

IBSA: A State of the Art

Lyal White¹

Introduction: A coalition of the willing, *not* of equals

The India–Brazil–South Africa (IBSA) forum, which brings together three of the worlds most vibrant and globally active democracies from the developing South, was launched in Brasilia in June 2003. Viewed as a political initiative, with a strong emphasis on multilateral coalition building, IBSA prioritises the developing South and aims to elevate the issues and concerns of developing countries on the global agenda. Given its collective size and relevance in the global political economy, IBSA provides a unique opportunity to move core countries of the South to the centre of the new and emerging global order.

IBSA is best described as an alliance of like-minded countries that share similar interests, skills and needs. It is a geopolitical arrangement underpinned by political symbolism, which has provided a unique negotiating caucus in multilateral fora.

Celso Amorim, the Brazilian foreign minister, has described IBSA as a coalition of democracies that are at the same stage of development. All three countries share multiethnic and multicultural population dynamics. These dynamics have encouraged policies of social inclusion in each of the countries and prioritised such issues on the broader IBSA agenda. This was articulated at a conference held in Rio de Janeiro in 2005 through the slogan ‘economic growth and social equity’, which unofficially marked the two-year anniversary of the initiative.

¹ LYAL WHITE is a Research Associate at the South African Institute of International Affairs (SAIIA), based at the University of Witwatersrand, Johannesburg. He is currently lecturing International Political Economy at the University of Cape Town. This paper is an updated and augmented version of an article that is soon to be published in the *South African Year Book of International Affairs*.

Despite IBSA's initial *raison d'être*, based on political co-operation and UN Security Council reform – not to mention the campaign for access to anti-HIV medications led by Brazil - a new impetus toward alternatives for development and economic reform has emerged in trilateral discussions. In this regard — with an emphasis on alternatives for rapid economic growth — IBSA does suggest alternatives to the currently accepted economic orthodoxy, debunking some of the approaches to development advocated by credit lending agencies and countries of the North for the developing world.

The most recent IBSA gatherings have revealed staunch commitment to issues related to the fields of technology and renewable energy. Logistics and trade facilitation have also emerged as a top priority and the alliance is looking for new areas to extend its previous success around multilateral trade issues.

While the pharmaceutical patents dispute for anti-HIV medication could be regarded as the first tangible victory for IBSA – and an issue that initially drove the members closer together – critics around the world spoke of yet another ephemeral coalition in the South.² But despite its broad agenda IBSA has resisted widening its membership. The amorphous nature of Southern coalitions is a characteristic that has detracted from the effectiveness of previous South-South initiatives. The group has thus – within its broad agenda – identified specific areas of concern related to the multilateral trade agenda, health and patents where they can build on previous successes. Such efforts should add meaning and the perception of constructive engagement to the coalition.

One such example, highlighted at the most recent annual IBSA meeting of foreign ministers in Rio de Janeiro in March 2006, is around the proposed European Union Registration, Evaluation and Authorisation of Chemicals (REACH) legislation. As in the case of the pharmaceutical patents dispute, which was in response to the US, the

² The patent dispute and other salient aspects of the coalition are discussed in some detail in Fernandes de Oliveira, M (2006), 'International strategies and the South-South dialogue in the Lula administration: lasting alliances or ephemeral coalitions?' In Villares, F (ed.), 'India, Brazil and South Africa: perspectives and alliances.' IEEI: Sao Paulo.

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collective action of the IBSA countries will be geared to oppose the REACH proposal as it is believed to have negative implications on the development goals of the south.

But while IBSA countries clearly do have a common point of departure, it is a gross misconception to regard this as an arrangement among equals. IBSA is by no means a trilateral partnership between countries of equal size or dimension.

India has a population of 1.1 billion people, while Brazil's population is 184 million and South Africa's is 45 million. The economies of India and Brazil are roughly the same size at about \$690 billion and \$604 billion respectively. But South Africa's economy is far smaller at \$212 billion. This scenario is reversed in terms of per person income, where South African individuals are more than four times as wealthy as their counterparts in India. Brazil hovers somewhere in between.

