

Dr. Alexandra A. Arkhangelskaya  
Head  
Centre for Information and International  
Relations  
Institute for African Studies  
Russian Academy of Sciences

30/1, Spiridonovka str.,  
Moscow, Russia, 123001  
Tel. +7 (495) 690 2752  
Mob. +7 903 148 3535  
e-mail: aarkhangelskaya@gmail.com

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### **IBSA – past? BRICS – future?**

#### **What is IBSA?**



«Dialogue Forum India, Brazil, South Africa» (IBSA) has arisen as a result of negotiations between the leaders of India - Atal Bihari Vajpayee, Brazil - Luiz Inacio Lula da Silva and South Africa - Thabo Mbeki during a summit «Great Eight» in 2003 in Evian. Officially, the establishment of a «Dialogue Forum India, Brazil, South Africa» was announced on June 6, 2003, by signing of «Brasilia Declaration» by the Ministers of Foreign Affairs of South Africa, Brazil and India.<sup>1</sup> The Declaration focused on issues of common concern including the reform of the United Nations, threats to security, social equity and inclusion, racial discrimination and gender equality. Thus, IBSA comes from the capitalization of three countries.

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<sup>1</sup> IBSA Dialogue Forum website: <http://www.ibsa-trilateral.org/>

The institutional mechanisms of the Forum include consultations at Senior Official (Focal point), Ministerial (Trilateral Joint Commission) and Heads of State and/or Government (Summit) levels. In addition, the Forum also facilitates interaction amongst academics, businessmen and civil society. IBSA keeps an open and flexible structure. It does not have a branch nor a permanent executive secretariat nor a formal document promulgating its organizational structure.

IBSA countries have an important geostrategic position, each on different continent. All three have ambitions of playing a leading role in their respective regions, as well as an important role in global affairs. IBSA, as an alliance of three highly diverse democratic societies, might best be viewed as a laboratory for exploring the future of democracy and international cooperation in the South.

IBSA's one of the main priorities in a political sphere is the reform of UN Security Council. Each of the Member States wants to take a permanent seat in the UN Security Council for its region.

IBSA member countries are standing in favor of increasing the availability and competitiveness of markets of developing countries, as well as of improving the foreign debt of poor countries. In addition to its increasing impact in the multilateral institutions all member countries are strategic partners of the European Union (EU).

IBSA's achievements can be distinguished by four poles - political achievements, working groups achievements in their respective areas of cooperation, IBSA Fund for Alleviation of Poverty and Hunger, and achievements in other issues.

The political results are evident in the joint positions that are expressed in the declarations of Heads of State and Government and Ministerial communiqués. Although the countries do not agree on everything, they agree on many things. Co-ordination is most evident at the UN, where there is a 96% vote convergence among IBSA countries and the reform of global institutions, especially the Security Council. IBSA countries lobbied for the reform of the UN to provide a stronger role to the developing countries, which comprise the majority of the world.



One of the main indicators of the effectiveness of the forum is trade indicators. It has grown impressively from \$3,9 billion in 2003 to just over \$10 billion in 2008. By this IBSA achieved its task to overpass the \$10 billion barrier by 2010. The new goal is set to an even more significant growth in trade within IBSA – \$25 billion in 2015<sup>2</sup>.

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<sup>2</sup> Alexandra A. Arkhangelskaya. India, Brazil and South Africa (IBSA) Dialogue Forum. A bridge between the three continents? Challenges, achievements and policy options. NAI Policy note. November 2010. ISBN 978-91-7106-679-4.

Sixteen working groups have been established in areas varying from science and technology to human settlements. The objective of these working groups is to find the projects in the established areas in which there can be effective exchange of knowledge and / or experiences.

The Brazilian Revenue Service, for example, has offered training on the IT technologies to its partners, and, in exchange, it has learned from the South African experience of setting up a specific unit to deal with large tax payers.<sup>3</sup> This exchange complements the traditional cooperation established between the Brazilian Revenue Service and that of countries like United States and France, because some of the problems Brazil's Revenue Service faces are more similar to those faced by India and South Africa.

