強化發展中國家在 WTO 談判中的聯合陣線：IBSAC（印度、巴西、南非與中國）是否是正確的論壇？

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中文摘要

由印度、 巴西、 南非三國組成的 IBSA 對話論壇始於 2003 年的艾維安（Evian）八大工業國家高峰會（G8），當時三國元首舉行了會外會。此一對話論壇成立的驅動力包括爲增加在世界貿易組織（WTO）多邊協商的影響力有必要建立長期聯盟、保護智慧財產權(IPR)、發展另類的技術來源、增加企業間聯繫以及加強能源安全。IBSA 被認爲有潛力崛起成爲保護亞洲、非洲與南美洲發展中國家利益的永續聯盟的一平台。

本文作者覺得讓中國加入 IBSA 將可大爲增加談判籌碼，且有助於更有效地達成此一論壇的核心目標，即在多邊論壇中扮演著制衡工業化經濟體的力量。吾人或可期盼藉著在主要政策問題上與目前的八大工業國家高峰會構建永續對話，IBSAC 論壇可作爲第三世界社群的模範。由於那些試圖將工業化國家與大型新興經濟體共聚一堂來討論世界貿易與財政改革問題的平台如 G8+5 與 G20 的失敗，像 IBSAC 這樣的對話論壇就變得越來越重要。

本文第二部份則是討論試圖將一群異質性大的國家聚在一起構建一團體所面臨的挑戰，尤其是將中國納入 IBSA 平台所帶來的挑戰，因爲中國與 IBSA 成員國的貿易政策在中期目標上有明顯的不同。

Strengthening Developing Country Coalitions in WTO Negotiations: Is IBSAC (INDIA, BRAZIL, SOUTH AFRICA, CHINA) the right Forum?

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INTRODUCTION

The IBSA (India, Brazil and South Africa) Dialogue Forum came into being in middle of 2003 with the meeting of the heads of Governments of the three countries on the sidelines of the G8 Evian Summit. A meeting of the foreign ministers of the three countries at Brasilia in June 2003 quickly followed this. The 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); develop alternative sources of technology; increase business-to-business contacts and enhance energy security. Understandably after failure of the Cancun Ministerial of World Trade Organization (WTO) in September 2003, IBSA countries, a coalition of large, industrialized and increasingly sophisticated emerging economies, found them at the heart of G-20 (agriculture) and NAMA-11 (non-agriculture), the developing country negotiating coalition.

It is 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 the developing country grouping G-15, formed in 1989, was not an effective bargaining group representing the third world. The reason has been the diversity among its members, which made coordinated action extremely difficult. A far more viable option was the formation of IBSA owing to the convergence of interest among the three countries on a substantial number of economic issues and the common theme of countering the dominance of G7 group of industrialized countries in platforms such as the WTO.

The authors feel 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 a counterweight to industrialized economy interests in multilateral forums. It could be hoped that the IBSAC could serve as the role model for the third world community at large by building a sustainable dialogue on major policy issues on the lines of the present G-8.

The need for such a dialogue is becoming more critical given the failure of platforms such as the G8+5[1] and G20 that try to bring together industrialized and large emerging countries on issues of global trade and financial reforms. The lack of policy coherence in both the G20 and G8+5 has been highlighted by the fact that despite official pronouncements supporting trade liberalization there has been very little change in the policy positions of any of the countries at the WTO negotiating table and Doha round remains deadlocked. The discussion in Section II addresses the challenges of trying to develop a grouping of heterogeneous countries, especially the challenge of including China as an extension of the IBSA platform given the pronounced differences in medium-term goals between Chinese trade policy and those of IBSA countries.

But it can be argued that many effective coalitions and trade partnerships have started from heterogeneous beginnings. The example of SADC and the ASEAN could be quoted in this regard. World Bank (2000) notes that the goal of SADC in 1980 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. Today Vietnam and Cambodia are part of ASEAN and China has been accepted as the regional economic superpower though the China-ASEAN FTA. Hence the

1 The group includes G8 countries plus Brazil, China, India, Mexico, and South Africa.

current difference between the goals of IBSA and China may not necessarily stand between them in coming future.