Brazil's debt exceeds \$170 billion — roughly 30% of its gross domestic product (GDP) — while the value of South Africa's debt is around \$20 billion and India's is around \$115 billion, or less than 20% of its GDP. In terms of total trade, once again Brazil and India are on a par with trade in the region of \$130 billion, but South Africa's total trade barely exceeds \$70 billion. Foreign direct investment is widely disparate, with Brazil exceeding \$18 billion, India just above \$5 billion and South Africa recording less than \$600 million of FDI inflows during 2004.

The countries' poverty indices are collectively troubling, but once again lack stark similarities. In terms of income distribution, there are great disparities in Brazil and South Africa, which respectively measure 59.3 and 57.8 on the Gini index (where 100 means absolute inequality and 0 means absolute equality). India fares better at 32.5, but is quite low on the UN human development ranking at 127th out of 177 countries. South Africa is in 120th position — primarily due to the devastating effects of HIV/AIDS on life expectancy — while Brazil occupies 63rd place.³

³ This information was extracted from Le Pere G & L White, 'IBSA is about more than just trade', *Business Report*, 25 October 2005, and www.worldbank.com

Table 1: Basic economic and demographic data			
	South Africa	Brazil	India
Population (2004)	45.5 million	183.9 million	1.1 billion
GDP (current \$) (2003)	212.8 billion	604 billion	691.2 billion
GNI* per person (current \$) (2003)	3,630	3,000	620
Total exports (\$) (2004 est.)	41.97 billion	95 billion	69.18 billion
Total imports (\$) (2004 est.)	39.42 billion	61 billion	89.33 billion
Long term external debt (\$) (2004)	20.06 billion	171.7 billion	115.2 billion
High-technology exports of manufactured goods (2004)	5.1%	19%	4.8%
FDI** (net inflows in reporting country) (current \$) (2004)	585.0 million	18.2 billion	5.3 billion
Industrial production growth rate (2004 est.)	5.5%	6%	7.4%
Aid per person (current \$) (2003)	13.6	1.7	0.9
Foreign exchange and gold reserves (\$) (2004 est.)	11.68 billion	52.94 billion	126 billion

Source: World Bank, World Development Index (WDI) and *CIA World Fact Book*

* Gross national income

** Foreign direct investment

These disparities aside, IBSA does seem to possess a coherent partisanship and its real strength lies in the narrow membership and a common position in international forums. The leverage and combined weight of these three countries is unprecedented in any previous examples of South–South co-operation. IBSA’s success will depend on its ability to focus on clear and possible areas of collaboration and avoid — or simply delay — those areas of controversy that tend to hold up the process of integration.

Once collaborative projects in areas of mutual interest are under way, member countries can begin pursuing more sensitive subjects that may deliver greater tangible returns such as a trilateral trade and investment agreement, UN Security Council reform or even membership expansion that will include other countries from the developing South.

IBSA's origins in the context of South–South co-operation

India, Brazil and South Africa have, for a long time, led various South–South initiatives in the Atlantic and Indian Ocean rims. Both the Zone of Peace and Co-operation of the South Atlantic (ZPCSA) and the Indian Ocean Rim (IOR) were highly ambitious but dismally unsuccessful initiatives. As with previous South–South groupings, like the G77 in the 1980s, an excessively large and amorphous membership with an equally broad agenda prevented any constructive progress or outcome beyond the endless talk shops around grand meetings held year after year.

IBSA is different. It brings together the leading countries of the ZPCSA initiative in the west and its 'eastern wing' equivalent, the IOR, under a more clearly stipulated agenda and narrow membership base. More importantly, political commitment to this process is clearly evident, with member countries prepared to invest more than just time and effort in it.

To be sure, IBSA can be distinguished from previous 'dialogues between developing countries' or 'coalitions of the south', which were characterised by amorphous memberships and based on ideological differences. However, IBSA does not see itself as an alternative to previous South–South initiatives, but rather as a constructive stepping stone to broader and deeper co-operation. It strives to facilitate effective engagement on the Southern axis in an effort to address globally relevant issues from a development perspective. It is clear that the members of IBSA are committed — apparently with unwavering political will and determination — to finally create a successful South–South alliance capable of delivering over and above the rhetoric that has become synonymous

with South–South dialogue, and that has offered few or no responsive solutions to the plight of the developing world in the past.

