Working Paper

Developing Country Coalitions in WTO Negotiations: How cohesive would IBSAC (India, Brazil, South Africa, China) be?

Debashis Chakraborty
Pritam Banerjee
Dipankar Sengupta
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Debashis Chakraborty*
Pritam Banerjee**
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Abstract

BRICS (Brazil, Russia, India, China, South Africa) has emerged as a role model for the developing countries at large by building a sustainable dialogue on major policy issues. The ongoing stalemate at the Doha Round of Discussions under WTO is creating a major hurdle for the developing countries. In that context, the present analysis explores whether the WTO Member countries of BRICS, i.e., India, Brazil, South Africa and China (IBSAC), who possess tremendous potential to become the drivers of global economic growth, can also play a significant role at the multilateral negotiations for protecting developing country interests. IBSA is already an operational Dialogue Forum focusing on South-South Cooperation. IBSAC countries have earlier collaborated together in multilateral negotiations (e.g. G-20 for agriculture), but there exist considerable scope to improve the same further. The present analysis reveals that the IBSAC countries need time to become a formidable negotiating collaboration, given their presence in world trade. Also, the deeper trade reform already undertaken by China vis-à-vis IBSA countries makes collaboration between them on every WTO aspect difficult. The analysis indicates that IBSAC would remain a more coherent bargaining coalition at WTO, while China would collaborate with it only when mutual interests overlap. It is however likely that the existing trade barriers in developed country markets would continue to provide opportunities for IBSAC to collaborate at times.

JEL Classification: F13, F51.

Keywords: International Trade Organizations, Negotiations

* Assistant Professor, Indian Institute of Foreign Trade, Delhi Campus, IIFT Bhawan, B-21, Qutab Institutional Area, New Delhi-110016, India. E-mail: debasis@iift.ac.in
** Senior Director, Policy - South Asia, DHL. E-mail: prit.banerjee@gmail.com
*** Professor, Department of Economics, University of Jammu, Jammu. E-mail: dsen68@gmail.com

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Developing CountryCoalitions in WTO Negotiations: How cohesive would IBSAC (India, Brazil, South Africa, China) be? 1

1. Introduction

The developing country collaborations are becoming increasingly important in the recent period, especially after the US recession in 2009, followed by the Greek crisis in the EU. The BRIC (Brazil, Russia, India and China) is one such forum where the leading emerging economies are sharing a platform to discuss issues pertaining to development challenges (Goldman Sachs, 2003). The BRIC forum in 2010 has been expanded to emerge as BRICS, by inviting South Africa in the group. BRICS has evolved as the role model for the developing countries at large by building a sustainable dialogue on major policy issues on the lines of the present G-8. 2 The Fourth BRICS Summit has recently been held in New Delhi on March 29, 2012. The members agreed to focus on several issues in the meeting, including: devising a systematic approach to respond to any further economic downturns in the global economy, strengthening financial cooperation, working on contextualised multilateral policies, ensuring sustainable development, responding to the common challenges of urbanization and food prices, and collaborating for realization of ‘universal healthcare and medicines for all’, among others. 3

The need for such a developing country dialogue / negotiating forum is becoming more critical given the limited success of platforms such as the G-8+5 4 and G-20 5 that try to bring together industrialized and large emerging countries on issues of global trade and financial reforms. The problem of policy coherence in both the G-20 and G-8+5 forums deepens by the fact that despite official pronouncements supporting trade liberalization

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1 The Views expressed by the authors are personal and do not represent the same of their respective organizations.
2 “The agenda of BRICS meetings has considerably widened over the years to encompass topical global challenges such as international terrorism, WMDs, climate change, food and energy security, MDGs, international economic and financial situation, etc.” Available from http://www.bricsindia.in/ (last accessed on May 17, 2012).
3 For details, see http://www.bricsindia.in/about.html (last accessed on March 27, 2012).
4 The group includes G8 countries (Canada, France, Germany, Italy, Japan, Russia, Britain and the US), plus Brazil, China, India, Mexico, and South Africa.
5 The Group includes Australia, India, Argentina, France, China, Canada, Russia, Brazil, Germany, Indonesia, Saudi Arabia, South Africa, Mexico, Italy, Japan, United States, Turkey, United Kingdom, South Korea and the EU.
there has been very little change in the policy positions of any of the countries at the WTO negotiating table and the deadlock of the Doha round continues. It will be an interesting exercise to understand the importance of the BRICS countries in the multilateral forum relating to international trade negotiations, i.e., WTO negotiations. The negotiations on multilateral trade reform under the Doha Round are continuing since 2001, and an early conclusion of the same is not in sight. The developing countries including Brazil, China, India and South Africa have so far played key roles during the negotiations. Russia, however, is still an observer Member of the WTO.⁶

Therefore, the present analysis is focusing only on the role of the proposed IBSAC (India, Brazil, South Africa and China) collaboration in this context.

Since early nineties, the trade openness of IBSAC countries has increased considerably, the highest being in case of China. However, the export penetration of the individual IBSAC countries in the world market over the last decade has noticeably differed. The average annual growth rate in global merchandise export over the last decade has been highest in case of China while the same in case of services has been highest for India. Over the last decade, China and India have more than doubled their global market share in merchandise exports, while the scenario has not been that impressive for Brazil and South Africa.⁷

The IBSA (India, Brazil and South Africa) Dialogue Forum started in 2003, and the meeting of the heads of the three States at the G8 Evian Summit and the foreign minister level discussions at Brasilia following the same deserves particular mention. While the IBSA countries agreed to discuss broad international topics including South-South cooperation and reforms of the UN Security Council, the trade concerns occupied a major part of the trilateral discussion.⁸ The motivation originated from the similar challenges being faced by all these three developing countries, in particular vis-à-vis the negotiating standpoint of the developed countries at WTO (Chakraborty and Khan, 2008).

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⁷ China’s market share in merchandise trade has increased from 3.86 percent to 10.36 percent in 2010, while the corresponding figures for India are 0.66 percent and 1.44 percent respectively. The corresponding figures for Brazil and South Africa are 0.85 percent and 1.33 percent and 0.46 percent and 0.54 percent in that order.