Moreover the large emerging countries have been exploring several options to counter the dominance of the industrialized world in global policy-making since the late 1990s. Several forums with such an objective have developed over the last decade. Prominent among these are the already mentioned IBSA, the BRIC (Brazil, Russia, India China), and the India-China-Russia trilateral. Thus, the possibility of an effective large emerging country coalition as represented by the IBSAC coming together remains strong. All the four countries are also actively exploring trade agreements with other emerging market economies. In particular the IBSA countries have initiated negotiations on a trilateral FTA with each other. A broader discussion of the potential gains from closer economic interaction is presented in section II.

The case of TRIPS and trade in generic medicine in particular underlines the need for developing country coalition. The 2001 Doha Ministerial constituted a turning point in the coalition strategy of developing countries. Although the stage was set for a major developed-developing country battle, it never happened owing to the absence of a strong negotiating collusion among developing countries. TRIPS and concern over public health though could have been a major bridge-maker for developing countries. In mid-2001 the conflict between the right of the patent-holder (usually a developed country company) and the public health policy of a developing country emerged as a major trade issue when on the face of HIV/ AIDS epidemic, South Africa decided to import a generic (and of course much cheaper) version of the patented medicine from Cipla, an Indian firm, through The Medicines and Related Substances Control Amendment Act. However, South Africa had to terminate this process, faced with objections from a number of developed countries (Dasgupta, 2003). Much perturbed with the stream of events, India and African countries demanded before the Doha Ministerial 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.[2]

In 2005, the WTO noted that TRIPS provision of compulsory licensing could be amended, if more than two-third of WTO member countries ratify it within two years (WTO, 2005). This would have meant increased export opportunities of pharmaceutical products for Brazil and India and greater health security for the African countries including South Africa. Arguably, the number of developing countries within WTO is much larger than the same of developed countries. However, the developing countries failed to reach anywhere near the required number during the specified time. This perhaps makes a stronger case for IBSAC collaborations in WTO.

In this background, the current study limits itself to the potential role of IBSAC as a bargaining coalition in

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[2] India's Communication to WTO with African and other developing countries dated 29 June 2001 (IP/C/W/296). Brazil and South Africa were among the partner countries.

WTO forums and examines the ongoing collaborations between the IBSAC countries. It contends that given the goals of its constituents and their weaknesses, this coalition will work best when the goals are modest. It also argues that, while the IBSA collaboration seems more likely, the participation of China is expected to be limited and issue-based, depending on its perceived gains from that move. China cannot be expected to adopt a common stand with IBSA for a long period of time and will go its own way sooner rather than later. Protecting developing country interests is currently not, and neither is likely to emerge as a major driving force behind China's trade policy-making exercises in coming future. However, given the participation of Chinese mining corporations in Africa and Latin America (Shankleman, undated), it is difficult for China to completely bypass the interest of the developing countries.

I - THE WTO NEGOTIATIONS TOWARDS A DEVELOPING-COUNTRY ALLIANCE: PAST, PRESENT AND THE FUTURE

Before going into the current state of WTO negotiations and the role played by developing country coalitions, a brief note on the various attempts of forming strong developing country negotiating collaborations during the pre-Uruguay Round (UR) period and the early days of WTO would not be irrelevant here. A discussion is attempted in the following.

The pre-Uruguay Round period

Since late fifties, most of the developing countries were motivated by the perceived advantages of import-substitution led growth theory. This explains their lower participation level during the early General Agreement on Tariffs and Trade (GATT) rounds. Instead of the GATT forums, they 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 bid of developed countries to bring agriculture, Trade Related Intellectual Property Rights (TRIPS) and services under GATT during the UR, much to the opposition of Brazil and India, brought developing countries out of their reverie (Chisti, 1991). Brazil and India then 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 ensuing period.[3]

Since the UR period (1986-1994) coincided with the adoption of export led growth strategy by many developing countries in late eighties, reduction of tariff and non-tariff barriers (NTBs) present in developed countries became an integral part of their negotiating strategy. However G-10[4] and G-20[5], just like G-15[6] formed in 1989, failed to create

3 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 formed in 2003.