The implicit challenge remains: in the context of south-south relations, IBSA needs to prove rhetorical co-operation and co-ordination in the multilateral realm can extend to commercially viable trade and investment agreements. It needs to evolve beyond just another ‘forum for dialogue’ and constructively address some of the many obstacles hampering commercial, political and cultural ties between countries of the south.

For IBSA to make a difference, it needs to ‘translate lofty ideals into tangible initiatives’, and this will essentially determine its success in the global context. However, moving beyond ‘grand principles’ of poverty eradication, social justice and equitable globalisation to deliver real commercial benefits, balanced trade and political agreements that will have a global impact is difficult to achieve.⁴ The process requires a clear focus and detailed action plan, and once this is firmly in place, tangibles are likely to follow.

The functioning of IBSA

Since its launch, which marked the first Trilateral Commission meeting in Brasilia in 2003, IBSA has held three more annual meetings. The first took place in New Delhi in 2004, the second in Cape Town in 2005 and finally Rio de Janeiro in March this year. The focus has been less on formal institutions and procedures than on defining areas of mutual interest and co-operation. During the meeting in New Delhi, a broad Agenda for Co-operation was established and synthesised into a long and ambitious Action Plan. The areas of focus for broad co-operation among the IBSA members were reiterated in Cape Town. They include:

- multilateralism and multilateral co-operation;
- peace and security;
- terrorism;

⁴ See Gruzd S, ‘The emboldened triangle’, *SAIIA E-Africa*, March 2004.

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- globalisation;
- sustainable development; and
- social development.

These broad areas of co-operation were further defined into a more digestible and functional Action Plan. The Action Plan targets specific sectors with the intention of creating various trilateral intersectoral relations. This direct approach — underpinned by interpersonal exchanges with counterparts from the partner countries — creates a number of sub-IBSA sectoral forums that feed into the IBSA process and enables a more constructive engagement that is likely to produce tangible results over a shorter period of time. The Action Plan, which is divided into 13 working groups according to existing government departments or domestic priorities, includes:

- transport (civil aviation and shipping);
- tourism;
- trade and investment;
- infrastructure;
- job creation and small, medium and micro enterprises (SMME);
- science and technology;
- information society;
- trilateral memorandum and co-operation on the information society;
- health;
- energy;
- defence;
- education;
- alleviation of poverty and hunger; and
- governance.

Despite this innovative approach to engagement, IBSA still cannot seem to shed the broad agenda that has characterised so many South–South initiatives before it. Critics

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argue that with such an agenda and overloaded action plan that includes everything from health and tourism to small business development, IBSA lacks a clear strategic focus and is unlikely to deliver concrete results any time soon.

Meanwhile officials continue to emphasise that IBSA is still ‘in its infancy’. But all agree that tangible results are needed sooner rather than later to galvanise the political affinity on which the alliance is based. This was clearly articulated during the recent meeting in Rio, where a focused approach to addressing some of the more pressing issues was assumed. This involved pinpointing some pertinent issues that will deliver results on both the multilateral and trilateral front.

Three years on, participating government departments, and particularly Brazil, insist that substantial progress is being made. Most working groups in the action plan have met at least once and are progressing with memorandums of understanding (MOUs). The science and technology working group is the most advanced and bio-energy is progressing at a healthy rate. Transport has recently signed agreements to establish direct and frequent air links between IBSA countries and is looking at ways to improve shipping routes. The working group on health has identified HIV/AIDS as an area of mutual interest and members are collaborating efforts and exchanging experiences of best practice. Education, culture, tourism and the information society have also made notable progress through a variety of collaborative projects and events – including the launch of an official IBSA website. The working group on trade and investment is currently exploring a trilateral free trade zone based on established bilateral trade agreements between India, Brazil and South Africa and it has indicated that negotiations for this will start during the course of 2006.⁵

In the context of commercial exchanges, a Business Forum was set up at the trilateral IBSA commission in Cape Town in early 2005. The Business Forum met in parallel with

⁵ This information is based on a presentation made by Ambassador Pedro Motta Pinto Coelho, the under-secretary-general for Africa, Asia, Oceania and the Middle East at the Brazilian Foreign Ministry, at an IBSA seminar hosted by the Instituto de Estudos Economicos e Internacionais (IEEI), Sao Paulo, Brazil in August 2005.

