

Is Three a Crowd or a Coalition?
India, Brazil and South Africa in the WTO

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of Master of Arts (International Studies) at the University of Stellenbosch

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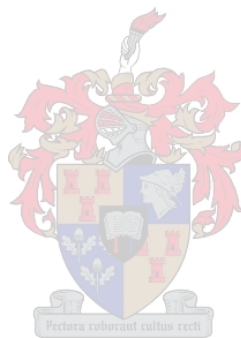
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DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

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ABSTRACT

This thesis is, in essence, a theoretically informed, qualitative study of an intermediate power coalition in international trade negotiations. More specifically, it critically evaluates the cooperation of India, Brazil and South Africa (IBSA) in the World Trade Organisation (WTO).

The IBSA Dialogue Forum was established in 2003. This was also the year the three emerging countries first drew attention to their collective bargaining potential. First, they were instrumental in negotiating a waiver in the WTO that allowed for relaxed patent restrictions on the import of generic drugs for countries in the developing world facing health emergencies. Then, they also played a central role in the collapse of the WTO talks held in Cancun, 2003.

This study looks at what IBSA aims to achieve in the WTO and then tries to establish whether it is possible for the initiative to achieve these aims (in the WTO). It asks, firstly, what kind of coalition IBSA forms in the WTO. Then, it asks whether it makes sense for India, Brazil and South Africa to form this type of coalition. Finally, it discusses some of the complexities involved in the three countries' claim that it speaks for the "developing South". The study makes use mainly of a neo-liberal institutionalist theoretical approach, while being open to constructive debate and critique from the reflective school.

Ultimately, the study argues that the challenges that bind these countries also constrain each of them. The three countries might be emerging, but they are also developing countries with limited capacity that face serious developmental challenges. In addition, these countries of the South are situated in complex regional environments. In the WTO, IBSA aims to cement a coalition through processes that promote the cooperative dimensions of interaction and minimise conflictual ones. This innovative approach to cooperation does provide some hope. How they use their collective capacity will prove decisive. No doubt, successful cooperation will require hard work, especially as the coalition will have to deliver concrete results not only to domestic constituencies, but also to the developing world as a whole.

OPSOMMING

Hierdie tesis is 'n teoreties ingeligte, kwalitatiewe studie van 'n koalisie van intermediêre magte in internasionale handelsonderhandelinge. Meer spesifiek, is dit 'n kritiese evaluering van die samewerking van Indië, Brasilië en Suid Afrika (IBSA) in die Wêreld Handelsorganisasie (WHO).

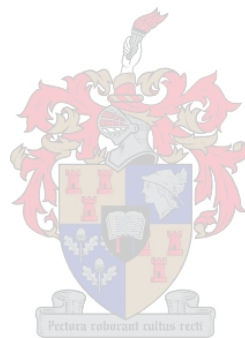
Die *IBSA Dialogue Forum* is in 2003 gestig. Dié jaar was ook die jaar waarin die drie ontluikende magte die eerste keer die wêreld se aandag gevestig het op hul gemeenskaplike bedingingsmag. Eers het die drie 'n belangrike rol gespeel in die onderhandeling van 'n ooreenkoms in die WHO wat patentregte op die invoer van generiese medisyne verslap het tot voordeel van ontwikkelende lande met gesondheids-krisisse. 'n Maand later het hulle bygedra tot die mislukking van die WHO-onderhandelings in Cancun.

Hierdie studie bestudeer IBSA se doelwitte in die WHO en probeer dan vasstel of dit moontlik is om dié doelwitte te bereik. Dit vra, eerstens, watter tipe koalisie IBSA in die WHO vorm. Tweedens, of dit sin maak vir Indië, Brasilië en Suid-Afrika om hierdie tipe koalisie te vorm. Laastens word sommige van die kompleksiteite wat IBSA se aanspraak - dat die inisiatief 'n spreekbuis is vir die "ontwikkelende Suide" - tot gevolg het, bespreek. Die studie maak deurgaans gebruik van 'n hoofsaaklik neo-liberale institusionele teoretiese benadering. Terselfdertyd word daar in gesprek getree met reflektiewe benaderings.

In die gevolgtrekking voer die studie aan dat die uitdagings wat hierdie lande met mekaar verbind ook elk van die lande strem. Die drie lande mag dalk ontluikend wees, maar hulle is steeds ontwikkelende lande wat ernstige ontwikkelingsuitdagings in die gesig staar. Daarenboue is dié lande van die Suide geleë in komplekse streke. In die WHO strewende Indië, Brasilië en Suid-Afrika daarna om 'n koalisie te skep deur prosesse wat die dimensies van samewerking en interaksie bevorder en konflik minimaliseer. Hierdie innoverende benadering skep 'n mate van hoop. Hoe die lande besluit om hul gesamentlike kapasiteit te gebruik, sal deurslaggewend wees. Hoe dit ook al sy, daar lê harde werk voor vir die koalisie, veral omdat IBSA nie net binnelandse belangegroepe moet gelukkig hou nie, maar ook die breër ontwikkelende wêreld.

DEDICATION

To my dad, whose life taught me that you cannot put a price on integrity



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My supervisor, Dr. Janis van der Westhuizen, who got back to me in record time, every time

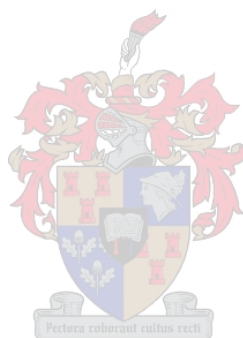
My mom, who deserves at least an Honorary Masters for her support during the writing of this thesis

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LIST OF ACRONYMS

| | |
|--------|---|
| ACP | African Caribbean Pacific |
| ASEAN | Association of South East Asian Nations |
| DDA | Doha Development Agenda |
| EC | European Commission |
| EU | European Union |
| FIG | Food Importers Group |
| FIPs | Five Interested Parties |
| f.o.b. | forward open book |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| IBSA | India, Brazil, South Africa Dialogue Forum |
| LDCs | Least Developed Countries |
| NAMA | Non-Agricultural Market Access |
| NGOs | Non-Governmental Organisations |
| NIEO | New International Economic Order |
| PPP | Purchasing Power Parity |
| REACH | Registration, Evaluation and Authorisation of Chemicals |
| S&D | Special and Differential Treatment |
| SP | Special Products |
| SSM | Special Safeguard Mechanisms |
| TBT | Technical Barriers to Trade |
| TRIPS | Trade-Related Aspects of Intellectual Property Rights |
| UNCTAD | United Nations Conference on Trade and Development |
| US | United States of America |
| WTO | World Trade Organisation |

1 INTRODUCTION

1.1 Background

In September 2003 an eventful year of international trade negotiations culminated with the dramatic collapse of the Cancun Ministerial Meeting of the World Trade Organisation (WTO). Central to this collapse was the refusal by a group of developing countries - the G20+ on agriculture - to accept a wide-ranging document drafted by the United States (US) and the European Union (EU). The fact that no agreement could be reached is alternatively seen as a success and a failure. It is seen as a success, because the firm stand by developing countries in the face of pressure from major states represents a watershed since the birth of the WTO (Taylor, 2005:14). However, no agreement could be reached and tensions reached a peak as it became clear that the WTO faced a deadlock. The collapse of the Cancun meeting meant that the Doha Development Round would not be able to finish on schedule in January 2005.