4 Egypt, Nigeria and Tanzania were present in the group from Africa.

5 Côte d'Ivoire, Zambia, and Zaire were present in the group from Africa.

6 Algeria, Egypt, Kenya, Nigeria, Senegal and Zimbabwe were present in the group from Africa.

any major impact (Blinova et al, 2006). Similar was the fate of another group formed during this period called 'Like Minded Group'[7]. As observed from the following discussion, collective bargaining by developing countries was not visible during the first few Ministerial meetings of the WTO either, perhaps because they were still learning the rules of the game.

Developing countries played a broadly submissive role in Singapore (1996) and Geneva (1998) Ministerial of WTO, perhaps expecting that the unfulfilled promises made during UR would soon be fulfilled. However they became more pro-active at the subsequent multilateral negotiations. This happened owing to several factors: frustration over the slow pace of multilateral negotiation, persistence of tariff and non-tariff barriers in EU and US both in case of goods and services, rise in the number of WTO disputes involving developed countries as complainants, concern over TRIPS and public health, perceived threat over potential incorporation of labour and environmental standard under the wings of WTO etc (Chakraborty and Sengupta, 2005). The developing countries increasingly felt that the additional market access granted by them to the developed countries by agreeing to include agriculture, TRIPS and services under WTO has not been commensurate with what they received in return (Debroy, 2005). On the other hand, defeat in a number of WTO disputes involving developed countries as complainant forced developing countries to open up

7 Egypt, Tanzania, Uganda and Zimbabwe were present in the group from Africa.

several key sectors, which they wanted to do in a slower manner (Chaisse and Chakraborty, 2006). This was perceived by the developing countries as a breach of the Special and Differential Treatment (SDT) they were supposed to receive, and active negotiation at the WTO forums was rightly identified as a way out to correct this injustice.

Before the 1999 Seattle Ministerial, a number of developing country coalitions (Friends of the Development Box, Friends of Geographical Indications, G-24[8] in trade in services etc.) emerged in the WTO forum (Narlikar, 2003). The members of these groups protested when instead of addressing the unfulfilled UR promises, 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 environmental standards etc. during the Ministerial. As a result, for the first time a weak developing country solidarity was noticed, ultimately leading to the failure of the Ministerial.

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

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8 Interestingly only Asian and Latin American countries were part of this initiative.

free movement of natural persons in service trade etc.), but in the absence of a bargaining coalition, the gains for the developing countries remained limited (Anant, 2003). India was almost alone in its battle on many issues, as several developing countries sided with EU and US. Nonetheless, the events at Doha stressed the fact that how a developing country could influence the negotiating agenda of the WTO provided it is able to act strategically.

The Road from Doha to Cancun

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

The 2003 Cancun Ministerial 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 four IBSAC countries held their solidarity on the subsidy question intact.[9] The dissatisfaction of developing countries on agricultural subsidy reform was reflected in subsequent creation of another group named G-33[10], 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.[11]

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 the 2005 Hong Kong Ministerial, a major developing country group, namely G-110 as well as another new developing country grouping on NAMA, 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. However, the Hong Kong Ministerial also resulted limited promise on market access, and the deadline to conclude the discussions in 2006 was missed.

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9 Egypt, Naigeria and Tanzania were the other African partners in the coalition.

10 Benin, Botswana, Cote d'Ivoire, Congo, Kenya, Mauritius, Mozambique, Nigeria, Senegal, Tanzania, Uganda, Zambia, and Zimbabwe are the other African partners in the coalition.

11 The reason perhaps is that while G-20 was somewhat offensive in nature, G-33 has been formed 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.

The efforts to break the developing country solidarity were interestingly witnessed in 2006, when the US threatened to withdraw the preferential trade benefits to 13 developing countries under Generalized System of Preferences (GSP) by ordering a review whether to 'limit, suspend or withdraw' it. While several G-20 and NAMA-11 members were being reviewed (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 last WTO meeting in Geneva during July 2008 as well. There the limited promise from the developed countries on agricultural subsidies resulted continuation of the current deadlock.

