressed an interest in IBSA and in becoming affiliated to it. Russia and China in particular are said to be hoping to enter the alliance sooner rather than later.

China is India's economic and political rival in Asia, which might create a number of obstacles to its inclusion in IBSA. As the most influential developing nation on earth (and possessing substantial leverage by virtue of its size and economic might), China is a natural candidate. President Lula has clearly realised China's potential, and on his recent trip to that country he pointedly included comments on South-South co-operation and the role of IBSA<sup>26</sup> in speeches generally aimed at improving bilateral relations between Brazil and China.

China has consistently expressed an interest in the initiatives IBSA is striving towards, in particular UN and WTO reform. However, Chinese foreign policy, whilst paying lip service to co-operation between developing countries, is more closely concerned with acquiring membership of the 'great power league' of countries

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<sup>26</sup> Brazil and China have good economic relations, and are party to numerous co-operative agreements, which include mega projects in the Great Dams initiative in China and joint satellite launches.

represented by the G7. Furthermore, the Chinese political elite realises that if the UN Security Council were to be reformed, one of the first entrants would be its old rival, Japan. Consequently it seems unlikely that the Chinese will support UN reform that takes the route of expanding the permanent membership of the Security Council. Therefore it is questionable whether having China as a member would help IBSA's to achieve one of its goals.

Furthermore, critics of China's possible affiliation with IBSA have raised the obvious question: 'Does China fit the IBSA mould? Is it [as the others so proudly claim, and emphasise in IBSA's official statements] a 'vibrant democracy'? Clearly this is not the case. For China to join IBSA, the principles of democracy would have to be played down in favour of a focus on the economic opportunities its membership would provide.

The Russian president, Vladimir Putin, has expressed his interest in IBSA and asked to be kept abreast of developments in the trilateral forum. He has given no clear indication that Russia will seek membership. Because that country is a current member of the P-5, Russia's support of IBSA's advocacy for Security Council reform is critical. However, it is not clear where Russia stands on IBSA. A positive factor is that both South Africa and India have long-standing historical relationships with Russia that could be useful in harnessing its support. The question is what the *quid pro quo* would be for Russia.

### **Conclusion: Much ado about something?**

IBSA has the potential to become a credible and accountable coalition of the most powerful countries in the developing world. If it can set (and keep to) a focused agenda, the partnership between India, Brazil and South Africa will be more constructive than any previous Southern alliances. In particular the Forum will be able to

contribute far more effectively to international debate, agenda-setting and decision-making. It could thus avoid the pitfalls into which other representative organisations of the developing world (such as the Non-Aligned Movement and G77) have fallen in the past because their size and diversity have prevented effective action.

Yet it should be recognised that IBSA too will be hampered by constraints. For example, India's nuclear status and its defiance of disarmament contrasts with South Africa's status as the only nuclear power that has voluntarily disarmed. (Brazil has also suggested in recent months that it is interested in reviving its nuclear programme.) With China showing an increasing interest in the trilateral alliance in the context of the WTO, the chances are that IBSA could be at the centre of substantial reforms in the world trading system in the not too distant future. However, to make this happen, IBSA will have to move from a politically driven process to one motivated by trade and investment incentives. Trade (and commercial exchanges) will have to become the fundamental bond between India, Brazil and South Africa if IBSA is to enjoy long-term success. However, while an action plan that addresses a number of trade and investment projects will help to bring this about, it is also important that the IBSA agenda should not be overwhelmed by an impossible number of 'sub-initiatives'. This could create a mosaic of smaller projects that fail to link together to form one clear overriding vision for IBSA. This is perhaps where the political bonds and the envisaged trade agreements will serve to cement the Forum's singleness of purpose.

Turning IBSA from a fuzzy, feel-good concept into a concrete programme would offer real rewards to all three partners, and especially South Africa, which would gain preferential access to two growing, fast-modernising markets. IBSA also provides a means to counter the economic and political advantage of the North. But membership of IBSA comes at a cost: unless all three countries go beyond procedure and polemic to invest substantial resources in its success, it may join the ranks of other failed South-South coalitions.





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