Before the collapse of the Cancun Meeting, however, there was another success for developing countries. On 30 August 2003 a deal was brokered that allowed poorer countries to override international pharmaceutical patents. This was the end of a long process dealing with trade-related aspects of intellectual property rights (TRIPS). Poor countries that do not have the capacity to produce drugs to deal with health emergencies like HIV/AIDS would now be allowed to import affordable generic drugs.

In both these events, three countries played an important role. India, Brazil and South Africa all had interests in the TRIPS deal. The three countries have also been described as the “hard core” of the G20+ (White, 2006:11). Significantly, their overlapping involvement in both these cases is not coincidental. In June 2003, a few months before the Cancun meeting, the foreign ministers of India, Brazil and South Africa met in Brasilia and formally launched the India, Brazil, South Africa Dialogue Forum (IBSA). IBSA has been described as a “trilateralist” diplomatic partnership that aims to promote South-South cooperation and exchange (Alden & Vieira, 2005:1078; IBSA website, 2006)¹.

¹ The forum is based on the Brasilia Declaration, which was released in June 2003. This wide-ranging document is aimed at bringing about change within the global political economy and has both political and economic ingredients (Taylor, 2004:16). At the second IBSA Ministerial meeting (in March 2004), a broad Agenda for Cooperation was adopted. The areas identified in the Agenda for Cooperation were then distilled into a functional Action Plan. The Action Plan targets specific sectors and intends to create trilateral inter-sectoral relations underpinned by interpersonal exchanges with counterparts from the partner countries. With

The IBSA Forum met again at ministerial level in March 2004 (after Cancun). This meeting led to the adoption of an Agenda for Cooperation. The Agenda for Cooperation identified several areas for broad cooperation, including multilateralism, peace and security, terrorism, globalisation, sustainable development and social development. The Agenda for Cooperation also articulated India, Brazil and South Africa's specific agenda for cooperation in the World Trade Organisation as follows:

The Ministers agreed to intensify cooperation in areas of mutual interest in the current round of multilateral trade negotiations as exemplified by the G-20[+] ² to realize the Doha Development Agenda and enhance trade opportunities commensurate with the development needs of developing countries under a fair, equitable and transparent rules-based multilateral trading system.

This thesis analyses India, Brazil and South Africa's agreement to cooperate in the World Trade Organisation against existing scholarship on structural conditions for successful coalition formation in international trade negotiations. The goal of this thesis is not to judge IBSA as a whole. The IBSA Dialogue Forum will only be discussed in as far as it relates to the topic of this study.

1.2 Conceptualisation

Hamilton and Whalley (1989:547) define a coalition broadly as "any group of decision-makers participating in...a negotiation and who agree to act in concert to achieve a common end". This definition includes all concerted activity involving cooperation among actors, which is aimed at achieving a well defined, shared policy preference. At the same time it excludes other kinds of cooperation like ad hoc, incidental policy convergence

this in mind, the Action Plan is divided into 13 working groups according to existing government departments and domestic priorities (White, 2006:7). The IBSA Dialogue Forum has regular consultations at Senior Official (Focal Point), Ministerial (Trilateral Joint Commission) and Heads of State and/or Government (Summit) levels, but also facilitates interaction amongst academics, business and other members of civil society.

With this type of practical interaction IBSA aims for collaborative development by encouraging the transfer of knowledge, technology and know-how among the three countries (White, 2006:10-11). On the international stage, IBSA envisages a pooling together of resources to achieve clear national interests in multilateral fora. At the same time it aims to use its combined influence to elevate developing world issues (White, 2004:533).

For more on the IBSA Dialogue Forum, see the website: http://www.ibsa-trilateral.org/about_us.html, as well as the articles by Taylor (2004), Alden & Vieira (2005), and White (2006)

² Some speak of the G20, others of the G20+ or the G22. In this thesis the title G20+ will be used. This is done in order to distinguish it from another G20 (originally the "Willard Group", established temporarily by (then) President Bill Clinton at the APEC summit in 1997 to organise a gathering of finance ministers and central bank governors to advance the reform of the architecture of the global financial system (Taylor, 2004:3)) and also to allow for fluctuating membership.

among state actors or a long-term harmonic game (Narlikar, 2003:29-31). According to Hamilton and Whalley's definition, the agreement between India, Brazil and South Africa to intensify cooperation in multilateral trade negotiations means that IBSA does in fact form a coalition in the context of the WTO.

Most studies on coalitions in trade negotiations focus broadly on "developing countries". IBSA defines itself as part of the South and the three countries are definitely *developing* (as opposed to *developed*). It should be noted, however, that the category "developing countries" represents a complex mix of economic development, ranging from the poorest agricultural and food grain importing economies (many in sub-Saharan Africa, for example) to sophisticated high-technology exporting countries (like South Korea, which has now even become a member of the OECD) (Krueger, 1999). Countries like India, Brazil and South Africa are indeed weaker than the most powerful. Yet, they are neither as weak as the group of Least Developed Countries (LDCs), nor as strong as the powerful developed countries. India, Brazil and South Africa are all developing countries "in the middle" in terms of relative power and material capabilities.

One option would be to describe countries like India, Brazil and South Africa as "middle powers". However, the term "middle power" carries more conceptual baggage than the general thrust of this thesis aims for when it speaks of states like India, Brazil and South Africa. "Middle power" refers to more than a state in a moderate power position and is often used to refer to a certain self-created identity or ideology (Hurrell, 2000:1) or to a specific behavioural identity. Christie & Dewitt (2006:9) point out that states in the middle in terms of material and power capabilities have, at times, behaved as middle powers. The more specific concept of "middle power" will be discussed in more detail in Chapter 5. In order to get past the conceptual "baggage" of the term "middle power", Hurrell (2000) uses the term "intermediate power" to refer to such countries as India, Brazil, South Africa and Malaysia. This term has also been used by Soares de Lima and Hirst (2006). Thus, for the overall purposes of this thesis, the term "intermediate power" will be used as an overarching term to refer to a state "in the middle" in terms of material and power capabilities.