The India, Brazil and South Africa (IBSA) Trust Fund demonstrates true potential of IBSA grouping. It was created in 2004 within the IBSA Dialogue Forum. The fund, managed by the United Nations Development Program (UNDP), allows the IBSA countries to initiate and finance poverty reduction projects in other developing countries. Each IBSA country contributes with US\$ 1 million per year to the Fund. The United Nations honoured the governments of India, Brazil and South Africa in New York by awarding IBSA the 2010 Millennium Development Goals Award for South-South Cooperation for its innovative and successful projects of the Facility for Poverty and Hunger Alleviation (IBSA Fund). This type of cooperation was recognised as «a breakthrough model of South-South technical cooperation». The Fund, administered by the United Nations, has created success stories in Haiti, Guinea Bissau, Cape Verde, Burundi, Palestine and Cambodia.

Through parallel academic, parliamentary and business forums, IBSA is also linked to civil society interests. India has made much progress in the area of inclusive economic growth by adopting rural employment guarantee schemes, where in every family at least one person is guaranteed 100 days of employment annually. This is one of the examples of the beneficial exchange of experiences between IBSA member countries. Other practices involve human resource development, equitable infrastructure, short term distress mitigation, grass roots institution building, environmentally – sound strategies, and integration into the knowledge economy.

IBSA has a large potential but converting it into results beneficial to the common man is the real challenge. There are several obstacles to achieving the intended goals - trade restrictions of other associations in which they are participating, the size of the economy of South Africa which is rather smaller than of the other members, the need to standardize internal processes, simplification of visa regime, the language barrier, the distance etc. For instance, India is directly involved in conflicts with its neighbors; South Africa is obligated to determine its policies with regard to the policies of SADC and AU.

That arises another challenge that is common to all three countries of IBSA Dialogue forum. None of them are clearly identified and respected to the fully as a regional representatives. For instance, South Africa is challenged by Nigeria, Egypt and others.

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<sup>3</sup> Paulo Sotero. Emerging Powers: India, Brazil and South Africa (IBSA) and the Future of South-South Cooperation. Special report Woodrow Wilson International Centre for Scholars. August 2009.

The economies' different sizes and degrees of global integration lead to different trade benefits. There are limited complementarities between the three markets, due to the fact that India, Brazil and South Africa produce similar goods and compete for access to the markets of the countries of the Organisation for Economic Cooperation and Development (OECD).

The agenda of IBSA forum also envisions the signing of trilateral agreements on free trade, although at present it seems unlikely. South Africa and Brazil are members in SACU and MERCOSUR, which forbid individual members to sign a free trade agreement with any other country without the free trade zone and its benefits to other members. This is one of the main obstacles to development cooperation within IBSA. MERCOSUR comprises Argentina, Brazil, Paraguay, Uruguay and Venezuela, with a population of 250 million people; SACU - South Africa, Botswana, Lesotho, Swaziland and Namibia, with a population of 51 million people.

Brazil proposed to unite the South American Common Market, the Southern African Customs Union and India in a single commercial space. It can be assumed that this will strengthen the role of India, South Africa and Brazil as the largest developing countries in international organizations. However, it is evident that the formation of such a union - a complex and lengthy process, which would require an agreed position of all stakeholders. The success of this project will completely reform the system of international relations. In particular, the countries of the South, provided that a single market of these countries will be able to compete with markets of the North, and if they will not dictate the terms, then they will have to talk on an equal footing. Thus, this process is unlikely to cause the approval and support from the North, in addition to its creation would require substantial resources.

### **What is BRICS?**



BRICS is a group of five fast-developing countries - Brazil, Russia, China, India, South Africa. For the first time an acronym BRIC was proposed by analysts from Goldman Sachs in November 2001 in a research note from that bank. According to experts of Goldman Sachs, by 2050 economies will exceed the total size of the economies of the richest countries (the Group of Seven). In December 2010, South Africa acceded to the BRIC countries and the formation has been transformed into BRICS.