It is to be noted here that the continuation of trade barriers hurt the interests of developing countries more as compared to their developed counterparts. It is noted in the literature that bargaining coalitions of partners with similar interests could serve as a crucial instrument of effective trade diplomacy (Narlikar, 2003). However, Chakraborty and Sengupta (2006) noted that the current level of cooperation between IBSAC countries at multilateral negotiations remains low, as observed from the number of joint submissions. India has collaborated with Brazil on agriculture, NAMA, services, TRIPS and WTO Rules. With China, Indian collaborations have been limited to agriculture, certain rules provisions and TRIPS. India and South Africa's collaborations have been in the area of agriculture, TRIPS and trade and development. In short, India's collaborations till date are deepest with Brazil and there exist several areas though which the IBSAC countries can collaborate on both offensive and defensive trade interests.

Focusing on IBSA countries, it is observed that they have been cooperating on a number of areas, with fourteen trilateral working groups in the areas of agriculture, defence, social themes, health, tourism, energy, transportation, information society, science and technology, education, culture, commerce and investment. However, it is important to stress the importance of adding China to the IBSA grouping in perspective of the global balance of power in trade. If the IBSA is to emerge as a counterweight to the industrialized economies, it has to include China. As Table 1 below clearly shows, even the inclusion of China will not allow the IBSAC 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.

In the following part of the paper, we attempt to analyze the possibilities of the emergence of IBSAC as a major developing country bargaining coalition. We first analyze below why a consolidated IBSAC looks so attractive.

Table 1: Share of World Trade: Goods and Services

	Merchandise Trade			Service Trade		
	2000	**2004**	**2008**	**2000**	**2004**	**2008**
Australia	0.99	0.94	1.17	1.31	1.25	1.21
Canada	4.28	3.44	2.84	2.65	2.21	1.72
EU (27)	37.99	40.81	36.70	43.43	47.78	46.43
Japan	7.42	6.14	4.87	4.69	4.04	3.88
US	12.11	8.84	8.01	18.77	14.87	13.80
Industrialized Countries Total	62.80	60.16	53.59	70.85	70.15	67.02
India	0.66	0.83	1.10	1.08	1.71	2.72
Brazil	0.85	1.05	1.23	0.60	0.52	0.76
South Africa	0.46	0.50	0.50	0.33	0.43	0.32
China	3.86	6.44	8.89	2.04	2.79	3.88
IBSA Total	1.97	2.38	2.84	2.02	2.66	3.80
IBSAC Total	5.83	8.82	11.73	4.05	5.45	7.68

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

II – The IBSAC as emerging powers

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, while the same of the EU and the US would decline. There are three main factors that combine to make the IBSAC countries the primary drivers of global growth: higher rates of economic growth especially in China and India as these countries mature into industrial economies (despite global slowdown); large investment into higher education (especially in China and India) in previous decades bear fruit to create a huge critical mass of highly developed human resources; and demographic shift in IBSA (not China however) towards a relatively more 'young' society, while the opposite happens in the EU, US and Japan.

IBSAC as a Source of Demand

One important factor that lends any coalition some bargaining strength in WTO negotiations is the present and future attractiveness of their domestic markets. Concessions offered are dependent on the value of concessions obtained. In this regard IBSAC performs quite well. As far as capital goods and services are concerned, 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 the economies that constitute IBSAC turn increasingly service-oriented, they also become an important market for services, an area where developed countries have an advantage. 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 will 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.[12]

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, they are in direct competition with the most advanced developed countries. The transition of IBSAC from low cost manufacturing and service bases into more sophisticated, knowledge and technology led economies has led to the current surge in 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.

Disadvantages vis-à-vis the Developed Countries

While on paper IBSAC looks impressive as a group, the binding forces are however weaker relative to industrialized economy coalitions such as the G8 or OECD. While industrialized economies have similar economic

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12 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.