1.3 Rationale and significance

The fact that the G20+'s firm stand at the WTO Ministerial Meeting in Cancun is described as a watershed since the birth of the WTO serves to underscore the fact that developing country coalitions in multilateral trade negotiations have had only limited success. The G20+'s survival has, in large part, been credited to the solid core (India, Brazil and South Africa) that held together (Narlikar & Tussie, 2004:953-961; White, 2006:11). If only for this reason, the three countries' agreement to cooperate should warrant further scrutiny. Some general questions that arise immediately include, "What is this cooperation by India, Brazil and South Africa in the WTO, as exemplified by the G20+?" and "Does it serve as an example worth replicating by the three IBSA countries as well as the rest of the developing world?"

The IBSA Dialogue Forum is a relatively new initiative. Mainly for this reason, little scholarship exists on the Forum. Although the focus of this thesis is not the IBSA Forum as a whole, it should still add to the growing literature on this cooperative initiative. As the initiative matures critical scholarship on specific areas of cooperation will also be needed. This is where this analysis of the three countries' cooperation in the WTO fits in.

Compared to literature on the IBSA Forum, literature on developing countries in world trade is somewhat more developed. However, there is still room for growth. As mentioned above, most studies on coalitions in trade negotiations focus broadly on "developing countries" as a group. In addition, existing literature (especially up until the year 2003) focuses mainly on developing countries' policies and bargaining strategies³. Discussions on coalitions are often limited to a few pages in a book. This limited discussion usually does not go into depth on the specific kinds of coalitions that succeed, for whom and under what circumstances.

In 2003 Amrita Narlikar published a book that went a long way in filling some of the abovementioned gaps in scholarship⁴. In her research she noted that only certain types of coalitions work for corresponding sets of countries (Narlikar, 2003:196). She then proceeds to develop a typology of coalition types for developing countries. Narlikar (2003:205) points out that the interests of middle-range developing economies (intermediate powers

³ See, for instance Whalley (1989), Tussie & Glover (1993) and Krueger (1999)

⁴ Narlikar, A. 2003. *International Trade and Developing Countries: Bargaining Coalitions in the GATT & WTO*. London: Routledge.

like India, Brazil and South Africa) are especially different from those of the very advanced or the least developed countries. More diversified economies like that of India, Brazil or South Africa find it unable to assign priority to any one sub-sector. Smaller, specialised economies can assign such priorities, which means that they can then compromise on other non-core sectors. Narlikar continues to argue that intermediate powers like India, Brazil and South Africa can neither compete in the league of their more advanced counterparts, nor easily make concessions like the least developed countries (LDCs). She suggests single issue-based alliances as a viable alternative for these intermediate powers (Narlikar, 2003:205). However, India, Brazil and South Africa agreed to cooperate on more than one issue (“areas of mutual interest”). The resultant coalition is therefore not of the exact type that Narlikar suggests. This also warrants further scrutiny.

The aim of this research thesis is to situate IBSA (as a coalition of intermediate powers in the WTO) in the existing literature on developing country coalitions in world trade negotiations, and to add to this literature where it might still prove wanting. In so doing, the thesis also aims to establish whether it is possible for India, Brazil and South Africa to achieve the collective aims they set for themselves in terms of cooperation in multilateral trade negotiations.

1.4 Research questions

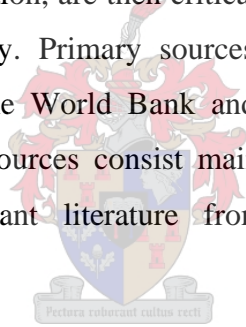
Flowing from the aims as mentioned above, the following research questions can be extrapolated from IBSA’s agreement in the Agenda for Cooperation (as quoted on page 2):

- 1) In the context of multilateral trade negotiations, what type of coalition does India, Brazil and South Africa aim to be?
- 2) Does it make sense for these three countries to form this type of coalition? That is, is the coalition viable and sustainable?
- 3) IBSA claims to speak for the developing South. This claim is not unproblematic. In the context of the WTO, what are some of the complexities involved in claiming to speak for the developing South?

1.5 Methodology

This thesis is, in essence, a theoretically informed, qualitative study of an intermediate power coalition in international trade negotiations. In asking what type of coalition India, Brazil and South Africa aims to be in the WTO (Chapter 3), a historical-comparative approach is used to show that current coalitions build on those of the past. This same approach is also used in Chapter 5 that compares India, Brazil and South Africa as emerging middle powers with traditional middle powers like Canada and Australia. Chapter 5 also compares today's South-South cooperation with that of the 1970s and 1980s.

The study makes use of both primary and secondary sources. The research questions asked derive from primary IBSA documentation released by the Department of Foreign Affairs after IBSA Ministerial Conferences and the IBSA Summit. These documents, including the Brasilia Declaration, the Agenda for Cooperation, the Action Plan and several Communiqués, form the basis of IBSA's established aims. These aims, specifically as they relate to the World Trade Organisation, are then critically evaluated at the hand of sources, again both primary and secondary. Primary sources include developmental indicators published by organisations like the World Bank and the United Nations Development Programme (UNDP). Secondary sources consist mainly of books and scholarly journal articles, complemented by relevant literature from think tanks, non-governmental organisations and the media.



1.6 Limitations

One of the limitations of this study relates to its narrow focus. Cooperation in multilateral fora is only one of IBSA's aims, and the WTO only one such forum. Critics argue that IBSA's agenda is too broad, that its action plan is overloaded and that it lacks strategic focus (White, 2006:7-8). By only focusing on one aspect this study will only be able to answer to the ability of IBSA as a coalition in the WTO. Being able to combine that with IBSA's other aims is another question altogether. However, as was mentioned, as IBSA matures, the need arises for critical analysis of its specific goals.

