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IBSAC (India, Brazil, South Africa, China):

A Potential Developing Country Coalition in WTO Negotiations

Debashis CHAKRABORTY
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LIST OF ABBREVIATIONS

AB	Appellate Body
ABI	Argentina, Brazil and India
AD	Anti-Dumping
ADD	Anti-Dumping Duties
AIDS	Acute Immune Deficiency Syndrome
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
ATC	Agreement on Textiles and Clothing
BIMST-EC	Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation
BITs	Bilateral Investment Agreements
BOP	Balance of Payments
CAP	Common Agricultural Policy
CBD	Convention on Biodiversity
CBEC	Central Board of Excise and Customs
CECA	Comprehensive Economic Cooperation Agreement
CFTA	Comprehensive Free Trade Agreement
CSH	Centre de Sciences Humaines
DDA	Doha Development Agenda
DGFT	Directorate General of Foreign Trade
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
DTTs	Double Taxation Treaties
EC	European Community
EFTA	European Free Trade Association
ENT	Economic Needs Test
EU	European Union
FICCI	Federation of Indian Chamber of Commerce and Industries
FIPS	Five Interested Parties
FTA	Free Trade Area
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade

GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GI	Geographical Indications
GSP	Generalized System of Preferences
HIV	Human Immunodeficiency Virus
IBSA	India, Brazil, South Africa
IBSAC	India, Brazil, South Africa, China
IFPRI	International Food Policy Research Institute
IIAs	International Investment Agreements
IPR	Intellectual Property Rights
ITA	Information Technology Agreement
ITES	Information Technology Enabled Services
JACIK	Japan, ASEAN, China, India and Korea
LAIA	Latin American Integration Association
LDC	Less Developed Countries
LTFR	Less Than Full Reciprocity
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
NAMA	Non-Agricultural Market Access
NGOs	Non-Governmental Organizations
NGTF	Negotiating Group for Trade Facilitation
NTBs	Non-tariff Barriers
NTMs	Non-Tariff Measures
PRC	Peoples Republic of China
PRO	Preferential Rules of Origin
PSE	Producer Support Estimates
PTAs	Preferential Trade Agreements
PTIAs	Preferential Free Trade and Investment Agreements
RGICS	Rajiv Gandhi Institute for Contemporary Studies
RIAs	Regional Integration Agreements
RIS	Research and Information System for the Non-Aligned and Other Developing Countries
ROO	Rules of Origin
RTAs	Regional Trade Agreements
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SACU	South African Customs Union

SADC	South African Development Community
SDT	Special and Differential Treatment
SI	Singapore Issues
SPs	Special Products
SPS	Sanitary and Phytosanitary Measures
SSM	Special Safeguard Mechanism
TBT	Technical Barriers to Trade
TDCA	Trade, Development, and Cooperation Agreement
TF	Trade Facilitation
TFA	Trade Facilitation Agreement
TK	Traditional Knowledge
TRIMS	Trade Related Investment Measures
TRIPS	Trade Related Intellectual Property Rights
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UR	Uruguay Round
US	United States
WTO	World Trade Organisation

LIST OF GROUPINGS AT THE GATT / WTO QUOTED IN THE VOLUME

ABI: Argentina, Brazil and India, formed to negotiate on NAMA.

African Group: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

African Union/Group, ACP, least-developed countries (also known as "**G-90**", but with 64 WTO members): Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia. Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe.

Andean Group: Bolivia, Colombia, Ecuador, Peru and Venezuela.

Asia Pacific Economic Cooperation (APEC): Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, the Russian Federation, Singapore, Taiwan (China), Thailand, United States and Vietnam.

Association of Caribbean States (ACS): Antigua and Barbuda, the Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, the Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago and Venezuela.

Association of South-East Asian Nations (ASEAN): Brunei Darussalam, Cambodia (from October 2004), Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Bangkok Agreement: Bangladesh, India, Republic of Korea, Lao People's Democratic Republic, Philippines, Sri Lanka and Thailand.

BIMST-EC: In the name of the founder members the group was originally known as Bangladesh India Myanmar Sri Lanka Thailand Economic Cooperation. However with the entry of Bhutan and Nepal, its name was changed to Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation.

Cairns Group: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay.

Caribbean Community and Common Market (CARICOM): Antigua and Barbuda, the Bahamas (part of the Caribbean Community but not of the common market), Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

Central American Common Market (CACM): Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Central American Group of Four: El Salvador, Guatemala, Honduras and Nicaragua.

Central European Free Trade Area (CEFTA): Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Cross-Border Initiative: Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

East Asian Economic Caucus (EACS): Brunei Darussalam, China, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan (China) and Thailand.

Economic Community of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.

European Free Trade Association (EFTA): The Group was formed in 1960 by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and Britain as an alternative to the European Economic Community (EEC). Some members joined the EEC subsequently. Currently the members are Iceland, Liechtenstein, Norway, and Switzerland. During 1990s Iceland, Liechtenstein, and Norway had joined the European Economic Area (EEA), which also include all members of the European Union (EU).

European Union (EU): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom were the original EU (15). However, in April 2004 ten East European Republics have joined the Union as well to make it EU (25) – Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Five Interested Parties (FIPS): Australia, Brazil, the EU, India and the US.

Friends of the Development Box: Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Senegal, Sri Lanka, Uganda and Zimbabwe.

Friends of Geographical indications: Dominican Republic, Egypt, Honduras, India, Jamaica, Kenya, Pakistan, Sri Lanka and Thailand. Similar views were expressed also by some of the transition economies like Bulgaria, Czech Republic, Romania, Slovakia and Slovenia.

G-6: Australia, Brazil, the EU, India, Japan and the US

G -7: Canada, France, Germany, Italy, Japan, UK and the US.

G- 8: Canada, France, Germany, Italy, Japan, Russia, UK and the US.

G-9 (formed during Uruguay Round): Australia, Austria, Canada, Finland, Iceland, New Zealand, Norway, Sweden, and Switzerland

G-10 (formed during the Uruguay Round): Argentina, Brazil, Cuba, Egypt, India, Nicaragua, Nigeria, Peru, Tanzania and Yugoslavia.

G-10: Bulgaria, Iceland, Israel, Japan, Korea, Republic of, Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei (Also referred as “European-East Asian grouping”).

G-15: Although 15 members formed the group initially; there are now 19 members. The current members are Algeria, Argentina, Brazil, Chile, Colombia, Egypt, India, Indonesia, Iran, Jamaica, Kenya, Malaysia, Mexico, Nigeria, Peru, Senegal, Sri Lanka, Venezuela and Zimbabwe.

G-20 (formed during the Uruguay Round): Bangladesh, Chile, Colombia, Côte d’Ivoire, Hong Kong, Indonesia, Jamaica, the Republic of Korea, Malaysia, Mexico, Pakistan, the Philippines, Romania, Singapore, Sri Lanka, Thailand, Turkey, Uruguay, Zambia, and Zaire. This group does not function anymore.

G-20 (formed in 2003): Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Thailand, Venezuela, and Zimbabwe.

G-24 (on services): Argentina, Bolivia, Brazil, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Honduras, India, Indonesia, Malaysia, Mexico, Nicaragua, Pakistan, Panama, Paraguay, Peru, the Philippines, Sri Lanka, Thailand, Uruguay and Venezuela.

G-33: The G-33 is also known as the SP/SSM Alliance to champion the concepts and provisions of Special Products and Special Safeguard Mechanisms. The Group comprises 42 developing countries of the WTO. They are: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Cote d'Ivoire, Congo, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Mongolia, Montserrat, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, The Philippines, Peru, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.

G-77: Developing country grouping in UNCTAD with Brazil and India as members.

G-90: Same as African Union/Group, ACP, least-developed countries

G-110: The developing country coalition formed at Hong Kong Ministerial (2005) by G-20 and G-90 coming together

IBSAC: India, Brazil, South Africa and China

Indian Ocean Commission: Comoros, Madagascar, Mauritius, Reunion and Seychelles.

Latin American Integration Association (LAIA): Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

Like Minded Group (LMG): Cuba, Egypt, India, Indonesia, Malaysia, Pakistan, Tanzania and Uganda were the initial members. Later Dominican Republic, Honduras and Zimbabwe joined the group.

MERCOSUR (South Cone Common Marker): Argentina, Brazil, Paraguay and Uruguay.

NAMA – 11: Argentina, Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa and Tunisia.

North American Free Trade Area (NAFTA): Canada, Mexico and the United States.

Quad: Canada, the European Union, Japan, and the United States.

South African Customs Union (SACU): South Africa, Botswana, Lesotho, Namibia and Swaziland

South African Development Community (SADC): Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

South Asian Association for Regional Cooperation (SAARC): Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Now the countries are members of SAFTA (South Asian Free Trade Area).

West African Economic and Monetary Union (UEMOA): Benin, Burkina Faso, Cote d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

I

INTRODUCTION

The IBSA (India, Brazil and South Africa) came into being in middle of 2003 with the meeting of the heads of Governments of the three countries on the sidelines of the Evian Summit. A meeting of the foreign ministers of the three countries at Brasilia in early June of 2003 quickly followed this.

After Cancun ministerial of WTO in September 2003, the need to build a coalition of large, industrialized and increasingly sophisticated emerging economies was felt with greater urgency. The primary reasons for this, both political and economic, can roughly be summarized thus:

- Need for building sustainable alliances for multilateral trade negotiations in the WTO.
- Increasing convergence on issues like trade in services, agriculture, non-tariff barriers (NTBs) to trade and intellectual property rights (IPR).
- Need to develop alternative sources of technology and increase business-to-business contacts.
- Coming together as a pressure group to enhance energy security.

It was felt then and even now that the IBSA dialogue has the potential to emerge as a platform that can build a sustainable alliance to protect the interests of large emerging economies in Asia, Africa and South America. The urge to involve the largest emerging country, China, in the process came somewhat later and with good reasons, as has been argued later. Indeed the distancing of China that has become apparent in recent times, as we will argue subsequently, is also not surprising and is to an extent because of the same reasons which prevented it from being part of the original grouping.

But to get back to the need or relevance of the IBSA dialogue, it increasingly became apparent 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. In contrast, a far more viable option was the formation of IBSA with hopefully China joining in later, as it was felt that there was strong convergence among the four countries on many economic issues (compared to the large diversity of political issues). It was 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, build business-to-business contacts and collaborate on technology. This potential supremacy of IBSAC (India, Brazil, South Africa and China) over the G-15 needs a closer scrutiny.

This current paper will however focus on the role of IBSAC as a bargaining coalition in WTO. The paper 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 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. Before we classify the constituents by their goals / objectives and weaknesses, we first take a look why a consolidated IBSAC looks so attractive.

The IBSAC as emerging powers

Few observers doubt that the coming years will observe a shift in the balance of economic power, whether it be measured in terms of share in global trade or domestic GDP. The tables that follow show how this balance of economic power whether seen in terms of share in global trade or global output will be altered. **Table 1.1** clearly shows that the share of total global trade for IBSAC (barring South Africa) would rise, while the relative importance of the EU and the US is expected to decline.

Table 1.1: Global Trade Scenario of select countries (2003)

Country	Total Trade # (billion USD)	Current Trade as % of World Trade	Expected Share in 2015
India	157	0.9	1.3
China	715	4.4	6.2
Brazil	131	0.8	1.1
South Africa	66	0.4	0.3
EU	2180	13.6	10.7
US	2170	13.5	13.2

Source: various WTO-UNCTAD Documents

- Total Trade (Exports and Imports) for goods and services.

Tables 1.2 and **1.3** indicate how the IBSAC economies increase their relative importance in the world as their share in world GDP go up. Impressive growth rates are predicted especially for China and India by several studies and future projections.

Table 1.2: GDP Scenario of Select countries (constant prices, year 2000)

Country	GDP (2003)	Average Annual expected GDP Growth (2004-2015)	Current Share in World GDP (2003)	Expected Share in World GDP (2015)
	(billion USD)			
India	600.6	6.1%	1.64%	2.3%
China	1370	6.5%	4.02%	5.8%
Brazil	510	4.0%	1.51%	1.6%
South Africa	160	3.5%	0.47%	0.5%
EU	9796	2.0%	28.81%	25.5%
US	10652	2.3%	31.32%	29.0%

Source: WDI and Goldman-Sachs (2003)

The point could be further stressed with **Table 1.3**, which shows that the contribution of IBSAC in the world economy looks even more impressive when adjusted for *real consumption and* *investment*. Indeed China's economy in PPP terms comes closer to the same for the entire EU combined. India too has emerged as the fourth largest economy, after USA, China and EU. It will be very difficult for others to ignore this critical mass.

Table 1.3: GDP - Purchasing Power Parity Scenario

Country	GDP in 2003 (billion USD)	Average Annual expected GDP Growth (2004-2015)	GDP as % of World GDP (Current)	Expected Share in World GDP (2015)
		(Percent)		
India	2660	6.1	5.5%	7.7%
China	6000	6.5	12.5%	18%
Brazil	1340	4.0	2.8%	3.1%
South Africa	412	3.5	0.9%	0.9%
EU	9500	2.0	19.7%	17.8%
US	10000	2.3	20.8%	19.3%

Source: World Bank Documents

The factors that combine to make the IBSAC countries the primary drivers of global growth are the following:

- High rates of economic growth especially in China and India as these countries mature into industrial economies
- 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
- 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 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.

Where capital goods and services are concerned, high rates of economic growth, especially in India and China, are expected to drive demand for infrastructure goods and services. India and China (and along with Brazil to a lesser extent) are expected to become the primary consumers of many capital goods industries based in the EU, US and Japan. The importance of IBSAC as markets has increased quite substantially over the last decade. 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 an increasingly older US, EU and Japan will become relatively less attractive and saturated markets.[1]

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. This has led to the current surge in outsourcing in both manufacturing and services. A large educated pool of labor ensures that businesses look at IBSAC as centers of global production in a number of sectors. Relatively cheaper skilled human resources in IBSAC countries make them centers of global excellence in many areas of

[1] 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.

technology intensive production process. As communication technology has improved, such trends have been reinforced. It is now accepted that IBSAC countries have started to make the transition from being low cost manufacturing and service bases into more sophisticated, knowledge and technology led economies. A key factor that makes this possible is the fast spread of tertiary education.[2]

Disadvantages vis-à-vis the Developed Countries

While on paper the IBSAC looks impressive as a group, the ties that bind them together are not as strong as those binding the EU and NAFTA. Firstly, as compared to IBSAC the high-income highly industrialized countries are largely into intra-industry trade and thus trade mainly among themselves. Simply put, the OECD member countries are broadly the largest markets and suppliers for each other's products. Thus as a group it is to be expected (for example) that the EU and the US would be closer to one another (even if mutual differences persist). This is not yet true for IBSAC and indeed members of the IBSAC on occasion have seen each other more as rivals / competitors, battling for the same markets. Thus there is a possibility of breaking the coalition by promising any of the partners a sop in the form of an FTA.

Before proceeding further, it would not be out of place to look at each of the constituent economies of IBSAC to see where their strengths and weaknesses lie before examining what kind of a coalition may be formed and what would be the coherence of this formation when it comes to WTO negotiations.

Individual Profile of IBSAC Constituents

The IBSAC economies can be broadly classified into two groups. The first group consists of Brazil and South Africa while the second

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[2] Indeed there are 338 million college-educated persons below the age of 40 in IBSAC as compared to the corresponding figure of 127 million in G-7.

group is formed by India and China. The reasons behind this classification will be made clearer after looking at the countries separately.

Brazil

Table 1.4 gives some details about Brazil's macroeconomic performance in recent times. While the statistics reveal modest performance on the GDP front, they have to be read in the light of Brazilian experience prior to 1994 when hyperinflation (not necessarily accompanied by growth) was the norm. As with most Latin American countries especially in the 1980s, Brazil experienced high inflation combined with low growth in this decade. The plan that ultimately succeeded (after several plans had failed) in curbing this high rate of inflation was the 'Real' plan, which had as one of its components the opening up of the Brazilian economy including reforms in the capital account. This was instrumental in keeping inflation down by allowing for imports that could compete with domestic production and thus put a downward pressure on prices. The undesirable outcome was the high interest rate regime that had to be maintained so as to sustain the value of the Real vis-à-vis the dollar.

Table 1.4: Select Macroeconomic Indicators of the Brazilian Economy

Select Variables	**2000**	**2002**	**2003**
GDP per capita growth (annual %)	3	1	-1
GDP per capita, PPP (constant 2000 international $)	7366	7480	7360
GDP per capita (constant 2000 US$)	3538	3560	3510
Inflation, consumer prices (annual %)	7	8	15
Agriculture, value added (% of GDP)	7	6	6
Industry, value added (% of GDP)	28	21	19
Services, etc., value added (% of GDP)	65	74	75
Exports of goods and services (% of GDP)	11	15	17
Imports of goods and services (% of GDP)	12	13	13

Source: World Development Indicators (various issues)

As compared to the 1980s, rate of inflation has been extremely modest and external orientation increased as the export-GDP ratio has gone up from 7.8 percent in 1994-95 to over 15 percent in 2004-05. A significant proportion of this increase is explained by a rise in high technology exports, which moved from 4.75 percent in 1994-95 to 19 percent in 2001. But since real interest rates remained high, and this in effect discouraged investment away from investing in manufacturing into financial assets.

Of the four IBSAC economies, Brazil's economic situation is arguably the most vulnerable to external shocks, which given capital account convertibility remains susceptible to adverse sentiments even when the policy makers follow sound policies. This was evidenced both during the Russian meltdown (1998) as well as the Argentinean crisis (2002) when international investors become wary of investing money in all emerging markets. The other concern of ballooning debt given high interest rates has not aggravated to the extent feared (external debt actually fell from $ 241.5 billion in 1999 to $ 201 billion in 2004 even as nominal GDP rose from $ 532 billion to $ 572 billion in the same period). Brazil is forced to run up a favourable current account balance to service its debts, the surplus being US $ 10.42 billion in 2005.

South Africa

Select macroeconomic variables on South Africa are provided in **Table 1.5**. It is generally agreed that South Africa has managed its post-apartheid economic upheavals quite well, by combining goals of redistribution (given the economic disparity between the two communities) as well as economic stabilisation in a sceptical international environment. The strategy used to bring order is called *Growth, Employment and Redistribution* (GEAR), which was implemented from 1996 onwards with the following components:

- Reducing the budget deficit
- Easing the debt burden
- Improving the collection of taxes
- Privatising state assets

- Eliminating government dis-saving
- Increasing government investment on infrastructure
- Reducing the household and corporate tax rates
- Reducing government consumption expenditure as a percentage of GDP.

Table 1.5: Select Macroeconomic Indicators of the South African Economy

Select Variables	**2000**	**2002**	**2003**
GDP per capita growth (annual %)	1	2	1
GDP per capita, PPP (constant 2000 international $)	9434	9750	9774
GDP per capita (constant 2000 US$)	2910	3002	3026
Inflation, consumer prices (annual %)	5	9	6
Agriculture, value added (% of GDP)	3	4	4
Industry, value added (% of GDP)	31	32	31
Services, etc., value added (% of GDP)	66	64	65
Exports of goods and services (% of GDP)	29	34	28
Imports of goods and services (% of GDP)	26	30	26

Source: World Development Indicators (various issues)

Unlike Brazil, South Africa had never experienced hyper-inflation and thus stabilisation of prices via devices like maintaining a fixed exchange rate which may call for high-interest rate policies was never followed. Budget deficits and public debt have declined and inflation is also much lower than the same during mid-nineties. Real interest rates have also declined after peaking in 1998. The rand has also started to strengthen vis-à-vis the dollar. On the other hand, the problem of unemployment is acute; with the current rate around 30 percent (some estimates suggest it is higher than 40 percent). Inequality too is very high with a GINI coefficient of 59.3, where the lowest 20 percent of the population gets 2.9 percent of all income while the highest 20 percent receives 64.8 percent of the income. The current account balance too is negative at US $ 9.6 billion in 2005.

India

The macroeconomic variables on India are provided in **Table 1.6.** Unlike the above economies and like that of the Chinese economy, which will be described later, India is not presently occupied with the problem of economic stability; it is economic growth that is of paramount importance. India has grown faster than either South Africa or Brazil (China of course has experienced higher economic growth). This economic growth is and has been export-led since 1991. While inflation worries and rising unemployment have been matters of concern for policy-makers, India has never been confronted with either hyper-inflation (like Brazil) or of unemployment rates of over 30 percent (like South Africa). India's per capita GDP is lowest among the IBSAC economies but income-distribution as measured by the GINI coefficient (32.5 percent) is the best among IBSAC members with the richest 20 percent of the population receiving 4.9 times the income of the poorest 20 percent. While India faces a BOT deficit (US $ 13.19 billion in 2005), 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. This lends stability to the rupee without India having to take recourse to high interest rates.

Table 1.6: Select Macroeconomic Indicators of the Indian Economy (current prices)

Select Variables	**2000**	**2003**	**2004**
Real GDP growth (%)	3.9	8.6	6.9
Nominal GDP (US $ billion)	457.3	560	691.2
Per capita GDP (US $)	450	540	620
Inflation rate (%)	3.8	3.2	5.3
Share of agriculture (%)	24.6	22.8	21.1
Share of industry (%)	26.6	26.4	27.1
Share of services (%)	48.8	50.7	51.7
Share of exports in GDP (%)	13.9	14.9	19.1
Share of imports in GDP (%)	14.6	16.4	22.5

Source: World Development Indicators (various issues)

China

The macroeconomic variables on China are provided in **Table 1.7.** Like India and unlike Brazil and South Africa, China is an export-led growth economy. As the table reveals, its economic growth is the highest of all the economies. Likewise India, inflation rate is on the lower side and it has a comfortable BOP position with current account balance in 2005 being US $ 129 billion. Thus interest rates do not have to be raised to maintain stability of exchange rate. Indeed, China is actually charged of keeping its exchange rate artificially low. Income Inequality in China is lower than both Brazil and South Africa but higher than India with a GINI coefficient of 44.7 percent. The richest 20 percent of the population receive 10.7 times the income of the poorest 20 percent of the population.

Table 1.7: Select Macroeconomic Indicators of the Chinese Economy

Select Variables	**2000**	**2003**	**2004**
Real GDP growth (%)	8.4	10.0	10.1
Nominal GDP (US $ trillion)	1.2	1.6	1.9
Per capita GDP (US $)	930	1270	1500
Inflation rate (%)	2.1	2.6	6.9
Share of agriculture (%)	14.8	12.6	13.1
Share of industry (%)	49.3	46.0	46.2
Share of services (%)	35.9	41.5	40.7
Share of exports in GDP (%)	23.3	29.6	30.4
Share of imports in GDP (%)	20.9	27.4	31.4

Source: World Development Indicators (various issues)

The Priorities of IBSAC Countries – A Disjoint Set?

On a casual inspection of the tables, the division of IBSAC into two groups - a high growth but low-income group and a low-growth but high-income group seems natural. The first would comprise of China and India while the latter would comprise of Brazil and South Africa.

However, as this paper will argue that a grouping of India, South Africa as well as Brazil, i.e. IBSA is more stable and coherent than IBSAC (which would include China). In spite of similarities with China, India in the medium term will go with South Africa and Brazil rather than with China.

The reasons are not far to seek. Of all the four economies, China is by far the largest and most competitive economy. It has the least to fear from total free trade scenario. Indeed, employment and growth depends critically on the opening up of developed country markets. At the same time the products that it exports are also produced by other low cost economies.

This is far less true for IBSA. For India the opening up of developed country markets may be welcome as this would boost exports and thereby employment and growth. But a reciprocal opening up of the domestic market especially in agriculture is fraught with the risk as India is not as cost-competitive in several agricultural items. Thus a surge of imports in this sector could cause distress to a large number of farmers putting their livelihoods at risk. This is because the percentage of the labour force employed in agriculture is just short of 70 percent as opposed to its contribution to GDP, which is now close to 20 percent. 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.