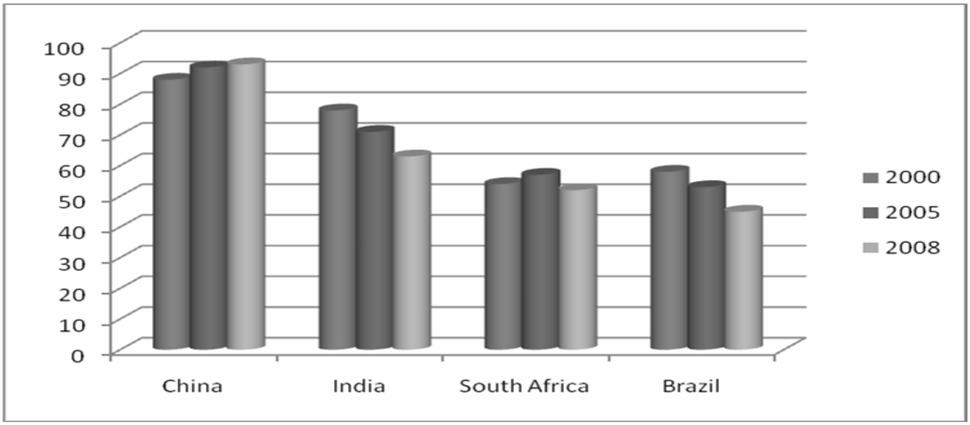
structures dominated by high-end services and manufacturing, emerging economies like China, India or Brazil are far more heterogeneous. Given that they are relatively similar economies, the trade-flows between industrialized countries is dominated by intra-industry flows, and such trade serve as a good foundation for developing cross-border production networks that have similar interests and priorities in terms of policy. On the other hand, intra-IBSAC trade is quite low (around 10 percent) as compared to developed country groupings like EU or OECD (having intra-bloc trade of more than 60 percent), and the level of intra-industry trade even lower.

Hence the mutual dependence on each other in case of IBSAC is much less pronounced. Secondly, IBSAC countries sometime perceive each other more as competitors (e.g. – India and China in textiles and garments, India and South Africa in case of service exports etc.), battling for the same markets. Thus there is a possibility of breaking the coalition (Flemes 2007) by promising any of the partners a sop in the form of a Free trade area (FTA) or any other similar incentives. A clear illustration of differences between IBSAC countries in terms of the share of manufacturing in their export basket, especially between China and the rest is captured in Figure 1 below.

Figure 1 clearly shows that 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 2008. On the other hand, the share of manufacturing has decreased for

India, Brazil, and South Africa in the same period and natural resources and agricultural products have increased in significance in the export baskets of these countries.

Figure 1: Share of Manufacturing in Exports



Source: World Development Indicators 2009, World Bank

China is now a major importer of raw materials from India, China, and Brazil, while it is an exporter of manufactures. Thus, IBSA countries perceive China as a threat to the well-being of their domestic value-added manufacturing sector and have serious concerns about ending up as a supplier of raw materials to China and a net importer of value-added manufactured items. Such a situation has serious socio-economic repercussions for the IBSA countries and thus these concerns are legitimate. It becomes important in this context to have a brief discussion of the economic profiles of the four countries and understand the similarities and differences between them.

Opportunities of South Africa in IBSAC Canvas

The IBSAC economies can be broadly classified into two groups. The first group consists of Brazil and South Africa while the second group is formed by India and China. Of the four IBSAC economies; Brazil's economic situation is arguably the most vulnerable to external shocks due to its relative modest performance on the GDP front and high interest rates.[13]

South African economy experienced an economic boom in the period 2004-2008 gaining from high commodity prices and witnessing a macro-economic stability coming from a fiscally conservative economic policy. However fiscal conservatism and the inherent inequity of a commodity prices led prosperity also created social tensions and unemployment. In addition, the global economic crisis lowered commodity prices, which adversely affected the South African economy. Infrastructure bottlenecks, especially in transport and energy have also constrained economic growth.

In this background, the Model Aid for Trade programme 'North-South corridor' connecting South Africa to other COMESA, EAC, and SADC economies through rail, road, and electricity grid networks is expected create a

13 Like most Latin American countries in the 1980s, Brazil experienced high inflation combined with low growth in this decade.

dynamic economic region in Africa with South Africa as the hub. Brazil is playing a significant role in the project and India has strong links in the region through its Diaspora presence in Tanzania, Kenya and South Africa. Thus, South Africa can emerge as the economic centre of Southern and Eastern African region, and be at the forefront of a new trade and investment relationship between Africa and emerging economies like India and Brazil. Indian investment in Africa is on the rise, and Indian firms have already shown a keen interest in forming business relationship with African firms in telecommunications, engineering, mining and transportation. IBSAC can play a major role in this process. As mentioned in the introduction India, Brazil, and South Africa are already considering a trilateral FTA between India and broader economic regions of MERCOSUR (with Brazil as the centre), and Southern Africa (with South Africa as the centre).