Also related to its narrow focus, this study focuses mainly on structural conditions for successful coalition formation. This is only one aspect that contributes to whether a coalition is successful in negotiating outcomes that favour its members. Another relates to the bargaining strategies it employs. The success of the G20+ (on agriculture) thus far has

been attributed, in part to its structure and in part to its strategies (Narlikar & Tussie, 2004). By 2006 the agriculture issue has not been solved. The challenge for the G20+ now lies in moving from a common opposition against the unfair to the achievement of fairer agreements (Taylor, 2005:16). Here, again, the strategies the coalition employs will prove decisive (Narlikar & Tussie, 2004:963-964).

This study will also look at IBSA (as a coalition in the WTO), as is. By this is meant that questions such as the following will not be asked: “Would any countries make more or less sense (than India, Brazil and South Africa) as coalition partners?” or “Why is China (or Malaysia, for instance) not part of IBSA?”. If the last question had to be answered it would probably speak of IBSA as a “coalition of the willing”. A country like China, while paying lip service to cooperation between developing countries, in reality “is more closely concerned with acquiring membership of the ‘great power league’ of countries represented by the G7 (Draper, Mills & White, 2004:19-20). IBSA also prides itself in its status as a coalition of vibrant democracies (Mamoepa, 2006 and Draper, Mills & White, 2004:20). China would have difficulty fitting this mould. It has also been argued that IBSA’s real strength lies in its narrow membership (White, 2006:4). The issue of IBSA’s expansion might still be broached within the forum, but up until now it has not.

Lastly, this study does not deal with institutional reform of the WTO. Any study dealing with issues of globalisation, global governance and international organisations like the WTO lead to countless controversial concepts and debates. In order to move ahead to the topics under consideration many of these debates will not be joined any further than is required to provide a necessary context for the study. As far as possible such areas will merely be flagged before moving ahead.

1.7 Overview

This chapter provided the background to the study. After pointing out the significance of the study, the chapter delineated the research problem. A short discussion of the methodology employed was followed by the identification of some limitations of the study. Chapter 2 theoretically situates the study by discussing different approaches to international organisations and the state in the context of globalisation and global governance.

Chapters 3 to 5 each answer one of the research questions mentioned in Section 1.4 above. The first question (Chapter 3) asks what type of coalition IBSA forms in the context of the WTO. This chapter traces the history of developing country coalitions in multilateral trade negotiations to show that current types of coalitions (like the G20+) are the result of a process of social learning. Chapter 4 asks whether these three countries do in fact form a viable and sustainable coalition in the WTO. IBSA's viability (in the WTO) is measured against Amrita Narlikar's (2003) two structural criteria for successful coalition formation: external weight and internal coherence. Chapter 5 places IBSA (in the WTO) in the context of the developing South. India, Brazil and South Africa's activist roles on the international stage that reaches to include global issues beyond their immediate geographical environment and direct self-interest is typical of so-called "middle power" diplomacy (Jordaan, 2003:167). This chapter compares and contrasts Canada and Australia as middle power leaders of the Cairns Group (on agriculture) in the Uruguay Round of the GATT, with India, Brazil and South Africa as the "hard core" of the G20+ (also on agriculture) in the current Doha Round of the WTO.

Chapter 6 concludes and provides some suggestions for future research.



2 THEORETICAL CONTEXTUALISATION

2.1 Introduction

In the New Delhi Agenda for Cooperation the Foreign Ministers of India, Brazil and South Africa discuss negotiations in the World Trade Organisation under the heading “Globalisation”. They emphasised that developing countries need to have their own agenda which would set their goals in the context of a globalising world. The Ministers added that developing countries must “carry this agenda into multilateral processes with a view to influencing negotiations” (Department of Foreign Affairs, 2004). One of the main reasons for developing countries’ membership in international organisations is that such organisations provide some scope for collective bargaining (Drahos, 2003:80).

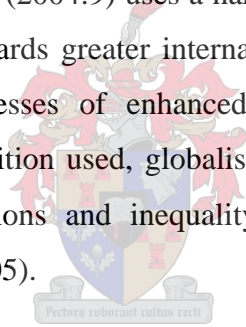
As two of the actors on the global stage, this chapter places international organisations and the state in the context of globalisation and global governance. Both the concepts and the success (or failure) of globalisation and global governance are highly contested. However, in order to move ahead to the questions to be answered, this theoretical contextualisation does not join these broad-ranging debates any further than is required to provide a necessary context for the study. Another assumption that elicits critique is that of the primary role of the state as an actor in a globalising world. This critique will be mentioned, but ultimately, and in line with assumptions underlying IBSA and the WTO, as well as the neo-liberal institutionalist foundation that this study builds on, pluralist states will be considered the primary collective actors on the world stage.

Theoretical perspectives to international organisations can be divided in several ways, one of which is between rationalistic and reflective perspectives. As will be explained, the perspectives are both distinctive and in relationship with each other. In line with the rationalistic starting point of the study, this chapter will then provide a theoretical overview of the realist, liberal and Marxist approaches to globalisation, global governance, international organisations and the state. The last section will plot support for (and critique against) the WTO as a specific international organisation.

2.2 Globalisation, Global Governance, International Organisations and the State

Globalisation in the form of internationalisation and trans-nationalisation of political activity is not new. In recent times, however, the level of trans-national and supranational connections in virtually all areas of activity is reaching new heights (McGrew, 2004:135). At best, scholarly definitions of globalisation can be described as complex, multifaceted and contested.

Waters (1995:3) defines globalisation as a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding. This definition is one of few that do not explicitly refer to the economic aspect of globalisation. While globalisation is not simply an economic phenomenon, it has often been associated with the expansion of markets beyond the nation-state. Adams *et al* (1999:1) describes a process where the modern system of independent states and distinct national economies is being replaced by a single trans-national political economy. Higgott (2004:9) uses a narrow neo-liberal market definition of globalisation as “the tendency towards greater international economic integration beyond the territorial state via the processes of enhanced trade liberalisation and financial deregulation”. Whatever the definition used, globalisation is not uncontested. Critics see the process as engendering divisions and inequality both across and within national territories (Wade, 2004; Taylor, 2005).



Several Western political theorists argue that the contemporary growth of unregulated trans-national economic activity undermines the democratic gains (within most countries) won over the last century (Murphy, 2005:134). Their argument for global governance is therefore the extension of democratic forms beyond the nation-state. In the past century globalisation has been accompanied by an accelerating trend in the formation of international private and public organisations (Leroy Bennet, 1995:22).

Higgott (2004) distinguishes between two types of global governance: i) the enhancement of effectiveness and efficiency in the delivery of global public goods via collective action problem solving, and ii) the demand for greater transparency, accountability and representation (enhanced democracy, in other words). He adds that, in theory, the multilateral institutions should play the major role in bridging the gap between these two types of governance (Higgott, 2004:21).