This 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. This would mean that the Real plan would be in place (and Brazil's decade long experience with economic stability would continue) while lower interest rates would encourage investment with positive implications for income growth and employment. 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 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. 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. As neither Brazil nor South Africa is low wage economies they will not be export-driven economies in the medium term. *Ceteris Paribus e*xports lead to a better BOP situation, which allow for liberal monetary policy, thereby encouraging investment via a lower interest policy. 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 sector constitutes the largest sector of its economy. In comparison with IBSA economies, services constitute the largest sector of their economy. Thus IBSA's dependence on external markets is that much limited; and they would be that much less susceptible to developed country pressure. Even when services constitute a major export item (as

IT and IT enabled services does for India), the nature of this 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 would come from the developed countries corporate sector itself (HT, March 21 2006).

Thus this paper will argue that IBSA as opposed to IBSAC is a far more coherent group when it comes to WTO negotiations as its interests coincide given the agenda that seeks to free trade asymmetrically with the developed countries having to concede more on market access than developing countries and LDCs will have to.

This monograph is organized along the following line. The following chapter deals with the trade profile of the IBSAC countries. This is followed by a discussion on the evolution of a developing country alliance at the WTO negotiations. The genesis of IBSAC and the phenomenon of growing regionalism are analysed then. The possible emergence of IBSAC as a negotiating coalition at the WTO forums is discussed next. The chapter is followed by an analysis on the potential role of a grouping called IBSAC-plus in WTO negotiations. Finally the monograph concludes by summing up the findings.

II

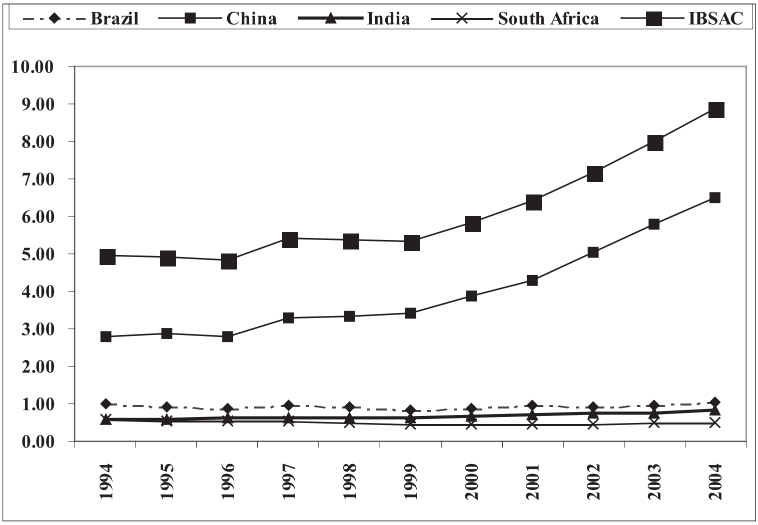
INDIA, BRAZIL, SOUTH AFRICA AND CHINA: A TRADE PROFILE

Introduction

The voice of the IBSAC countries, be it jointly or unilaterally, has been more audible in the WTO negotiating forums over the last couple of years, the major motive behind which is to enhance their current level of global market share. Since early nineties, the trade openness of all IBSAC countries, where total trade is expressed as a percentage of their GDP, has increased considerably. However, as seen from **Figures 2.1 – 2.4** in the following, the penetration levels of the individual IBSAC countries in the world market over the last decade have differed considerably.

Looking at the experience of the IBSAC countries in case of merchandise exports from **Figure 2.1**, it is observed that while Brazil's global market share had declined during late nineties, the same has shown an increasing tend over the last couple of years. South Africa witnessed a similar decline in its global market share in late nineties, which was reversed marginally only during 2004. India has experienced a moderate export growth over the years, reflected in a marginal increase in its global market share; while the same of China has increased tremendously during the same period. On the average, the annual global merchandise export of Brazil, China, India and South Africa has increased by 8.80, 17.91, 12.15 and 6.78 percent respectively over 1994-2003.

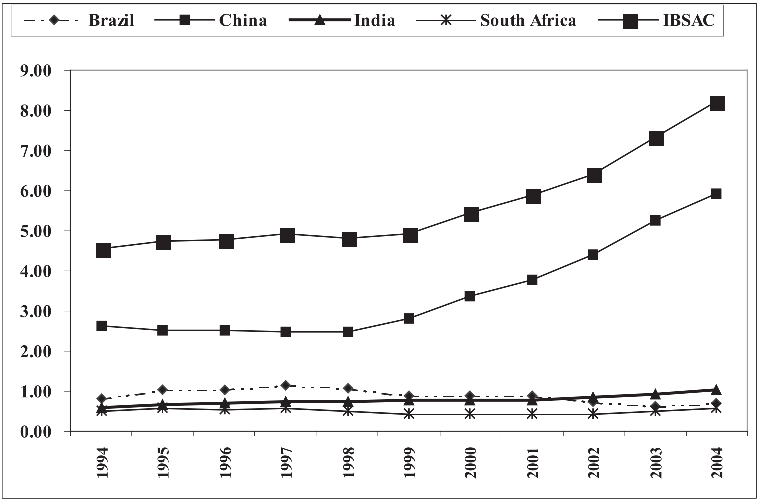
Figure 2.1: Trends in Global Market Share for Export of Goods – IBSAC



Constructed from International Trade Statistics Data

The merchandise import scenario for the IBSAC countries could be seen from **Figure 2.2**. A picture similar to the export trends emerges here as well. While the market share of Brazil fluctuated during the entire period and declined marginally in recent years, South Africa is showing an increasing trend for the last two years. India's global import share on the other hand has grown in a consistent manner over the period. However, it is once again China, who has more than doubled its global share in this regard as well. On the average, the annual global merchandise import of Brazil, China, India and South Africa has increased by 7.82, 17.96, 14.32 and 10.81 percent respectively over 1994-2003.

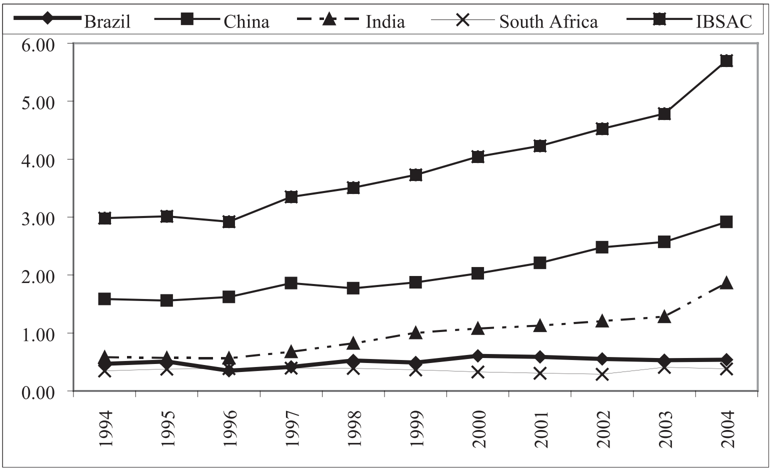
Figure 2.2: Trends in Global Market Share for Import of Goods – IBSAC



Constructed from International Trade Statistics Data

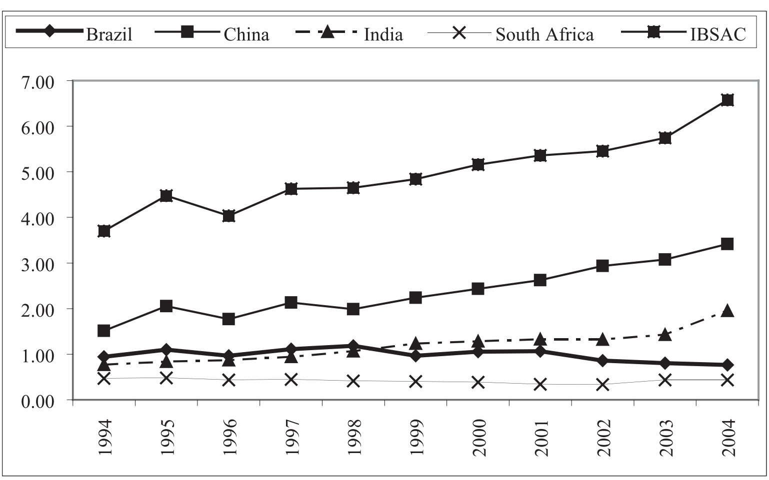
Looking at the market share of IBSAC countries in service export from **Figure 2.3**, we can see that while the relevant figures for Brazil and South Africa have increased to some extent, the same for China and India have increased considerably. In fact, the change is more pronounced in case of India. On the average, the annual global service export of Brazil, China, India and South Africa has increased by 10.54, 14.61, 21.87 and 9.90 percent respectively over 1994-2003.

Figure 2.3: Trends in Global Market Share for Export of Services – IBSAC



Constructed from International Trade Statistics Data

Figure 2.4: Trends in Global Market Share for Import of Services – IBSAC



Constructed from International Trade Statistics Data

It is observed from the import scenario for trade in services presented in **Figure 2.4** that the market share of Brazil and South Africa has slightly declined over the period under consideration. On the other hand, China and India have more than doubled their market share, implying gradual opening up of their respective domestic markets. On the average, the annual global service import of Brazil, China, India and South Africa has increased by 6.05, 17.56, 18.58 and 7.46 percent respectively over 1994-2003. Interestingly, among the IBSAC countries, while the export and import growth rate of merchandise trade is highest in case of China, the same is highest in case of India for services trade.

The Trade Direction

A negotiating alliance of countries could be greatly cemented if backed by a trade bloc among partners. A trade bloc is however easier to form among natural trade 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). Looking at the multilateral negotiating scenario in the recent period it has been observed that the question of liberalization of agricultural subsidies has emerged as the biggest stumbling bloc for successful completion of the Doha round. The Quad countries are the major violators in this regard, with high values of Producer Support Estimates (PSE) prevailing in their domestic agricultural sector (WTO annual report, 2003). It can be argued that a falling importance of the Quad countries in their trade basket would allow the IBSAC countries to negotiate more effectively with them for obtaining higher access in these developed country markets. On the other hand, a high value of intra-G-20 or intra-IBSAC trade would strengthen the tie between them further. In order to understand the attractiveness of the Chinese market for other three IBSAC partners, we include the share of Hong Kong for their intra-IBSAC trade as well, since a considerable proportion of Hong Kong's trade ultimately finds its way to China. In **Tables 2.1 –**

2.4, we present the trade direction of the IBSAC countries with major global players.

Table 2.1 shows the trade direction of Brazil. It is observed that while the importance of EU (25) and US in the export basket is quite high, the shares of Canada and Japan are much lower in that comparison. A similar picture is observed in case of imports. The Quad countries as a whole still account for around fifty percent of trade, both in case of exports and imports. The importance of intra-G-20 trade has increased over the years, mainly owing to the presence of China and several Latin American countries present in the latter bloc. Likewise the increase in intra-IBSAC trade can also be explained by the increasing trade with China. The importance of China, India and South Africa is increasing in Brazil's trade basket.

Table 2.1: The Evolving Merchandise Trade Direction of Brazil

						(Percentage)
Trade partners	**Export**			**Import**		
	1996	2000	2004	1996	2000	2004
Canada	1.06	1.02	1.26	2.44	2.02	1.48
China, PR	2.33	1.96	5.72	2.21	2.29	6.20
EU (25)	27.63	27.62	25.44	26.77	25.77	24.28
Hong Kong, China	0.91	0.86	0.81	0.64	0.67	0.57
India	0.39	0.39	0.69	0.35	0.50	0.90
Japan	6.38	4.47	2.91	5.14	5.28	4.60
South Africa	0.62*	0.55	1.09	0.78*	0.42	0.43
USA	19.50	24.51	21.39	22.27	23.16	18.27
Quad	54.57	57.62	51.00	56.62	56.23	48.63
Intra-G-20	26.11	25.19	27.87	23.86	24.38	29.35
Intra-IBSAC#	4.25	3.76	8.31	3.98	3.87	8.10

Source: Calculated from WITS Data

* - South African Customs Union

\# - Including Hong Kong, China

Like the case of Brazil, it is observed from **Table 2.2** that EU (25) and US are still quite important factors in the trade basket of PRC. Like the case of Brazil, the proportion of exports to Quad countries is still more than fifty percent, but the same for imports has gone down significantly over the last decade. A very moderate increase is noticed in case of China's intra-G-20 and intra-IBSAC trade. It is further observed that India's importance in the export and import basket has gone up in recent years. While Brazil's share in China's import basket has increased in recent years, it seems there exists enough scope to enhance Sino-South African trade.

Table 2.2: The Evolving Merchandise Trade Direction of People's Republic of China (PRC)

Trade partners						(Percentage)
	Export			Import		
	1996	2000	2005	1996	2000	2005
Brazil	0.51	0.49	0.63	1.07	0.72	1.51
Canada	1.07	1.27	1.53	1.85	1.67	1.14
EU (25)	13.87	16.37	18.76	14.49	13.86	11.15
India	0.45	0.63	1.17	0.52	0.60	1.48
Japan	20.45	16.72	11.02	21.02	18.44	15.21
South Africa	0.46*	0.41	0.50	0.48*	0.46	0.52
USA	17.68	20.93	21.42	11.64	9.94	7.39
Quad	53.07	55.29	52.73	49.00	43.91	34.89
Intra-G-20	5.50	6.39	7.49	6.68	8.19	11.03
Intra-IBSAC	1.41	1.52	2.31	2.07	1.78	3.52

Source: Calculated from WITS Data

* - South African Customs Union

Table 2.3 shows the trade direction of India. EU (25) and US are still the single largest trading partners, although the trade share of PRC is fast increasing. The importance of Quad countries in the trade basket has 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. The growing intra-G-20 trade shows the growing importance of developing countries in its trade basket. Intra-IBSAC trade has also increased, but the major proportion of the increment could be explained by its trade with Hong Kong, China and PRC.

Table 2.3: The Evolving Merchandise Trade Direction of India

Trade partners	(Percentage)					
	Export			Import		
	1996	2000	2004	1996	2000	2004
Brazil	0.40	0.51	0.82	0.39	0.29	0.71
Canada	1.05	1.47	1.02	0.80	0.79	0.70
China, PR	1.84	1.87	6.64	1.93	2.97	6.20
EU (25)	26.51	23.98	21.54	26.89	21.06	17.15
Hong Kong, China	5.56	5.93	4.55	0.82	1.69	1.57
Japan	5.99	4.03	2.51	5.59	3.65	2.88
South Africa	0.96*	0.70	1.19	0.84*	2.02	1.98
USA	19.60	20.90	16.51	9.24	5.97	6.26
Quad	53.16	50.37	41.58	42.52	31.47	26.99
Intra-G-20	8.96	8.80	14.70	10.35	9.26	13.30
Intra-IBSAC #	8.76	9.00	13.20	3.98	6.97	10.46

Source: Calculated from WITS Data

* - South African Customs Union

- Including Hong Kong, China

Table 2.4 shows the trade direction of South Africa over the last decade. It is observed that the importance of EU (25) in South Africa's trade, 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 more than fifty percent both in case of exports and imports. However, the trade with developing countries is also on the rise as intra-G-20 trade as well as intra-IBSAC trade has increased over the years. Like the case of India, a major proportion of intra-IBSAC trade, especially in imports, is explained by its trade with PRC.

Table 2.4: The Evolving Merchandise Trade Direction of South Africa

Trade partners	(Percentage)					
	Export			Import		
	1996	2000	2005	1996	2000	2005
Brazil	1.18	0.67	0.68	0.98	1.10	2.38
Canada	0.78	0.73	0.75	0.84	0.93	0.70
China, PR	0.80	1.11	2.91	2.15	3.72	8.99
EU (25)	35.37	28.74	36.01	44.42	40.35	38.09
Hong Kong, China	2.60	1.08	1.25	1.62	1.04	0.70
India	1.05	1.23	2.49	0.97	0.95	2.00
Japan	8.62	4.48	10.96	7.81	7.96	6.75
USA	9.62	7.98	10.41	12.95	11.90	7.90
Quad	54.39	41.93	58.13	66.02	61.14	53.44
Intra-G-20	11.86	7.96	13.20	7.79	10.32	19.31
Intra-IBSAC #	5.63	4.09	7.33	5.71	6.80	14.08

Source: Calculated from WITS Data
- Including Hong Kong, China

Composition of Trade

In order to understand the feasibility of IBSAC as an effective bargaining coalition, we next focus on their trade composition, in order to check the similarity in trade patterns. In **Tables 2.5** and **2.6**, we look at the changing composition of merchandise and service export and import figures of the IBSAC countries for two years – 1990 and 2003. It is observed from **Table 2.5** that only in case of Brazil the importance of food export still remains very high. For all other economies, the importance of the same is declining. Agricultural raw materials export is at a low level for all four IBSAC countries. In case of fuel export, interestingly, while the share of China in its overall export basket goes down, the same for all other three countries goes up, the change being quite marked for South Africa. For South Africa, the export of ores and metals has increased particularly. The share of manufacturing is almost the same in case of Brazil for the two years quoted here, and the change for India is also limited. However, there is a marked increase in the share of manufacturing exports for South Africa, while China has increased its share to ninety two percent over the last decade. Clearly the willingness to boost the export of manufacturing sector will be a major element of commonality among the negotiating stances of the IBSAC countries.

Table 2.5: A Comparison of the Structure of Merchandise Export and Import - IBSAC[3]

										(Percentage)
Export										
Country	**Food**		**Agricultural raw materials**		**Fuels**		**Ores and metals**		**Manu-factures**	
	1990	**2003**	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**
Brazil	28	29	3	4	2	5	14	8	52	52
China*	11	4	-	-	6	3	-	-	80	92
India	16	11	4	1	3	6	5	4	71	77
South Africa	7	10	3	3	6	10	9	19	36	58
Import										
Country	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**
Brazil	9	7	3	2	27	16	5	3	56	72
China*	5	2	-	-	4	7	-	-	84	82
India	3	6	4	3	27	32	8	4	51	54
South Africa	8	5	2	1	1	12	1	2	75	70

Source: World Development Indicators and WITS

* - For China's export and import, we show the 1992 and 2003 figures. While it's *agricultural raw materials* and *ores and metals* export jointly accounted for 3.69 and 1.15 percent during 1992 and 2003 respectively; the corresponding figures for imports were 7.16 and 8.27 percent in that order.

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[3] The World Development Indicator does not provide a comparable data on Peoples Republic of China. Therefore the figure presented here has been calculated from WITS data.

Looking at the merchandise import figures from the lower panel of the table, we can see that manufacturing again constitutes a major proportion of the merchandise import basket of all the IBSAC countries. Therefore it seems that, like exports, the countries will have a major interest in ensuring NAMA reform at a pace, which suits their development interest best. The importance of fuel imports comes next. Interestingly although the figure is highest for India, South Africa has registered a sharp rise in that category. The importance of fuel import has increased in case of China as well. The fact that South Africa is the only net energy exporter country among IBSAC members, can significantly enhance the intra-IBSAC trade volume in that category as well as the cohesiveness of the negotiating alliance.

The composition of the service export and import of the IBSAC countries is shown by **Table 2.6**. In the export basket of all four countries, the importance of insurance and financial services is lowest, and the importance of Transport service is moderate (lowest in case of India). Interestingly, while the importance of travel services has gone down in case of Brazil and India, it has increased in case of China and South Africa. In fact, travel service constitutes the lion's share of South Africa's export basket in recent years. On the other hand, the importance of ITES and other commercial services has increased in case of Brazil and India, while it has gone down in case of China and South Africa. In case of imports, it is observed that like exports, contribution of travel services, ITES and other commercial services is relatively higher than the same for other two sub-sectors, although the contribution of travel services is increasing for all countries. However, as in the case of exports, the importance of insurance and financial services import is still lowest, although a growing trend is noticed in case of Brazil and China. Perhaps that commonality can be utilized in future negotiating forums.

Table 2.6: A Comparison of the Structure of Services Export and Import - IBSAC

								(Percentage)
Export								
Country	**Transport**		**Travel**		**Insurance and Financial Services**		**Computer, information, communication and other commercial services**	
	1990	**2003**	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**
Brazil	36.4	19.2	37.3	25.8	3.1	5.1	23.2	49.9
China	47.1	17.0	30.2	37.5	3.9	1.0	18.7	14.4
India	20.8	10.9	33.8	12.5	2.7	1.5	42.7	75.1
South Africa	21.6	19.7	55.8	66.6	10.8	5.0	11.9	8.7
Import								
Country	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**	**1990**	**2003**
Brazil	44.4	24.8	22.4	15.6	2.7	9.0	30.5	50.7
China	78.9	33.2	11.4	27.7	2.3	8.7	7.4	30.3
India	57.5	34.1	6.6	13.2	5.8	3.7	30.1	48.9
South Africa	40.2	46.0	31.5	33.4	11.6	8.8	16.7	11.8

Source: World Development Indicators

The success of a trade bloc depends on the pre bloc internal trade trends, i.e., the natural inclination of the members to trade with each other. Although the major focus of the paper is on the potential of IBSAC as a negotiating coalition and not as a trade bloc, a brief note on the trade potential of the four countries from an Indian perspective will not be irrelevant here. It has been observed by the RGICS study (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). Similarly looking at the potential of the Sino-Indian FTA, Saqib and Chakraborty (2005) had concluded that there exists a high trade potential for the proposed bloc. Perhaps the potential would be realized at a faster rate once the tariff reform in the post bloc formation period is introduced.

A Note on Tariff Profile of IBSAC countries

The analysis of trade is however incomplete without looking at the tariff structure of a country. **Annex 2.1** summarizes a cross-country overview of tariff reform of IBSAC countries and select WTO members over the last fifteen years. 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. As discussed in later parts of the paper, this puts India surely in a defensive position at the WTO negotiations on NAMA. Furthermore, the high proportion of international peaks in the tariff schedule is another problem area for the country. Moreover, it has been noted by various studies from time to time that India is one of the countries with highest applied tariff rates in the world and several trade barriers (Das, 2003), with considerable degree of tariff escalation for various sectors. It is observed from **Annex 2.2** that while the extent of tariff escalation, both in developed and developing countries, is a major area of concern; India is particularly in a weak spot on this issue as compared to other IBSAC members. To stress the points further, **Annex 2.3** provides the sectoral applied and bound tariff rates. The tariff water, i.e., gap between the two rates is maximum for India in most of the cases, and hence the pressure on it in subsequent negotiating forums would be obvious. The three tables taken together make the danger clear for India in no uncertain terms. Clearly while it stands to gain from the multilateral tariff reform in general and the reform in case of food products, textile items and metal products in Brazil and food products and textile in South Africa in particular; domestic tariff reform is not going to be an easy exercise. India has already entered into trouble over the tariff reform under Indo-ASEAN FTA, as its offer was not enough to please the South-East Asian countries (BS, June 20 2006).

Stated alternatively, the state of events implies introduction of a substantial reform on India's part for successfully launching IBSAC, either as a trade bloc or as a bargaining coalition at multilateral level. It can still partially protect its market by following a 'negative list' approach within the group, i.e., by mutually agreeing to exclude certain number of sectors from tariff reduction commitments. However, even in that case, the greater the number of sectors India attempts to exclude from IBSAC negotiation, the higher has to be the concession being offered in the included sectors, which again may not be an easy exercise. For instance, opening the domestic agricultural sector would be a major challenge; as Brazil and South Africa will be particularly interested in ensuring greater access in agricultural products, given their membership in Cairns group. On the other hand, China will be particularly interested in increasing access in the Indian market for industrial products. However, as understood from India's recent decision to keep agriculture and textile out from the reduction commitments under Indo-ASEAN FTA (HT, April 11 2006), it is not likely to compromise with domestic compulsions on both fronts. Therefore arriving at an IBSAC trading bloc might not be an easy exercise.