India on the other hand has grown faster than either South Africa or Brazil. Its per capita GDP is lowest among the IBSAC economies but income inequality as measured by the GINI coefficient is the best among IBSAC members, signifying greater homogeneity in the market. The economic growth is and has been export-led since 1991. While India still faces a balance of trade deficit, it enjoys a comfortable foreign exchange position on account of the investments made by foreign institutional investors, private transfers (remittances) as well as Foreign Direct Investment (FDI) in the form of acquisitions of Indian companies by overseas investors. Like India and unlike Brazil and South Africa, China is also an export-led growth economy and has a comfortable balance of payments position with positive current account balance. Its economic growth is the highest among IBSAC.

A negotiating alliance of countries could be greatly cemented if backed by a trade bloc among partners. In the following, we look at the trade direction of the IBSAC countries, by focusing on the trade among themselves, among the members of the newly formed bargaining coalition G-20 and the same involving Quad countries (Canada, the EU, Japan and the US).

The Trade Direction of IBSAC Countries

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 exports, while the scenario has not been that impressive for Brazil and South Africa.

An analysis of Brazil's trade basket reveals that although the importance of China, India and South Africa is increasing, the EU and US still contribute a significant proportion there. For Brazil and China, the proportion of exports to Quad countries is still more than fifty percent, but the same in case of imports has gone down significantly over the last decade. A very moderate increase is noticed in case of China's intra-IBSAC trade. For India, EU and US are still the single largest trading partners, although the trade share of China is fast increasing. The importance of Quad countries in the trade basket has however declined over the years, especially in case of imports. Although trade with Brazil still remains at a low level, the same with South Africa has somewhat increased over the years. For South Africa, the importance of EU in trade basket, especially in imports, is quite consistent. Furthermore, it is observed that the importance of Japan and US has increased in South Africa's export basket over the years. Overall, trade with Quad is again more than fifty percent both in case of exports and imports. However, the trade with developing countries is also on the rise as intra-IBSAC trade has increased over the years. Like the case of India, a major proportion of South Africa's intra-IBSAC trade, especially in imports, is explained by its trade with China. In other words, discounting the importance of Quad would be difficult for most of the IBSAC countries, while the intra-bloc trade association is still at a low level.

It has been observed by RGICS (2005) that the trade potential between the IBSA countries is quite high. It has further been noted that extending the cooperation to the field of trade in services and investment would be quite beneficial for IBSA countries (RIS, 2006). Perhaps the potential would be realized at a faster rate once the tariff reform in the post bloc formation period is introduced. It is observed that while in case of Brazil, China and South Africa the tariff barriers, both in terms of the simple average and weighted average tariff have significantly gone down, the extent of the same has been moderate for India. India is particularly in a weak spot on this issue as compared to other IBSAC members.

Possibility of IBSAC RTA in coming future

All IBSAC countries have actively explored the Regional Trade Agreements (RTA) route, 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 the view changed from 2003 onwards. However, the benefits from this regionalism drive of India and the process of partner selection are currently being debated at home. While it is argued by some quarters that the country is going to gain most through multilateral liberalization (Agarwal, 2004), others feel that instead of going to Asia or Africa, FTA with the US would be a better option (Lawrence and Chadha, 2004). It is also argued also that a number of recent bilateral agreements lead to unnecessary overlaps (Chaisse et al, 2008).

Despite these concerns, India's RTA drive is likely to continue. This can be explained as a direct response to the slow pace of multilateral liberalization, as observed from the recent statement of the Commerce Minister: "*The Uruguay Round took eight years to negotiate. The Doha Round has already taken four. When the WTO process reaches its final culmination, perhaps in the next fifteen years or so, regional FTAs would become redundant. But* *that is a long way off*."[14] Given the current state of negotiation, India is all set to use the RTA provision to meet its objective. It has further been observed from the statements made by the Commerce Minister at formal meetings that till the WTO negotiations on the unresolved issues are completed, India would keep its RTA option as a bargaining coalition open: "*RTAs consolidate peace and regional security, and also confer greater bargaining power in multilateral negotiations by tying in partner countries through regional commitments*."[15]

Interestingly, after the breakup of the July 2006 meeting at Geneva, India aired the idea of entering into preferential trade relationship with the EU, Japan and the US, for higher market access in those destinations. This step was actually be welcomed by a major section of the domestic industry. However, the current ongoing negotiations involve only the developing countries located in Asia (SAARC, ASEAN, GCC etc.), Africa (SACU) and Latin America (Chile, MERCOSUR).