Today BRICS combines three billion people (43% of the population) in the territory of 39.7 million sq.m. (more than a quarter of global land surface), producing almost 13 trillion. U.S. gross domestic product per year (21% of world production). Each of these five countries on three continents, has influence in their respective regions in particular and in the world.

It should be noted that analysts of Goldman Sachs did not assume the existence of economic policy coordination between the BRIC countries. Especially since it was not assumed that the

BRIC countries would form an economic bloc.<sup>4</sup> But over time, there were signs that the four BRIC countries are seeking to form a political club or formation to convert its growing economic power into greater geopolitical "influence." The first summit at the foreign ministers level was held in 2008 in Ekaterinburg, Russia, as well as the first Summit of leaders of BRIC countries in 2009, in 2010 in Brasilia, in 2011 in Sanya.

BRICS members are characterized as the most rapidly developing major economies of the world. Large number of important resources for the global economy provides an advantageous position for the states. The main common feature was that they are all developing countries with growing economies and influence, and they all strive for a free and more equitable agreement on global leadership, in which they and others will play an important role.

South Africa is one of the leading countries in Africa, its reputation is growing worldwide. November 12, 2010 at the G20 summit in Seoul, Republic of South Africa, formally expressed its wish to join the BRIC countries. South African President Jacob Zuma, in 2010 made an official visits to all four BRIC countries, expressing the priority of South African foreign policy - the inclusion of South Africa in the BRIC.



December 24, 2010 Minister of International Relations and Cooperation of South Africa, Maite Nkoana-Mashabane said that she has received notification by telephone from her counterpart Foreign Minister Yang Jiechi, according to which China, then chairman of the BRIC, in consultation with other member states invites South Africa to become a full member of the BRIC (BRICS). President Hu Jintao sent invitation to South African President Jacob Zuma, to take part in the BRICS summit in China in early April 2011.

Thus, the BRIC became a union, which now integrates into itself new states. It seems possible that in the near future BRICS will be even more expanded - countries which can be invited to the "club" - Indonesia, Turkey, Australia, Nigeria, Mexico.

South Africa's new economic policy is based on the experience of those countries that were able to maintain GDP growth above 7% per year for two decades - such as Brazil, China, Hong Kong, Singapore, Taiwan, Indonesia, South Korea and others. "New economic policy growth in South Africa needs to create the country's 5 million new jobs and reduce unemployment from the

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<sup>4</sup> Dreaming with BRICs: The Path to 2050 - <http://www.goldman-sachs.com/ideas/brics/brics-dream.html>

current 25% to 15% by 2020 ", - said Minister of Economic Development of South Africa's Ebrahim Patel.<sup>5</sup>

South Africa's accession to the BRICS will help the relationship of the new structure - BRICS - with the African Union and other organizations such as the Non-Aligned Movement in which South Africa has a great reputation, said Russian Foreign Ministry spokesman Alexander Lukashevich.

Acceptance of South Africa in this group reflected the fact that in recent years there has been increasing global attention to the problems of Africa. The continent is of particular importance in connection with the sprawling economic problems in the world. Africa becomes a zone of strategic interests of new poles of power. Thus, the interaction of BRICS, both individually and as an association with African countries is an important aspect of foreign policy activity. Thus, in the last decade, there has been a surge of economic activity in China and India, and Brazil in the continent. It should be noted that South Africa is the largest supplier of mineral raw materials to developed countries, has significant scientific and technical potential. South Africa is regarded as a gate of the continent. The involvement of this country in a "club" is a confirmation of the importance of the African component in the modern system of international relations. The entry of South Africa in BRICS allows the country to raise its international status and increase the role of so called "powers" in the emerging new world order, as well as to strengthen its position as a representative of the African continent, as well as possibly increase the inflow of foreign investment into the country.



Estimation of results of BRICS Summit held in 14-15 of April 2011 in Sanya on the Chinese island of Hainan differ to the exact opposites. On the one hand, the existence of BRICS and declared major activities are defined as positive. On the other, many experts argue that BRICS - is nothing more than hot air, another reason for the Heads of States belonging to a virtual merger, to "light up" on the world stage.