III

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

Introduction

Before going into the current state of WTO negotiations and the role played by developing country coalitions, a brief note on the developing country collaborations during the pre-Uruguay Round (UR) period and the early days of WTO (or the lack of it) would not be irrelevant here. Since most of the developing countries were motivated by the perceived advantages of import-substitution led growth theory since late fifties, the excitement over reduction of tariffs among them was understandably missing. This explains their lower participation level during the early GATT rounds. Instead of the GATT forums, they preferred discussions on trade and development issues at 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, TRIPS and services under GATT during the UR brought developing countries out of their reverie, and India in late eighties tried to oppose the inclusion of services under GATT in association with Brazil and Egypt (Chisti, 1991: 103). This initiative led to formation of a developing country alliance named G-10 along with seven other members with similar mindset. However, the success of the group was limited and a new group of 20 developing countries (G-20) emerged in the following period. Interestingly, in order to form negotiating coalition with developed countries, this newly formed group tried to collaborate with G-9.[4]

[4] 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.

Nevertheless G-20 also failed to gain any major concession (Blinova et al, 2006: 4). India was also part of the developing country grouping G-15, established in 1989. The success of G-15 was, however, also limited.

Since the UR period coincided with the adoption of export led growth strategy by many developing countries since late eighties and early nineties, the benefits of eliminating tariff and non-tariff barriers (NTBs) present in developed country export markets subsequently became a part of the negotiating strategy of the former group. Nonetheless, the concept of collective bargaining was not very popular during the first few Ministerial meetings of the WTO, perhaps because the developing countries were still in the learning stage. In the following we discuss the stream of events during the first few years of WTO from a developing country perspective.

Singapore Ministerial (1996)

The first Ministerial meeting of WTO was held at Singapore shortly after its inception and since several UR issues were yet to be implemented, the event was relatively less stormy. However, the decision on Singapore Issues (transparency in government procurement, trade facilitation, competition policy and trade and investment) undertaken in this Ministerial later emerged as a much debated issue. The Information Technology Agreement (ITA) also signed in Singapore, which talked about tariff elimination on trade in information technology products in an MFN basis, remained a relatively low-key incident. Although at the Ministerial, labour standard related concerns and impact of regional trade arrangements (RTAs) was raised, the developing countries did not play a pro-active role, perhaps owing to the fact that the Ministerial declaration promised to safeguard their development needs:

> ".. we recall that the WTO Agreement embodies provisions conferring differential and more favourable treatment for developing countries .. We acknowledge the fact that developing country Members have undertaken significant new commitments, both substantive and procedural, and we recognize the range

> and complexity of the efforts that they are making to comply with them. In order to assist them in these efforts, including those with respect to notification and legislative requirements, we will improve the availability of technical assistance under the agreed guidelines." (paragraph 13).

India and several other developing countries formed a negotiating collaboration before the Ministerial, named Like Minded Group (LMG). The negotiated agenda of the group included highlighting the high cost of the UR commitments and the unrealized promises.

Geneva Ministerial (1998)

The second Ministerial meeting of WTO, which coincided with the fiftieth anniversary of GATT, witnessed the signing of the Global E-Commerce Agreement, and discussion over several implementation issues. The developing countries again played a broadly submissive role, perhaps because they hoped that the unfulfilled promises made during UR would soon be fulfilled, as the Ministerial declaration expressed concern over the marginalization of LDCs and small economies and implicitly raised the possibility of launching of a new round in future:

> "We recall that the Marrakesh Agreement Establishing the World Trade Organization states that the WTO … may also provide a forum for further negotiations among its Members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference." (paragraph 9).

However, in the following period, the developing countries started slowly becoming more pro-active at the multilateral negotiations. This happened owing to several reasons, including frustration over the slow pace of multilateral negotiation, persistence of tariff and non-tariff barriers in the developed country markets both in case of goods and services, rise in the number of WTO disputes involving developed countries as complainants, concern over public health, the perceived threat over potential incorporation of labour and environmental standard under the wings of WTO etc.[5] The developing countries 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 commensurate with what they received in return (Debroy, 2005). On the other hand, defeat in a number of cases at the Dispute Settlement Body (DSB) involving developed countries as complainant forced developing countries to open up several key sectors, which they wanted to do in a slow manner.[6] 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.[7] India maintained a close association with G-15 during this period on SDT provisions (Gibbs, 1998).

Seattle Ministerial (1999)

Before Seattle Ministerial, a number of developing country coalitions emerged in the WTO forum (Narlikar, 2003). First a group named ‘Friends of the Development Box’ came into being which talked about freeing trade in agriculture. No IBSAC country was part of it. Second, another group called ‘Friends of Geographical Indications’ emerged with India as a key member country.[8] The negotiating agenda of the group becomes obvious from its name. Third, a negotiating group on services involving

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[5] For a discussion on the factors behind India’s move towards proactive approach, see Chakraborty and Sengupta (2005).

[6] See Chaisse and Chakraborty (2006) for a detailed account of the WTO cases involving India.

[7] Before the Seattle Ministerial, India submitted a total of twenty-four preparatory notes to the General Council of WTO, explaining its position and demanding modifications in various WTO agreements. The Indian submissions included proposals on unilateral trade measures taken by several members, technology transfer, misuse of subsidy and countervailing measures, ensuring the working of the agreements on textile and clothing in the interest of developing countries and TRIMS.

[8] India’s membership in this group was only too natural as it got involved in the famous basmati debate with a US firm at that time.

Brazil, India and other developing countries, namely G-24, was formed. The group stressed the need for retaining flexibilities for the developing country members so as to respond to their domestic economic need.

The Seattle Ministerial was expected to formally launch a new round of negotiations in accordance with the Geneva declaration (known as millennium round at that time).[9] However, instead of addressing the unfulfilled UR promises at Seattle, as expected by developing countries, the developed countries tried to focus on Singapore Issues (SI), labour and environmental standards etc. in the discussion. As a result, for the first time a weak developing country solidarity was noticed among the members, ultimately leading to the failure of the Ministerial. Although jubilant over the outcome, India accepted that developing countries also failed to gain from the process: ".. we cannot gloat over it because we have pinned our hopes on institutions and implementation. India took a leading role in deciding those issues, in formulating those issues, but, at the Conference, we could not achieve anything. So, from this point of view, it is an opportunity lost."[10] The stream of events led India to demand that another Ministerial meeting should be convened only after arriving at a broad consensus among members on major issues, and inclusion of any new trade issue should be put in the discussion agenda only after realization of the UR level of market access.[11]

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[9] WTO released a note before the Ministerial on 28 June 1999, which fueled this view.

[10] *India and the WTO*, Vol. 1, No. 11-12, 1999, pp. 4-5 (Excerpts from the Commerce & Industry Minister Murasoli Maran's reply to the short-duration discussion on the Seattle meet in the Rajya Sabha on 9 December 1999).

[11] Before Doha, India broadly raised concerns covering broadly three areas - (a) issues pertaining to non-realisation of anticipated benefits (e.g. Agreement on Textiles and Clothing and Agreement on Agriculture), (b) inequities and imbalances in some of the agreements like TRIPs, Subsidies and countervailing measures, Anti-dumping etc, (c) non-operational and Non-binding nature of SDT. *India and the WTO*, Vol. 3, No. 6-7, 2001, pp. 3-9.

Doha Ministerial (2001)

TRIPS and concern over public health could have been a major bridge-maker for developing countries at Doha. 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.[12] Much perturbed with the stream of events, the African countries raised the issue at the WTO. This led India to submit a joint proposal on 'TRIPs and Public Health' to WTO before the Doha Ministerial in association with 46 other developing countries.[13] The proposal demanded that the WTO should ensure that the TRIPs Agreement does 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.

Although the developing countries obtained several opportunities to come closer through various forums before the Doha Ministerial,[14] any strong negotiating alliance among them was still not forthcoming. The groups formed before Seattle Ministerial was still active, and India as a part of the LMG presented its views on various issues before Doha (ICTSD, 2001)

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[12] The concern over access to affordable medicines was shared by other international forums as well. "The World Health Assembly's (WHA) annual meeting in May 2001 devoted substantial attention to the lack of access to essential drugs… A special session of the UN General Assembly on HIV/AIDS in June 2001 addressed the role of global trade policy in affecting the availability of low cost generic drugs and national manufacturing capacities." Dasgupta (2003), pp. 33-34.

[13] 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.

[14] For instance, a few days ahead of Doha Ministerial, India presented its views on key issues in an informal meet of WTO Trade Ministers held in Mexico City. 'India reaffirms position on WTO issues at Mexico meet', *India and the WTO*, Vol. 3, No. 9, 2001.

in Geneva. The issues highlighted by LMG included SDT in TRIPs and public health provisions, exclusion of Singapore issues and labour standards from the negotiation agenda at Doha etc. On the relationship between trade and environment, the group was skeptical about the EU agenda and therefore was not at all willing to go forward in a hurry.

At Doha, 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. The developed countries were keen to launch a new round at the Ministerial, with the support extended by several developing countries in this regard. In addition, developing countries like Chile and Costa Rica wanted inclusion of SI in the agenda for discussion. India opposed both the issues claiming that before launching of a new round, the promise on realization of the UR commitments must be fulfilled (Singh, 2001), but managed to gain little in the absence of active support from other developing countries. Finally, India accepted the joint Ministerial declaration after developed countries agreed to respond to its 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.) in the Doha Development Agenda (DDA). Needless to add, in the absence of a concerted effort, the developing countries failed to stretch the level of gain further. For instance although the then Minister of Commerce of India noted that, ‘In sum, the Doha mandate will not in any way harm us; on the contrary, we have substantial gains’, the extent of the gains has been debated (Anant, 2003).[15]

[15] *India and the WTO*, Vol. 3, No. 10-11, 2001, pp. 1-2 (Statement by Mr. Murasoli Maran, Minister for Commerce and Industry – in the Rajya Sabha on 21/11/2001 and in Lok Sabha on 21/11/2001 – Regarding the Fourth Ministerial Conference of the WTO).

The Road from Doha to Cancun

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. Perhaps the lesson was not missed by the developing countries altogether, as several issues were frustrating them in the post-Doha period (e.g. - increasing instances of anti-dumping cases, back-loading of import quotas in textile and garment products etc.). Since 2002 the liberalization of agricultural trade, primarily in the EU market, came to the forefront as a major concern for developing countries. Responding to this concern, the EU in late 2002 offered tariff cuts on agricultural products by 36 percent as part of WTO negotiation,[16] but the proposal was termed as inadequate by various quarters.[17] Based on the member country submissions between March and December 2002, a draft on the modalities of agricultural negotiations was prepared by Stuart Harbinson, the Chairperson of Agricultural Negotiations on 18 December 2002. The Harbinson Draft, intended to look for compromises that are necessary to reach a final agreement during the transitory phase, was reviewed during January-March 2003, but failed to generate enthusiasm among members.

In June 2003, EU again promised revision of the ongoing farm support policy by de-linking bulk of direct payments with production.[18] Although the proposal did not necessarily reduce

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[16] However, the move was not an open-ended one. "The cuts in subsidies and tariff are conditional on similar cuts from other developed countries, particularly the US. The US, Canada, Japan, Australia and the 15 EU members would also cut export subsidies by 45% and domestic subsidies as part of the deal.", http://news.bbc.co.uk, 16 December, 2002.

[17] Critics pointed out that although certain reduction commitments were made in export subsidies for wheat, oilseeds, olive oil and tobacco; diary products and sugar industries were completely bypassed. In March 2003, US also expressed dissatisfaction over the EU offer, which lacked any proper time-bound commitment in reduction of export subsidies.

[18] The new proposal involved merging of most of the old premiums paid under the CAP into a 'single farm payment' independent from production and linked to compliance with environmental, food safety and animal welfare standards. The single farm payment was supposed to enter into force in 2005, although member states were allowed to apply for a transitional period until 2007. However Naik and Singh (2003) pointed that, "…the changes will allow most subsidies to be shifted to the 'green box' under the Agreement of Agriculture, hence considered to be non-trade distorting or minimally trade-distorting.", p. 59.

subsidy spending as a whole, it paved a starting point of discussion in the upcoming Cancun Ministerial.[19] Most of the WTO members cautiously praised this de-coupling proposal, while countries like Australia were openly skeptical over its effectiveness.[20] However, a drift among EU members over this issue was soon noticed.[21] Initiation of a new discussion within EU clearly meant delaying of the new plan, which particularly disappointed developing countries and the LDCs. US trade representative Robert Zoellick also pointed out in a press conference that the success of Cancun Ministerial was dependent on EU's ability to reform CAP successfully.[22] Cairns Group, which consisted of several developing countries with substantial export interest in agricultural products, also expressed similar concern.

India remained a part of the LMG even in the post-Doha period and the major demands of the group in 2002 for the upcoming Cancun Ministerial included carrying out of consultations in a transparent and open-ended manner, preparing draft Ministerial declaration on the basis of consensus etc. LMG also demanded that any new draft on specific issues should be circulated to all Members well in advance so as to provide them sufficient time to consider the circulations.

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[19] However EU maintained that the negotiation would be successfully completed only if US and other countries also place their own farm programs on the negotiating table, "referring to the legislation signed last year that boosted U.S. crop and dairy subsidy payments by $57.1 billion US from the previous farm bill." www.producer.com, July 8, 2003.

[20] The Australian Minister for Agriculture, Fisheries and Forestry noted that, "After weeks of debate and with a mountain of evidence that the CAP needs to change, EU ministers have adopted what can best be called a marginal and mediocre change.", http://www.affa.gov.au/ministers/truss/releases/03/03179wt.html, 27 June 2003.

[21] It was observed that while Sweden, U.K., Denmark, Netherlands and Germany were in favour of the reforms; France, Spain and Ireland were not very enthusiastic about it. http://deltafarmpress.com/ar/farming_eu_subsidy_reform_2/, Jun 27, 2003.

[22] " .. we've got to bring European and Japanese levels (of subsidies) down. The European cap on what's called the amber box domestic subsidies that distort production is, depending on exchange rates, about $65 billion, and ours is $19.1 billion so we've got to bring that down and harmonize it." April 30, 2003.

Before Cancun, the EU and the US jointly tabled a proposal on agriculture, which, however, focused rather more on non-agricultural market access (NAMA) issues. Several developing countries, led by IBSAC (India, Brazil, South Africa and China) promptly submitted an alternate plan to WTO demanding immediate removal of export and production subsidies on agriculture in developed countries.[23] This proposal marked the creation of the G-20 developing country grouping at the WTO.

Cancun Ministerial (2003)

The Cancun Ministerial was supposed to be a mid-term stocktaking of the overall progress of the DDA, with discussion on four unresolved issues, namely – agricultural liberalization, treatment of SI, public health concerns under TRIPS and ensuring SDT to developing countries, among other topics. However, agriculture overshadowed all other issues. The EU-US came out with a joint draft declaration at the Ministerial, with little promise on lowering agricultural subsidy level within their territories by a specific deadline. Developing countries, led by Brazil and India, rejected the proposition unanimously. The situation set the stage for consolidation of the developing country negotiating alliance, G-20, with IBSAC countries as prominent members. No compromise was reached as, while developing countries considered the Ministerial Draft text ('Derbez Draft', Document No. (JOB (03)/156/Rev. 2, dated 13 September 2003*)* to be another version of the EU-US draft and stressed on taking the G-20 draft as the basis of negotiation instead, the EU and US were critical on the Derbez Draft's provisions on domestic support. The distancing of both groups in effect stalled the negotiation process.

India was unhappy with Derbez Draft on three points. First, it felt that the draft did not acknowledge the developing country perspective on domestic support in agriculture adequately by asking

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[23] For the detailed proposal, see *India and the WTO*, Vol. 5, No. 8, August 2003, pp. 5-7.

the developed countries to phase them out in a time-bound manner. Second, while the DDA noted that the negotiations on modalities involving SI would be initiated only after explicit consensus is reached among the members on that front, the Derbez Draft on its own opened the issue. Third, despite being fully aware of the distorting effect of cotton subsidy given to farmers in developed countries on their developing counterparts; the draft simply promised advisory supports to the affected economies for crop diversification, instead of asking the violators to lower their subsidy level in the first place. The conflict of interest put a deadlock in the multilateral negotiation process, although the newly formed G-20 kept their discussions on.[24]

The dissatisfaction among developing countries on agricultural subsidy reform was instrumental in the formation of another negotiating forum soon, namely G-33, with the objective to ensure food security, livelihood security and rural development concerns of the developing countries. Designation of 'Special Products' (SPs) and the 'Special Safeguard Mechanism' (SSM) was also one of the major negotiating agenda of this group. Although China and India were key members of this newly formed group, Brazil and South Africa did not join. The reason perhaps is that while G-20 was somewhat offensive in nature, G-33 has been defensive in nature. 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 July 2004 Discussion at Geneva

The deadlock in the multilateral negotiation was broken in July 2004, when five interested parties (FIPS), namely – Australia, Brazil, EU, India and US, came forward to participate in a two

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[24] "On the occasion of the Ministerial Meeting of the G-20 held in Brasilia, on December 11th and 12th, 2003, the Group had the opportunity to meet with Commissioner Lamy to discuss the present status of the Doha Round and how to move forward in the negotiations on agriculture." *India and the WTO*, Vol. 5, No. 12, 2003.

week long discussion at Geneva. Brazil and India represented the interest of developing countries. The FIPS finally agreed on a draft announcement ('July 2004 Draft', WT/L/579, dated 2 August 2004), which was much comprehensive as compared to the Derbez Draft in addressing the developing country concerns on agricultural subsidy reform. However, while the members agreed to continue discussions on modalities, no specific solution was reached. For instance, in areas like NAMA, it was mentioned explicitly that reaching a decision has not yet been achieved: "Additional negotiations are required to reach agreement on the specifics of some of these elements (para 1, Annex B)." The draft promised to keep the developing country concerns in mind, and much to the satisfaction of the African countries (who had representation in both G-20 and G-33), responded to their concern on cotton:

> "The General Council .. wishes to stress the complementarity between the trade and development aspects… Members should work on related issues of development multilaterally with the international financial institutions, continue their bilateral programmes, and all developed countries are urged to participate. In this regard, the General Council instructs the Director General to consult with the relevant international organizations, including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to direct effectively existing programmes and any additional resources towards development of the economies where cotton has vital importance (para 1b)."

India and other developing countries, through the G-20 and G-33 bargaining coalitions, continued to keep the pressure on the developed countries for agricultural subsidy reform in 2005. For instance, the G-20 Ministerial meet declaration (New Delhi, 18-19th March, 2005) noted the need to, ".. observe necessary sequencing of issues identified in the "July Framework" so as to ensure progress in each of the three pillars..".[25] The document also

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[25] 'G-20 Ministerial Declaration', available at http://www.commerce.nic.in/wto_sub/g20/min_decln.htm

highlighted the slow pace of cotton subsidy reduction and continuation of tariff escalation in developed countries, apart from stressing the need to ensure SDT for developing countries for preserving food security, rural development and livelihood concerns within their territories. Similarly the G-33 Ministerial Meeting, (Jakarta, 11-12 June, 2005) talked about the need to finalize the guiding principle for negotiation at the upcoming Hong Kong Ministerial (December 2005) and also the need to guarantee Special Products (SPs) and the Special Safeguard Mechanism (SSM) to developing countries. The ministers decided to collaborate with other developing country groupings for ensuring the latter objective:

> "Ministers emphasized that as this is a Development round, the objective of the group is to attain an ambitious development outcome, which would support developing countries' development needs. In this context, Ministers stressed their desire to enhance cooperation with other developing country groupings such as the African Group, ACP, LDCs, and the G20 in achieving these objectives."[26]

Hong Kong Ministerial (2005) and beyond

While the Hong Kong Ministerial was not a failure like Seattle or Cancun and witnessed a closer functioning of the developing countries, the tangible success has been limited. The members agreed on the guidelines on trade in services, and on eliminating all forms of export subsidies by developed countries by the end of 2013, with the substantial part of it being eliminated by the middle of the implementation period, i.e., 2010. This came as a response to the joint demand by G-20 and G-33, asking for a road map and modalities to remove trade subsidies in three to six months before the Ministerial (HT, December 15 2005). In addition, in agriculture, a major developing country group,

[26] G-33 Ministerial Declaration', available at http://www.mission-indonesia.org/modules/article.php?lang=en&articleid=277&preview=1

namely G-110, was formed at Hong Kong.[27] Another new developing country grouping on NAMA, namely – NAMA-11 (with Brazil, India and South Africa as members) was formed in this occasion, which negotiated for rapid liberalization of market access in industrial products in developed country markets. While the discussions held at Hong Kong resulted in a much more acceptable Ministerial Declaration (WT/MIN(05)/W/3/Rev.2, dated 18 December 2005) as compared to the *Derbez Draft* circulated at Cancun, the bottom line is that the reduction in domestic subsidization in agriculture and obtaining desired market access in Mode 4 of services trade in the developed country markets still remains a function of the future negotiating skill of the developing countries.

One reason why the developing countries were very composed at Hong Kong was the fact that on December 6 2005 the General Council approved to change TRIPS provisions relating to patents and public health (WTO, December 6 2005). The provision will formally be a part of TRIPS agreement, when two-third of the members ratify it by 1 December 2007. Once implemented, this would mark the first amendment of a core WTO agreement. Developing countries were demanding this change for a long time and hence they heartily welcomed this decision. Similar success is likely to follow if developing countries continue on a joint negotiating agenda.

However, the future solidarity of developing-country negotiating forums could be questioned as it became clear in Hong Kong that there is no incentive for countries to graduate out of LDC status. On the contrary, there is a perverse incentive for some to move to LDC status and obtain some concessions from developed countries, as Pakistan attempted to, during Hong Kong ministerial

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[27] "There was also a coming together of two developing country groupings, the G 20 and the G 90 - to form the G 110 - united not in what they wanted to get out of the negotiations but in their resolve not to be used against each other by the EU and the US". UK House of Commons Report, April 2006.

(Debroy, 2006).[28] Pakistan on its part argued that the provision of preference to LDCs is a major concern for the developing countries at the margin and pointed out that the developed countries are more concerned with the blame game rather than delivering meaningful market access to their developing counterparts.[29]

The Hong Kong declaration decided that the deadline for establishment of modalities for Agriculture and NAMA would be 30 April 2006 and comprehensive draft schedules have to be submitted by members by 31 July 2006. However, the negotiations on market access progressed slowly during early 2006, and US trade reprehensive Rob Portman threatened in early 2006 that the US might abandon WTO if other countries do not show more willingness to open their markets (HT, February 2006). In the subsequent period, Pascal Lamy, the Secretary General of WTO, during his visit to India during early April tried to persuade India to adopt a 'flexible position' in market access issues (mostly NAMA), arguing until and unless developing countries like Brazil and India agree to offer something it is difficult to arrive at a deal (HT, April 6-7 2006). As the April 30 deadline approached, it became increasingly clear that reaching an agreement by the deadline would be near impossibility. Although a number of countries held several bilateral discussions during that time (e.g. the one between EU and Japan), no specific agreement emerged out of them. India maintained that unless the practice of sidelining developing countries in WTO talks is not stopped, the scenario is not likely to improve (HT, April 26 2006). Although for a brief while it was thought that the new deadline to finish the discussion on modalities would be shifted by two months to June 30 2006, soon such hopes were abandoned.