Global governance has also been described as an attempt to administer globalisation and resolve disputes between states so that “developing as well as developed states can pursue wealth under a constructed structure of their own choice” (Halabi, 2004:23-24). According to this definition global governance is an attempt to manipulate the forces of globalisation, mitigate globalisation’s negative effects and privilege states that follow global rules.

In the Brasilia Declaration the foreign secretaries of India, Brazil and South Africa agree that globalisation must become a positive force for change in all peoples and must benefit the largest number of countries. The Declaration also affirmed their commitment to “pursuing policies, programmes and initiatives in different multilateral forums, to make the diverse processes of globalisation inclusive, integrative, humane and equitable” (Embassy of Brazil, London, 2003). In this vein, IBSA sees global governance as a crucial requirement in ensuring that globalisation is advanced with equity (Taylor, 2005:19). The fact that the success of global governance is as highly contested as the process of globalisation itself is not the topic of this thesis.

It is possible to identify three approaches to the effect of globalisation on the role of the state. Globalists argue that in a globalised world, national governments are increasingly powerless and irrelevant. By contrast, internationalists argue that the capacity of national governments to regulate the lives of their citizens and to manage global affairs is more extensive than ever. Lastly, transformationalists hold that national governments have to adapt their roles and functions in the global neighbourhood created by the forces of globalisation. They add that this leads to a reconfiguration in the power, jurisdiction, authority and legitimacy of states (McGrew, 2004). The fact that membership to the WTO is restricted to states reflects an organisational assumption in the primary role of states as actors on the world stage.

International organisations like the WTO are one of many pieces of global governance. Other actors include states (the building blocks of the WTO), non-governmental organisations, experts, global policy networks and multinational corporations (Karns & Mingst, 2004:15). The contemporary infrastructure of global governance builds upon the institutions and frameworks of cooperation established mainly in the aftermath of the Second World War. One way to describe this system is the so-called “layer cake” model

that consists of three layers: the supra-state layer, the sub-state layer and the trans-national layer (Scholte, 1997). In this model the national government layer is sandwiched between the other three. International organisations like the WTO, and many other global and regional bodies established since 1945, fit in the supra-state level. The theoretical contextualisation that follows focuses on different approaches to globalisation, global governance, international organisations and the state.

2.3 Reflective and Rationalistic Approaches

Robert O. Keohane (1989:158-179) divides approaches to international institutions, including international organisations, into two categories: rationalistic and reflective. Rationalistic approaches assume scarcity and competition as well as rationality on the part of the actors. International institutions are useful to the extent that they benefit members and should persist as long as members have incentives to maintain them (Keohane, 1989:165-166). Reflective approaches stress the role of impersonal social forces and the impact of cultural practices, norms and values that are not derived from calculations of interest (Barry, 1970 & Gilpin, 1981). Such approaches emphasise the importance of historical and textual interpretation. Rationalistic approaches include realism, liberalism (and theories deriving from these) and strands of Marxism, while social constructivism, gendered theories, post-modernism and post-structuralism are reflective.

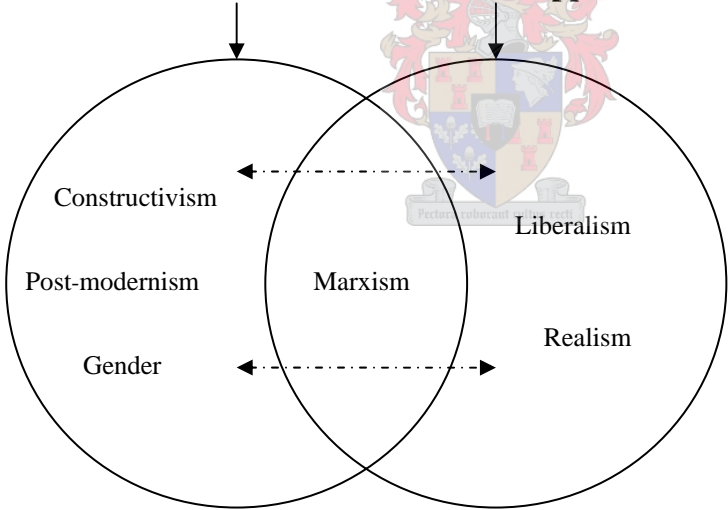
In reality, approaches are not mutually exclusive or exhaustive. Keohane acknowledged this when he mentioned that “regarding [different approaches] as members of a group or school obscures the many differences of view among them, and the substantial evolution of thought that has taken place in the thought of each of them” (Keohane, 1989:161). As a result, some strands of Marxism fit in the reflective category, while others are more rationalistic. In the same way some constructivists (reflective) place themselves in the liberal tradition (rationalist), while others draw from realism (rationalist).

Often reflective approaches argue that rationalistic approaches omit important potential explanatory factors. Rationalistic approaches have also been accused of dealing with only one dimension of a multidimensional reality. At the same time, “limiting the number of variables that a theory considers can increase both its explanatory content and its ability to concentrate the scholarly mind” (Keohane, 1989:171-173). As with any type of labelling and categorising, the dangers of oversimplification should be weighed against the

abovementioned advantages. Keohane argues for dialogue between the rationalistic and reflective approaches and, ultimately, for a possible synthesis between the two.

Today most WTO delegations are quick to claim that their coalitions are based not on identity or ideology, but on interests in particular issues (Narlikar & Tussie, 2004:959). This does not mean that issues of identity are entirely irrelevant, but simply that it will take secondary place in terms of explanatory value. In line with the claims by WTO delegations, and with the hope of increased explanatory content and focus, the starting point for investigation in this study will thus be rationalistic. Rationalistic theory will form the foundational dimension, to be built upon. For these reasons the remainder of the theoretical contextualisation will also focus on the rationalistic approaches of realism, liberalism and Marxism, as well as relevant sub-theories. It starts from the assumption that rational actors act in an arena where calculations of interest are paramount. At the same time, the study is not unsympathetic to constructive critique and dialogue from the reflective camp where particularly relevant.

Figure 1: Reflective and Rationalistic Approaches



The above sketch (Figure 1) illustrates the distinction between reflective and rationalistic approaches. The dashed arrows are illustrative of critique and dialogue between the two camps. Theoretical approaches have also been divided in other ways, one of which is between status-quo, problem solving approaches (like liberalism and realism) and critical approaches (like Marxism). Figure 2 (below) illustrates this on a sketch similar to the one above. The shaded circle includes the critical theories, while the transparent semi-circle covers the status quo theories.

