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GEEKONOMICS

Frank Flatters and Matthew Stern

THREE years ago saw the inception of the IBSA (India, Brazil and SA) initiative — a formal and strategic alliance between key developing countries in Asia, Latin America and Africa. The initial purpose was to raise the bargaining power of 'the South' against the richer nations of the North, particularly in World Trade Organisation (WTO) and United Nations (UN) discussions.

These worthy political motives, it seems, were not enough. Working-level discussions between the three countries have rapidly expanded to include science and technology, information technology, health, civil aviation and shipping, tourism, trade and investment, defence, energy and education. Specific programmes of action in all of these areas have apparently been drawn-up.

And if this expanded agenda were not enough to keep IBSA officials busy (or at least, out of their home countries) for the next few decades, member countries recently agreed to "the expeditious establishment of the working group to focus on the modalities of the envisaged India-Mercosur-Southern African Customs Union Trilateral Free Trade Area".

IBSA, it would seem, has grown in a very short period of time to include, well, everything.

Will IBSA ever transcend political rhetoric and deliver tangible economic benefits to its members and citizens? For once, we Geeks do not have to provide the answer to our own question. This is because the Indian minister of state for commerce has already delivered a cracker. According to Minister Jairam Ramesh: "From the economic point of view, IBSA is a little fictitious."

There are three main reasons why an IBSA-wide free trade agreement is unlikely to evolve from the dreams of ministers and their working groups and into the realm of nonfiction.

First, all IBSA countries are already absorbed in numerous bilateral, regional and multinational discussions.

For SA and Brazil, the member countries of SACU, which are Botswana, Lesotho, Namibia and Swaziland, and Mercosur (Argentina, Uruguay, Paraguay and Venezuela) would have to sign up to or endorse any new trade agreement.

So we are now talking about a much larger free trade agreement that involves at least 11 countries. In addition, SACU is currently involved in complex

negotiations with the European Union, the US and a host of smaller countries; as is Mercosur and India. And the Doha Development Round of WTO Negotiations is not quite done.

In short, there are just so many trade negotiations going around that anything new and tricky is likely to get lost in the muddle.

Second, tariffs in Brazil and India are relatively high compared to those in SA and most other meaningful economies.

Both countries also impose additional charges, and taxes in imports and customs procedures are somewhat nontransparent. This does not mean that a free trade agreement could not deliver real benefits. In fact, if IBSA does contribute to substantial tariff liberalisation and trade reform in Brazil and India, the gains to SA could be big.

But it is extremely unlikely that either of these countries will be prepared to make significant concessions in response to the demands of SA. At home, our negotiators have proven equally reluctant to make meaningful concessions in a past agreement with Mercosur.

At best, a partial and weak agreement would be the result.

Finally, while trade within IBSA has grown strongly over recent years, it remains insignificant relative to trade between member countries and their traditional trading partners.

India-Brazil trade grew from \$800m in 2002 to \$2,5bn last year, India-SA trade has grown from about \$2,4bn in 2003 to about \$4bn last year, and Brazil-SA trade was estimated at \$1,5 bn last year.

But in total, intra-IBSA trade accounts for less than 2% of the total trade of the three countries. If we are going to pursue preferential trade deals, then it is important to recognise that the big economic opportunities lie elsewhere.

India, Brazil and SA have an important role to play in promoting the interests of developing countries in the WTO, the UN and other international forums. Moreover, there is clearly renewed interest in fostering improved political and business links between the three countries and trade is growing strongly.

Trade and political co-operation is generally a good thing. But good relations do not depend on or require free trade agreements.

If IBSA is sincere about furthering the interests of the South in the global trading system, then it needs to take a more active leadership role in promoting multilateral trade liberalisation.

This should take place at the WTO, where all developing and least-developed countries are represented, or at home, where the Geeks have repeatedly drawn attention to the large gains that could arise from cleaning up our own tariff system.

||The real Geeks — Frank Flatters and Matthew Stern — are on holiday. This column was written by Nyarai Manyande, an economist at Development Network Africa, a private economic and development consulting firm (geeks@dnafrika.com).

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