The discussion went on, with the EU submitting a detailed proposal on subsidies (HT, May 30 2006), but the progress of the negotiation

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[28] Pakistan is a member of both G-20 and G-33 developing country groups. It has also recently become a member of Cairns Group.

[29] Pakistan's official documents, available at http://www.wto-pakistan.org/news1.htm

still remained limited. For instance, the US refused to bring down its subsidies (especially in agriculture) further, claiming that their offer made during October 2005 was yet to get matching response from other developed countries (HT, May 31 2006). This kind of blame game (the outcome of which is delayed reform) continued in the subsequent period as well.

In line with the G-20 and G-33 agenda, India maintained that the livelihood security of the country would not be negotiated (HT, June 29 2006). However, the progress of the negotiation was seriously challenged, when the trade ministers of G-6 met in Geneva during the last week of July where Brazil and India were to push the G-20 agenda and ask the US to undertake real reform commitments (HT, July 22 2006). Unfortunately, no progress was made at the discussion, following which the trade talks had to be suspended (HT, July 26 2006a). The US warned that if no positive outcome is reached by next six to eight months, liberalization of world trade would stop for several years (HT, July 26 2006b). Although the EU acknowledged India's concerns in this period, it asked India to be more lenient for headway in negotiations (HT, July 28 2006). To make things worse, US recently threatened to withdraw the preferential trade benefits to 13 developing countries under GSP by ordering a review whether to 'limit, suspend or withdraw' it. While several G-20 members came under this list (including Brazil, India and South Africa), surprisingly China has been excluded from it (HT, August 9 2006).[30] Needless to add, in such a volatile 'divide and rule' scenario the developing countries must negotiate jointly in order to extract tangible market access benefits from their developed counterparts. In the subsequent period, to arrive at a compromise solution, international bodies like IFPRI have recommended that the developed countries should commit a development package for the least developed countries (LDCs). However, the developed countries are yet to show inclinations to comply with such options (FE, October 17 2006).

[30] The 13 countries are Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela.

It has been argued that while India has been able to generate a wide support base to fulfill its objectives through groups like G-110 in short run, it is very difficult to do so in long run (Debroy, 2005). In other words, drafting a negotiating agenda suiting all the developing countries and the LDCs on agriculture, manufacturing and services would be very difficult, while doing the same by a smaller group of developing countries at a comparable level of development is much easier. Draper and Sally (2006) noted that the 20-odd prominent developing countries, mostly G-20 and G-33 members, are fit to play that role. IBSAC, a proposed negotiating alliance between India, Brazil, South Africa and China could also turn out to be one such option, which could be further cemented through a formal trade bloc as well. In the following part of the paper, we analyze the possibilities of the emergence of IBSAC as a major developing country bargaining coalition.

IV

IBSAC AND THE GROWING REGIONALISM: A RESPONSE TO SLOW PACE OF MULTILATERAL NEGOTIATION?

RTAs in the World

The WTO agreement includes *Article XXIV*, which lays down guidelines for countries willing to be engaged in preferential trade relationships among themselves. While two or more countries can enter into such a Preferential Trade Agreement (PTA), they must ensure that no excluded country faces some new trade restriction in that process. Apart from trade in merchandise products, similar option is available to countries in case of trade in services as well through *Article V* of trade in services. Moreover, through a provision named 'enabling clause', the all-developing-country trade blocs are provided 'flexibilities' in the coverage of sectors under the PTA, the period to phase out the intra-bloc barriers etc. (World Bank, 2000). It is observed from **Figure 4.1** that the number of RTAs has actually gone up in the post-WTO formation period, perhaps owing to the urge among WTO members to secure an assured market for their exports given the slow pace of multilateral liberalization. However there could also be security-related, infrastructure collaboration related and other similar reasons to go for such RTAs. The willingness to join RTAs has been alike for both the developed and the developing countries.[31]

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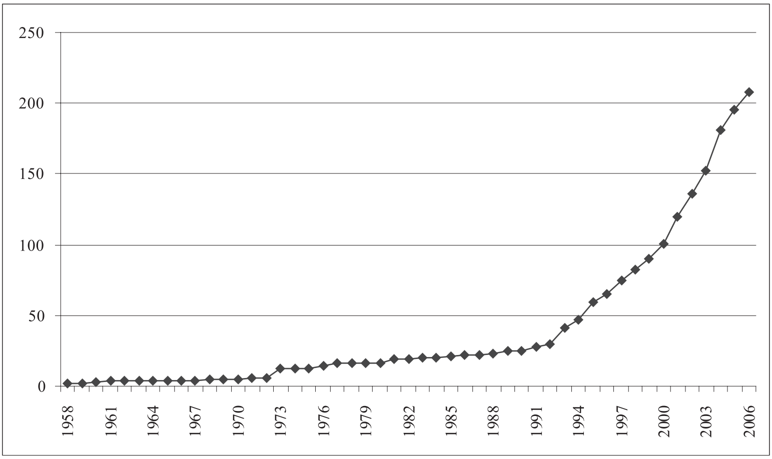
[31] "As of June 2002, only four WTO Members - Japan; Hong Kong, China; Macau, China; and Mongolia - were not party to a regional trade agreement". WTO Annual Report (2003), p. 37.

Figure 4.1: RTAs notified to GATT/WTO by their entry into force



Source: WTO database

It has been observed that by 2001, the number of RTAs notified to the WTO crossed the number of WTO member countries itself, indicating the popularity of this provision.[32] The increasing trade-inwardness of various blocs, as seen from **Annex 4.1**, is worth noting in this regard. In general while the intra-bloc trade involving developed countries is quite high, the same among all developing country-blocs remained at a low level. India is member of two blocs shown in the table (Bangkok Agreement and SAARC) and it is observed that in both cases increase in trade-inwardness has been moderate. Apart from trade-inwardness, the complexities relating to rules of origin (ROO) and other problems originating from multiple bloc membership are among other concern areas (World Bank, 2000; Bhagwati, 2002).

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[32] In July 2000, 172 RTAs were in force, while other 68 RTAs were under negotiation (WTO Committee on RTAs, 2000). "Eighteen RTAs were notified to the WTO in 2003, increasing the total number of notified agreements in force to 193." WTO Annual Report (2004), p. 68. On the other hand, Saudi Arabia became the 149th member of WTO on 11 December 2005.

The most serious criticism against the RTAs is the fact that allowing selective reform may lead to trade diversion. While in some cases the extent of trade creation might be higher than the trade diversion generated in the process, the possibility of the reverse phenomenon cannot always be ruled out. The basic objective of establishing WTO in 1995 was to raise standards of living and income, ensuring full employment, expanding production and trade and optimal use of the world's resources. Now trade diversion, i.e., the replacement of the most efficient global supplier by a supplier located in one of the member countries of the new bloc goes against this very principle. Notwithstanding this theoretical perspective, the current scenario signifies that a particular WTO member may generally find RTA participation beneficial for its exports in the short run.

The existing trade policy literature has noted evidence of trade diversion in blocs like EU (Ghoneiml, 2003); NAFTA (Yang, 1998; Burfisher et al, 2001; Fukao et al, 2002) and MERCOSUR (Chudnovsky, Lopez and Porta, 1996; Yeats, 1998; Bohara et al, 2001). Apart from direct trade diversion, the indirect outcome of RTA formation is the high possibility of substitution of multilateralism by bilateralism.[33] Usually the larger the extent of trade diversion away from the bloc in question, the lower is the possibility that its members would engage actively in multilateral forums to liberalize global trade further (Krishna, 1998; Foroutan, 1998). However, not all the blocs are equally protectionist. For instance, APEC follows a nondiscriminatory liberalization principle, by offering the same tariff preferences to both APEC members as well as non-APEC partners (Lee and Shin, 2005). The extension of EU (15) to EU (25) in 2004 and the ongoing negotiations on Free Trade Area of the Americas (FTAA) indicates that the trade-inwardness of these blocs is likely to increase further in the coming future. The existing blocs and the upcoming ones will have considerable impact on the future negotiating pattern at

[33] "Even if the conditions were applied without exception they would not preclude harmful RIAs: Wholly GATT compatible RIAs can be predominantly trade diverting, excluded countries can suffer terms-of-trade declines, and institutions can arise that make liberal policies less likely." World Bank (2000), p. 109.

the WTO, since developing countries engaged in RTA-relationship with the EU / US may not be as vocal against them as the excluded developing countries at the multilateral forums. The need to cement the IBSAC partnership through a formal RTA comes from this perspective. In the following we look into the RTAs / RTA negotiations involving the IBSAC countries.

India’s outlook toward RTAs[34]

India’s outlook towards RTAs has evolved significantly over the last decade. Although India entered into Panchsheel Agreement with China in 1954 and later joined Bangkok Agreement (involving Asian neighbours) in mid-seventies and Tripartite Agreement (involving Egypt and Yugoslavia) long back; it kept relying on multilateral trade liberalization for obtaining greater market access upto late nineties (Chakraborty, 2003). Since mid-nineties it started considering the option of joining a trade bloc as a tool for enhancing exports. It first tried to obtain membership of APEC at that time (Doss and Cabalu, 2000), but APEC members decided to impose a ten-year moratorium on new memberships at their meeting in Vancouver in 1997 (Woo, 2005), denying India the opportunity. Given the fact that most of its major trade-partners were members of multiple blocs, India slowly became aware of the trade-distorting effect of RTAs and started raising the issue at the WTO forums, mainly on ROO and SPS-TBT concerns:

> “It is suggested that the value addition norms of PROs for RTAs between developed countries should not be less stringent than the value addition norm provided under GSP scheme operated by any of the developed country, which is a member of the FTA. This would ensure similar market access conditions for goods of GSP beneficiary developing countries vis-à-vis goods of developed country RTA members. .. putting the provisions for harmonisation of rules of recognition for SPS/TBT measures between the RTA Members on a fast track procedure or a simplified procedure, acts as barriers to exports for non-RTA

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[34] The section draws arguments from an earlier analysis by Nag and Chakraborty (2006).

> Members. Such fast track procedures are not followed for the non-RTA members and, therefore, their goods are denied market access till such time as the normal and time taking procedure for non-members are complied with."[35]

India's dissatisfaction over the multilateral trade reform since Doha Ministerial (2001) reached a peak in June 2003, when it lost a case at WTO DSB on ROOs (DS 243) against the US. From then on, it started negotiating with several WTO members, spread over Asia, Africa and Latin America for preferential trade arrangements (Baru, 2003). Its current involvement in RTAs as well as the ongoing negotiations is summarized in **Annex 4.2**. The Indo- Sri Lanka FTA and SAFTA, upgraded from SAPTA, are already operational; phasing out of customs tariffs with Thailand has recently started and the Comprehensive Economic Cooperation Agreement (CECA) with Singapore has recently been signed. Negotiations are on for Indo-ASEAN FTA, Indo-GCC FTA, Indo-MERCOSUR PTA, Indo-Chile PTA and BIMST-EC FTA. Furthermore, joint study groups (JSG) on the feasibility of FTAs with China, Japan, Malaysia and South Korea are functioning at different levels of maturity. A Trade and Economic Framework Agreement between India and Australia has been signed in March 2006. On July 28 2006, the Indian Cabinet cleared a proposal for a framework agreement aimed at promoting expansion of trade and providing a mechanism to negotiate a Comprehensive Free Trade Agreement (CFTA) with SACU, within a reasonable time. The possibility of entering into preferential arrangements with Bangladesh, Egypt and Israel has also been aired on various occasions in the past.

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

[35] See India's Communication dated 6 June 2003 (Document No. TN/RL/W/114).

US would be a better option (Lawrence and Chadha, 2004). This argument is conflicting to the analysis that India's global trade potential is the highest in the Asia-Pacific region, followed by Western Europe and North America (Batra, 2004). Studies also point out that FTAs in goods and services involving Japan, ASEAN, China, India and Korea (JACIK) would be quite beneficial for the members (Kumar, 2005). However, it is argued that a number of recent bilateral agreements are actually redundant and have been signed without proper impact analysis and the ROO consequences (IE, October 23 2004), leading to unnecessary overlaps. For instance, while the urge to go for Indo-Lanka FTA perhaps comes from low penetration of SAFTA, initiation of recent discussions with Malaysia questions the seriousness about the Indo-ASEAN FTA. In addition, Thailand has got engaged in three PTA negotiations with India (Indo-Thai FTA, Indo-ASEAN FTA and BIMST-EC). Furthermore, multiple RTAs imply growing complexities in ROOs. It is alleged that the ROOs in the existing Indo-Lanka FTA failed to tackle the question of value-addition properly and as a consequence, several primary and manufacturing producers in India have suffered (Choudhury, 2006). It is hence not surprising that India has already experienced problems on determination of ROOs with ASEAN and Thailand (FE, June 11 2005; Mehta and Narayanan, 2005) during the negotiation on FTA.

Despite these concerns, India's RTA drive is likely to continue. Not that the country is unaware of the adverse impact of the RTAs, on the other hand it is quite sensitive on that front (HT, November 6, 2006). India's RTA drive can be explained as a direct response of it 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."[36] Given this state of negotiation, India is all set to use the RTA provision to meet its

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[36] Press Release, Ministry of Commerce, December 17 2004.

objective. For instance although India failed to obtain APEC membership in 1997, since 2003 it started to negotiate RTA partnership with several APEC members (e.g. - ASEAN members, Australia, Singapore, Thailand). 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:

> "It is a recognized fact that progressive liberalization in the bilateral and regional spheres builds the necessary confidence in our domestic industries and makes them globally competitive… RTAs consolidate peace and regional security, and also confer greater bargaining power in multilateral negotiations by tying in partner countries through regional commitments."[37]

On the political front also, the developing country coalitions are likely to be supported by India in the coming future. For instance, the National Common Minimum Programme, the guiding principle for the current Government, has promised to maintain the stance adopted at Doha through the G-20 coalition:

> "In keeping with the stance adopted .. at Doha, the .. government will fully protect the national interest, particularly of farmers, in all WTO negotiations. Commitments made earlier will be adhered to, even as efforts are mounted to ensure that all agreements reflect our concerns fully particularly in the area of intellectual property and agriculture... government will use the flexibility afforded in existing WTO agreements to fully protect Indian agriculture and industry… will play a proactive role in strengthening the emerging solidarity of developing countries in the shape of G-20 in the WTO."

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[37] Press Release, Ministry of Commerce, August 13, 2004, Speech of the Minister in a Meeting at the Indo-American Chamber of Commerce.

The inclination is likely to continue in coming future, with a closer focus on Asia, as reflected from a recent statement of the Minister of Commerce, Government of India:

> "Our Prime Minister .. foresees the rise of a major free trade area in Asia covering all major Asian economies, including China, Japan and South Korea and possibly extending to Australia and New Zealand. This Pan-Asian Free Trade Area could be the third pole of the world economy after the European Union and North Atlantic Free Trade Area."[38]

In this light emergence of IBSAC as an RTA and bargaining coalition seems broadly in line with India's trade policy. Nonetheless, such a move has to bypass the existing skepticism on the actual benefits of India's RTA strategy to the domestic industry. For instance, it is believed that the additional market access obtained by India through tariff concessions in the Indo-Singapore CECA would be limited, as the latter applies tariff rates on only four commodity lines of the beverages industry, in which India does not possess export competitiveness. On the other hand, several NTBs (orders and licence measures for considerations of public safety, health, environment etc.) on Singapore's import are unlikely to be removed very soon (Mehta and Narayanan, 2005). Before entering into IBSAC, the country has to convince its domestic industry on the actual gains of such move.

In particular, removing the aversion of the domestic industry towards opening the domestic market to Chinese products can especially be a major problem (HT, June 26 2006); although it has been highlighted that Indian industry would actually gain from further reduction of domestic tariffs in the coming years in terms of efficiency (Virmani et al, 2004). During recent times, various segments of the domestic industry have often expressed concern over the growing number of FTAs, adoption and implementation

[38] Press Release, Ministry of Commerce, Government of India, "Signing of Trade and Economic Framework between India and Australia", March 6, 2006, available at http://www.commerce.nic.in/mar06_release.htm#h10

of different ROO norms and their consequences on domestic players (FICCI, June 2005). The creation of a FTA cell in the Ministry of Commerce and Industry to deal with the adverse impact, if any, of FTAs on specific sectors and also, to obtain suggestions for amendments to the agreements for inclusion or exclusion of items of concern to domestic industry in early 2005 was clearly a move to acknowledge industry's grievance.[39] It seems that the domestic industry have conveyed their concern to the government in a more convincing manner, since India recently announced to keep 'sensitive' areas like agriculture and textile products out from the purview of the ongoing FTA negotiations (HT, April 11 2006). Surely this is going to create problems for successful completion of the ongoing FTA negotiations (e.g. – ASEAN) in the Asian region, given the export basket of the potential partners. Understandably, ASEAN decided to suspend FTA talks with India owing to the fact that India's so-called exclusion list account for around 30 percent of Southeast Asia's exports to India (FE, July 26 2006). Although the negotiations have restarted, the concern areas still remain.

The same problem can be experienced in trade relationship with IBSAC partners as well. Furthermore, given the fact that several ASEAN members are part of the G-20 network, it arguably puts a pressure on the coalition's future cohesion. The debate over the role of IBSA before the recent IBSA summit in Brazil was not helpful in this regard (Gupta, 2006). Interestingly, after the break-up 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 (HT, July 26 2006). This step would actually be welcomed by a major section of the domestic industry.[40] Although the US move to 'check'

[39] Press Release, Ministry of Commerce, "Kamal Nath constitutes FTA cell to deal with industry grievances", January 7, 2005.

[40] The authors have observed during their field survey for a project (Huchet and Ruet, 2006) that many exporters question the rationale behind the recent FTA spree of India, involving African, Asian and Latin American countries, and instead advocate in favour of FTAs with the EU and the US.

the extension of GSP treatment to Brazil, India and South Africa would surely affect that possibility, the recent Indo-EU discussion on a "broad-based bilateral trade and investment agreement", involving investment, trade facilitation, transparency in regulatory frameworks, as well as the investment-related movement of natural persons is a welcome step for India. The objective of the Indo-EU discussion has been to eliminate import duties on 90 per cent of tariff lines and trade volumes within seven years of entering into force (Varadarajan, October 14, 2006).

The concern expressed by the domestic industry in India is understandable from the Revealed Comparative Advantage (RCA) trends in select product groups presented in **Annex 4.3** and **Annex 4.4**.[41] The data for the analysis is taken from the International Trade Statistics Yearbook. It is observed from **Annex 4.3** that while for a number of items, RCA for India's exports are on the rise over the years, it is showing a declining trend for a number of commodities as well. The comparison of their RCA's with Brazil and South Africa indicates that India's advantage in any product group is not time-invariant and the firms exporting in these two destinations need to work constantly for retaining their price competitiveness. An analysis of India's imports from **Annex 4.4** also generates a similar conclusion. A comparison between the RCA trends of China and India generates similar prediction (Saqib and Chakraborty, 2005).

Brazil, China and South Africa's RTA Strategy: A Brief Overview

Brazil

Brazil is currently engaged in a number of FTAs and is also involved in a number of negotiations, a brief summery of which is provided in the following:

[41] RCA for a commodity group 'i' could be defined as the share of a country's export of product 'i' in the country's total export divided by the share of world's export of product 'i' in total world exports, i.e., by the formula - RCA = $(X_i / X_t) / (W_i / W_t)$. Here X_i and X_t are the export of commodity group 'i' of a country and its total export respectively in a particular year. Similarly W_i and W_t represent the export of commodity group 'i' of and the total export of the world in that order.

1. Southern Common Market (MERCOSUR) – with Argentina, Paraguay and Uruguay
2. PTA with Bolivia, Chile, and Peru (which are also associate members of MERCOSUR)
3. PTA with Colombia, Ecuador and Venezuela
4. MERCOSUR has concluded framework agreements with India, Mexico and South Africa
5. Currently negotiating a PTA with the EU
6. Currently participates in the Free Trade Area of the Americas initiative (involving 34 countries)
7. Part of Latin American Economic Integration (LAIA) and involved in a number of bilateral preferential agreements with other LAIA members – Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela

It has been observed that over the last decade, Brazil adopted a defensive position on industrial goods and services to gain concessions on agriculture at multilateral negotiations. Regionally, MERCOSUR has been quite protectionist since the financial crises in Mexico in 1994, leading to rollback of liberalization in several sectors, including the automotive industry and sub-sectors of agriculture (Draper and Sally, 2006). This ultimately led to inefficiencies in domestic sectors (Yeats, 1998; Chudnovsky et al, 1996). It has been observed that MERCOSUR now rejects special treatment for LDCs, citing the principles of symmetry and reciprocity, and does not prefer any “WTO plus” commitments – especially in course of the Free Trade Area of the Americas (FTAA) negotiation (Vaz, 2003). Moreover it has been observed that Brazil’s enthusiasm over FTAA has been limited (Fishlow, 2004). The interest expressed by Brazil towards entering into developing-country-RTAs is good for IBSAC. Furthermore, it is observed that MERCOSUR as a negotiating coalition is no longer a strong entity (Narlikar, 2003), which perhaps makes Brazil’s participation in IBSAC forum at future multilateral negotiations more certain.

China

China is a relatively new player in terms of regional integration exercise, 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 Hong Kong, Macao, Australia, and New Zealand. 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). The China-ASEAN FTA is likely to be in place by 2010 (2015 for the new ASEAN members). The Sino-ASEAN FTA includes provisions on investment and infrastructure development as well, as a narrow traditional PTA between China and ASEAN does not make much economic sense for both parties involved (Drydsale, 2002). Also there is a possibility that a pan-east Asian FTA, namely "ASEAN Plus Three" (China, Japan and South Korea) would be formed in future, with China playing a key role in its formation (DPL, 2002). It is believed that China's extensive RTA strategy is going to play a major role in coming future (Mallon and Whalley, 2004).

It is observed that the agreements involving China differ sharply in form and substance, and involve commitments to ongoing negotiation and cooperation on a wide range of issues. 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. More than 35 countries, including Singapore, Malaysia, Thailand and other ASEAN countries, New Zealand, Australia, Brazil and South Africa now provide market economy status to China (China Daily, 2005). China decided to go for FTA negotiations with South Africa only after the latter recognized its market economy status (China Daily, 2004). This makes sense for partners like ASEAN, who are likely to gain substantially from China's liberalizations (Saygili and Wong, 2005). Nonetheless, problem remains for IBSAC formation in the sense that India is yet to recognize China as a market economy, and given the number of AD cases the former faces in India, that possibility is a distant future.[42]

South Africa

South Africa is currently involved in the following RTAs and ongoing negotiations:

1. Southern African Development Community (SADC), which consists of Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe.
2. South African Customs Union (SACU), where other members are Botswana, the Kingdom of Lesotho, Namibia and the Kingdom of Swaziland.
3. 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. The agreement will continue to be implemented provisionally until its ratification by all member states of the EU.[43]
4. A bilateral trade agreement with Zimbabwe.
5. The country grants non-reciprocal preferential treatment to Malawi, and to a list of products from Mozambique.
6. SACU is currently negotiating for a FTA with MERCOSUR.
7. SACU is currently negotiating for a FTA with the European Free Trade Association (EFTA).

The major driving motive for South Africa to go for SADC and SACU has perhaps been two-fold, on one hand it wanted to obtain market access for its manufacturing export in the regional market, and decided to create a South Africa-centric group on the other.

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[42] See the Annual Report of the Directorate of Anti-Dumping and Allied Duties, 2004-05, Ministry of Commerce, Government of India for details.

[43] As at January 2003, the Agreement had been ratified by Denmark, Finland, Germany, Ireland, Netherlands, and Sweden. WTO Trade Policy Review, *SACU*, WTO (2003).