Brazil is currently engaged in several FTAs and is also involved in a number of negotiations, including 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,

14 Press Release, Ministry of Commerce, Government of India, December 17 2004.

15 Press Release, MOC, GOI, August 13, 2004, Speech of the Minister in a Meeting at the Indo-American Chamber of Commerce.

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. It is observed that MERCOSUR as a negotiating coalition is no longer a notable entity (Narlikar, 2003), which perhaps creates stronger incentives for Brazil's participation in IBSAC forum at future multilateral negotiations.

China is a relatively new player in terms of RTA strategy, as it was not a member of WTO before 2001. 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 RTAs with South Africa, Chile, India, and the Gulf Cooperation Council (GCC) are at different stages of negotiations and discussions (Antkiewicz and Whalley, 2004). 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.[16] For instance, China decided to go for FTA negotiations with South Africa only after the latter recognized its market economy status

16 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).

(China Daily, 2004).[17] However, that objective creates a problem in IBSAC forum, as India is not yet ready to accord market economy status to China, and hence the FTA between the two countries are stuck.

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 European Union 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 U.S. African Growth and Opportunity Act (AGOA), and the GSP schemes of the EC, as well as of Canada, Japan, Norway, Switzerland, and the United States (SACU TPR, 2009).

III - THE POSSIBLE EMERGENCE OF IBSAC AS A NEGOTIATING COALITION AT WTO: AN ANALYSIS OF CONCERNS AND COMMONALITIES

In spite of similarities with China, given the difference in their respective expectations from multilateral liberalizations, India in the medium term is more likely to stay with South Africa and Brazil. The reasons are not far to seek. Among IBSAC economies, China is the largest

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[17] Nonetheless, problem remains for IBSAC formation in the sense that India is yet to recognize China as a market economy.

and most competitive economy, 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 not acceptable. Thus India's interest in special and differential treatment (SDT) as well as less than full reciprocity (LTFR) in NAMA stems from both its strengths as well as weaknesses.

A cautious approach in opening up of the domestic economy is 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. It is also one area where India feels vulnerable. However if the IBSAC or IBSA incorporates SDT, then India's concerns as well as Brazil's interests can be partly taken care of. In the same vein LTFR treatment in NAMA can ensure that India and Brazil are able to expand exports where they are able and resist a surge of imports in sectors that may be considered strategic or politically sensitive.

South Africa's interests too can be said to be for LTFR treatment when it comes to NAMA. The trade cooperation agreement with EU puts it in a comfortable position. While increased export opportunities are welcome, given the resource-intensiveness of South African exports, its impact on employment is limited unless agriculture is opened for trade. Here 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 fear total and complete openness because they fear its adverse implications on the economy through a worsening of BOP and the same on the exchange rate. The concern is on its impact on inflation in particular and economic stability in general. 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 fear trade openness except for sectors like automobiles, which is protected for strategic reasons. 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 contrast, in IBSA services constitute the largest sector of their economy. Thus IBSA is relatively less susceptible to developed country pressure. For instance, though IT and IT enabled services constitute a considerable part of it is in the form of outsourced services that increases corporate incomes unlike the export of items like textiles and apparel that would eat into domestic industry’s market share and profits. Here a powerful and coherent voice against protectionism comes from the developed countries corporate sector itself. India and South Africa can collaborate with Brazil in this forum.

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 special and differential treatment (SDT), the goal being the need to ensure a slower 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. In the following, we look into the current level of collaboration between IBSAC and also try to analyze their future potential for collaboration.

The IBSAC countries 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 an IBSAC FTA might lock-in the development cooperation of these countries, who are already part of the G-20 framework.