the Trilateral Commission in Rio de Janeiro in March and will continue to do so each year. Its aim is to encourage commercial exchanges between the IBSA countries and improve trade and investment flows. This is a mammoth task since - according to some surveys - as many as 80% of businesses interviewed were unaware of IBSA, and of those that knew of the alliance most perceived it as a negative 'geopolitical' initiative that seeks business support but offers little in terms of commercial opportunities, due to the lack of economic complementarities between the three countries. Economic exchanges between the IBSA countries are low and it is this aspect of the alliance that attracts most criticism around IBSA.

Under the leadership of President Luis Inacio 'Lula' da Silva, Brazil has become the driving force behind IBSA and apart from formal interaction in the various working groups, Brazil has facilitated a range of second track initiatives around IBSA and the broader South-South dialogue. This has involved a range of thinkers and other interested parties from civil society that have contributed to the process and helped build a better understanding among the three countries involved.

While South Africa may have initiated the trilateral relationship early in 2003 (following the absence of any visible progress in both ZPCSA and IOR, not to mention the dismal track record of other South-South dialogues) and the country certainly plays an important facilitating role in IBSA — given its geographical positioning directly between Brazil and India — Brazil's contribution to IBSA to date far outstrips that of South Africa and India. Brazil certainly does appear to be the clear leader of the process, despite (or perhaps due to) the absence of an IBSA chair, secretariat or any other formal institutions.

Tangible incentives: Beyond just trade and investment in IBSA

Trade and investment flows between India, Brazil and South Africa have never been significant. Despite numerous bilateral efforts — not to mention unilateral liberalisation by all three IBSA countries — which have helped generate an increase of nearly 600%,

trade remains relatively small when compared with traditional partners in Europe, North America and Asia. Total trilateral trade in 2004 reached just \$3.9 billion.

	1994	1996	1998	2000	2001	2002	2003	2004
Brazil–South Africa	451.21	706.94	503.88	539.40	626.29	662.45	932.93	1,281.61
Brazil–India	613.73	353.7	415.82	442.02	905.14	936.85	836.081	1,349.95
India–South Africa	266.75	571.18	626.43	684.89	688.22	662.75	800.00	1,271.53

Source: UN Com Trade

While many regard the trade and investment dimension of IBSA as the most important element of the alliance, it is also the primary source of pessimism surrounding the initiative. An advancing trade and investment agenda is still construed as a sign of real progress that will deliver tangible results.

But while inter-IBSA commercial exchanges are one of the priorities in the IBSA process, it should be remembered that it is merely one of many undertakings in a multidimensional initiative. Trade is important. But India, Brazil and South Africa are not natural trading partners and the limits to commercial activities between IBSA countries should be recognised. It is also important to identify specific areas of commercial interest — perhaps niche opportunities in which India, Brazil or South Africa possess a competitive advantage or a high degree of specialisation. This, no doubt, is an area of priority for the IBSA Business Forum.

There is far more to IBSA than just trade and investment. IBSA provides an historic opportunity to intensify South–South dialogue through various forms of co-operation and exchange. This nuanced approach to collaborative development in a globalised system encourages the transfer of knowledge, technology and know-how among the core

countries of the developing South, generating new and improved capacity in alternative growth sectors of the economy. This is where the real opportunity lies and will, eventually, generate substantial commercial exchanges among IBSA countries.

IBSA: A catalyst for multilateral coalition-building

Few will dispute the political momentum IBSA has generated in the South and its success in coalition building in the multilateral arena. Nowhere is this more evident than in the World Trade Organisation (WTO). IBSA, which has been described as the ‘central axis of the South’ and the ‘hard core’ of the Group of 20 developing nations (G20) in the WTO has played a pivotal role in shaping the global trade agenda over the past three years.

In 2003, the G20 brought the Doha round of negotiations to a halt in Cancún by refusing to proceed unless the gradual liberalisation of agricultural subsidies in the US, Europe and Japan was included in the talks. The G20 also rejected the Singapore issues, which include trade facilitation, transparency in government procurement, competition policy and investment.