⁸ For details, see http://www.ibsa-trilateral.org/ (last accessed on May 17, 2012).
The trade-related driving motives behind formation of IBSA Dialogue Forum included: need for building sustainable alliances for multilateral trade negotiations at WTO; protect intellectual property rights (IPR) and ensure public health; develop alternative sources of technology; increase business-to-business contacts and enhance energy security etc. Understandably after failure of the Cancun Ministerial of WTO in September 2003, IBSA, a coalition of large, industrialized and increasingly sophisticated emerging economies, found them at the heart of G-20\(^9\) (in the field of agriculture) and NAMA-11\(^10\) (in the field of non-agriculture), the two leading developing country negotiating coalitions. The negotiating perspective remained strong, as the Declaration of the fifth IBSA Summit Meeting held in Pretoria during October 2011 pointed out the distortions caused by the high levels of subsidies in agriculture in developed countries and stressed the need to correct the imbalance through negotiations in the Doha Development Round.\(^11\)

The evidence from existing literature shows that bargaining coalitions of partners with similar interests could serve as a crucial instrument of effective trade diplomacy (Narlikar, 2003). Large emerging countries have been exploring several options to counter the dominance of the industrialized world in global policy-making since late 1990s. Prominent among such forums are IBSA, the BRICS, the India-China-Russia trilateral etc. It can be argued that IBSA has the potential to emerge as a platform that can build a sustainable alliance to protect the interests of emerging economies in Asia, Africa and South America (Chakraborty and Sengupta, 2006). It increasingly became apparent during nineties that there is no strong effective bargaining group representing the developing countries. The absence can be explained with the diversity among developing countries, which makes any coordinated action difficult. IBSA provide a viable option in this regard, owing to the convergence of interest among the three countries on a substantial number of economic issues and the common theme of countering the protectionist policies of EU and US at the WTO negotiations.

Although IBSA is going to complete almost a decade now, their success has so far been moderate. It can be argued that the inclusion of China into this grouping would give far greater bargaining strength and make it more effective in achieving its core objective as

\(^9\) The group includes Argentina, Bolivia, Plurinational State of, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Bolivarian Republic of, Zimbabwe.

\(^10\) The group includes Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia, Venezuela, Bolivarian Republic of.

a counterweight to industrialized economy interests in multilateral forums. However, presently the medium-term goals of the IBSA countries and China differ significantly. Nevertheless, it can be noted that many effective partnerships have started from heterogeneous beginnings. For instance, the goal of SADC initially was to unite the small countries of the region against the apartheid regime in South Africa, by reducing economic dependence on it. Today, South Africa is an integral part of the arrangement. Similarly, formation of ASEAN was partly motivated by a perceived need to stop the threat of spreading Communism in the region (World Bank, 2000). Today Vietnam and Cambodia are part of ASEAN and China-ASEAN FTA is expected to help ASEAN economies through growing linkages with the regional economic superpower (Chakraborty and Kumar, 2012).

In this background, the current analysis limits itself to the potential role of IBSAC as a bargaining coalition in WTO forums and examines the ongoing collaborations between them. The analysis is arranged along the following lines. First, a brief account of the developing country negotiations at the multilateral forums has been noted, followed by discussion on trade patterns of the IBSAC. The possibility of the IBSAC’s success at WTO negotiations is explored next. Finally, certain policy conclusions on the basis of the analysis are drawn.

2. The WTO Negotiations and Role of Developing-Country Alliance: Past, Present and the Future

2.1 The pre-Doha Round period

General Agreement on Tariffs and Trade (GATT), the predecessor of WTO, became operational in late forties. However, during fifties and sixties, most of the developing countries were motivated by the perceived advantages of import-substitution led growth model. As a result their participation in GATT rounds, where non-agricultural tariff reduction was being negotiated, remained minimal. Instead the developing countries preferred discussions on trade and development issues at the United Nations Conference on Trade and Development (UNCTAD) through developing country groupings like G-77, where India and Brazil were quite active (Draper and Sally, 2006). However, the initiative of developed countries to include agriculture, Trade Related Intellectual Property Rights (TRIPS) and services under WTO during the Uruguay Round (UR) of GATT discussions united developing countries at multilateral forums (Chisti, 1991).
Brazil and India played a key role in formation of a developing country alliance G-10, which was followed by creation of another developing country coalition G-20 in the subsequent period.\textsuperscript{12} Since the UR period (1986-1994) coincided with the adoption of export led growth strategy by many developing countries in late eighties, ensuring reduction of tariff and non-tariff barriers (NTBs) present in developed countries became an integral part of their negotiating strategy. However all the pre-WTO developing country groups G-15, G-10, G-20 and ‘Like Minded Group’ failed to create any major impact on multilateral negotiations (Blinova et al, 2006).

Developing countries failed to adopt an active role during Singapore (1996) and Geneva (1998) Ministerial of WTO, perhaps still expecting that the unfulfilled promises made during UR would soon be fulfilled. However ‘learning’ through the experiences of unfulfilled expectations, they became more pro-active at the subsequent multilateral negotiations. Several factors led to this development, namely: unhappiness over the slow pace of multilateral negotiations, persistence of tariff and non-tariff barriers in EU and US markets, perceived threat over potential incorporation of labour and environmental standard under the wings of WTO etc. (Chakraborty and Sengupta, 2005). It was increasingly felt that the additional market access granted to the developed countries by agreeing to include agriculture, TRIPS and services under WTO has not been matched by the market access received in return (Debroy, 2005). On the other hand, defeat in a number of WTO disputes involving developed countries as complainant forced developing countries like India to open up domestic economy for several key sectors (Chaisse and Chakraborty, 2006). Developing countries perceived these as a breach of the promised Special and Differential Treatment (SDT), and active negotiation at the WTO forums was identified as a corrective measure.

Before the Seattle Ministerial (1999), a number of developing country coalitions (Friends of the Development Box, Friends of Geographical Indications, G-24\textsuperscript{13} for discussing trade in services) emerged in the WTO forum (Narlikar, 2003). The members of these groups protested when instead of working on the unfulfilled UR promises (i.e., reform in agricultural subsidy, conclusion of GATS negotiations), the developed countries tried to focus on the much debated Singapore Issues (transparency in government procurement, trade facilitation, competition policy and trade and investment), labour and

\textsuperscript{12} IBSAC countries were not part of the G-20 formed during Uruguay Round, although several members of that group like Indonesia, Pakistan and Thailand later joined the new G-20 negotiating group on agriculture formed in 2003.