However, doubts have been raised on the future cohesiveness of G-20 itself (Ranjan, 2005). 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’ or commitments must be made at times) would be difficult, until and unless the members have something to offer in trade among themselves. Joint negotiation in agriculture suits Brazil, who in association with Australia has played a key role in Cairns Group. Extending the same level of cooperation on NAMA through G-20 would be a tough exercise owing to the varying industrial structure of the members. IBSAC would perhaps have been a better forum in that comparison, as the members, given the proximity in their development level, might arrive at a mutually acceptable position on NAMA much easily, and should negotiate jointly with developed countries in future multilateral forums. However, China has preferred not to collaborate with IBSA on NAMA front. Collaboration on services front would also be difficult for the IBSAC members due to the difference in their service export structure. On the defensive front, perhaps they will all agree to slow down reform of domestic financial services.

However, 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). As a matter of fact during its negotiation with developed countries for accession in nineties, China repeatedly announced that it is not part of the G-77 network of developing countries. 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 (Panitchpakdi and Clifford, 2002). 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. Despite joining the developing country-blocs, China has always remained at the periphery, not at their cores.

In contrast, 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. It's other negotiating forum Cairns Group focus only on agriculture, (around 10 percent of the export basket of IBSAC countries) and hence IBSAC could provide it a viable option to enhance market access in other sectors.

IV - IN LIEU OF CONCLUSION

Does the strength of IBSAC or IBSA as coalition that can hang together at the WTO negotiations depend on its potential strength as a trade bloc? When it comes to intra-IBSAC trade, it is China's trade with the others that is generally significant (although Indo-South Africa trade is also increasing). But clearly, this grouping (while possessing impressive trade potential) does not have the potential to become a trading bloc like the EU and thus wield similar power at the WTO negotiations. In any case, QUAD will still dominate trade basket for all the IBSAC economies. Thus the possibility of the QUAD (or, the EU and the US as a major constituent of it) offering significant concessions to any one or more members of the IBSAC to break the coalition holds a high chance of success. The country to break rank is likely to be one who is the most dependent on export for growth and employment, i.e., China.

The above analysis does not mean that joining IBSAC would not provide any benefits to China. On the contrary, with the aid of the liberalized framework of a potential IBSAC RTA, it is likely to expand its export share in the IBSA market at a much faster rate than other countries. 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 a sure market just for developing country solidarity. Moreover it believes that for the success of the trade talk, the developed countries must make substantial concessions, which Brazil and India may find difficult to implement.

Genesis of IBSA as a coherent and effective negotiating group however has never depended on its potential as a trading bloc to begin with. Indeed its genesis can be seen as fructification of 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 adopted a relatively more cautious approach till date. The similarity in mindset is good for IBSA group. However, given the fact that the compulsions are completely different for China, it is likely to retain its distance with other IBSAC countries.

The difference in the achievements of the IBSAC countries perhaps creates the difference in trade outlook and limits the current levels of cooperations. 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.

Therefore the following points emerge from the discussions:

1. Given the differences of interest in agriculture as well as the consequent political compulsions, the group will negotiate through G 20 in that area, where the pressure to reform is on the developed countries.
2. IBSA, the original grouping will insist on LTFR when it comes to NAMA as it is in line with their internal difficulties with 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 low cost economy and tariff commitments already undertaken, is unlikely to show much sympathy to LTFR.
3. Despite certain divergence of interest within IBSAC on services (especially mode 4), the fluid state of negotiation under GATS will ensure that the

countries try to find a landing zone with offensive interest.

It is IBSA therefore that promises to continue as a coherent and effective WTO negotiating group, with China joining hands only transiently when for a brief period of time its interests may have coincided with IBSA. IBSA's so far achieved effectiveness is of course a result of its modest actual agenda at the WTO (as opposed to its ambitious agenda stated in Brasilia in June 2003) as well as the realization by India 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.

The above analysis does not imply that China's collaboration with IBSA will remain extremely limited. It might join the IBSA boat from time to time on some issues, but that will solely depend on its perceived gains from that move. Given the individual difficulties of the IBSA economies, the agenda for this bloc at the WTO must remain modest. Economies or groups whose share in world trade is modest cannot hope to dramatically change the international framework on which international commerce is based. Hence the group will continue to function if they can maintain the realistically modest expectations. 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).

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