This was the first coalition of developing countries to directly confront the developed world in such a robust and direct manner, and is widely seen to represent a victory for the developing South. The G20 has successfully altered the global trade agenda and has forced the developed countries of the North to re-evaluate their trade policy and agricultural subsidies in particular. Its presence continues to influence the multilateral trade environment and its legacy of reviving the South at the Cancún round represented a significant breakthrough for South–South co-operation.

At the most recent Trilateral Commission in Rio de Janeiro, Minister Dlamini-Zuma of South Africa directed the groups attention to a new issue on the multilateral front – the proposed EU REACH legislation. REACH will have a direct impact on chemical, metal and mineral exports to the EU, which are primarily exported from less developed

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countries. Such legislation is likely to have a direct impact on the millennium development goals (MGDs) of the south and will no doubt be taken up by the IBSA countries at the WTO level.

Political co-operation and the collective weight of the IBSA countries in multilateral forums are intended to initiate reform in prominent institutions like the WTO and the UN and, in the process, help strengthen the multilateral system in general.⁶

With regard to the UN, the intention is to ‘make it more democratic and responsive to the priorities of its member states, particularly those of the developing countries that constitute the vast majority of its membership.’⁷ In essence, IBSA would like to see a UN — and particularly the UN Security Council — more representative of ‘present-day realities’.⁸ However, it should not be forgotten that all three nations desire a permanent seat in an expanded UN Security Council, which many argue provided the initial impetus for forming IBSA.

Recent developments on this issue have brought to the fore a range of complications and some political sensitivity associated mostly with the permanent seats on the Security Council. For this reason, this issue seems to have fallen behind other imperatives on the IBSA agenda.

Concluding remarks: Prioritising economic development and social equity for the future of IBSA and its members

IBSA priorities seem to be converging toward a focus on economic development and social equity. This is within the original parameters that were sketched out by the Agenda for Co-operation in New Delhi, but places less emphasis on controversial items such as the UN Security Council reform and certain trade-related deliverables. Within this refined

⁶ See Draper P, G Mills & L White, ‘Much ado about something? Assessing the potential of the India–Brazil–SA Forum’, *SAIIA Report*, 46, 2004.

⁷ See ‘Agenda for Cooperation’, released after the ministerial meeting in New Delhi, at <http://www.mre.gov.br>.

⁸ *Ibid.*

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agenda, IBSA appears to be more seriously concerned with the domestic issues of its member countries — relating these directly to broader IBSA priorities — as well as taking careful cognisance of the developing world's perceptions of IBSA.

One initiative in particular is the creation of an IBSA Development Fund, reserved exclusively for small to medium-sized development projects in the most impoverished countries in the developing world. IBSA members have contributed equal amounts to a central fund and ongoing contributions will be made annually. External development agencies, donors and the private sector are also encouraged to contribute to the fund. The first development project is under way in Guinea Bissau, with others planned in Haiti, Laos and Palestine. The IBSA fund could go further by linking up with other development initiatives like the New Partnership for Africa's Development (Nepad). This would go a long way in bringing IBSA closer to continent-wide and regional development projects, the principles and objectives of which closely correspond to those of IBSA. It would also earn IBSA greater recognition in the developing world.

An important aspect of economic development, as seen by IBSA, is to improve co-operation and exchange in specific areas related to technology, energy, biotechnology, services and the information and knowledge industry. This will help stimulate local development in existing industries, build capacity in those sectors limited by national borders and local markets, encourage progressive and technology-driven development among IBSA countries, transfer existing knowledge and know-how among members and shift the financial and economic dependency from the developed North. This should encourage longer-term commercial incentives, which will bring with them inter-IBSA trade and investment and greater social equity at home.

In terms of the immediate trade and investment agenda, while a trilateral trade agreement has been eluded to on numerous occasions, such an ambitious undertaking is unlikely to materialise between these three countries, which are technically bound to existing regional trade blocs. A more realistic approach could be directed toward trade facilitation. This includes improving transport (air and maritime) and infrastructure links between

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India, Brazil and South Africa as well as port facilities and additional services for IBSA-based companies. These are issues that are currently under intensive discussion and is clearly an area where the political workings of IBSA can contribute to constructive commercial exchanges.