Figure 2: Critical and Status Quo Approaches

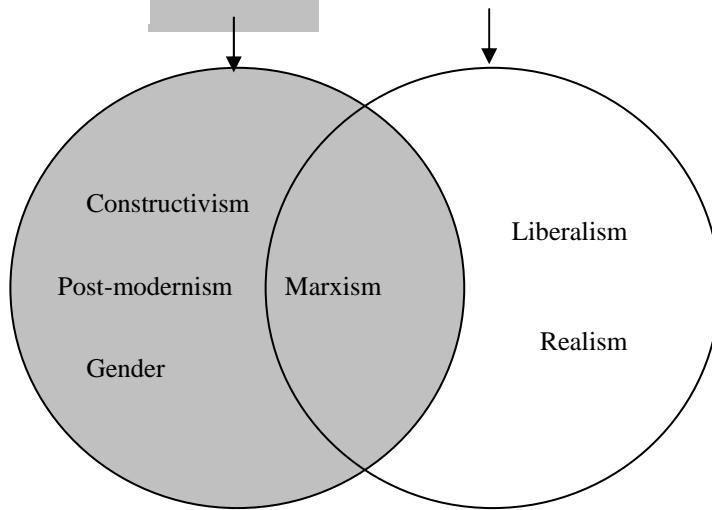


Figure 3 (below) is a sketch of the scope of the theoretical contextualisation that follows. It will focus firstly on the status quo theories of realism, liberalism and their respective sub-theories (Figure 4 provides a basic illustration of relatedness, more details are provided in the written sections), and then on Marxism and its relevant sub-theories (as illustrated in Figure 5). The dashed arrows are, again, illustrative of critique and dialogue from the reflective camp.

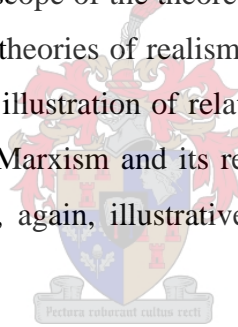


Figure 3: Scope of Theoretical Contextualisation

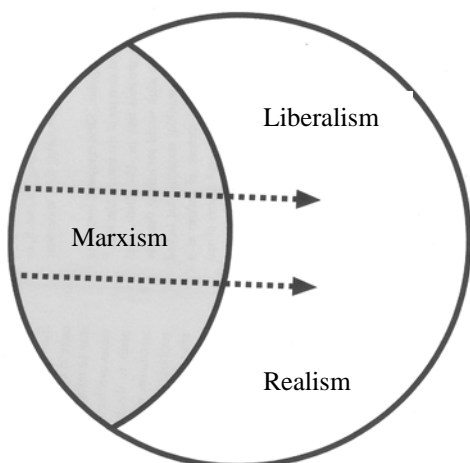


Figure 4: Status Quo approaches

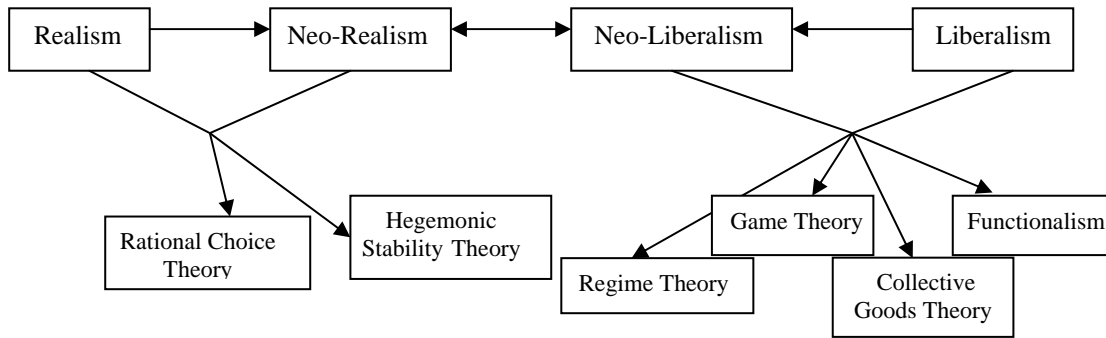
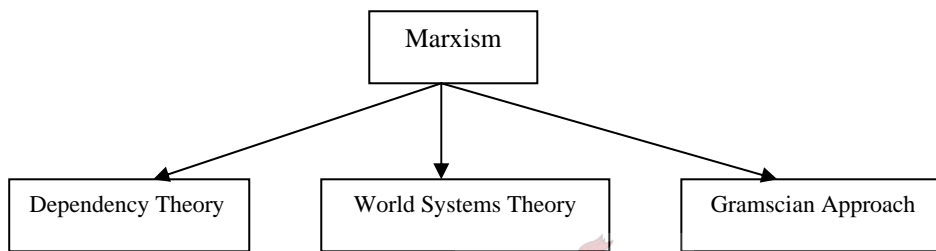


Figure 5: Critical approaches



2.3.1 Realism

Realists assume that individuals are power-seeking and that they act rationally to protect their own interests. The primary actors on the international stage are unitary states that pursue their national interest, defined in terms of power and security. Realists add that the international system is anarchic and that states have to manage their own insecurity through balance of power and deterrence. For realists, there are few incentives for states to cooperate by entering into international agreements (Karns & Mingst, 2004:45-46).

In this world, global governance is an attempt by the developed countries to regulate relations among states and to bind developing states to global rules (Halabi, 2004:22). The realist approach argues that global and regional hegemonic powers have created international organisations to consolidate their dominance and influence (Karns & Mingst, 2004:250). Such organisations will reflect the interests of dominant states in the world system and will be effective only for as long as they do not diminish the power of dominant states vis-à-vis other states (Woods, 2001:294).

In commenting about the proposed New International Economic Order, Krasner (1981) argued that leaders always prefer to rely on domestic resources for economic development. Due to its lack of political modernisation (and the related peripheral position in the international system), the typical African, Asian or Latin American state is unable to organise the domestic resources necessary for development. He continued to argue that, because such a state has so little power (and thus can gain little help through traditional bilateral bargaining), a Third World government will try to gain the resources from other states through international organisations that give weak states an inflated impact on decisions. A state-centric realist approach argues that international regimes are most stable when they accurately reflect the power structure underlying them. Giving too much influence to the less powerful would make the organisation illegitimate.