It has been pragmatic in its dealing on FTAs, while in case of EU- South Africa FTA, EU markets were opened first, and to approximately 95 percent of South African exports versus South Africa opening 85 percent in return; for SADC negotiations South Africa opened first and more comprehensively, with other members of the bloc backloading their liberalization schedules (Draper and Sally, 2006). This clearly gave South Africa the popularity in the region that it was seeking. The move to go for Europe-centric FTA is a response to boost export in its natural direction. On the other hand, looking at the possible benefits of US-SACU FTA, Clark and Whalley (2004) concluded that the FTA might end up lowering the trade barriers present in South Africa. This actually might enable the country to subsequently go for FTA with other countries as well as to adopt a pro-active negotiating strategy at WTO.

Entering into a Trade Facilitation Agreement (TFA)?

The importance of Trade Facilitation among the IBSA countries is extremely important as the procedural hassles followed at the border significantly increases the cost of trading both for governments and business. This is particularly important when trade volumes are still small (as is presently the case with IBSA, although the same with China is on the rise) as the per unit transaction costs become almost prohibitive. Given the fact that FTA negotiation would take a long time, entering into TFA would significantly contribute in enhancing the trade volume. Although Brazil, India and South Africa are currently not significantly linked in a major global supply chain through vertical integration, it might happen in the auto market in coming years.[44] The advantages of entering into a TFA over FTA are that the IBSAC countries need not enter into major commitments right now as seen from **Table 4.1**.

[44] The recent Tata ventures on producing economy cars are a case in point.

Table 4.1: Type of Integration and Compliance Requirement

Type of Integration	No Internal Tariff / Quota	Common External Tariff	Free Trade Movements	United Economic Policies
Trade Facilitation Agreement (TFA)				
Free Trade Area (FTA)	X			
Customs Union (CU)	X	X		
Common Market (CM)	X	X	X	
Economic Union (EU)	X	X	X	X

Modified on the basis of Daniel Gustavo Manzella (2004)

In spite of major trade reform since early nineties, the administrative procedures associated with trade are still very complex - in order to export one needs to obtain 258 signatures and make 118 copies of the same information, keypunching of which takes 22 hours. The Indian exporters and importers has to incur various costs related to obtaining various codes, licenses and refunds, revalidation of export/import licenses, getting customs and port clearances etc. While some corrective measures have been taken during the last decade to reduce transaction costs, there is enough room for improvement to bring India up to the global standards in this area as seen from **Table 4.2**. The custom/port problems are most significant for leather, textiles, chemicals and engineering goods, while gems and jewellery hardly faces any problems (EXIM Bank, 2002). Thus increased trade facilitation for goods from Brazil, China and South Africa through a TFA would have significant implications for intra-IBSAC trade.

Table 4.2: Cargo dwelling time in India

Transaction	Location	Norm
Air Freight	*Delhi Airport*	
Export	2.5 days	Less than 12 hours
Import	15 days	Less than 12 hours
Containerized Sea Freight	*Mumbai*	
Ship Waiting Time	3-5 days	Less than 6 hours
Export Dwell Time	3-5 days	Less than 18 hours
Import Dwell Time	7-14 days	Less than 24 hours

Source: Roy (2004)

The problem is however not only with the Indian procedures; the Indian exporters stand to gain a lot from the possible TF reforms in other three countries as well. However, status of Trade Facilitation in China and South Africa is considerably superior to India and Brazil, as observed from **Tables 4.3** and **4.4**. In the context of Brazil, the procedural hassles factors are particularly damaging for trade as high real interest costs means that inventory and warehousing costs necessitated by long delays also tend to add to the cost. The proportion of exports physically checked in Brazil is abnormally high (27% in 2002) and is generally considered as non-synchronised in nature. In this scenario, IBSAC countries, especially Brazil and India, have much to offer among themselves. The possible intra-IBSAC offers on TF can be outlined in **Annex 4.1**.

Table 4.3: Port Transit Times Compared (days)

Type of Trade	Brazil	China	India	Malaysia
Imports:				
Average	13.8	7.5	10.4	3.4
Longest	32.4	12.2	21.6	7.4
Exports:				
Average	8.4	5.5	5.1	2.6
Longest	16.9	8.1	9.3	5.1

Source: Correa (2004)

Table 4.4: Customs Clearance Times Compared (days)

Type of Trade	Brazil	China	India	Bangladesh
Days to clear customs— Imports				
Average	14.0	7.9	7.1	11.7
Longest	32.0	12.5	12.8	23.2
Days to clear customs — Exports				
Average	8.7	5.4	5.4	8.8
Longest	16.8	8.0	8.0	14.0

Source: Correa (2004)

However, the IBSAC countries have so far been very cautious in their approach. While governments are generally criticised for promising more than what they can deliver, for Brazil and India the problem appears to be the other way round. Chaturvedi (2006) has pointed out that India's participation in the Negotiating Group for Trade Facilitation (NGTF) has not been "substantive" but has been "reactive." Indeed one can go further to say that the submissions reflect a defensive mindset that on substantive issues does not favour transparency, but seems to safeguard "sovereignty" of working parties. For example India has opined that single window for submission of imports or exports documentation seems to be difficult to implement! Similarly India has also submitted that the collection of unpublicized fees and charges should not be prohibited regardless of the potential opacity of a regime that permits this and the subsequent abuse this allows (Chaturvedi, 2006).

For India the divergence between actions, where it has been quite dynamic (although admittedly much remains to be done) seems to be dictated by a feeling that while TF is desirable, it is best implemented at a pace suited to India's state of development[45]. For Brazil, the fear is that a surge of imports through accelerated

[45] Bhagabati (2004) and the comments of Jayanta Roy (CII) in the same session were also in the same vein.

TF may sink the Real Plan and undermine the macroeconomic stability that Brazil has been experiencing presently explains its inactivity on Trade Facilitation issues.

However, the possibility of the proposed FTA in partly linked with the success of the TFA in short run. The current framework of TF in both India and Brazil is particularly skewed against garments and textiles as well as engineering goods where there is considerable scope for intra-IBSAC trade. This is accentuated by the fact that these transaction costs are asymmetrically biased against small/marginal imports/exports as the current state of trade between IBSAC is (except for items like precious stones etc.) Various studies (e.g. - Huchet and Ruet, 2006) have indicated that Indian business is looking at economies like Brazil and South Africa to invest. If this leads to a de-localised factory system with different stages of the operations located in various IBSAC locations, the importance of TF increases further.

Scope of enhancing South-South FDI under IBSAC: A Note

In line with the growing number of RTAs, several international investment agreements (IIAs) are also coming into existence. The proposed IBSAC RTA can also be supplemented by a similar investment arrangement among the member countries. South-South FDI now accounts for one third of all FDI going to developing countries, and is increasing over time (Battat and Aykut, 2005). There exist enough scope for enhancing intra-IBSAC FDI flows through an investment agreement. For instance, the recent period has witnessed an increase in FDI inflow in India from China. Kumar (2006) has observed a significant two-way Indo-South African FDI flow, but noted that FDI flow between India and Brazil still remains under-exploited. It has also been observed that the FDI outflow from the IBSAC countries is generally increasing over time, barring the exception of South Africa in the recent years. The current scenario is shown with the help of **Table 4.1**.

Table 4.5: FDI Outflows from IBSAC Countries

(Billions of dollars)

Countries	FDI Outflows (Annual Average)				FDI Outward Stock				
	1980-89	1990-94	1995-99	2000-03	1980	1990	1995	2000	2003
Brazil	0.2	0.6	1.3	0.7	38.5	41.0	44.5	51.9	54.6
China	0.4	2.4	2.2	3.0	0.0	2.5	15.8	25.8	37.0
India	0.0	0.0	0.1	1.0	0.0	0.0	0.3	1.9	5.1
South Africa	0.2	0.7	1.9	-0.6	5.7	15.0	23.3	32.3	24.2
Developing countries	5.7	28.1	64.9	59.6	60.2	128.6	308.6	793.3	858.7
World	93.3	234.8	603.1	779.3	559.6	1758.2	2897.6	5983.3	8196.9

Source: UNCTAD (2004)

China is already part of a number of South-South Bilateral Investment Treaties (BITs), which however may not be a good option for the IBSAC countries. The possibility of arriving at an IBSAC Double Taxation Treaty (DTT), which is favoured by many developing countries, is more likely.[46] India and China have already entered into the largest number of DTTs with other developing countries so as to improve the climate for FDI flows. Kumar (2006) concluded that for promoting intra-IBSA FDI an IBSA Investment Agreement must be signed with the objective of avoiding double taxation and enhancing scopes for cooperation between the investment promotion agencies of the member countries. The best outcome would however be formation of a Preferential Free Trade and Investment Agreements (PTIAs) among IBSAC countries. It can be particularly important for India, as its FDI outflow is quite likely to cross its FDI inflow in coming future (HT, October 25, 2006). In addition, the large market size of Brazil, China and India would also provide sufficient incentive to the investors from the other members to come to a partner market and invest.

[46] The first DDT was signed in 1956 between India and Sierra Leone (UNCTAD, 2004).

Apart from direct investment options in member countries, there exists considerable scope for extending the institutional finance framework to the firms located within the IBSAC countries for a more efficient mobilization of private capital for investment elsewhere. Institutions like the Development Bank of Southern Africa (DBSA) can play a significant role in this regard. For instance, Chinese and Indian entities in 2005 decided to submit joint bids for a number of international oil projects like Yadavaran gas field in Iran, Sudan Greater Nile Oil Project, Al-Furat in Syria etc. (Rediff, December 6, 2005). The association continued in 2006 as well, with China and India planning to make a joint $2 billion bid for oil fields in Kazakhstan (China Daily, June 11 2006). One or more financial institutions located in IBSAC countries can be involved for backing the bids made by firms with their headquarters in IBSAC countries in future by incorporating appropriate provisions in an IBSAC Investment Treaty.

V

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

Introduction

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, 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 SDT. In this chapter, we look into the current level of collaboration between the four countries and also try to analyze the future degree of collaboration between them.

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 meeting of the G-20 Commerce Ministers in New Delhi (2005) focused on ensuring enhanced market access for agricultural products through multilateral and regional negotiations and strengthening the SDT for developing countries. Formation of 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, 2005b). Forming a ‘negative’ alliance against EU-US agricultural policy had been an easier exercise, but sustaining it through ‘positive’ steps in other spheres, that is, 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 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 is on a solid ground 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, doing so in services would 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 (Jacobson and Oksenberg, 1993: 99). 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 upto 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: 71, 196). Thus in the field of agriculture, NAMA and services it is likely to collaborate with IBSA only upto the point that suits its interest. In all probability it will not go further for the sake of protecting the negotiating bloc. India already has expressed concern over China's WTO tactics at times (HT, July 24 2006). Panitchpakdi and Clifford (2002) earlier predicted that China is not likely to join formal blocs.

> "China is unlikely to join any formal blocs, such as the so-called Like-Minded countries, an informal grouping that includes India and Brazil and the most important representative of developing countries' at the WTO. But it will help to balance the dominance of what is known as Quad, a grouping that includes the US, Japan, the European Union and Canada. However, China's role and its intentions will only be truly tested during a new round of trade negotiations." (Panitchpakdi and Clifford, 2002: 192).

Perhaps in line with their prediction, despite joining the developing-country-blocs, China has always remained at the periphery, not at their cores. Possibly the coming negotiation trends would reveal its seriousness in doing so.

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 it's export interest is not in line with African Group G-90. Given the fact that it's other negotiating forum Cairns Group focus only on agriculture, (around 10 percent of its export basket), IBSAC could provide it a viable option to enhance market access in other sectors.

The Current Level of Cooperation between IBSAC at Multilateral Negotiations

In **Tables 5.1 – 5.3**, we look at the commonality between the negotiating stances adopted by the IBSAC countries from an Indian standpoint. We club the year-wise negotiating collaborations under twelve broad categories, namely – agriculture, competition policy, dispute settlement, environment, general council, investment, NAMA, WTO rules, services, TRIPS, trade facilitation and finally trade and development. The figures provided in the rows denote the number of submissions made by India to the WTO at various points of time. While the first figure in the parenthesis denotes India's overall number of joint submissions with all WTO members, the second figure denotes the same with a particular IBSAC partner in question. It is observed that in the recent years, especially since 2003, India's joint submissions got more intensive with the presence of IBSAC partners. This is indeed a good sign as bargaining coalitions of partners with similar interests could serve as a crucial instrument of effective trade diplomacy (Narlikar, 2003). It is observed that in case of competition policy and environment India has so far not collaborated with any countries so far, which might emerge as major areas of future IBSAC collaboration once negotiation in these areas intensify.

Table 5.1 shows India's joint submissions with Brazil, where India's collaboration has been most intense as compared to the other two IBSAC countries. It is observed that the two countries are yet to collaborate in the area of trade facilitation. Overall the level of cooperation is low except in the case of services and TRIPS. In 2005, the two countries have made a number of joint submissions, in the areas of dispute settlement, NAMA, services, TRIPS and trade and development. In early 2006, the countries have collaborated once on WTO rules. While the collaboration in TRIPS and services are likely to continue and the same in the area of NAMA and agriculture are likely to get intensified, India would gain a lot by collaborating with Brazil in the area of trade facilitation in the future.

Table 5.1: An Analysis of India's submissions at WTO with Brazil[47]

(Number of submissions)

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Agriculture	7 (-)	7 (-)	0	4 (2/0)	6 (1/0)	1 (-)	6 (4/1)	2 (2/1)	0	0	33 (9/2)
Competition Policy	1 (-)	3 (-)	0	1 (-)	0	2 (-)	0	0	0	0	7 (-)
Dispute Settlement	0	0	0	0	0	4 (3/0)	1 (1/0)	1 (1/1)	2 (2/2)	0	8 (7/3)
Environment	2 (-)	2 (-)	0	3 (-)	0	0	1 (-)	0	3 (-)	0	11 (-)
General Council	0	4 (-)	29 (9/0)	1 (-)	7 (5/1)	1 (1/0)	8 (7/1)	1 (1/0)	0	0	51 (23/2)
Investment	1 (-)	1 (-)	4 (-)	1 (-)	1 (-)	4 (1/0)	0	0	0	0	12 (-)
NAMA	0	0	0	0	0	1 (0)	4 (1/0)	0	1 (1/1)	0	6 (2/1)
WTO Rules	0	0	0	0	0	2 (-)	5 (-)	0	2 (-)	2 (1/1)	11 (1/1)
Services	3 (-)	1 (-)	0	2 (1/1)	1 (1/0)	1 (-)	5 (3/0)	5 (4/3)	7 (6/1)	0	25 (15/5)
TRIPS	0	0	2 (-)	7 (2/0)	4 (4/1)	4 (3/2)	1 (1/1)	1 (1/1)	2 (2/2)	0	21 (13/7)
Trade Facilitation	0	0	0	0	0	0	0	0	1 (1/0)	3 (1/0)	4 (2/0)
Trade and Development	0	0	0	0	0	3 (2/0)	0	0	1 (1/1)	0	4 (3/1)

Source: Constructed by authors' from official documents

Table 5.2 shows India's joint submissions with China, which has been moderate over the years. India and China has not collaborated so far in the field of dispute settlement, NAMA, WTO rules and trade and development. So far the collaboration has been broadly agriculture, general council and TRIPS centric. While the two

[47] Submissions under service trade include informal submissions to WTO as well.

countries had collaborated on agriculture, general council and TRIPS during 2004, in 2005 they did not collaborate on any of the twelve fields provided here. However, in 2006, they have submitted a joint proposal to WTO on trade facilitation. Clearly there is enough scope for enhancing the collaboration level in core areas like NAMA on one hand, and the institutional areas like dispute settlement on the other. Currently in both areas the submissions by China and India are somewhat conflicting.

Table 5.2: An Analysis of India's submissions at WTO with China, PR

(Number of submissions)											
Category	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
Agriculture	7 (-)	7 (-)	0	4 (2/0)	6 (1/0)	1 (-)	6 (4/1)	2 (2/2)	0	0	33 (9/3)
Competition Policy	1 (-)	3 (-)	0	1 (-)	0	2 (-)	0	0	0	0	7 (-)
Dispute Settlement	0	0	0	0	0	4 (3/0)	1 (1/0)	1 (1/0)	2 (2/0)	0	8 (7/0)
Environment	2 (-)	2 (-)	0	3 (-)	0	0	1 (-)	0	3 (0)	0	11 (-)
General Council	0	4 (-)	29 (9/0)	1 (-)	7 (5/0)	1 (1/0)	8 (7/5)	1 (1/1)	0	0	51 (23/6)
Investment	1 (-)	1 (-)	4 (-)	1 (-)	1 (-)	4 (1/1)	0	0	0	0	12 (-)
NAMA	0	0	0	0	0	1 (0)	4 (1/0)	0	1 (1/0)	0	6 (2/0)
WTO Rules	0	0	0	0	0	2 (-)	5 (-)	0	2 (-)	2 (1/0)	11 (1/0)
Services	3 (-)	1 (-)	0	2 (1/0)	1 (1/0)	1 (-)	5 (3/3)	5 (4/2)	7 (6/0)	0	25 (15/5)
TRIPS	0	0	2 (-)	7 (2/0)	4 (4/0)	4 (3/1)	1 (1/0)	1 (1/0	2 (2/0)	0	21 (13/1)
Trade Facilitation	0	0	0	0	0	0	0	0	1 (1/0)	3 (1/1)	4 (2/1)
Trade and Development	0	0	0	0	0	3 (2/0)	0	0	1 (1/0)	0	4 (3/0)

Source: Constructed by authors' from official documents

India's collaboration level with South Africa is shown with the help of **Table 5.3**. It is observed that there is enough scope for the two countries to come closer. The two countries have already collaborated in case of agriculture, TRIPS and trade and development. Clearly they can come closer in terms of certain areas in trade in services and NAMA in coming future.

Table 5.3: An Analysis of India's submissions at WTO with South Africa

(Number of submissions)

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Agriculture	7 (-)	7 (-)	0	4 (2/0)	6 (1/0)	1 (-)	6 (4/1)	2 (2/1)	0	0	33 (9/2)
Competition Policy	1 (-)	3 (-)	0	1 (-)	0	2 (-)	0	0	0	0	7 (-)
Dispute Settlement	0	0	0	0	0	4 (3/0)	1 (1/0)	1 (1/0)	2 (2/0)	0	8 (7/0)
Environment	2 (-)	2 (-)	0	3 (-)	0	0	1 (-)	0	3 (0)	0	11 (-)
General Council	0	4 (-)	29 (9/0)	1 (-)	7 (5/0)	1 (1/0)	8 (7/0)	1 (1/0)	0	0	51 (23/0)
Investment	1 (-)	1 (-)	4 (-)	1 (-)	1 (-)	4 (1/0)	0	0	0	0	12 (-)
NAMA	0	0	0	0	0	1 (0)	4 (1/0)	0	1 (1/0)	0	6 (2/0)
WTO Rules	0	0	0	0	0	2 (-)	5 (-)	0	2 (-)	2 (1/0)	11 (1/0)
Services	3 (-)	1 (-)	0	2 (1/0)	1 (1/0)	1 (-)	5 (3/0)	5 (4/0)	7 (6/0)	0	25 (15/0)
TRIPS	0	0	2 (-)	7 (2/0)	4 (4/1)	4 (3/0)	1 (1/0)	1 (1/0)	2 (2/0)	0	21 (13/1)
Trade Facilitation	0	0	0	0	0	0	0	0	1 (1/0)	3 (1/0)	4 (2/0)
Trade and Development	0	0	0	0	0	3 (2/0)	0	0	1 (1/1)	0	4 (3/1)

Source: Constructed by authors' from official documents

Apart from the fields where offensive stands are possible, there is a need to look at the potential areas of collaboration with a defensive position. We take the views expressed in the country observations in USTR (2006) report as a suitable proxy of the view of rest of world on the level of protectionism in IBSAC markets. The comparative analysis is summarized in **Table 5.4**. It could be argued that the commonalities in the areas where the IBSAC members would like to open up their domestic market slowly would represent fields of potential collaboration. It is seen from the table that there exist several areas (e.g. - regulating foreign investment and opening domestic service sectors) where the IBSAC countries can collaborate on defensive strategies.

Table 5.4: A Comparison of the Trade Policies of IBSAC Countries impeding Market Access of US

Brazil	**China**	**India**	**South Africa**
• Customs related NTMs • Various tax policies • SPS standards • Enforcement of IPR • Barrier in several key service sectors • Restriction on foreign investment in several sectors	• Tariff treatment of certain categories • Use of anti-dumping measures • Lack of transparency in standards and SPS measures • IPR enforcement • Barrier in several key service sectors • Prohibition of foreign investment in certain sectors	• Failure to notify certain technical regulations to WTO • Failure to notify certain SPS regulations to WTO • IPR enforcement • Restrictions in certain key service sectors • Use of anti-dumping • Stringent restrictions involving foreign investment in certain key sectors	• Presence of NTMs • Use of anti-dumping • Need to strengthen geographical indications • Barrier in certain key service sectors • Equity transfer provisions

Source: Constructed by authors' from USTR (2006)

Looking into the Negotiating Stances of the IBSAC Countries

In the following, we briefly analyze the negotiating stances of the IBSAC countries at the WTO negotiations as reflected from their joint submissions. We focus here on certain key areas, namely agriculture, NAMA, services, TRIPS and dispute settlement.

Agriculture

The perspective on agricultural negotiation at WTO has already been discussed in chapter three. In the pre Cancun days, India has made a number of individual submissions, as it was not part of any negotiating coalition on agriculture at that time. During mid 2003, the developing country grouping G-20, with IBSAC partners as a part of it, was formed which made a joint submission. The proposal of the group focused on the need to intensify work to translate the Doha objective into reform modalities so as to reduce all trade-distorting domestic support measures, reduction / capping of Green box direct payments for developed countries, use of a blended formula approach for tariff reduction in developed countries etc.[48] Keeping the food security needs of the developing countries in mind the proposal called for extension of SDT treatment for them, including lower tariff reductions and longer implementation periods, establishment of SPs, maintaining *de minimis* at the existing levels for developing countries etc. The proposal further called for elimination of article 6.5 (provision relating to domestic support) of the Agreement on Agriculture. In subsequent period, the agenda was further promoted through the later G-20 submission, which discussed some shortcomings of the Blended formula approach put forward by the EC and the US and noted that the method would lead to lowest tariff reduction for highest tariffs.[49] In other words, given

[48] See developing country joint submission (Document No. JOB(03)/162/Rev.1, Dated 29 August 2003).

[49] See G-20 proposal (Document No. TN/AG/GEN/9, Dated 7 May 2004).

the current scenario as seen from **Annex 2.1**, it will hurt the developing country interest more.

In the subsequent period, the G-33 proposal (involving China and India) insisted that the concept of SPs and SSM has to be included as an integral part of SDT.[50] The coalition demanded that developing countries must be able to decide themselves which products they consider as SP, on a stand-alone basis and for the products coming under this category, there must be no tariff reduction commitment. It further demanded that SSM should be established for use by developing countries, and SP must also have access to SSM. The proposal claimed that an important element in the market access pillar that can affect the effectiveness of SDT is the tariff reduction formula. Understandably Brazil and South Africa, the Cairns group members were not part of this proposal.

The concerns over agricultural subsidy reform were also aired in the G-20 ministers meeting held at Brazil during September 9-10, 2006. It can be said that the decision at Hong Kong Ministerial (2005) to eliminate all forms of export subsidies by end 2013, with a substantial part being realized by the end of the first half of the implementation period, is a major success of the developing countries.