Undoubtedly it is important that the "five" BRICS declared itself as an obvious international counter to G7 (U.S., Britain, France, Germany, Japan, Italy and Canada), which since the mid 70-ies has always been the backbone of the global U.S. leadership and the Jamaican currency system, which determines the status of the U.S. dollar as a world reserve currency. The summit called for the revision of the distribution of votes in the governing bodies of international financial institutions - the International Monetary Fund and World Bank.

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<sup>5</sup> Statement by the Department of Economic Development, on the Framework of the New Growth Path. 23 Nov 2010. <http://www.polity.org.za>

Most analysts are skeptical of the intentions of BRICS to stop using the dollar - an agreement on the use of national currencies of the BRICS in trade between them. There are a couple of reasons. One of them is that all member countries have enormous assets denominated in U.S. dollars. China alone has government bonds in the U.S. Treasury amounting to billions of dollars. All the political elites in Brazil, Russia, India and South Africa have significant deposits (including private) in U.S. currency.<sup>6</sup> Thus, when the current status of the weakening or collapsing of the dollar seems unlikely to be the desire of the BRICS.

Summit results indicate the presence of common political and economic interests of BRICS countries, which are the driving forces behind the strengthening of their cooperation. But we should not forget about the contradictions that exist between team members of the BRICS. For example, in trade - competition between China, on the one hand, and India and Brazil, on the other hand, especially pronounced in the African continent. Russia is dissatisfied with the structure of bilateral trade with China. There is a preserved and unresolved territorial issue between India and China.

### **Complementary or mutually exclusive**

The rise of Brazil-Russia-India-China-South Africa (BRICS) as a coalition of emerging powers in the face of divergent views on IBSA's development also brings to the discussion a number of questions. BRICS role is very different from that of the IBSA. BRICS grouping attracted a lot of attention, and it is accepted that it will try to achieve certain broad level economic reforms as well as restructure the global financial architecture. Therefore it is evident that BRICS goals differ from that of IBSA – it has an economical priority and not the development, political cooperation and integration as IBSA. On business level - 15 April 2010, for the first time a joint BRIC/ IBSA Business forum was hosted with the business delegations from Brazil, the Russian Federation, India, China, and South Africa joined together to discuss issues related to commercial interests of these major emerging economies with a view to further their commercial ties. Therefore it seems that an effective dialogue between the grouping could be more effective than an integration of such blocks.

The degree to which a shadow of BRICS will fall on IBSA seems to be very dependent on SA which is “sitting on two chairs”. China's role in BRICS as well as in the world economy is undoubtful. Some analysts argue that IBSA versus BRICS, represents India versus China, but it seems that this opposition is more artificial of nature thus the grouping are more likely to find themselves on a different levels of South-South multilateralism.

BRICS does not yet have its own agenda, it represents more a platform for dialogue between member states, than their consolidated voice on international arena. Competition between BRICS countries is very strong, particularly in Africa, SA is also competing for African market with all the other BRICS members. Therefore it represents a very fragile structure, the future of BRICS in practical view is very dubious, it seems that there are more obstacles than common grounds for the future of this bloc, although BRICS represents the tendency of the global power shift.

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<sup>6</sup> Страны БРИКС отказываются от долларов. Что ожидать инвесторам? 25.04.2011 - [www.portal-yuga.ru](http://www.portal-yuga.ru)

Although there are evident overlapping, in the core issues that IBSA is dealing with and BRICS are aiming to cope there is no conflict of interests. BRICS focuses on economy but it is slowly moving towards other areas. However, IBSA is based on democratic values and other similar causes which are common to the three countries and “has a personality of its own”.

Thus, it seems as IBSA can remain to be an instrumental and practical mechanism of the three countries of the three different continents sharing their interests and intertwining their economical cooperation to pull up the interests of the South. When BRICS’s main role seems to become a counterbalance of the power axis on the world scene with a broader economical and political goals. IBSA is a more appropriate platform for South Africa and the region than BRICS. It is a more substantive partnership with a real focus on each other.