\textsuperscript{13} Interestingly only Asian and Latin American countries were part of this developing country coalition.
environmental standards etc. during the Ministerial. As a result, developing country solidarity was noticed for the first time, ultimately leading to the failure of the Ministerial meeting.\footnote{See Gill (2000) for details.}

The urgency of forming a strong developing country negotiating coalition was understood in no uncertain terms in mid-2001, when the conflict between the right of the patent-holder (usually a developed country firm) and the public health policy of a developing country emerged as a major concern area. South Africa had to terminate the import of a generic (and of course much cheaper) version of a patented anti-AIDS medicine from Cipla, an Indian firm, when a number of developed countries objected to it (Dasgupta, 2003). This led India and several African countries to strongly argue that the TRIPs Agreement should not infringe upon the sovereign right of the members to formulate their own public health policies and adopt measures for providing affordable access to medicines.\footnote{India’s Communication to WTO with African and other developing countries dated 29 June 2001 (WTO Document No. IP/C/W/296). Brazil and South Africa were among the partner countries.}

The Doha Ministerial (2001) in the subsequent period marked a turning point in the negotiating behaviour of developing countries. In the Doha Development Agenda (DDA), developed countries agreed to respond to a number of developing country concerns (due importance to implementation issues; inclusion of a separate declaration on TRIPS and Public Health; discussion on market access issues in agriculture, with focus on SDT for developing countries; acknowledgement of the importance of ensuring free movement of natural persons in service trade etc.).\footnote{For details, see \url{http://www.wto.org/english/tratop_e/dda_e/dda_e.htm#declaration} (last accessed on May 17, 2012).} However, in the absence of a strong bargaining coalition, the gains for the developing countries remained limited (Anant, 2003). India fought a lone battle on many fronts, as several developing countries sided with EU and US (Singh, 2001). In all, the events at Doha underlined the importance of a developing country negotiating coalition in no uncertain terms.

\section*{2.2 The Road from Doha and beyond}

Since 2002 the liberalization of agricultural trade, primarily in the EU and the US markets, emerged as a major concern area for developing countries and the LDCs. The implementation of de-coupling of farm subsidies in EU took a long time, owing to difference of opinion among the member countries (Chakraborty and Khan, 2008).
Before Cancun, the EU and the US jointly tabled a proposal, which focused more on non-agricultural market access (NAMA) issues and bypassed the agricultural subsidy reform question. Protesting this, several developing countries, including India, Brazil, South Africa and China, came together to form another developing country negotiating group G-20 and submitted an alternate proposal to WTO demanding immediate removal of all agricultural subsidies in developed countries.

The Cancun Ministerial (2003) from the beginning was overshadowed by the concern over agricultural subsidies. The EU-US joint draft presented during the Ministerial, with little promise on lowering their agricultural subsidy by a specific deadline, was rejected by developing countries, led by Brazil and India. The conflict of interest created a deadlock in the multilateral negotiation process. The newly formed G-20, which included IBSAC, held their solidarity on the subsidy question intact. The dissatisfaction of developing countries on agricultural subsidy reform was reflected in subsequent creation of another group named G-33\(^{17}\), for protecting their food and livelihood security and rural development concerns. China and India were key members of this newly formed group, while Brazil and South Africa did not join it.\(^ {18}\)

The deadlock in the multilateral negotiation process was broken in July 2004 after Geneva discussions, where Brazil and India played a key role as representatives of the developing countries. Later during Hong Kong Ministerial (2005), a major developing country group, namely NAMA-11 (with Brazil, India and South Africa as members) was formed, which negotiated for rapid liberalization of market access in industrial products in developed countries. The decisions taken at Hong Kong led to liberalization of cotton subsidies in US, though the extent has been questioned (Jales, 2010). However, the deadline set at the Ministerial to conclude the Doha Round discussions in 2006 was missed.

An US effort to weaken the developing country solidarity was witnessed in 2006, when it threatened to withdraw the preferential trade benefits to 13 developing countries under

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17 The Group includes Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Plurinational State of, Botswana, Côte d’Ivoire, China, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Republic of, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Bolivarian Republic of, Zambia, Zimbabwe.

18 The reason perhaps is that while G-20 was somewhat offensive in nature, G-33 has been formed mostly with defensive objectives. Hence, the negotiating agenda of the latter was not in line with the export interest of Brazil and South Africa, who are active members of the Cairns Group, with prime interest in opening of agricultural markets.
Generalized System of Preferences (GSP) by ordering a review whether to ‘limit, suspend or withdraw’, can be treated as an indicator of the growing developing country solidarity. While several G-20 and NAMA-11 members came under the review (including Brazil, India and South Africa), surprisingly China has been excluded from the process (HT, August 9 2006). However, these moves apparently have not destabilized the developing country solidarity, which was noticed during the WTO meeting in Geneva during July 2008 as well.

In the subsequent period, at Geneva Ministerial (2009) the need to conclude the Doha Round by 2010 was acknowledged. However, the global recession of 2009 led to a protectionist wave across countries (Chaisse et al, 2011) and commitments from WTO Members were not easily forthcoming. The slow progress of the negotiations led the Eighth Ministerial Conference of WTO held in Geneva (2011) to acknowledge that, ‘it is unlikely that all elements of the Doha Development Round could be concluded simultaneously in the near future’ (WTO, 2011). The ongoing multilateral discussions in 2012 so far leads nowhere near conclusion of the Doha Round.

It is to be noted that the failure to conclude Doha Round, i.e., continuation of trade barriers, hurt the interests of developing countries in a far greater manner as compared to their developed counterparts. The debate between TRIPS and Public Health provides a case in point. In 2005, the WTO noted that TRIPS provision of ‘compulsory licensing’ and ‘parallel import’ could be amended, if more than two-third of WTO Member countries ratify it within two years (WTO, 2005). This provision would have ensured increased export opportunities of pharmaceutical products for Brazil and India and greater health security for the African countries including South Africa. However, the developing countries so far have failed to reach anywhere near the required number. This makes a pertinent case for developing country collaborations in WTO in general and IBSAC as a strong bloc, leading the agenda of the South, in particular.

2.3 How important IBSAC is in Global Economy?

If the IBSA is to emerge as a counterweight to the industrialized economies, it needs to include China. The emergence of China in 2010 as the single largest exporting nation by

19 For details, see http://www.wto.org/english/thewto_e/minist_e/min09_e/min09_e.htm (last accessed on May 17, 2012).
20 For details, see http://www.wto.org/english/thewto_e/minist_e/min11_e/min11_e.htm (last accessed on May 17, 2012).
overshadowing the US is particularly relevant in this regard. However as Table 1 in the following clearly demonstrates, even the inclusion of China will not make IBSAC challenge as a group to even come close to the share of world trade accounted for by the industrialized economies. But the inclusion of China and India with the largest economies of Latin American region and Africa would create a grouping of some credibility that will only be accentuated by their future rapid economic growth and increasingly larger role in global economy.