There is however a need to look at the practical achievements of the negotiating coalition. Although the developing countries tried to negotiate for the 'appropriate' number of products as SP, the July text (2004) and Hong Kong Ministerial (2005) has acknowledged the need for the members to designate 'appropriate' number of sensitive tariff lines as well. Clearly the SP benefit for developing countries could be nullified, at least partly, if the developed countries declare a number of these SP as 'sensitive' items for them (Chand, 2005). Also the methodology of determining

[50] See G-33 proposal (Document No. JOB(04)/65, Dated 1 June 2004).

sensitive products ('certain' percent of tariff lines), negotiations in domestic support ('historical period', 'exceptionally large' percentage of trade-distorting support in the Blue Box etc.) are quite open-ended (Chakraborty, 2004). It should be mentioned here that despite the constant engagement in discussions, after mid-2004 G-20 (IBSAC being part of it) members have not submitted a formal joint proposal on agriculture till date.[51]

However, the real culprit behind agricultural trade distortion is not the export subsidies, but actually the domestic subsidies.[52] Although the Hong Kong Ministerial (2005) declaration tried to adopt a definitive approach for reduction of domestic support, the IBSAC countries need to ensure the event through constant negotiations in coming future:

> "On domestic support, there will be three bands for reductions in Final Bound Total AMS and in the overall cut in trade-distorting domestic support, with higher linear cuts in higher bands. In both cases, the Member with the highest level of permitted support will be in the top band, the two Members with the second and third highest levels of support will be in the middle band and all other Members, including all developing country Members, will be in the bottom band. In addition, developed country Members in the lower bands with high relative levels of Final Bound Total AMS will make an additional effort in AMS reduction."

The developing countries have stated many times that without rectifying the problem of domestic subsidies, the problem of market distortion cannot be solved and therefore detailed

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[51] To be fair to G 20 or IBSAC, it is not expected that the problem of freeing trade in agriculture would be solved in three years, which is being discussed for the last fifty years at GATT/WTO forums. For instance, the Haberler Committee (1958), which was set up to address complaints from the developing countries that their interests were not adequately protected, also focused on these problems.

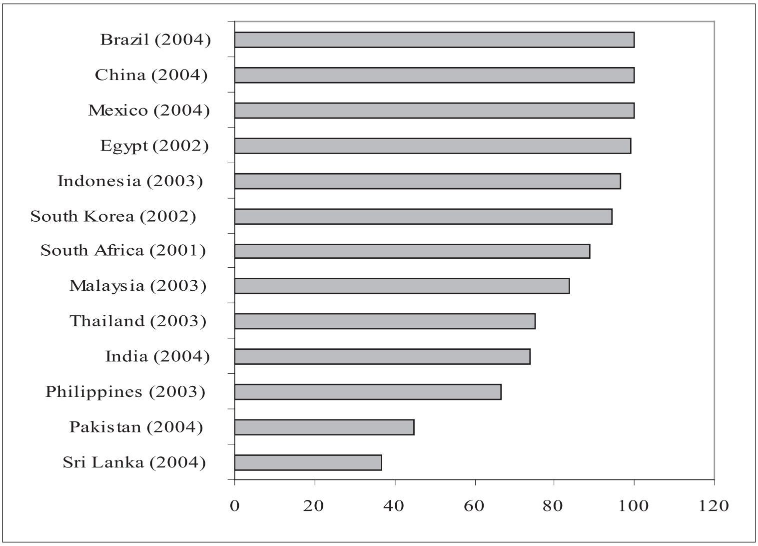
[52] "For the OECD countries, the $90 billion in domestic support to producers represents 13.5 percent of the value of their agricultural output at market prices." Anderson et al (2006), p. 8.

discussion on market access before that is meaningless. This further reinforces the need to focus on domestic subsidy issue next. The developed and developing countries are yet to agree on the market access modalities, i.e., to decide on a mutually agreeable a tariff-cutting formula. The Hong Kong Ministerial (2005) declaration noted, ".. we recognize that much remains to be done in order to establish modalities and to conclude the negotiations." IBSAC countries have already looked into the tariff reform formula issue through G-20 submissions. In future, in line with their demand for SDT, they are likely to demand a tariff-cutting formula, which will result a lower reduction in their tariff rate as compared to the same for the developed countries. Also arriving at a common list of products for the SSM and SP list might be difficult, given the dissimilarity in the agricultural trade basket at a disaggregated level, but lending support to each others' list can be one viable option of enhancing the bond. However, the precondition for that is the lists do not become conflicting to each others' export interest.

NAMA

Before going into the details of the NAMA discussion and the level of IBSAC collaboration in that field, a brief comment on their current tariff binding scenario will not be irrelevant here. The developed countries want the developing countries to increase their tariff bindings up to 100 percent over a period of time. It is observed from **Figure 5.1** that while the tariff binding for Brazil and China has already reached 100 percent; South Africa is not behind either in any significant manner. Clearly India is in a weak spot on that issue, with a tariff binding of 73.8 percent. Therefore, forming a joint collaborating approach by all IBSAC members in that sphere might not be easy, although issue-based coalitions are easier to form on that front.

Figure 5.1: A Cross-Country Review of Tariff Binding Scenario



Source: World Development Indicators

Prior to the Doha Ministerial, the discussion on NAMA centered on the adoption of a linear formula for introducing tariff reform in member countries. The DDA promised to protect the interest of the developing countries by ensuring less than full reciprocity (LTFR) to them, i.e., through lower tariff cuts as compared to the same undertaken by their developed counterparts. Subsequently, the discussion shifted on determination of the coefficient of the tariff-cutting formula, by which the extent of tariff reduction would take place. The EU and the US submissions in the following period asked for stronger commitments from developing countries, which was not welcomed by India and others. India emphasized that two different coefficients has to be used for the developed and the developing countries for the purpose of tariff reduction.[53] It also collaborated with several non-IBSAC partners focusing on the need for extending SDT to

[53] See India's submission (Document No. TN/MA/W/10/Add.3, Dated 10 April 2003).

developing countries on this ground.[54] In line with the ongoing discussions, before Cancun Ministerial, Pierre Louis Girard, the NAMA Chair, proposed the following non-linear formula for negotiations, which was however not enthusiastically received by all quarters:

$$t_1 = \frac{(B \times t_2) \times t_0}{(B \times t_2) + t_0}$$

In the formula, t_1 is the final bound rate, t_2 is the average of the base rates, t_0 is the base rate and 'B' is a coefficient. This formula addressed the special need of developing countries, by incorporating each country's tariff average in the formula. India was in broad agreement with the Girard formula.[55] It was observed that if a larger coefficient is used both for developing and developed countries, the tariff rates of developed countries will not be reduced and hence the presence of tariff peak and tariff escalation will not be solved. On the other hand, if a smaller coefficient is used for both groups, the tariff rates of developing countries will come down significantly and will hamper their developmental needs (Ranjan, 2006). So the developing countries stressed on the need to have two different coefficients, a small one for developed countries and a large one for developing countries. Since Cancun Ministerial the NAMA discussion centered on the coefficients to be used in a non-linear formula for tariff reduction. The following formula proposed by China earlier came to forefront for discussion during this period:[56]

[54] See India's submission (Document No. TN/MA/W/31, Dated 25 March 2003).

[55] "India cautions WTO members of backlash if reforms are forced – Farmers' interests the key concern", Speech of Mr. Arun Shourie, Minister of Communication, IT and Disinvestment, Mini Ministerial at Montreal (28-30 July 2003), *India and the WTO*, Vol. 5, No. 6-7, p. 4.

[56] See China's submission (Document No. TN/MA/W/20, Dated 24 December 2002).

$$t_1 = \frac{\left(t_a + \left(B \times P\right)\right) \times t_0}{\left(t_a + P^2\right) + t_0}$$

In the formula, t_a is the simple average of the base rates, P is a peak factor defined as the ratio of the tariff rate over the average rate (t_0/ t_a) and B is an adjusting coefficient for the year of implementation (B=1 for 2015 or B=3 for 2010). Clearly given its advanced level of tariff reform, China wanted to get some mileage out of future reforms. India on the other hand, proposed a simple linear cut on the individual bound tariff lines of each Member, with a higher percentage cut for developed countries than for developing countries, asking for reduction in any tariff in excess of three times the national average tariff, over the linear cut.

Subsequently the proposal by the EU and the US asking for almost similar coefficients for developed and developing countries indicated potential violation of the LTFR proposition and India decided to cooperate with other developing countries in this regard. In 2005, Argentina, Brazil and India (ABI) reaffirmed their support to the Girard formula.[57] The other proposals in the submission included flexibilities for developing countries by excluding a certain percentage of tariff lines from tariff cuts, presence of tariff peaks, tariff escalations and the need to ensure participation in the sectoral initiatives to reduce or eliminate tariff only on a non-mandatory basis. However, developed countries felt that the ABI proposal would not lead to substantial cuts in developing countries tariff rates (ASSOCHAM, 2005).

At the Hong Kong Ministerial, the concern over the negotiation on modalities brought several developing countries together to form a core group on NAMA, which was successful in retaining the flexibilities for them (Paragraph 15 of Hong Kong Declaration). The members finally agreed to have a modified ‘Swiss formula’ for cutting tariff rates (paragraph 14 of the declaration), which creates a possibility of having two different coefficients, one each

[57] See the ABI proposal (Document No. TN/MA/W/54, Dated April 15 2005).

for developed and developing countries or more than two coefficients (Ranjan, 2006). It has also been decided that the flexibilities to the tariff reduction formula will be a stand-alone provision, i.e., developed countries would not link them with higher reform commitments. Further, it was decided that the adopted coefficients 'shall' take fully into account the special needs of developing countries, including less than full reciprocity (LTFR) in reduction commitments and reduce the tariff peaks and tariff escalation. However, in return, the developing countries would have to bind their unbound tariff now. All IBSAC countries stand to gain by collaborating on reduction of the tariff peaks in developed countries, which is in line with India's interest as well (RIS, 2003b).

On the question of tariff bindings, the July 2004 text stated that for unbound tariff lines, the basis for tariff reductions shall be twice the MFN applied rate in the base year. However, developing countries like India objected to this proposal by pointing that this will result in a very low bound rate for them and suggested that the bound rate, instead of the applied rate, should be taken as the reference point. The Hong Kong Declaration talked about adoption of a non-linear mark-up approach to establish base rates for presently unbound tariff lines. It further stated that these marked-up bound tariff rates would be subject to tariff reductions in the subsequent period. Now a low mark-up would lower developing country tariff considerably (Ranjan, 2006). Pakistan's proposal in this regard called for a non-linear mark-up of at least 30 per cent.[58] The ABI (2005) proposal on the other hand talked about reducing unbound tariffs through a formula, not applied on the unbound tariffs on a line-by-line basis, which would provide some flexibility to developing countries. However, EU has been totally averse to this approach (ASSOCHAM, 2005). It is not clear so far whether Brazil, China or South Africa would like to collaborate with India in this front.

[58] See Pakistan's proposal (Document No. TN/MA/W/60, Dated 21 July 2005).

Apart from the negotiation of tariff reduction modalities, the sectoral approach, involving cutting or elimination of tariffs on certain sectors independent of the tariff cutting formula that is followed for other sectors (paragraph 16 of DDA), is another important area.[59] Developed countries extensively favour this option, while developing countries are not too keen on it. The US is very interested for discussing sectoral coverage issues on several manufacturing industries, while the EU particularly focus on textile and clothing items (ASSOCHAM, 2005). India believes that the sectoral approach should be voluntary in nature and should be taken up only after the issue of tariff reduction formula is settled. It also believes that the 'zero-to-zero' approach proposed by some of the developed countries is a violation of the LTFR principle.[60] However, according to the Hong Kong Declaration the participation in sectorals will not be mandatory for member countries. The IBSAC countries can still collaborate in this front if they want increased market access for their strategic exports like textiles and garments.

Collaboration on market access barriers and NTBs in NAMA would perhaps be easier for the IBSAC countries. The Hong Kong declaration has welcomed proposals from members on this front. Use of anti-dumping in the developed country markets on developing country exports has increased considerably in recent years. Textile and garment products have especially suffered on this count. China and India has collaborated in this regard at times owing to the similarity in their export pattern. Their joint submission talked about the problems with investigations prompted by motivated complaints from industry associations, continuance of back-to-back investigations, extending over long periods (five years for one product) etc. The submission pointed that protectionism becomes obvious from the fact that in majority of

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[59] The NGMA in 2003 proposed seven sectors with considerable export interest of developing countries for discussion under this track, namely - Electronics and electrical goods; fish and fish products; footwear; leather goods; motor vehicles – parts and components; stones, gems and precious metals; textile and clothing (Ranjan, 2005).

[60] See India's submission (Document No. TN/MA/W/10, Dated 22 October 2002).

the cases, the investigations or measures adopted proved to be unjustified. In this background, the proposal asked for implementation of a grace period of two years by developed countries during which no anti-dumping investigations on textile and clothing imports from developing countries would be allowed.[61] Also Brazil, China and India collaborated in 2003 to protest against the slow reform of MFA quota in the developed countries and the decision to have no carry forward in the post MFA period from 2005 January onwards.[62] However, South Africa has so far not collaborated with India in this regard.

Services

Given the importance of Mode 4 in India's service trade, one major objective of the country has always been to ensure increased market access in that area at the service negotiations. It has been observed that Brazil and China has collaborated with India in these areas on several occasions. However, South Africa is yet to collaborate with India in this front.

After the failure of Seattle Ministerial, India actively started looking for pro-active strategies to boost service exports. A number of G-24 members stayed with it in this issue. In 2000, in association with Brazil and other developing countries India submitted a proposal to WTO where it asked for appropriate flexibility for them for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation. The proposal wanted liberalization of trade in services to focus on sectors and modes of supply of export interest to developing countries.[63] The sectoral interest also started playing a key role in overall policy objective, as in

[61] Joint submission of developing countries (Document No. WT/GC/W/502, Dated 14 July 2003).

[62] Joint submission of developing countries (Document No. WT/GC/W/503, Dated 14 July 2003).

[63] Joint submission of developing countries (Document No. S/CSS/W/13, Dated 24 November 2000).

association with China subsequently it submitted a proposal for opening up trade in Maritime Transport Services.[64]

The collaboration with China and the G-24 countries on liberalization of Mode 4 was intensified shortly afterwards when India submitted a proposal before Cancun stressing the welfare gains from freer movement of natural persons to both developed and developing countries.[65] Pointing to the limited commitments made by many countries in this category, the proposal talked about the need to de-link movement of natural persons from commercial presence. It also identified the major problems for Mode 4 export to be the administrative procedures, failing to separate the temporary movement of service suppliers from permanent immigration; lack of transparency and due process regarding the granting of entry visas or permits; following various tedious criteria like Economic Needs Tests (ENT), Local Market Tests and Management Needs Tests; and the lack of recognition of professional / equivalent qualifications and licensing requirements etc. China and India further strengthened their negotiating positions on trade in services in a later submission, where they raised various issues regarding future reform.[66]

The liberalization of Mode 4 issue was raised by Brazil, China and India next in 2004, when the countries expressed dissatisfaction over the level of commitment expressed by developed countries:

> "After analysing the initial offers presented by developed Members, in our assessment, most of these offers do not show any real improvement to the existing commitments in Mode 4. Some Members have not introduced any improvement to the existing commitments; others have only introduced some minor

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[64] Joint submission of developing countries (Document No. TN/S/W/11, Dated 3 March 2003).

[65] Joint submission of developing countries (Document No. TN/S/W/14 (Dated 3 July 2003).

[66] Joint submission of developing countries (Document No. TN/S/W/16, Dated 25 July 2003).

> changes aimed at clarifying and only in a few cases expanding the scope of commitments. Basically commitments continue to be limited to categories of personnel related to commercial presence despite the expressed interest of developing Members for commitments in categories de-linked from commercial presence as well."[67]

The three countries after the July discussion made another joint submission, where they termed the lack of transparency as one of the impediments to Mode 4 trade and asked for enhancing the transparency level of regulatory procedures, if required, by introducing newer elements in GATS regulations.[68] A submission with Brazil around that time talked about facilitation of movement of natural persons supplying services in tourism and recognition of their qualifications, and elimination of anti-competitive practices and unfair competition, requirements for commercial establishment or presence, and nationality or residency requirement.[69] The joint proposal with Brazil in 2005 again highlighted the need to de-link Mode 4 from commercial presence and highlighted the conditions of market access in various categories like business visitors, contractual service suppliers, independent professionals etc.[70]

The Hong Kong Ministerial declaration has come out with a set of well-thought objectives as guiding principles for members on each mode of service trade for ensuring a progressively higher level of liberalization of trade in services, with appropriate flexibility for individual developing country Members as provided for in Article XIX of the GATS. It also expected all Member countries to participate actively in the subsequent negotiations. To achieve

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[67] Joint submission of developing countries (Document No. TN/S/W/19 (Dated 31 March 2004).

[68] Joint submission of developing countries (Document No. JOB(04)/142 (Dated 29 September 2004).

[69] Joint submission of developing countries (Document No. TN/S/W/23 (Dated 29 September 2004).

[70] Joint submission of developing countries (Document No. TN/S/W/31, Dated 18 February 2005).

this goal, it has been suggested that the request-offer approach should also be pursued on a plurilateral basis. It has been suggested earlier that India stand to gain by following a GATS-plus approach with select trade partners (Banerjee, 2006). IBSAC in the future negotiations can continue on that track.

A brief sectoral perspective will not be irrelevant here. Commenting on India's defensive posture on GATS as compared to that of China, Draper and Sally (2006) pointed that the latter's commitments are strong compared to that of India. This may appear strange given the observed strength and growth of India's service sector. However it is precisely the size of India's service sector and the employment it generates that makes the government wary of a potential disruption of this sector that a drastic liberalisation on this front may bring. What cannot be denied however, that an un-nuanced posture or strategy in this regard can do India great damage or at least deprive it of substantial benefits.

It may be recalled that the unorganised sector in India is large and its sources of finance are uncertain and is available at high rates of interest. This scenario is reflected in Brazil. Given traditional banking practices the conventional banking sector does not lend to the informal sector. The Brazilian Central Bank has estimated that of the 16 million enterprises that exist, 80% do not have a formal Memorandum of Understanding, 46% do not follow traditional accounting practices and 85% do not have access to conventional banking credit. Thus the potential for micro credit is therefore enormous and growing as indicated by the fact that the proportion of the work force without formal employment registration has grown from 38% to 51% in the period 1991 to 2004.

However there exists a formal private sector bank, Unibanco that offers microcredit. Indeed the total portfolio of the 171 institutions which advance micro-credit to 230,000 active clients is approximately $ 60 million. But Unibanco with a clientiele of 17 million is probably the largest financial institution with micro-credit abilities that can invest in India especially in the rural and informal sectors (Moura and Serpa, 2005).

On the other hand, India has management institutions like the Institute of Rural Management at Anand in Gujarat that specialise in training people in managerial skills for the agricultural and allied sectors. But the regulatory regime has long inhibited the full potential of these talents. Even with economic liberalisation taking place, the institutions that aim at micro-credit have found it very difficult to raise resources. Thus the players in the Indian system have generally been small and established conventional banks are in general reluctant to enter this field as operating in this sphere requires a business model that is very different from the one that they currently follow.[71]

The potential for Unibanco in this market given its scales of operation in Brazil and the benefit that can accrue to the informal sector then is obvious. However, entering the Indian banking sector for a foreign entity is far more difficult than entering the Brazilian banking sector (although here too prior authorisation is required.). Without a sophisticated entity, which has considerable financial strength, the informal sector has to take recourse to usurious rates of interests charged by moneylenders or remain credit-constrained. The secondary benefits of having a sophisticated player arguing on their behalf for the removal of laws and regulations that constrain their activity or put them too great disadvantage also does not accrue to them.[72] Here we see that efforts to protect the domestic banking sector have led to the denial of credit to a sector not currently served by existing players.[73]

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[71] Interview with Shubhankar Sengupta, Chief Operating Officer, Uttaran Finance, Kolkata.

[72] For an account of the regulatory regime under which the informal sector works in India see, Shah and Mandava (2005).

[73] This again is a reflection of the effects an over-valued currency in the days of dirigisme. That practice hindered South-South trade.

Clearly there is scope of letting the entry of foreign players who may cater to niches not currently served by Indian actors. This state of affairs may not lead to a unified position on Financial Services in Service Negotiations in the near future but an arrangement limited to IBSAC may lead to developments that make such an eventuality possible even as IBSAC reap benefits from a liberalised trade in services regime in finance within the confines of the grouping. Such an arrangement precludes the possibility of destabilising surges in service imports but has the potential to do a lot by making credit available to agents hitherto not served by the formal credit market.

In the case of Air Transport, India has made no firm commitments in this sector. In a round about way, this affects IBSAC trade, particularly Brazil's export to India. Brazil has a commanding niche in the 50-70 seater passenger jet market through Embraer. If India's Air Transport sector is liberalised, it is likely that Air Transport companies will have to cater to all types of markets and niches depending on the flow of tropic. It is only natural Embraer aircraft will fulfill one of these niches and will become an important single-ticket item capable of earning hundreds of million dollars from the Indian market alone. Again the challenge is to discover an innovative strategy via which the Brazilians may be accommodated while keeping options open in this area at the WTO. This of course may not lead to a common negotiating position at the WTO but clashes may be avoided as Brazilian interests are accommodated.

TRIPS

On TRIPS, the major negotiating agenda of India has been to ensure sufficient policy space for the public health policies of the developing countries; to protect the biodiversity in their territory through Convention on Biodiversity (CBD); protection of traditional knowledge base (TK) and recognition to the Geographical Indications (GI). Before Seattle Ministerial for the first time India collaborated with developing countries through the 'Friends of the Geographical Indications' group, and continued on that track by collaborating with the African Group and Brazil on public health policies before the Doha Ministerial. The 2001 submission demanded that nothing in the TRIPS Agreement should prevent Members from adopting measures to protect public health, and it should offer the broadest flexibility to the members in determining the grounds for using compulsory licences for use at home and for supplying in the foreign markets.[74] The flexibility should also be present in implementation of other provisions like parallel imports.

The collaboration between the developing countries continued in the post-Doha period as India along with Brazil and China submitted a proposal on the paragraph 6 of the DDA.[75] The proposal talked about the importance of transfer of technology to all developing countries (without any exception), which is critical for improving manufacturing capacities of their pharmaceutical sector, for ensuring sustainable access to affordable medicines. Pointing that absence of economies of scale might make domestic production of a particular product non-viable or too costly at times, the proposal called for recognition of the right of WTO Members to authorize third parties to make, sell and export patented public health-related products without the consent of the patent holder to address public health needs in another country.

Subsequently, in association with Brazil and other developing countries, India submitted a proposal on non-violation and nullification or impairment of benefits to developing countries under the TRIPS agreement.[76] The proposal pointed that application of non-violation and situation complaints is unnecessary owing to several reasons. The submission pointed out that TRIPS Agreement, unlike other WTO agreements, is a *sui-generis* agreement, which is, not designed to protect market access or the balance of tariff

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[74] Joint submission of developing countries (Document No. IP/C/W/296, Dated 29 June 2001).

[75] Joint submission of developing countries (Document No. IP/C/W/355, Dated 24 June 2002).

[76] Joint submission of developing countries (Document No. IP/C/W/385, Dated 30 October 2002).

concessions but rather to establish minimum standards of IPR protection. Therefore, curtailing that right undermines market access. Therefore any non-violation and situation complaints are unnecessary to protect any balance of rights and obligations inherent in the TRIPS Agreement, as these are reflected in the Agreement's principal obligations and flexibilities. It also pointed out the systemic concerns that are raised through application of non-violation and situation complaints. This led the developing countries to propose that the, 'TRIPS Council recommend to the 5th Ministerial Conference that the violations of the type identified in Article XXIII:1(b) and (c) of the GATT 1994 be determined inapplicable to the TRIPS Agreement.'