Several theoretical approaches derive from realism. One such progeny, neo-realism, derives from realism just as neo-liberalism derives from liberalism. The two neo-theories are more moderate in approach and thus slightly closer together on the political spectrum than their parents. Both neo-realism and neo-liberalism are status-quo oriented problem-solving theories that share many assumptions about actors, values, issues and power arrangements in the international system. Neo-realists, who are concerned with issues of power and survival, tend to focus on the “high politics” of security issues. Neo-liberals, on the other hand, often study the “low politics” of political economy (Lamy, 2001:183-184).

Realists argue that the security domain is the most important and they would agree that this domain is the most difficult area in which to deliver successful multilateral policy-making (Higgott, 2004:5). It has been argued that collective security (the main aim of the United Nations) is multilateralism’s “weakest link” (Krause, 2004:44). When considering whether to support the decision of an international organisation, neo-realists are primarily concerned with relative gains. In contrast to neo-liberals who ask what they will gain (absolute gains), neo-realists ask whether they will gain more than other states. If other states stand to gain more the advantages of supporting the decision are outweighed by the fact that the power of the state will be diminished in relation to other states (Woods, 2001:295).

In the area of international political economy mercantilists share the presumptions of realists in international relations. Mercantilists describe the world economy as an arena for inter-state competition for power where states seek to maximise their wealth and

independence vis-à-vis other states (Woods, 2001:286). The economists Krugman and Obstfeld (2000:276) argue that competitiveness has “often suggested that nations [are] engaged in the economic equivalent of warfare”. Mercantilists argue that order is achieved only where there is a balance of power or hegemony (Woods, 2001:286).

For realists, the dominant political reality of the post-Cold War order is the preponderance of the United States. The World Trade Organisation has been described as the “grandchild of specific post-World War II, Cold War political conditions” (Sally, 2003). After the war, the US used its unchallenged material preponderance and ideational disposition to set in place a “basic liberal international infrastructure of global economic management”, multilateral both in tone and practice” (Latham, 1997). This included the Bretton Woods institutions (the International Monetary Fund and the World Bank) and the General Agreement on Tariffs and Trade (GATT, the precursor to the WTO).

In the 21st century economic policy has become much more explicitly linked to security policy. In this arena, it does not make sense to see the international financial and trade institutions as only economic institutions (Higgott, 2004:12). Higgott (2004:11-12) notes that, more recently, the US is increasingly opting out of multilateral commitments as policy has hardened since the backlash against neo-liberal globalisation began in the 1990s. This trend can be seen across the spectrum of US policy, towards the International Monetary Fund, the World Bank and the WTO. This is especially true after the terrorist attacks on the World Trade Centre on 11 September 2001. The legacy of September 11th is an even more assertive US, willing to act unilaterally if needs must (Sally, 2003). In commenting on the 2003 WTO Ministerial collapse at Cancun US Trade Representative Zoellick put the blame on developing countries. In an echo of President George Bush’s war oratory, Zoellick’s trade rhetoric simply replaced the division of the world into “coalitions of the willing and unwilling” (security) with a division between “can do” and “won’t do” countries (Van de Ven, 2003:5).

Realists would jump at this as proof that multilateralism cannot evade underlying power relationships. In line with this view, Draper and Sally (2006:15-17) argue that only a minority of the WTO membership has the bargaining power and capacity to advance negotiations. They add that it is probably expedient for the WTO to preserve a multilateral

vener, but that it will take “*Realpolitik* behind the scenes” to revive decision-making effectiveness.

Some realists add that international rules and cooperation cannot work without robust US leadership (Sally, 2003). This approach, known as hegemonic stability theory, is rooted in the realist tradition, but draws also from neo-liberalism and regime theory. Hegemonic stability theory starts from the premise that an open market economy is a collective or public good that cannot be sustained without the actions of a dominant economy. Hegemonic stability theory casts the foreign policy options available to intermediate (middle-range) powers in binary terms: they can either balance against the dominant state or bandwagon with it. Such a neo-realist approach has several disadvantages, including a biased perspective, the deductive way foreign policy choices are arrived at, the under-specification of options (balancing or bandwagoning) and the limitations of seeing a system only in terms of the distribution of power (Hurrell, 2006:5-6).

Keohane has also been grouped as belonging to another offshoot of realism, rational choice theory. The fact that some scholars can be grouped under more than one approach shows that theoretical approaches are not necessarily mutually exclusive. Rational choice theory has also enjoyed wide usage in the field of economics. Unlike most variations on realism, power is not a central consideration in rational choice theory. Such theorists assume that preferences are deduced from objective and material conditions of the state. They assume that state actions are based on rational calculations about subjective expected utility. Markets are viewed as the most efficient mechanism of human behaviour. Organisations play key roles where market imperfections arise and also act as constraints on choice (Karns & Mingst, 2004:47-50). States create international institutions and delegate power to them in order to maximise utility within the constraints of world markets and politics (Woods, 2001:287-288).

2.3.2 Liberalism

In mentioning some of liberalism’s progenies, most notably neo-liberalism, this chapter has been skirting around the liberal theoretical approach. Liberals agree with realists that states, like people, are rational. However, they disagree about what this rationality will lead to. Liberals hold that human nature is basically good and that people can improve the moral and material conditions of their existence. Human beings are the primary actors and states

are the most important collective actors. Unlike realism, states are seen as pluralistic and not unitary actors (Karns & Mingst, 2004:35-38).

Liberals are generally supportive of international organisations as they are seen as conducive to cooperation and serve as arenas for negotiation and developing coalitions. Instead of being preoccupied with the distribution of power, liberals view the international system as an arena in which various actors “learn” from their multiple interactions. In this arena, international organisations provide opportunities for collective problem-solving (Karns & Mingst, 2004:36-38).

Higgott (2004:5) argues that, in theory, the economic domain (of “low” rather than “high” security politics) should be multilateralism’s strongest link, an easier arena in which to consolidate multilateral decision-making. In line with this the US has accorded greater (but not unconditional) support to multilateral problem-solving in the economic, rather than the security, domain (Higgott, 2004:19). With their focus on absolute gains, neo-liberals who study the world of political economy see the world as a positive sum game in contrast to the realist zero-sum game.

Neo-liberal institutionalism (or neo-liberalism) is an important variant of liberalism that challenges core liberal beliefs in the roots of cooperation and the role of international institutions. For such scholars, the key question is how to promote and support cooperation in an anarchic and competitive international system. Neo-liberal institutionalists argue that, even though the willingness of states to cooperate is constrained by an anarchic international system, states can work together, especially with the assistance of international institutions (Karns & Mingst, 2004:38). Again, Keohane is associated with this approach. He stated that neo-liberal institutionalism borrows equally from realism and liberalism (Lamy, 2001:184). In his influential book, *After Hegemony* (1984), Keohane emphasised the cooperation states achieved through international institutions.

