

## **IBSA has proved to be a successful trilateral trade axis**

Written by [Huma Siddiqui](#) | Updated: May 22 2008, 02:58am hrs

The IBSA initiative that aims to extend South-South cooperation is beginning to take shape five years after it was initiated. At the recently concluded fifth IBSA ministerial commission meeting at Somerset West in Cape Town earlier this month, external affairs minister Pranab Mukherjee observed that, IBSA has completed an important section of its journey in the past five years . We have been able to move working together hand-in-hand to a stage where the concept has begun taking concrete and tangible form.

Mukherjee was joined by his counterparts--the minister of external relations of Brazil, Celso Amorim, and the minister of foreign affairs of South Africa Nkosazana Dlamini Zuma in reaffirming faith in the initiative. For IBSA to succeed, a substantive economic undertaking is required by all governments. The IBSA formation, started in 2003, has now gained momentum as a cross-continental, trilateral forum that is now beginning to be noticed by the rest of the world.

In terms of trade widely seen as probably the most important for the trilateral axis the combined value at the end of last year had reached over \$10 billion. This means that the three countries could feasibly see their target of \$15 billion in turnover from combined trade by 2010 being exceeded.

The meeting of the three countries at the ministerial level comes less than one year since a meeting in New Delhi, India, and precedes the third IBSA presidential summit scheduled for New Delhi in October.

The second summit of IBSA, which has 10 working groups that bring together senior officials from the three countries, providing focal points of convergence was hosted by South Africa last year.

However, connectivity problems still remain. To take forward a unique initiative in South-South economic cooperation, India-Brazil-South Africa Business Council held a workshop on connectivity where the countries along with the industry captains discussed the absence of adequate transportation facilities among the IBSA members.

The meeting was attended by representatives from the five-member organisations of the IBSA Business Council and Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce and Industry of India (Assocham), Business Unity South Africa (BUSA), Confederation of Indian Industries (CII) and National Confederation of Industry of Brazil (CNI).

Senior FICCI officials told FE that the focus of the workshop was identifying opportunities and challenges for strengthening the trade and investment relationship between the three countries. The sectors discussed during the workshop included tourism, energy, mining, air transport, maritime transport and automotives.

The IBSA Business Council also began planning for its third annual meeting that is expected to be held from October 13-14 in New Delhi. If these are resolved, then it is expected to bring about greater interaction among the business communities, and the target will be easily achievable.

At the trilateral meet, the critical importance of transport in promoting trade, investment and people-to-people contact between the IBSA countries was recognised at this meet.

In this context, a working group was being set up to work towards finalising a five-year action Plan. Later this year, South Africa will be hosting a meeting of civil aviation authorities and public and private operators of the three countries before the third IBSA summit to discuss ways and means of improving connectivity amongst IBSA countries.

At the same time, the achievement of the Millennium Development Goals aimed primarily at dramatically reducing global levels of poverty and hunger and 2015, requires equity and transparency in international economic relations for developing countries.

To this end, the fifth IBSA ministerial meeting welcomed a commitment made by India, at the Africa-India Forum Summit held last month, to extend a duty-free tariff preference scheme to all the least developed countries, on the back of a similar commitment recently made by Brazil.

The three ministers also called on the worlds most developed countries - the industrialised North - to provide a substantial and effective reduction in overall trade distorting support, such as farm subsidies.

Trade between Brazil, India and South Africa also came into sharper focus, the three governments welcomed moves by their trade ministers towards harmonising progress made in preferential trade agreements between the South African Customs Union (SACU) and Mercosur, the Latin American trading bloc.

Similar progress in the India-Mercosur trade axis could then culminate in an India-Mercosur-SACU trilateral trade arrangement, which is likely to be ultimately crucial to the real fruition of the IBSA axis, with such an outcome being urged by the three ministers.

Mukherjee, during the meeting, said: I am also encouraged by the fact that investment is growing amongst us. This tendency needs to be encouraged. Economic growth cannot happen in isolation.

According to media reports, Brazils foreign minister Celso Amorim, who doubles up as his countrys trade minister, had said that what makes the IBSA grouping unique is that India, Brazil and South Africa (IBSA) are not merely diverse, multi-cultural developing countries but the three countries are all strategically located and important in their respective geographical regions.

However, what the business group pointed out was that although there is considerable scope for economic and technical cooperation among the three countries in areas such as energy, mining and aerospace, logistical drawbacks were hampering expansion of trade.

They urged their respective governments to improve air connectivity, maritime transport facilities and ease visa restrictions before the forthcoming IBSA Business Summit here, later this year.

According to the IBSA Business Council Declaration on Connectivity, the other area of cooperation identified by the group was skill development by providing incentives and subsidies to educational institutions in each country. More training programmes could be organised, it was stated.

On the trade and investment front, automobiles and pharmaceuticals were identified as the two industries with considerable scope for trilateral cooperation. This is a complex multilateral process since the agreements would not just relate to the three IBSA countries but many others in regional groupings, such as SACU or the South African Customs Union comprising South Africa, Botswana, Lesotho, Swaziland and Namibia and MERCOSUR or Mercado Comn del Sur comprising Brazil, Argentina, Uruguay and Paraguay.

Bolivia, Chile, Colombia, Ecuador and Peru currently have associate member status of MERCOSUR while Venezuela signed a membership agreement on June 17, 2006 however, before becoming a full member its entry has to be ratified by the Paraguayan and the Brazilian parliaments.

Investment relations among the three countries have been ad hoc and erratic: Indian pharmaceuticals producer Ranbaxy has a presence in both South Africa and Brazil and vehicle manufacturers Tata Motors and the Mahindra group have invested in South Africa. India, in turn, has received investments from South Africas diamonds major De Beers and SAB Miller in alcoholic beverages.

However, there have not been any major investments by Brazilian firms in either India or South Africa. According to a report released earlier this month, by the UN body ECLAC, based in Santiago FDI received by Latin America and Caribbean in 2007 was a record \$106 billion surpassing the previous record of \$89 billion in 1999. The main FDI recipient country in 2007 was Brazil, with \$34.6 billion, followed by Mexico (\$23.2 billion), Chile (\$14.5 billion) and Colombia (\$9 billion, Argentina- \$ 5.7 billion, Peru- \$5.3 billion. Brazil has come back to claim its top position after having been overtaken by Mexico in recent years.

While Brazil is the largest recipient of foreign direct investment after, India and South Africa are both conspicuous by their absence in that country. Language and cultural barriers have also to be overcome to enhance economic relations.

Brazils President Luiz Inacio Lula da Silva has said the IBSA initiative has the potential to alter the worlds commercial geography. But much needs to be done to remove transportation and logistical bottlenecks before such an ambitious goal is realised.

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