Before Cancun, Brazil and India came together on the relationship in TRIPS and CBD, asking for disclosure of the source and country of origin of the biological resource and of the TK used in any particular invention; evidence of prior informed consent through approval of authorities under the relevant national regime and evidence of fair and equitable benefit sharing under the relevant national regime to be the precondition for acquiring patent rights through necessary amendments in TRIPS.[77] The submission also mentioned the need for equity and protection against misappropriation; consequences to be addressed under patent law; the limitations of relying only on databases and the limitations of national laws or contracts. The submission pointed out that:

> "Amendments to the TRIPS Agreement to include an obligation to disclose the origin of genetic resources and associated traditional knowledge and to provide evidence of PIC and fair and equitable benefit sharing are imperative to implement the TRIPS Agreement and the CBD in a mutually supportive and complementary way. This obligation would ensure transparency as regards the origin of biological materials that are used in the patent claim, as well as make the CBD provisions on the PIC and fair and equitable benefit sharing more effective."

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[77] Joint submission of developing countries (Document No. IP/C/W/403, Dated 24 June 2003).

After Cancun, the collaboration between Brazil and India on CBD continued and a joint submission in early 2004 on bio-piracy talked about the need to determine adoption of appropriate measures within the TRIPS framework to prevent misappropriation and to support the objectives and implementation of the CBD.[78] The proposal broadly reaffirmed the points made in the 2003 proposal earlier.

In early 2005, India and Brazil, along with other developing countries submitted a proposal on the relationship between TRIPS and CBD. The proposal discussed the need to ensure disclosure of evidence of benefit-sharing arising out of the utilization of genetic resources and / or TK in inventions, claiming that it ‘is aimed at not only ensuring that there is benefit-sharing *per se* but that sharing of benefits is done on a fair and equitable manner among the parties’ (the source and country of origin and / or local / indigenous community).[79] The submission talked about the global problem of bio-piracy and stressed the need to establish an international framework of protection. It also dealt with the evidence to be furnished by the patent applicant. The proposal further suggested that if a patent-holder fails to provide evidence of benefit sharing, the legal procedure should include revocation of the patent and imposition of criminal and / or administrative sanctions.

Brazil and India jointly submitted another proposal on CBD and protection of TK in 2005. The proposal pointed the need to accept WTO as a competent organization on matters relating to bio-piracy and the issuance of patents with respect to inventions that have relied upon and / or used biological resources and / or associated TK.[80] The proposal called for establishment of clear internationally

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[78] Joint submission of developing countries (Document No. IP/C/W/420, Dated 2 March 2004).

[79] Joint submission of developing countries (Document No. IP/C/W/442, Dated 18 March 2005).

[80] Joint submission of developing countries (Document No. IP/C/W/443, Dated 18 March 2005).

agreed rules on disclosure, prior informed consent and benefit-sharing, and a mandatory, global disclosure requirement in this regard. The proposal stressed that contractual arrangements or similar mechanisms in national laws can only suffice to achieve the objective only if they are obligatory and enforceable across borders and explored options about the provisions required for preventing erroneously granted patents. Given the success of the developing countries in modifying the public health provisions (2005), it is likely that the IBSAC collaboration in the other areas of TRIPS would continue in coming future.

Institutional issues – Reforming the Dispute Settlement Body

Since 1999, India became a regular at the DSB, either as a complainant or as a respondent. The close participation at DS forums made it aware of the loopholes of the DS mechanism and it started to negotiate on that front from 2002 onwards. The negotiating agenda of India, in association with several developing countries upto 2003 has been to highlight the need to protect developing country interests through amendment in the dispute settlement understanding (DSU); inadequate defense by developing countries due to high legal costs; lack of proper mechanism to ensure implementation of DSB rulings during reasonable period and inappropriateness of 'retaliation' measures in ensuring that; blocking participation of NGOs in the DS process and the move by developed countries to change the structure of DSB; protesting authoritative interpretation by Panels and Appellate Bodies (AB) and finally to introduce transparency in DSB Proceedings.[81]

From 2004 onwards Brazil and India along with other WTO members submitted three proposals to WTO. Interestingly, developed countries like Canada and New Zealand also became partners in that process. The first submission focused on sequencing, remand and the procedures for removal of authorization for suspension of concessions or other obligations.[82]

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[81] See Chaisse and Chakraborty (2006) for details.

[82] Joint submission of WTO Members (Document No. JOB(04)/52, Dated 19 May 2004.

The second submission involved the role of third parties in future disputes and the consequential changes to the working procedures.[83] The last submission has been a modification to the second submission.[84] While China and South Africa are yet to collaborate with Brazil and India in this front, this could be a major component of IBSAC's joint negotiating agenda in the coming future. Although China has participated in the DS negotiations, its proposal that no developed country should be entitled to initiate more than two cases per year against a developing country member has not been widely received (Perumal, 2005).

Special and Differential Treatment

The developing countries have negotiated on obtaining SDT from their developed counterparts with respect to several WTO agreements so far. Before the Hong Kong Ministerial, Brazil, India and South Africa with other developing countries (part of G-20) jointly made a submission on trade and development asking for an early conclusion of the current round of Doha negotiations, consistent with the DDA.[85] Notably, China was not part of this submission. The submission talked about the importance of agriculture and the absence of an actionable reform plan coming from the EU. It also demanded the LTFR flexibilities in case of NAMA negotiations, pointing to the extent of tariff protectionism in developed countries. It termed anti-dumping agreement, TRIMS and TRIPS to be imbalanced in favour of developed countries and asked for their revision. Interestingly, in case of trade in services, the submission adopted a persuasive approach, trying to convince the developed countries about the benefits of cooperation:

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[83] Joint submission of WTO Members (Document No. JOB(05)/19, Dated 22 February 2005).

[84] Joint submission of WTO Members (Document No. JOB(05)/19/Rev1, Dated 17 March 2006).

[85] Joint submission of Developing countries (Document No. WT/COMTD/W/145, Dated 1 December 2005).

> "... one study reveals that an increase in developed countries' quotas on the inward movement of temporary workers equivalent to 3 per cent of their work forces would generate an estimated increase in world welfare of over $150 billion per annum. To date however developed countries have been reluctant to make any significant commitments in the WTO on mode 4 relaxation of restrictions on temporary entry. We urge developed countries to seize yet another opportunity to unlock the potential to increase global growth and the welfare of all countries."

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Potential Areas of Increased Collaboration?

Trade Facilitation

Given the fact that Members have agreed to discuss trade facilitation (TF) under WTO now, it is going to be a major area of negotiation in the coming period. IBSAC countries stand to gain a lot from jointly negotiating in this area. India after Cancun Ministerial submitted a proposal with China and other developing countries on trade facilitation, which expressed disapproval against any attempt to seek an early harvest on this area in advance of progress on core issues in Doha Work Programme. It also wanted the negotiation to address the points regarding cost of compliance, justification of any binding rules subject to the DSU, commitment for provision of technical and financial assistance to meet the cost of compliance etc. raised by developing countries and LDCs earlier.[86] India and China with other developing countries have submitted another proposal of TF in early 2006, which focused on three issues - (i) the arrangement of commitments for developing Members; (ii) the provision of technical assistance and capacity building support; and (iii) the applicability of the dispute settlement mechanism.[87]

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[86] Joint submission of Developing countries (Document No. WT/GC/W/522 (Dated 12 December 2003).

[87] Joint submission of Developing countries (Document No. TN/TF/W/82, Dated 31 March 2006)

Investment

The developed countries are much more persuasive on investment issues today, and on that front IBSAC can have a negotiating coalition, although South Africa might not be too keen on that front. India and China has already submitted a joint proposal earlier focusing on various issues like Investors' and Home Governments' obligations, general principles, restrictive business practices, technology transfer, balance of payments, ownership and control, consumer protection and environmental protection, disclosure and accounting etc.[88]

Anti-Dumping

Finally, the use of anti-dumping, both globally as well as by the IBSAC members, has increased considerably in the recent years. For that matter, instances of intra-IBSAC dumping investigations are not uncommon (e.g. – dumping investigations by India on Chinese imports). In **Table 5.5**, the initiations of anti-dumping investigations by IBSAC members as well as the initiations against them are summarized. While China is the biggest victim of the process, the other three countries also suffer considerably from misuse of this provision. The problem for China is likely to continue for some more time owing to its non-market economy status. Therefore, adoption of a joint negotiating strategy should not be a difficult task. However, given the steady rise in the initiations by India, it will face demands from other partners to cut the use of anti-dumping procedure, especially on their exports.

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[88] Joint submission of Developing countries (Document No. WT/WGTI/W/152, Dated 19 November 2002).

Table 5.5: Comparison of Anti-Dumping Cases faced / initiated by IBSAC countries

Period	India		Brazil		South Africa		China	
	A	B	A	B	A	B	A	B
1 January 1995 - 31 December 1995	5	3	5	3	18	-	-	16
1 January 1996 - 31 December 1996	20	10	17	10	30	6	-	39
1 January 1997 - 31 December 1997	13	7	11	5	23	4	-	31
1January 1998 - 31 December 1998	33	12	17	5	41	5	-	25
1 January 1999 - 30 June 1999	40	6	1	8	7	2	-	16
1 July 1999 - 30 June 2000	27	11	17	7	11	3	-	30
1 July 2000 - 30 June 2001	37	-	10	-	20	-	-	-
1 July 2001- 30 June 2002	76	12	16	13	2	11	0	46
1 July 2002 - 30 June 2003	67	12	9	3	5	5	17	42
1 July 2003 - 30 June 2004	37	14	8	3	10	2	22	59

Source: WTO Annual Reports (various issues)
A – Initiations of anti-dumping actions by a country
B – Initiations of anti-dumping investigations against a country

What Next?

While the analysis so far points out the potential areas of collaboration for the IBSAC members, the actual cohesiveness of the negotiating bloc at the multilateral forum will be a function of the reciprocal market access provided to each other. Currently, Brazil, China and India are not too willing to open their agricultural sectors, and India in particular is called most protective among the

IBSAC countries for not making substantial commitments on several service sectors (Draper and Sally, 2006). The intra-IBSAC tension might rise over agricultural liberalization in coming future, as noted by Jank (2005):

> "The truth is that everyone is somehow responsible for market access failures, and if the G-20 becomes an obstructionist force, all the liberalizing ambitions of Doha can go to waste. It is up to Brazil, for example, to accept a comprehensive opening of its own domestic agricultural markets, as long as there is compatible reciprocity from all major players. It is important to remember that the large food markets of the future are in Asia and that, therefore, Brazil cannot be extremely complacent with the protectionist positions of its G-20 partners in agricultural market access."

VI

THE ROLE OF IBSAC-PLUS: STRENGTHENING THE NEGOTIATING BOND?

While there exists a fair level of similarity in the export pattern of the IBSAC countries, it has been observed earlier that the current level of intra-bloc trade for al four members are approximately around 10 percent. Clearly the current level of intra-IBSAC trade is very low. The attractiveness of the proposed IBSAC trade bloc could further be extended by including their tow markets (i.e., countries which are involved in various preferential agreements with Brazil, China and South Africa), i.e., by making one IBSAC member a hub for exporting products coming from IBSAC partners to its other FTA partners. Given the fact that the partners of the four countries are at different stages of development, formation of a direct FTA involving all the IBSAC partners might not be possible. However, the tow members can still enjoy an extended membership of IBSAC through an 'IBSAC-plus' trade facilitation agreement (TFA), which does not involve any commitment otherwise as seen from **Table 4.1**, earlier.

The formation of 'IBSAC-plus' would further strengthen the bond between a number of developing countries. A couple of the tow market countries are already present in the G-20 and G-33 group (and G-110 as well), where India is one of the leading members. Given the importance of agricultural exports in their domestic economies, IBSAC-plus is likely to maintain cooperation in case of agricultural negotiations at multilateral level.

In **Annex 6.1**, we provide a comparative analysis of the trade direction of India to the IBSAC tow markets for two years, 1996-97 and 2004-05. The purpose of the analysis is to check whether increased market access for Indian exports to these markets would cumulate the natural advantages. It is observed that while the overall share of the overall tow markets in India's exports (including Brazil, China and South Africa) in 1996-97 was 33.86 percent, it has increased to 41.96 percent during 2004-05. However, if we remove India-centric blocs like GCC from the analysis, then the extent of increment looks much modest. If we further remove Brazil, China and South Africa from the analysis, the figures are much lower and actually show a decline in the export share. A similar scenario is observed in case of imports as well. It is observed that the increase in export share of South-East Asia, Africa and Latin America in India's export basket could be fully explained by the rise in the share of China, South Africa and Brazil in India's export basket respectively. Therefore, while formation of IBSAC-plus would add to consolidation of the negotiating stances of developing countries, perhaps gains in terms of actual trade expansion in short run will remain limited. One positive aspect is that the increased import from the tow markets is not likely to cause a major threat to the domestic industries in India (RGICS, 2005).

Several points should be highlighted in this context. First, India's trade is relocating increasingly towards East and South-East Asia in recent years, while the importance of African and Latin American market, as of now, is not very high for its exports. Most of the tow markets of Brazil and South Africa being LDCs, they maintain a higher tariff rate on their imports. Increased access in them therefore might lead to increased trade for India in the dynamic sense. On the other hand, the tow markets of China are mostly similar with India and hence no special advantage is likely to emerge on that front. However, it has to be borne in mind that, India's cost advantage is predominantly for products catering the upper niche of the market (clothing, footwear etc.), and therefore, the scope of success in these LDCs and developing country markets should be subject to closer scrutiny. Second, due to language barrier, scope of expanding services export in Latin American countries would be limited. Third, a number of Latin American countries are member of CAIRNS group (Argentina, Bolivia, Chile, Colombia, Paraguay and Uruguay), and historically have been vocal on agricultural trade liberalization. Therefore, by collaborating with the tow markets India might gain in short run, but in the long run it has to put agriculture on the negotiation table. Finally, given the fact that the service export profile of the tow market is markedly different from India, arriving at a joint negotiating strategy would be quite difficult and therefore, the negotiating gains might also be limited.[89]

The situation could however considerably change from a trade point of view if Brazil and South Africa ultimately become a part of FTAA and EU-SACU FTA respectively. In that case some key Indian exports can reach the EU and US market through the respective IBSAC partners after some value addition. However, the FTA involving EU and South Africa would be concluded in 2012 and offers no immediate benefit for Indian exports. The United States has also begun FTA negotiations with the five SACU countries only in June 2003. On the other hand, the FTAA (extending NAFTA to 31 other countries) has already run into trouble and the completion deadline of its negotiations (January 1, 2005) has been missed. Given this fact, the trade benefits are not likely to follow soon. On the other hand, from a negotiating point of view, by entering into FTA with the EU or the US, the IBSAC members would perhaps have to adopt a more lenient approach towards their developed country partners.

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[89] It should be mentioned that some of the tow market countries are there in G 20 and G 24.

VII

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 trade between Brazil, China, India and South Africa it is China's trade with the others that is generally significant (although Indo-South Africa trade is also significant). 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. Here the kinds of concessions that have to be given so as to make it vibrant are precisely the kind of concessions India would find difficult to provide. When it comes to tariff reforms, India's applied levels are the highest and hence it is India that has to give the maximum concessions. This, especially in the field of agriculture, where Brazil and South Africa have special interests, is difficult to make. In any case, even if these concessions are made and IBSAC fructifies into a successful trading bloc, when it comes to the rest of the world it will still be the QUAD that will dominate trade 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. This is likely to be the Peoples Republic of China. The US decision in August 2006 of excluding PRC from the review of the GSP (while IBSA was in the list) is a noteworthy event in this regard.

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, 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. India 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 as well as IBSA. China is simply not ready to sacrifice a sure market just for developing country solidarity. However it has recently announced that for the success of the trade talk, the developed countries must make substantial concessions (HT, August 30 2006).

Genesis of IBSA as a coherent and effective negotiating group 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.

At the same time IBSA members have also been busy on an alternative route, which involves the creation and expansion of RTAs as an insurance against the failure of multilateralism. India's efforts in this regard, unlike China and South Africa, have run into problems on several occasions precisely for the reasons why IBSAC cannot take off as a trade bloc. India remains a reluctant liberalizer when it comes to tariff reforms. However given the fact that political difficulties of tariff reforms cannot be wished away in Brazil and South Africa either, the following points arguably 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 dissonance with South Africa on services (especially mode 4) and increased compatibility with China on this issue, the fluid state of negotiation under GATS will ensure that this unity with China will amount to much or the dissonance with South Africa will do much damage to IBSA.
4. The effectiveness of IBSA's position on TRIPS and the enormous potential gain to these countries either by way of protection from the consequences of a pandemic like AIDS or safeguards against bio-piracy lends this coalition great coherence and legitimacy. For instance, the level of India's collaboration with Brazil on issues like CBD is already quite intense.

It is IBSA therefore that promises to continue as a coherent and effective WTO negotiating partner, with China joining hands only transiently when for a brief period of time its interests may have coincided with IBSA. IBSA's continuing 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 boat from time to time on some issues, but that will solely depend on its perceived gains from that move. 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.

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. The saving grace for IBSAC is perhaps that developed countries are not united either. It has been observed when in July 2006; the US blamed the lack of flexibility shown by France for collapse of the trade talks (HT, July 26 2006b).

It is observed the IBSA or IBSAC coalition can increase its effectiveness as negotiating group if their tow countries are added to it, but the trade consequences are not likely to be very high in the short run. This realization has lent IBSA credibility, which will not be affected when inevitably China parts way with this grouping as it was wise enough not to invite China either formally or informally into this grouping.

ANNEXES

Annex 2.1: Tariff Reforms of IBSAC Countries and Select WTO Members[90]

Countries	All Products				Primary products		Manufacturing products	
	A	B	C	D	A	B	A	B
Australia								
1991	13.1	9.1	30.3	1.4	3.2	1.6	14.3	10.3
2004	5.1	3.8	5.9	2.9	1.4	0.7	5.6	4.4
Brazil								
1989	42.2	31.9	92.2	0.5	37.9	18.8	42.5	37.9
2004	13.2	8.0	38.0	0.0	9.1	2.0	13.6	10.2
Canada								
1989	8.6	6.0	14.6	3.4	5.1	2.5	9.9	6.7
2003	3.9	0.9	6.5	3.6	1.9	0.4	4.2	1.0
China								
1992	41.0	32.2	77.6	0.0	35.4	13.9	42.3	36.5
2004	9.8	6.0	16.0	0.0	10.0	5.6	9.7	6.0
EU (15)								
1989	4.1	3.8	3.9	18.2	8.7	2.7	2.7	4.4
2003	1.4	1.3	1.9	10.6	2.2	0.9	1.2	1.4
India								
1990	79.0	49.6	97.0	0.9	69.1	25.4	80.2	69.9
2004	28.3	28.0	92.4	0.0	30.0	36.9	27.9	25.3
Japan								
1989	5.6	3.0	9.1	3.3	8.3	3.3	4.7	2.7
2004	2.9	2.4	8.1	2.8	5.3	3.9	2.4	1.6
South Africa								
1988	11.5	12.0	32.3	18.8	4.8	3.6	11.8	12.3
2001	9.4	5.6	32.5	2.2	7.5	3.9	9.5	5.8
US								
1989	5.6	3.8	8.0	12.7	3.7	2.0	6.0	4.1
2004	3.2	1.8	4.0	6.8	2.7	1.1	3.3	1.9

Source: World Development Indicators (2005)

[90] A – Simple Mean Tariff, B – Weighted Mean Tariff, C – Share of Tariff Lines with International Peaks, D – Share of Tariff Lines with Specific Tariffs.

Annex 2.2: Tariff Escalation by 2-digit ISIC Industry

Country	Stage[91] of processing	Food, beverages & tobacco	Textiles & leather	Wood and furniture	Paper, printing & publishing	Chemicals	Non-metallic products	Basic metals	Fabricated metal products & machinery	Other	All sectors
Brazil (2000)	1	9.5	10.6	5.0	6.6	9.6	9.0	5.2	na	11.6	9.3
	2	14.0	18.7	9.9	14.4	10.1	10.3	12.9	16.7	14.2	11.9
	3	16.3	22.2	17.7	14.9	12.0	14.3	19.0	15.6	20.3	15.8
Canada (2002)	1	7.9	1.0	0.0	0.0	1.5	0.0	0.0	n.a.	1.2	3.9
	2	6.8	7.0	2.1	0.4	2.9	0.7	0.9	1.3	0.0	3.9
	3	34.3	13.5	5.2	1.0	4.7	3.8	3.0	2.6	4.8	8.9
EU 15 (2002)	1	12.4	0.9	0.0	0.0	1.7	0.0	0.0	n.a.	1.2	7.3
	2	19.9	6.7	3.0	2.1	4.5	2.9	1.9	2.0	1.8	4.9
	3	18.4	9.7	2.1	1.5	3.8	4.0	0.0	2.5	2.9	7.0
India (2001-02)	1	36.4	25.1	17.0	7.1	25.4	35.0	23.8	na	35.0	28.1
	2	36.6	28.5	31.1	34.7	33.6	34.1	33.0	21.7	35.0	32.3
	3	48.3	34.2	34.8	29.4	33.2	34.1	35.0	29.2	33.5	33.0
Japan (2002/03)	1	25.4	9.8	0.0	0.0	2.5	0.0	0.4	n.a.	0.2	14.6
	2	20.3	6.8	4.3	0.6	2.8	1.5	1.1	1.6	0.1	4.9
	3	22.6	12.0	2.0	0.3	2.0	1.1	3.0	0.3	2.7	7.8
South Africa (2001)	1	10.5	5.4	0.0	0.0	3.6	0.0	0.0	na	3.5	5.6
	2	10.3	20.7	4.9	7.7	3.1	4.9	3.3	2.6	4.5	11.6
	3	15.3	29.1	15.7	8.0	7.7	6.8	0.0	5.2	7.2	10.5
United States (2001)	1	3.2	2.2	0.1	0.0	2.0	0.0	0.3	n.a.	1.6	2.2
	2	9.0	9.8	2.2	0.6	4.6	2.3	2.1	2.7	0.6	5.2
	3	13.1	10.3	2.3	0.9	4.1	5.4	2.5	2.2	3.5	5.7

Source: WTO Annual Report (2003)

[91] 1 = First stage of processing; 2 = Semi-processed; 3 = Fully processed.