**Table 1: Share of World Exports - Merchandise and Services**

<table>
<thead>
<tr>
<th>Trading Country</th>
<th>Merchandise Exports (%)</th>
<th>Service Exports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0.99</td>
<td>1.01</td>
</tr>
<tr>
<td>Canada</td>
<td>4.28</td>
<td>3.44</td>
</tr>
<tr>
<td>EU (27)</td>
<td>37.99</td>
<td>38.76</td>
</tr>
<tr>
<td>Japan</td>
<td>7.42</td>
<td>5.67</td>
</tr>
<tr>
<td><strong>Major Developed Countries</strong></td>
<td>62.80</td>
<td>57.47</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.85</td>
<td>1.13</td>
</tr>
<tr>
<td>India</td>
<td>0.66</td>
<td>0.95</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.46</td>
<td>0.49</td>
</tr>
<tr>
<td>China</td>
<td>3.86</td>
<td>7.26</td>
</tr>
<tr>
<td><strong>IBSA</strong></td>
<td>1.97</td>
<td>2.57</td>
</tr>
<tr>
<td><strong>IBSAC</strong></td>
<td>5.83</td>
<td>9.84</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on International Trade Statistics, World Trade Organization

A major guiding motive behind IBSAC being more vocal at the recent WTO negotiating forums has been to enhance their share in global merchandise and services trade. It is widely believed that the share of IBSAC (barring South Africa) in global trade will rise further in coming years, while the same of the EU and the US would decline. Three key factors might combine to make the IBSAC countries major drivers of global growth: higher rates of economic growth, especially in China and India as these countries mature into industrial economies (despite global slowdown); presence of a huge critical mass of highly developed human resources; and demographic dividend (not Brazil and
China however) given a relatively more ‘young’ society, while the opposite simultaneously happens in the North (i.e., EU, US and Japan).

One important factor that lends any coalition some bargaining strength in WTO negotiations is the present and future attractiveness of their domestic markets. In other words, concessions offered are dependent on the value of concessions obtained in return. IBSAC performs quite significantly in this regard. The high rates of economic growth are expected to drive demand for infrastructure goods and services. India and China (along with Brazil to a lesser extent) are expected to become the primary consumers of many capital goods industries based in the EU, the US and Japan. Equally importantly, as IBSAC economies turn increasingly service-oriented, they also become an important market for services, an area where the developed countries are intently looking for market access (Gootiiz and Mattoo, 2009). In the field of consumer goods and services, it is expected that an increasingly young population, exposed to global influences, would drive consumption patterns in IBSAC countries. Coupled with reduction in tariffs across the world, this is expected to result in IBSAC countries becoming major markets for global brands and consumer goods. The higher aspiration levels of the young will accelerate this trend, while developed countries with increasingly older population will become relatively less attractive and saturated markets.21

It is observed from Figure 1 that China and India have experienced a much higher GDP growth rate as compared to the global average over the last two decades. Although during nineties the performance of Brazil and South Africa has been moderate, the same have improved in the new millennium. The import growth rate of the IBSAC countries over the last decade has also been considerably high so as to increase their attractiveness as markets.22 Figure 2 on the other hand indicates the demographic dividend enjoyed by India and South Africa vis-a-vis the rest of world, although Brazil and China do not share the same.

21 There are around 803 million people below 40 years of age in IBSAC as compared to 192 Million people in EU, US and Japan in the same category.
22 The average annual import growth rate for Brazil, China, India and South Africa over 2001-10 has been 15.00 percent, 20.95 percent, 21.98 percent and 13.93 percent respectively.
However as the developed countries look at IBSAC as a large and increasing source of demand, they are also mindful of the fact that the latter are fast climbing the technology ladder and as a host of high technology sectors, especially services, are in direct competition with the most advanced developed countries. The ongoing transition of IBSAC from low cost manufacturing and service bases into more sophisticated, knowledge and technology led economies has led to the current surge of outsourcing in
both categories. As communication technology has improved, such trends have been reinforced. A large pool of skilled human resources available at a relatively cheaper wage rate, thanks to the fast spread of tertiary education, has made IBSAC countries centres of global excellence in many areas of technology intensive production process. Understandably, the recent trend of in sourcing in the post recession period is emerging as a challenge for IBSAC (especially manufacturing in China and services in India), further complicating the multilateral negotiations (Halarnkar, 2012).

2.4 Dissimilarity within IBSAC: Disadvantages vis-à-vis the Developed Countries

While on paper IBSAC is the ideal forum for challenging the developed countries to ensure market access, the intra-group binding forces are however weaker relative to industrialized economy coalitions (e.g. G8, OECD). While industrialized economies have similar economic structures dominated by high-end services and manufacturing, IBSAC economies are far more heterogeneous. Given the structural similarity, north-north trade-flows is predominantly of intra-industry type, which contributes in developing cross-border production networks leading to similar interests and priorities in terms of policy. On the other hand Tables 2 and 3 indicates that despite recent growth, intra-IBSA trade is quite low and the level of intra-industry trade even lower. Hence the mutual dependence on each other in case of IBSA is much less pronounced. Clearly the intra-IBSA trade potential, as noted in literature (RGICS, 2005; RIS, 2006) is yet to be fulfilled. However the importance of China is increasing in the trade basket of all three IBSA countries, indicating that IBSAC holds a greater potential of success. Interestingly, the importance of developed countries in the export basket has declined considerably in case of Brazil and India. In other words, discounting the importance of Quad (Canada, the EU, Japan and the US) and Australia would be difficult for most of the IBSAC countries, while the intra-bloc trade association is still at a low level.
### Table 2: Export Direction of IBSAC Countries

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Australia</td>
<td>0.62</td>
<td>0.29</td>
<td>1.38</td>
<td>1.73</td>
<td>0.94</td>
<td>0.75</td>
<td>1.83</td>
<td>1.33</td>
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<tr>
<td>Canada</td>
<td>1.03</td>
<td>1.17</td>
<td>1.27</td>
<td>1.41</td>
<td>1.52</td>
<td>0.57</td>
<td>0.83</td>
<td>0.62</td>
</tr>
<tr>
<td>EU (27)</td>
<td>27.95</td>
<td>21.76</td>
<td>16.47</td>
<td>19.74</td>
<td>24.23</td>
<td>18.83</td>
<td>33.08</td>
<td>26.12</td>
</tr>
<tr>
<td>Japan</td>
<td>4.49</td>
<td>3.61</td>
<td>16.72</td>
<td>7.67</td>
<td>4.31</td>
<td>2.18</td>
<td>5.15</td>
<td>8.99</td>
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<tr>
<td>Major Developed Countries</td>
<td>58.38</td>
<td>36.58</td>
<td>56.77</td>
<td>48.54</td>
<td>52.97</td>
<td>33.03</td>
<td>50.05</td>
<td>46.94</td>
</tr>
<tr>
<td>Brazil</td>
<td>-</td>
<td>-</td>
<td>0.49</td>
<td>1.55</td>
<td>0.45</td>
<td>1.66</td>
<td>0.77</td>
<td>1.00</td>
</tr>
<tr>
<td>India</td>
<td>0.39</td>
<td>1.76</td>
<td>0.63</td>
<td>2.59</td>
<td>-</td>
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<td>0.41</td>
<td>0.68</td>
<td>0.73</td>
<td>1.66</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>15.58</td>
<td>-</td>
<td>-</td>
<td>1.73</td>
<td>7.91</td>
<td>1.27</td>
<td>11.38</td>
</tr>
<tr>
<td>IBSA</td>
<td>0.94</td>
<td>2.42</td>
<td>1.53</td>
<td>4.82</td>
<td>1.18</td>
<td>3.32</td>
<td>2.18</td>
<td>5.17</td>
</tr>
<tr>
<td>IBSAC</td>
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<td>18</td>
<td>-</td>
<td>-</td>
<td>2.91</td>
<td>11.23</td>
<td>3.45</td>
<td>16.55</td>
</tr>
</tbody>
</table>

Source: Constructed from the WITS data

### Table 3: Import Direction of IBSAC Countries

<table>
<thead>
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<tbody>
<tr>
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<td>0.75</td>
<td>2.31</td>
<td>4.74</td>
<td>1.98</td>
<td>3.45</td>
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<td>Canada</td>
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<td>1.51</td>
<td>1.72</td>
<td>1.96</td>
<td>0.76</td>
<td>0.59</td>
<td>0.93</td>
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</tr>
<tr>
<td>EU (27)</td>
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<td>21.25</td>
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<td>20.75</td>
<td>12.10</td>
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<tr>
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<td>5.46</td>
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<td>7.31</td>
</tr>
<tr>
<td>Major Developed Countries</td>
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<td>42.53</td>
<td>47.72</td>
<td>40.64</td>
<td>33.1</td>
<td>23.96</td>
<td>63.36</td>
<td>47.28</td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>0.74</td>
<td>2.96</td>
<td>0.34</td>
<td>0.92</td>
<td>1.10</td>
<td>1.70</td>
</tr>
<tr>
<td>India</td>
<td>0.49</td>
<td>2.36</td>
<td>0.62</td>
<td>1.62</td>
<td>-</td>
<td>-</td>
<td>0.95</td>
<td>3.56</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.41</td>
<td>0.42</td>
<td>0.48</td>
<td>1.16</td>
<td>2.63</td>
<td>1.97</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>2.19</td>
<td>14.21</td>
<td>-</td>
<td>-</td>
<td>2.79</td>
<td>11.78</td>
<td>3.72</td>
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</tr>
<tr>
<td>IBSA</td>
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<td>1.84</td>
<td>5.74</td>
<td>2.97</td>
<td>2.89</td>
<td>2.05</td>
<td>5.26</td>
</tr>
<tr>
<td>IBSAC</td>
<td>3.09</td>
<td>16.99</td>
<td>-</td>
<td>-</td>
<td>5.76</td>
<td>14.67</td>
<td>5.77</td>
<td>19.66</td>
</tr>
</tbody>
</table>

Source: Constructed from the WITS data

In addition, the intra-IBSAC trade composition imbalance becomes clear from Table 4 in the following. The respective export direction of the four countries to their partners in 2010 has been reported for four sub-categories, namely – raw materials, intermediate products, consumer goods and capital goods. It is clearly observed from the table that China’s export to the IBSA countries in line with its global export pattern is intensive in the last three categories. On the other hand, IBSA countries are primarily exporting raw materials and intermediate products to China. Within IBSA, the trade pattern displays a varying pattern. For instance, while South African export to India is intensive in raw materials, the same to Brazil covers both intermediate products and capital goods. In
short, the difference between the trade pattern of IBSA and China is clearly reflected from the table. Hence, a rapid deepening of intra-IBSAC trade is less likely.

Table 4: Trade Composition of IBSAC Countries (2010)

<table>
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<tr>
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</thead>
<tbody>
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<td></td>
<td>Brazil</td>
<td>China</td>
<td>India</td>
<td>South Africa</td>
<td>World</td>
</tr>
<tr>
<td>Brazil</td>
<td>-</td>
<td>83.77</td>
<td>49.89</td>
<td>25.53</td>
<td>42.98</td>
</tr>
<tr>
<td>China</td>
<td>1.43</td>
<td>-</td>
<td>1.27</td>
<td>1.04</td>
<td>1.97</td>
</tr>
<tr>
<td>India</td>
<td>1.58</td>
<td>51.19</td>
<td>-</td>
<td>2.45</td>
<td>9.82</td>
</tr>
<tr>
<td>South Africa</td>
<td>19.37</td>
<td>74.32</td>
<td>75.06</td>
<td>-</td>
<td>30.57</td>
</tr>
</tbody>
</table>

| Brazil            | -                      | 13.26         | 39.71                 | 15.67         | 27.62        |
| China             | 23.87                  | -             | 36.38                 | 17.31         | 15.25        |
| India             | 34.02                  | 41.67         | -                     | 12.22         | 35.61        |
| South Africa      | 54.85                  | 23.49         | 20.75                 | -             | 39.99        |

| Brazil            | -                      | 0.69          | 4.47                  | 14.23         | 14.99        |
| China             | 25.60                  | -             | 15.21                 | 49.39         | 35.65        |
| India             | 52.82                  | 3.92          | -                     | 47.98         | 42.91        |
| South Africa      | 7.44                   | 0.84          | 0.97                  | -             | 16.23        |

| Brazil            | -                      | 2.28          | 5.94                  | 44.57         | 14.42        |
| China             | 49.11                  | -             | 47.15                 | 32.26         | 47.12        |
| India             | 11.58                  | 3.22          | -                     | 37.35         | 11.66        |
| South Africa      | 18.33                  | 1.35          | 3.22                  | -             | 13.21        |

Source: Constructed from the WITS data

Secondly, IBSAC countries sometime perceive each other more as competitors (e.g. – India and Brazil in pharmaceuticals, India and China in textiles and garments, India and South Africa in case of service exports etc.), battling for the same markets. Given the fact that the IBSAC countries are presently at different levels of economic development, their tariff levels also differ considerably. China and South Africa have a relatively lower tariff schedule as compared to Brazil and India (Table 5). As a result, the ABI (Argentina- Brazil-India) proposal on NAMA reform is found to be quite different as compared to same submitted by China during the WTO negotiations (Chakraborty and Khan, 2008). Thus there is a theoretical possibility of breaking the IBSAC coalition by
promising any of the partners a sop in the form of a Free trade area (FTA) or any other similar incentives (Flemes, 2007).