Annex 2.3: Average MFN Applied and Bound Tariffs – Profile of IBSAC Countries

(Percent)

Countries	Brazil		China		India		South Africa	
	Applied	Bound	Applied	Bound	Applied	Bound	Applied	Bound
Agricultural Commodities								
Fruit & vegetables	10.8	34.3	16.0	16.1	32.4	105.4	10.3	30.1
Coffee, tea, coca and preparations	13.3	34.1	15.1	14.9	56.3	133.1	9.2	68.9
Sugar & sugar confectionary	16.5	34.4	27.4	27.4	48.4	124.7	4.2	73.7
Spices, cereal and other food preparations	12.6	40.5	20.4	20.4	34.6	126.5	10.6	41.2
Grains	5.9	48.3	30.5	27.1	49.4	86.3	2.5	30.8
Animals & products thereof	8.9	38.2	14.9	14.8	33.0	105.0	16.1	44.2
Oilseeds, fats & their products	7.8	34.6	13.3	11.6	52.5	168.9	7.7	47.3
Cut flowers, plants etc.	5.9	33.0	10.1	9.9	25.9	85.1	5.1	8.9
Beverages & spirits	17.5	38.2	23.3	21.4	78.4	125.8	18.9	123.9
Dairy products	18.3	48.9	13.8	12.2	35.0	65.0	-	94.8
Tobacco	16.8	37.9	30.7	33.3	30.0	133.3	35.3	50.7
Other agricultural products	7.3	28.9	12.3	12.0	24.6	101.0	2.3	15.1
Non-Agricultural Commodities								
Wood, pulp, paper & furniture	11.0	28.8	5.7	5.0	25.7	36.5	7.6	10.7
Textile & clothing	17.7	34.8	12.9	11.5	28.0	-	-	29.7
Leather, rubber, footwear & travel goods	14.2	35.0	13.7	13.7	28.6	35.2	13.3	20.9
Metals	11.4	33.0	7.0	7.1	29.0	38.7	4.5	12.7
Chemicals & photographic supplies	8.4	21.0	6.8	6.7	29.3	39.6	3.0	12.3
Transport equipment	18.3	33.3	13.1	11.5	37.0	35.8	6.6	18.4
Non-electric machinery	13.0	32.4	8.5	8.4	25.2	28.3	1.5	9.2
Electric machinery	14.6	32.0	9.0	8.8	24.8	26.8	5.4	17.2
Metal products, precious stones & metals	7.6	32.7	9.6	9.7	26.8	37.6	3.8	9.4
Manufactured articles not specified	15.7	33.2	12.3	12.3	27.0	31.4	3.5	12.9
Fish & fish products	10.1	33.5	11.5	11.0	30.0	100.7	10.2	24.7
Petroleum	0.2	35.0	5.1	3.3	18.0	-	-	-

Source: World Trade Report (2005)

Annex 4.1: Merchandise Exports within Bloc (% of total bloc exports)

Blocs	1970	1980	1990	1995	1999	2000	2001	2002
High-income and low- and middle-income countries								
APEC	57.8	57.9	68.3	71.8	71.8	73.1	72.6	73.3
CEFTA	12.9	14.8	9.9	14.6	12.1	12.2	12.4	12.2
EU	59.5	60.8	65.9	62.4	62.9	61.6	60.8	60.6
NAFTA	36.0	33.6	41.4	46.2	54.6	55.7	55.5	56.7
Latin America and the Caribbean								
ACS	9.6	8.7	8.4	8.5	5.6	6.4	6.5	7.1
Andean Group	1.8	3.8	4.1	12.0	8.8	7.9	10.3	9.5
CACM	26.1	24.4	15.3	21.8	13.6	14.8	15.5	11.1
CARICOM	4.2	5.3	8.1	12.1	16.9	14.7	14.0	12.5
Central American Group of four	20.1	18.1	13.7	22.2	14.6	15.1	14.8	12.8
LAIA	9.9	13.7	10.8	17.1	12.7	12.8	12.8	11.1
MERCOSUR	9.4	11.6	8.9	20.3	20.6	20.8	17.2	11.6
Africa								
Cross-border initiative	9.3	8.8	10.3	11.9	12.1	10.6	10.0	10.2
ECOWAS	2.9	10.1	7.9	9.0	10.4	9.5	9.6	10.6
Indian Ocean Commission	8.4	3.9	4.1	6.0	4.8	4.2	5.5	5.3
SADC	8.0	2.0	4.8	8.7	11.9	11.9	10.2	9.3
UEMOA	6.5	9.6	13.0	10.3	13.1	13.1	14.3	12.3
Middle East and Asia								
ASEAN	22.9	18.7	19.8	25.4	22.4	23.9	23.3	23.7
Bangkok Agreement	2.7	3.7	3.7	5.0	5.1	5.1	5.5	5.6
EAEG	28.9	35.6	39.7	47.9	43.8	46.6	46.6	48.2
SAARC	3.2	4.8	3.2	4.4	4.0	4.1	4.3	4.2

Source: World Development Indicators (2005)

Annex 4.2: India's Involvement in RTAs – A Summery

Free Trade Agreements/ Preferential Trade Agreements/ Regional Trade Agreements / Ongoing Negotiations	**Member countries**	**Status**
South Asia		
India-Bangladesh Trade Agreement	India, Bangladesh	Signed in 1980 and renewed from time to time. Valid up to 30 October 2001, negotiations are on
Indo-Nepal Trade and Transit Treaty	India, Nepal	Signed in 2002. However preferential arrangement was in force earlier, which was renewed in 1997.
Agreement on SAARC Preferential Trading Arrangement (SAPTA)	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka	Signed on April 11, 1993; later moved toward SAFTA
Free Trade Agreement on Trade and Commerce	India, Bhutan	Arrangement since 1947, but the formal agreement was signed in 1972
Indo-Sri Lanka Free Trade Agreement	India, Sri Lanka	The agreement was signed in 1999 and came into force since January 2000. The discussions on a CECA is currently in progress
Agreement on South Asian Free Trade Area (SAFTA)	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka	The decision was reached in 2004 and SAFTA came into force in January 2006
West Asia		
India-Afghanistan Preferential Trade Agreement	India, Afghanistan	Signed on May 2003
India-GCC Framework Agreement on Economic Cooperation	India, UAE, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait	Signed on August 25, 2004, will explore the possibility of establishing an FTA

Free Trade Agreements/ Preferential Trade Agreements/ Regional Trade Agreements / Ongoing Negotiations	**Member countries**	**Status**
East and South-East Asia and Australia		
India-Mongolia Agreement on Trade and Economic Cooperation	India, Mongolia	Signed on September 1996
India-Thailand Framework Agreement for Free Trade Area	India, Thailand	Signed on October 9, 2003 and later amended on 30 August 2004
Framework Agreement for Comprehensive Economic Cooperation between India and ASEAN Nations	India, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	Signed on October 8, 2003
India-Singapore Comprehensive Economic Cooperation Agreement	India, Singapore	Signed on June 29, 2005
Negotiations with China PR	India, China PR	A Joint Study Group (JSG) set up in 2003, has recommended creation of an RTA
Negotiations with Republic of Korea	India, Republic of Korea	The JSG submitted its report on January 15, 2006 recommending formation of a CECA
Negotiations with Japan	India, Japan	JSG started functioning in June 2005 for considering the feasibility of a bilateral Economic Partnership Agreement
Negotiations with Malaysia	India, Malaysia	JSG is working to analyze the feasibility of a bilateral CECA

Free Trade Agreements/ Preferential Trade Agreements/ Regional Trade Agreements / Ongoing Negotiations	Member countries	Status
Cross-Region Negotiations		
Bangkok Agreement	Although a number of countries initially participated, the Philippines, Thailand and LAO PDR could not finally participate. Presently operational between five countries: Bangladesh, China, India, Republic of Korea and Sri Lanka	Signed on 31 July 1975. Currently the third round of negotiation is in progress since October 2001
Framework Agreement on BIMST Economic Cooperation FTA	Bangladesh, India, Myanmar, Sri Lanka and Thailand were original members. Later Bhutan and Nepal joined the group	Signed on February 8, 2004
Africa	***Africa***	***Africa***
South African Customs Union	Botswana, Lesotho, Namibia, South Africa, Swaziland and India	In 2002, a Joint Working Group (JWG) was set up to prepare a Draft Framework Agreement with a provision for a PTA. On July 28 2006, the Indian Cabinet cleared a proposal for a framework agreement aimed at promoting expansion of trade and providing a mechanism to negotiate a Comprehensive Free Trade Agreement (CFTA), within a reasonable time.

Free Trade Agreements/ Preferential Trade Agreements/ Regional Trade Agreements / Ongoing Negotiations	**Member countries**	**Status**
Latin America	***Latin America***	***Latin America***
PTA with MERCOSUR	Brazil, Argentina, Uruguay, Paraguay and India	A framework agreement has already been signed on 17 June 2003.
PTA with Chile	Chile and India	The PTA has been signed on 8 March 2006.

Compiled by authors from various official documents

Annex 4.3 - Comparison of the RCA of Indian Exports with IBSA Imports

SITC	India			Brazil			South Africa		
Code	1994	1998	2002	1994	1998	2002	1994	2000	2002
041	0.02	-	0.27	-	5.04	7.28	-	-	-
081	-	3.65	1.62	-	-	-	0.001	1.36	1.45
287	1.65	-	2.16	0.004	1.31	1.89	0.001	3.60	4.23
334	0.79	0.16	1.88	0.001	2.19	1.98	-	0.29	0.53
514	1.32	0.96	0.93	0.003	2.34	2.55	0.001	1.07	1.13
541	1.56	1.60	0.13	0.002	1.48	1.48	0.001	13.83	1.07
583	0.23	0.16	0.01	0.001	0.99	1.21	0.001	0.93	0.99
591	1.51	2.96	3.22	-	0.02	3.35	-	-	-
625	1.96	1.29	1.44	-	-	-	0.001	1.32	1.32
651	5.92	6.85	6.36	0.001	0.01	1.29	-	-	-
653	19.5	2.03	3.09	-	-	-	0.001	1.56	1.50
667	17.67	20.03	15.73	-	-	-	0.002	1.87	2.16
682	-	-	1.15	0.001	1.13	1.07	-	-	-
684	0.68	0.36	0.72	0.001	0.93	0.75	-	-	-
699	7.73	0.87	0.73	0.001	0.79	0.71	-	-	-
778	0.22	0.32	0.34	0.001	1.20	1.05	0.001	0.80	0.80
784	0.38	0.27	0.31	0.001	11.6	1.16	0.001	0.54	0.65
893	0.86	-	0.45	0.001	0.78	0.74	0.001	0.62	0.75

Annex 4.4 - Comparison of the RCA of Indian Imports with IBSA Exports

SITC	India			Brazil			South Africa		
Code	1994	1998	2002	1994	1998	2002	1994	2000	2002
057	1.94	1.73	1.15	0.001	1.02	1.23	0.003	5.60	4.53
251	1.69	1.66	1.60	0.13	6.53	6.12	0.10	5.80	3.32
287	0.78	1.43	1.97	0.002	2.18	1.80	0.01	8.20	7.05
322	5.01	4.90	4.00	-	-	-	0.01	20.60	20.26
334	4.68	3.81	1.16	0.001	0.40	0.77	-	2.02	1.31
335	2.48	6.30	4.71	-	-	-	-	3.12	3.13
423	-	7.48	5.75	0.01	6.99	8.61	-	1.72	1.27
511	6.10	3.67	2.16	-	-	-	0.01	7.11	6.38
522	7.57	8.54	5.53	-	-	-	0.001	2.37	2.62
562	7.34	5.78	2.00	-	-	-	-	0.44	0.43
583	1.14	0.82	0.56	0.001	0.60	0.54	-	0.87	0.92
598	0.82	1.12	0.76	-	-	-	0.001	1.24	0.96
641	0.56	0.73	0.52	0.001	1.22	1.02	0.001	1.13	0.99
651	0.83	-	0.95	-	-	-	-	-	-
674	1.60	1.12	0.95	0.002	1.39	1.21	0.001	1.97	15.61
728	0.77	0.77	0.78	-	-	-	-	0.63	0.52
749	1.17	1.22	0.90	0.001	0.64	0.67	-	-	-
764	0.39	0.40	1.05	-	0.18	0.71	-	0.25	0.19
778	0.47	0.46	0.50	0.001	0.47	0.36	-	-	-
792	1.79	0.27	1.00	-	1.23	2.41	-	-	-

Annex 4.5: Description of the SITC Product codes

041 Wheat and meslin, unmilled
057 Fruit and nuts, fresh, dried
081 Feeding stuff for animals (not including unmilled cereals)
251 Pulp and waste paper
287 Ores and concentrates of base metals, nes
322 Coal, lignite and peat
334 Petroleum products, refined
335 Residual petroleum products, nes and related materials
423 Fixed vegetable oils, soft, crude, refined and purified
511 Hydrocarbons, nes and derivatives
514 Nitrogen-function compounds
541 Medicinal and pharmaceutical products
562 Fertilizers, manufactured
583 Polymerization and copolymerization products
591 Pesticides, disinfectants
598 Miscellaneous chemical products, nes
625 Rubber tires, tire cases, inner and flaps, for wheels of all kinds
641 Paper and paperboard
651 Textile yarn
653 Fabrics, woven, of man-made fibres (not narrow or special fabrics)
667 Pearl, precious and semi-precious stones, unworked or worked
674 Universals, plates and sheets, of iron and steel
682 Copper
684 Aluminum
699 Manufactures of base metal, nes
728 Other machinery, equipment, for specialized industries, parts nes
749 Non-electric parts and accessories of machinery, nes
764 Telecommunication equipment, nes; parts and accessories, nes
778 Electrical machinery and apparatus, nes
784 Motor Vehicles parts and accessories, nes
792 Aircraft and associated equipment, and parts thereof, nes
893 Articles, nes of plastic products

Annex 4.6: The Potential intra-IBSAC Offers on TF (Indian Perspective)

Proposals based on Article X

Advance Rulings

India has set up the Authority for Advance Ruling by the Finance Act (1999). The scheme of advance ruling has become fully operational from 4th February 2004. The ruling by the Authority can be on classification, valuation and applicability of duty exemption in respect of export, import, production and manufacture. Despite this positive move, the scope of advance ruling has been limited. *Here Brazilian and South African firms are actually at an advantage. Only foreign firms which want to invest in India through joint ventures or wholly owned subsidiaries, or Indians who are getting into joint ventures with foreign firms can ask for advance ruling, such a provision is not made available to a solely-Indian owned company. This can be extended to Indian firms importing from Brazil and South Africa for those cases that involve import of goods from these countries and the respective tow countries.*

Use of Electronic Media

The Central Board of Excise and Customs (CBEC), the Directorate General of Foreign Trade (DGFT) and the Reserve Bank of India are using the electronic media very widely for dissemination of information, though there is room for improvement. Some positive suggestions include the use of online training modules for private stakeholders, guidelines for best practices on the website and interfaces for information at the regional Port/Airport level. *For IBSA trade this information should be made available in Portuguese and Spanish as well. The cost of such a translation would at best run into a few lakhs.*

Enquiry Point

As of now there is no officially designated inquiry point for traders. India should immediately start work on creating such a single window enquiry point that is online (this feeds into the use of electronic media). Such a single window system will go a long way in reducing information costs of trade in India. *As in the previous case this should be made available in Portuguese and Spanish as well. The cost of such a venture would again at best run into a few lakhs.*

Consultative Mechanism

The Kelkar Committee Report recognised the acute need for a consultative mechanism, and thus recommended, '*An institutional mechanism, namely Standing Committee on Procedures chaired by Chairman CBEC and including trade and industry representatives, should be established to identify and resolve the problem areas in present procedures and evolve new procedures on a need basis*'. While the Government has accepted the recommendations of the Kelkar Committee Report, it is yet to fully implement many recommendations made by it. *For IBSA trade at least an ad hoc committee can be set up.*

Appeals

India has an excellent institutional mechanism dealing with appeals protesting the decision of authorities dealing with customs and related assessment problems. The mechanism allows appeals at various levels up to the highest of Supreme Court. The right to make such appeals is enshrined legally under the aegis of the Customs Act of 1962. However, it must be kept in mind that the transaction costs (including the cost 'time' element) in legal disputes in India are substantial and are often beyond small to medium players. Initiative should be taken to evolve some sort of mechanism whereby most minor disputes in terms of valuation and assessment are dealt with expeditiously. Here again an *ad hoc* tribunal may be set up to try cases dealing with IBSA trade *with the provisio that its rulings need not form precedents for future rulings when the Institutional Mechanism is formalised and finally set up.*

Proposals Based on Article VIII

Article VIII of the GATT requires contracting parties to impose fees and charges in relation to import and export in a manner that it is limited to the cost of service provided. It also requires parties to recognise the need for reducing the number and diversity of fees and charges and the incidence and complexity of import and export formalities. Article VIII also provides an illustrative list of the types of fees and charges, formalities and requirements relating to consular transactions, statistical services, analysis and inspection, and licensing which are imposed by governmental authorities beyond Customs.

Levy of Fees and Charges

While most fees and charges imposed by authorities in India are indeed nominal and based on the cost of actual services provided, there are some anomalies, i.e., some fees and charges are based on the value of goods (i.e., *ad valorem*). It is important that such anomalies are removed from the system.

Provisions to Reduce Documentation Requirements

India has taken a significant step towards reducing documentation requirements through the harmonisation of the customs code. Since February 2003, classification codes at the eight-digit level used by the CBEC (for purposes of tariff), the DGFT (for purposes of determining importability/exportability) and DGCI&S (for statistical purposes) have been unified to evolve a Combined Nomenclature based on the HS classification.

Standard Processing Times

The CBEC has set basic guidelines on standard processing times. However, it must be kept in mind that such guidelines serve only as an intention on the part of CBEC. India has several customs stations and the level of infrastructure varies considerably between them. In order for India to fully implement such guidelines, substantial investment will have to be made in various fronts, including the provision of physical infrastructure and training for personnel. It is obvious that India will require help on such capacity building activity. *This is also true for Brazil. There is little India can offer at this specific time to help IBSA countries on this count although bulk items like slag and ores will form part of trade.*

The Use of International Standards

In order to fully meet International Standards as set by the Revised Kyoto Convention, India will need to implement several reforms in the area of customs administration. Such reforms will involve the following:

- Upgrading the existing EDI system to move towards a totally paperless mechanism for declaration. It should also create mechanism to incorporate the latest technology for online payment of duty. Another major feature should be an interface that allows interconnectivity of the EDI to all ports and airports, not stand-alone system as are now in place.
- Incorporating the best practices of risk management and assessment systems in the customs administration, as envisaged by the Kelkar Committee recommendations.
- Move towards and universal Green Channel system.

Annex 6.1: An Analysis of Trade Scenario between India, the Potential Partners and IBSAC tow markets

Countries	Export				Import			
	1996-97		2004-05		1996-97		2004-05	
	Share	Rank	Share	Rank	Share	Rank	Share	Rank
West Asia								
Afghanistan	0.0679	78	0.1958	61	0.0078	100	0.0424	67
Bahrain	0.1875	55	0.1868	62	0.3393	37	0.1030	52
Kuwait	0.4623	37	0.5056	37	2.4253	12	0.2721	38
Oman	0.3495	43	0.3203	46	0.0309	79	0.0182	90
Qatar	0.0953	68	0.2519	54	0.3140	39	0.5864	27
Saudi Arabia	1.7245	16	1.7124	14	4.6500	6	1.1580	19
United Arab Emirates	4.4100	6	8.8638	2	3.3929	8	4.1833	4
Total	*7.2970*		*12.0366*		*11.1602*		*6.3634*	
South Asia								
Bangladesh	2.5962	10	1.9947	12	0.1590	50	0.0543	64
Bhutan	0.0657	81	0.1050	78	0.0863	60	0.0650	62
Maldives	0.0310	97	0.528	98	0.0004	130	0.0005	157
Nepal	0.4951	33	0.9226	25	0.1637	49	0.3168	35
Pakistan	0.4697	36	0.6323	34	0.0924	58	0.0849	56
Sri Lanka	1.4264	20	1.6827	15	0.1095	57	0.3338	34
Total	*5.0841*		*5.8653*		*0.6113*		*0.8553*	
East And South-East Asia								
Australia	1.1513	24	0.8570	26	3.3660	9	3.2817	8
Brunei Darussalam	0.0180	108	0.0061	160	0.0001	142	0.0005	159
Cambodia	0.0047	141	0.0212	125	-	-	0.0002	167
China, PR	*1.8369*	*14*	*6.6363*	*3*	*1.9342*	*17*	*6.2002*	*2*
Indonesia	1.7683	15	1.6086	17	1.5257	19	2.3234	12
Japan	5.9933	3	2.5072	10	5.5899	4	2.8780	10
Lao People's Democratic Republic	0.0011	184	0.0031	166	-	-	0.0000	183
Malaysia	1.5869	17	1.2952	19	2.8194	11	2.0577	13
Mongolia	0.0021	168	0.0017	176	0.0001	136	0.0002	171

Countries	Export				Import			
	1996-97		2004-05		1996-97		2004-05	
	Share	Rank	Share	Rank	Share	Rank	Share	Rank
Myanmar	0.1350	61	0.1362	69	0.4528	34	0.3651	30
Philippines	0.5487	31	0.4906	38	0.0420	72	0.1666	43
Republic of Korea	1.5491	18	1.2367	20	2.2580	14	3.1412	9
Singapore	2.9204	8	4.7491	4	2.1494	16	2.3675	11
Thailand	1.3358	21	1.0921	23	0.5039	32	0.7636	23
Vietnam	0.3528	42	0.6604	32	0.0043	105	0.0743	59
Total	*19.2044*		*21.3015*		*20.6458*		*23.6202*	
Africa								
Botswana	0.0020	170	0.0091	148	-	-	0.0004	163
Mauritius	0.4820	34	0.3085	47	0.0102	92	0.0065	113
Namibia	0.0028	161	0.0085	152	0.0001	140	-	185
South Africa	*0.9447*	*26*	*1.1919*	*22*	*0.8204*	*25*	*1.9812*	*15*
Swaziland	0.0086	130	0.0276	115	0.0182	84	0.0028	127
Total	*1.4401*		*1.5456*		*0.8489*		*1.9909*	
Latin America								
Argentina	0.1753	57	0.2245	56	0.5144	30	0.4762	29
Brazil	*0.3959*	*41*	*0.8179*	*28*	*0.3900*	*35*	*0.7115*	*25*
Chile	0.1974	53	0.1312	71	0.2495	43	0.3149	37
Paraguay	0.0186	107	0.0142	135	0.0004	129	0.0025	129
Uruguay	0.0480	93	0.0297	111	0.0038	106	0.0036	122
Total	*0.8352*		*1.2175*		*1.1581*		*1.5087*	
Overall	**33.8608**		**41.9665**		**34.4243**		**34.3385**	

Constructed from India's Trade Data

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IBSAC (India, Brazil, South Africa, China): A Potential Developing Country Coalition in WTO Negotiations

Summary

The Doha Round of WTO trade negotiation is currently witnessing a deadlock, owing to the divergence of opinions between the developed and developing countries on future reform modalities. The deadlines for conclusion of the negotiation, as set by the WTO after the Hong Kong Ministerial (2005), have already been missed. While the blame game between the developed and developing countries is on, it cannot be denied that the absence of multilateral trade reform is hurting the interests of the developing countries more as compared to their developed counterparts. Therefore, it is imperative that the developing countries with similar trade interest come closer and jointly negotiate with developed countries in order to extract maximum benefits.

Developing country negotiating blocs at the multilateral trade forums is not something new. However, with the rising market share of the developing countries in world trade, both in case of merchandise products and services trade, their presence in the negotiating forum is more noteworthy vis-à-vis the same observed during the Uruguay Round. The recent developing country blocs with sectoral focus like G-20 and G-33 on agriculture, NAMA-11 on industrial products and G-24 on services could be quoted in this context. However, it has been argued that drafting a negotiating agenda which will be suited to a large number of developing countries and the LDCs on agriculture, manufacturing and services is quite difficult, while doing the same by a smaller group of developing countries at a comparable level of development is much easier. India, Brazil, South Africa and China (IBSAC), the four leading developing countries, could form one such group.

The current paper analyzes the ongoing collaborations between the IBSAC countries on various issues and looks into the possibility of the formation of a formal IBSAC bargaining coalition in the coming future. It further considers the possibility of strengthening the bond between the IBSAC countries through formation of a Free Trade Area (FTA) or by entering into a Trade Facilitation Agreement (TFA). It concludes that while the IBSA collaboration seems more likely, the participation of China in this proposed initiative is expected to be limited and issue-based, depending on its perceived gains from that move. 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.

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