### Table 5: Simple Average Applied Tariff in IBSAC (%)

<table>
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</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>10.26</td>
<td>15.00</td>
<td>11.71</td>
<td>15.15</td>
<td>8.09</td>
<td>13.97</td>
</tr>
<tr>
<td>China</td>
<td>17.09</td>
<td>16.59</td>
<td>16.02</td>
<td>15.27</td>
<td>8.10</td>
<td>8.20</td>
</tr>
<tr>
<td>India</td>
<td>27.81</td>
<td>29.04</td>
<td>32.30</td>
<td>31.79</td>
<td>20.13</td>
<td>10.25</td>
</tr>
<tr>
<td>South Africa</td>
<td>7.42</td>
<td>8.28</td>
<td>6.78</td>
<td>8.56</td>
<td>5.11</td>
<td>7.84</td>
</tr>
</tbody>
</table>

Source: World Development Indicators, World Bank

A clear illustration of differences between IBSAC countries in terms of the evolution in the share of manufacturing in their export basket, especially between China and the rest is captured in Figure 3. China’s merchandise exports are dominated by manufactures, and it is the only country among the four whose share of manufacturing in exports has increased between 2000 and 2010. On the other hand, the share of manufacturing has decreased for India, Brazil, and South Africa in the same period (with minor fluctuations) and natural resources and agricultural products have increased in significance in the export baskets of these countries. China is now a major importer of raw materials and mineral products from Brazil, India and South Africa, while it is an exporter of manufactures to them. Thus, certain quarters within IBSA countries perceive China as a threat to the well-being of their domestic value-added manufacturing sector and develop serious concerns about ending up as a supplier of raw materials to China and a net importer of value-added manufactured items (Bloomberg, 2011). Such a situation has serious socio-economic repercussions for the IBSA countries and thus these concerns are legitimate.
3. The Future Coherence of IBSAC

3.1 Possible Emergence of IBSAC as a Negotiating Coalition at WTO: Concerns and Commonalities

Looking at the developing country submissions to the WTO, it is observed that India has collaborated with Brazil on several fronts, e.g. agriculture, NAMA, services, TRIPS and WTO Rules. With China, the Indian collaborations have been limited to agriculture, certain rules-related provisions and TRIPS measures. India and South Africa on the other hand has collaborated in the area of agriculture, TRIPS and trade and development.\(^{23}\) In short, there exists considerable scope to enhance the level of cooperation between IBSAC countries at multilateral negotiations.

The approaches adopted by the IBSAC countries at the WTO Negotiations have been markedly different. India has taken a cautious approach towards merchandise trade reform, while it is quite vocal as far as services trade reform is concerned.\(^{24}\) Brazil and South Africa are however members of the Cairns Group and actively seek agricultural market access (e.g. through reduction in agricultural subsidies).\(^{25}\) China on the other

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\(^{23}\) For details, see Chakraborty and Sengupta (2006).
\(^{24}\) For instance, Kumar and Jatkar (2008) have noted that the number of Indian submissions to WTO has increased considerably in the post-Doha Ministerial period.
hand, given its export composition, is quite serious in receiving non-agricultural market access in partner countries.\textsuperscript{26}

In spite of certain similarities with China, given the difference in their respective expectations from multilateral liberalizations, India’s interest in the medium term is more aligned with South Africa and Brazil. The reasons are not far to seek. Among IBSAC economies, China is the largest and most competitive economy (Porter et al, 2009), having the least to fear from free trade scenario. Indeed, its employment and growth depends critically on the opening up of developed country markets. The scenario is however different for IBSA. For India the opening up of developed country markets is welcome for boosting exports and thereby employment and growth. But a reciprocal opening up of the domestic market, especially in agriculture (owing to livelihood concerns), is to be treaded carefully.\textsuperscript{27} This explains India’s earnestness in ensuring special and differential treatment (SDT) in agriculture as well as less than full reciprocity (LTFR) provision in NAMA.

A cautious approach in opening up of the domestic economy goes true for Brazil and South Africa as well. For Brazil, enhanced exporting opportunities mean a more favourable BOP position. This being the case Brazil can follow a less restive monetary policy to keep its currency, the real, stable at a lower rate of interest. On the other hand, given Brazil’s competitive edge in agriculture this is obviously one area where Brazil would like trade talks to make progress.\textsuperscript{28} It is also one area where India feels vulnerable. However if the IBSAC or IBSA adopts SDT in agriculture as a common minimum agenda, then India’s concerns as well as Brazil’s interests can be partly taken care of. This should be possible given all four countries are part of G-20 negotiating coalition. In the same vein LTFR treatment in NAMA can ensure that India and Brazil are able to expand exports where they are able to and resist a surge of imports in sectors that may be considered strategic or politically sensitive.\textsuperscript{29}

South Africa’s interests too can be said to be for LTFR treatment when it comes to NAMA. While increased export opportunities are welcome, given the resource-intensiveness of South African exports, its impact on employment is limited unless

\textsuperscript{26} For a comparison of the Chinese and other proposals on NAMA, see Laird et al (undated).

\textsuperscript{27} For details, see Morrissey et al (2005).

\textsuperscript{28} See Jacobs (2005) for details.

\textsuperscript{29} For details, see Ranjan (2006).
agriculture is opened up for trade. Hence increased market access in developed countries along with SDT enables it to form a coalition with both India and Brazil. Like the case in India, policymakers in South Africa would move slowly towards total and complete openness given their concerns over its adverse implications on the economy through a worsening of BOP and the same on the exchange rate.\textsuperscript{30} Thus in spite of the obvious structural differences of Brazil and South Africa with the Indian economy, a coalition with India on these grounds appears stable.

China on the other hand does not feel threatened from trade openness except for sectors like automobiles, which is protected for strategic reasons.\textsuperscript{31} What it fears is the cutting off or curtailment of markets for its industrial products, which would certainly mean the tapering off of economic growth and employment, as this segment contributes significantly to the economy. In other words, given the tariff reform already undertaken, China’s enthusiasm for LTFR would be limited. It has been noted at times that China is least interested to get deeper into developing country solidarity and its primary goal is to ensure increased market access for key products in its export basket (Draper and Sally, 2006). Thus its primary negotiating agenda is to ensure market-economy status for itself to get rid of anti-dumping nightmare without going into direct tussle with the US, who reserve the right to classify China as a non-market economy up to 2020 plus the right to impose safeguard measures to restrict the rapid increase in import of a particular product from China.\textsuperscript{32} Thus in the field of agriculture, NAMA and services it is likely to collaborate with IBSA only up to the point that suits its interest. In all probability it will not go further for the sake of protecting the negotiating bloc. However, given the increasing penetration of China in Africa and Latin America (Shankleman, undated), it would be difficult for it to completely bypass the interest of the developing countries.

Services presently constitute the largest sector of the IBSA economy, which offer sector-specific opportunities for collaboration to IBSAC. For instance, IT and IT enabled services deserves mention as a prominent sector, and the recent move against outsourcing in developed countries could function as a major binding force. On the other hand, given the increasing developed country pressure on obtaining market access in developing countries.

\textsuperscript{30} For a detailed discussion, see Flatters and Stern (2007).
\textsuperscript{31} See Chen et al (undated) for details.
\textsuperscript{32} See Panitchpakdi and Clifford (2002) for a detailed discussion.
countries services markets and the slow progress of GTAS negotiations, India and South Africa can collaborate with Brazil in this forum. On the defensive front, perhaps they will all agree to slow down reform of domestic financial and distribution services. Actually, the chances of South Africa willing to play an active role at NAMA and services negotiation through IBSAC are much higher, given the fact that its export interest is not entirely in line with either African Group or G-90.

Following a joint negotiating agenda is possible for the IBSAC countries on two counts. On one hand, they can collaborate at the multilateral negotiation on an offensive strategy, e.g. – on obtaining a higher level of market access in the developed country markets for their key export products, based on competitiveness of the particular product in question. On the other hand, they can collaborate on a defensive strategy based on SDT, the goal being the need to ensure a cautious opening up of certain sectors of their domestic markets. The core argument in this case would be the developing country status of the IBSAC members. The current level of collaboration between IBSAC and the future expectations are discussed in the following.

The IBSAC economies are currently part of the G-20 network of developing countries, although the Chinese participation has been less intense than the other three. China especially played a quiet role at the Hong Kong Ministerial (Debroy, 2006). Given the importance of the EU and the US market in their export basket, it is only too natural that the IBSAC countries can jointly negotiate over removal of the barriers on export items of particular interest in these two destinations. The G-20 network is already confronting the EU and the US in case of agricultural subsidies. The G-20 has consistently focused on ensuring enhanced market access for agricultural products through multilateral and regional negotiations and strengthening the SDT for developing countries. Formation of the IBSAC collaboration might lock-in the development cooperation of these countries, who are already part of the G-20 framework.33

However, doubts have been raised on the future cohesiveness of G-20 itself.34 Forming a ‘negative’ alliance against EU-US agricultural subsidy, where the onus of reform is on developed countries, had been an easier exercise, but sustaining it through ‘positive’ steps in other spheres (e.g. services) through joint bargaining (under which some ‘offer’

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34 See Ranjan (2005) for a detailed discussion.
or commitments must be made at times) would be difficult, until and unless the members have something to offer in trade among themselves as well.

### 3.2 Possibility of IBSAC RTA in coming future?

A negotiating alliance of countries could be strengthened if the same is also backed by a trade arrangement among partner countries (e.g. EU). All IBSAC countries are presently actively exploring the Regional Trade Agreements (RTA) route for export promotion, perhaps as an insurance against the failure of multilateralism. For instance, India was relying on multilateral trade liberalization for obtaining greater market access up to late nineties, but a distinct change is noticed from 2003 onwards (the failure of Cancun Ministerial).\(^{35}\) However, the benefits from this regionalism drive and the process of partner selection has been debated at home. While on one hand it has been argued that the country is going to gain most through multilateral liberalization (Agarwal, 2004), optimality of entering into FTA with the developed countries has been supported (Lawrence and Chadha, 2004). Interestingly, after the breakdown of the July 2006 meeting at Geneva, India weighed the idea of entering into preferential trade relationship with the EU, Japan and the US, for higher market access in those destinations. However, during the Indo-EU FTA negotiations, it has been observed that the developed country bloc has tried to leverage its dominant position to secure greater access in Indian market (Chaise and Chakraborty, forthcoming). Hence the current Indo-centric operational and negotiated RTAs predominantly involve the developing countries located in Asia (SAARC, ASEAN, GCC, Japan, South Korea etc.), Africa (SACU) and Latin America (Chile, MERCOSUR).

Like India, Brazil is currently engaged in several operational FTAs and is also involved in a number of negotiations. The Brazil-centric RTAs include Southern Common Market (MERCOSUR), PTA with Bolivia, Chile, and Peru (which are also associate members of MERCOSUR) and PTA with Colombia, Ecuador and Venezuela. It is currently negotiating a PTA with the EU, and participates in the Free Trade Area of the Americas initiative (involving 34 countries), in Latin American Economic Integration (LAIA) and in a number of bilateral preferential agreements with other LAIA members.\(^{36}\) Since MERCOSUR as a negotiating coalition is no longer a notable entity (Narlikar, 2003), perhaps that creates

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\(^{35}\) See Chaisse et al (2011) for a detailed discussion of Indian RTAs.

\(^{36}\) See Fishlow (2004) for a discussion of RTAs involving Brazil.
stronger incentives for Brazil’s participation in IBSA / IBSAC collaboration at future multilateral negotiations.

China is a relatively new player in terms of RTA strategy, given its late entry in WTO. However, the negotiating experience during its accession process provided it ample scope of learning the ‘tricks of trade’ and shortly after accession it decided to go for RTAs. At present, various preferential agreements of China are in place with Australia, New Zealand, ASEAN etc. Furthermore, discussions on RTAs with South Africa, Chile, India, and the Gulf Cooperation Council (GCC) are at different stages of negotiations and discussions.\(^{37}\) It is believed that China’s extensive RTA strategy is going to play a major role in coming future (Mallon and Whalley, 2004). The major underlying objective behind China’s going for RTAs is to obtain wider acceptance of “market-economy status”, given the high volume of anti-dumping actions it faces globally.\(^{38}\) For instance, China decided to go for FTA negotiations with South Africa only after the latter recognized its market economy status (China Daily, 2004). However, that objective creates a problem for IBSAC, as India is not yet ready to accord market economy status to China.\(^{39}\)

South Africa is currently involved in the Southern African Development Community (SADC), South African Customs Union (SACU), as well as a series of bilateral trade arrangements, including the Trade, Development, and Cooperation Agreement (TDCA) with the EU initiated in October 1999, the goal of which is to provide for asymmetrical trade liberalization between the two parties to form a free-trade area by 2012. South African products are currently eligible for non-reciprocal preferences, under the US African Growth and Opportunity Act (AGOA), and the GSP schemes of the EU, as well as of Canada, Japan, Norway, Switzerland, and the United States (SACU TPR, 2009).

Presently India, Brazil, and South Africa are considering a trilateral FTA, which received strong support during the last IBSA summit in Pretoria (2011) from all quarters. Given India’s belief that RTAs can facilitate greater bargaining power, IBSA provides a viable option.\(^{40}\) The same however is not true for IBSAC for the above-mentioned reasons.

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\(^{37}\) See Antkiewicz and Whalley (2005), JiangYu (2011) for an account of Chinese RTAs.

\(^{38}\) More than 37 countries, including Singapore, Malaysia, Thailand and other ASEAN countries, New Zealand, Australia, Brazil and South Africa and several African countries now provide market economy status to China (China Daily, 2005).

\(^{39}\) India use maximum number of anti-dumping investigations against China, spanning over sectors like chemicals, textile, iron and steel etc.

\(^{40}\) ‘RTAs consolidate peace and regional security, and also confer greater bargaining power in multilateral negotiations by tying in partner countries through regional commitments.’ Government of India (2004).
4. In Lieu of Conclusion

At present, IBSAC lacks the potential to become a trading bloc like the EU and thus wield similar power at the WTO negotiations. The QUAD still dominate trade basket for all the IBSAC economies, especially for China. Therefore the possibility of China leaving the proposed IBSAC forum in future for securing the QUAD market, given any bilateral concessions, cannot be ruled out.

The above statement does not mean that joining the proposed IBSAC coalition would not provide any benefits to China. On the contrary, the increased association with IBSAC (e.g. through a future RTA), provides it an opportunity to expand its export share in the IBSA market. However, domestic concerns in IBSA countries might not necessarily provide it the desired level of market access. For instance, Indian concern over Chinese dumping of manufacturing products is a case in point. On the other hand, the EU and the US jointly account for a much larger market for China, as compared to both G-20 and IBSA. China is simply not ready to sacrifice an assured market just for the sake of developing country solidarity. Moreover it believes that for the success of the trade talk, the developing countries must make substantial concessions (at least on NAMA front), which Brazil and India may find difficult to implement.

The difference in the achievements of the IBSAC countries perhaps creates the difference in their trade outlook and limits the current levels of cooperation. For instance, China is a major exporter of manufacturing products, and negotiates much more offensively on the NAMA front as compared to India or Brazil. India on the other hand holds a more offensive outlook in case of trade in services. Brazil and South Africa are interested in agriculture, given their Cairns Group membership.

Conversely, the genesis of IBSA can be seen as fructification of Brazil and India learning to negotiate by trading. From a negotiator who would initially adopt a rigid maximalist position and then capitulate entirely, to one which became silent when important decisions were taken before evolving into an economy who realized the power of coalitions if one was flexible enough while negotiating, India has come a long way. This flexibility, combined with the knowledge of how to use the WTO rule-setting regime, has led India into the IBSA coalition, which as a group is far more coherent than the G-20 and is able to give leadership to the developing countries’ interest at the WTO in a far more effective manner (Chakraborty and Sengupta, 2006).
A somewhat similar mindset guides the actions of Brazil and South Africa, although Brazil has been more vocal over the period, be it cotton subsidy, TRIPS provisions or tariff issues in the developed countries. South Africa on the other hand has adopted a relatively more cautious approach till date. The relative similarity in mindset is good for IBSA group. Therefore the following observations can be made on the future of IBSA / IBSAC’s role at the WTO multilateral negotiations:

1. Given the dissimilarities of interest in agriculture as well as the consequent political compulsions, the IBSAC will negotiate through G 20 on this front, where the pressure to reform is on the developed countries.

2. IBSA, the more homogeneous grouping will insist on LTFR when it comes to NAMA negotiations as it is in line with their internal difficulties with deeper tariff cuts in specific sectors as opposed to their demands that developed countries grant increased market access. Occasional collaboration with other interested countries like Argentina (e.g. – the ABI proposal) will be welcomed. As evident from the ongoing negotiations, China given its advantages based on scale economies and associated lower per unit cost and tariff commitments already undertaken, is unlikely to show much sympathy to LTFR in general, and IBSA / ABI agenda in particular.

3. Despite certain divergence of interest within IBSAC on services (especially mode 4), the fluid state of negotiation under GATS will ensure that IBSAC countries would, from time to time, be able to find a landing zone for cooperation with offensive interest.

It is IBSA therefore that is likely to function as a coherent and effective WTO negotiating group, with China occasionally lending issue-based support, solely depending on its perceived gains from that move. IBSA’s so far achieved effectiveness is of course a result of its modest actual agenda at the WTO as well as their realization that WTO offers an arena where flexibility combined with the knowledge of the ‘rules of the game’ can lead to an outcome where the legal structure that orders international commerce cannot be framed without the views of the developing and less developed countries being taken into consideration. In absence of strong support from China, the group’s effectiveness at multilateral negotiations would however be moderate and they can only maintain realistically modest expectations. Clearly, economies or groups whose share in
world trade is modest cannot hope to dramatically change the international framework on which international commerce is based.

The saving grace for IBSA / IBSAC is perhaps that developed countries are not united either, as reflected from a large number of EU-US disputes against each other (Chaisse and Chakraborty, 2007). Existing trade barriers in developed country markets would therefore continue to provide ample reasons to IBSAC to collaborate from time to time.

References


Shankleman, Jill (undated), 'Going Global: Chinese Oil and Mining Companies and the Governance of Resource Wealth', Woodrow Wilson International Center for Scholars, Pennsylvania Avenue NW.


List of working papers of IIFT