At this stage an important distinction have to be made between neo-liberalism in the academic world and the policy world. In the academic world, neo-liberalism generally refers to neo-liberal institutionalism. In the policy-world, a neo-liberal foreign policy promotes free trade, open markets and western democratic values and institutions (Lamy, 2001:183-184). The governing norms and language of the WTO is the language of neo-

liberal institutionalism. The neo-liberal policy agenda that reflects the continued drive of the US and Europe for deeper global economic integration, can be seen in the Doha multilateral trade negotiation round of the WTO (Higgott, 2004:20). Throughout the remainder of this thesis the terms neo-liberal institutionalism and neo-liberalism will be used to refer to approaches, respectively, in the academic world and the policy world.

Together with Robert Axelrod, Keohane has also drawn on game theory (particularly the prisoner's dilemma game) to illustrate how cooperation is in the individual state's self-interest. The game illustrates that, even though states are independent actors, their policy choices tend to be interdependent. States that have continuous interactions will choose to cooperate, because they realise they will have future interactions with the same actors. These interactions will motivate states to create international institutions that will moderate state behaviour, provide a context for bargaining and mechanisms for reducing cheating (Karns & Mingst, 2004:38-39).

Another theory which derives from liberalism is functionalism. Functionalists assert that, since the political rivalry of states is so intense and since state sovereignty is so firmly entrenched, international economic and social cooperation is a prerequisite for political cooperation. They argue that an ever-increasing amount of economic and social interaction will eventually build habits of interaction and a broader base of common values that will "spill over" into the political arena. This spill-over effect is the answer to eliminating war whose causes (they argue) lie in ignorance, poverty, hunger and disease (Karns & Mingst, 2004: 40-42 & Le Roy Bennet, 1995:16-17).

The theory of international regimes has been shaped (in rough order of importance and depending of the specific strand used) by neo-liberal institutionalism, liberalism, neo-realism and realism. This theory shows how states create frameworks to coordinate their actions with other states, if and when necessary for achieving their national interests. Regimes improve cooperation by "creating shared expectations about appropriate behaviour and by upgrading the level of transparency in the issue area" (Karns & Mingst, 2004:42-43).

Public goods theory groups together such diverse "commons" as the high seas, atmosphere and ozone layer, shared norms and principles, the internet, financial stability, free trade and

environmental stability as collective goods. The use of such goods involves interdependent choices and activities. For such collective goods, market mechanisms are inadequate and therefore alternative forms of governance are needed. The theory can be used to explain the role of international agreements and many intergovernmental organisations (Karns & Mingst, 2004:43-45).

Both realism and liberalism have been criticised for being state-centric. Critics argue that these theories neglect the fact that political activities may be shifting away from the state. Some add that one of the most significant outcomes of globalisation is the emergence of global or trans-national political advocacy networks. Institutions promoted primarily by such advocacy networks have had a significant impact on human rights issues, like child labour. Examples of campaigns by networks that were initiated outside the state and challenged power centres include recent campaigns against blood diamonds and the use of anti-personnel landmines⁵ (Lamy, 2001:193).

The same state-centric critique has been levelled against the major multilateral organisations, including the United Nations and the WTO. In contrast to the International Labour Organisation that includes representatives of civil society in its membership and also integrates them into its decision-making process, membership to the WTO is restricted to states (O'Brien *et. al.*, 2000:102). However, despite the fact that they do not have a direct voice in decision-making, non-governmental organisations (NGOs) are increasingly indirectly involved in negotiations at the WTO. This is reflected in the involvement (for example, through issue research and analysis) of 1 578 representatives of 795 NGOs at the 2003 Cancun Ministerial (Van de Ven, 2003:1).

Linked to this critique is the fact that, historically, very few theoretical approaches focus on domestic factors. Realists argue that the state is a unitary actor. Liberals, while arguing that the state is the main actor, also see the state as pluralistic. This leaves space for domestic influences. Putnam (1988) links domestic and international politics in what he called “two-level games”. Following Putnam, Moravcsik (1993:483) argues that states are constrained in their decision-making, domestically by interest groups, and abroad by their strategic environment.

⁵ For more on this argument see Keck and Sikkink (1998). Apart from disagreeing with liberals and realists on the significance of the nation-state as an actor, the examples used also focus on the changing nature of norms and thus falls in the reflective (versus rationalistic) category

Helen Milner (1997) took up this argument and developed a theory of domestic politics that shows how domestic politics affect international outcomes. She also makes the important distinction between actors' interests and policy preferences. Keohane (1984:51) sees cooperation as the adjustment of actors' behaviour to the actual or anticipated preferences of others, through a process of policy coordination. In this vein it is possible for two or more groups to have the same policy preferences, while having different interests. One such an example would be consumers and businessmen that back an integration agreement. They want the same thing (policy preference), but for different reasons (interests). The same thing is possible for states: two or more can have the same policy preference (like the signing of a cooperation agreement), but different interests. Thus, a common set of policy preferences, and not necessarily a shared set of interests, determines a policy of coordination (Milner, 1997:36-37). Often, though, both interests and policy preferences will coincide.

2.3.3 Marxism

Marxism is described as a critical theory, one that provides an alternative framework for understanding the world. It challenges both realism's focus on the primacy of power and liberalism's optimism about the benefits of expanding markets for peace and stability. At the heart of a Marxist approach is the belief in the primacy of economic forces in explaining political and social phenomena. Marxists also share a grounding in historical analysis (Karns & Mingst, 2004:52-53).

Such theorists describe the world economy as an arena of capitalist competition in which classes of capitalists and workers, and social groups are in constant conflict. Capitalists (and the states they are based in) are driven by the search for profits (Woods, 2001:285-286). Global governance is seen as a predictable institutional response to the overall logic of capitalism (Murphy, 2005:142).

In general, Marxists see capitalism's structure and mode of production as exploitative. Most Marxists are proponents of major structural change in international relations, and especially of international organisations like the WTO. They view international organisations as the product of dominant groups of states, dominant ideas and the interest of the capitalist class (the global capitalist elite) (Karns & Mingst, 2004:54). Halabi (2004:33) argues that

international organisations (like the WTO) exploit the dependence of developing states on international resources like loans, foreign direct investment and technology to induce them to buy into capitalism and to internationalise.

Dependency theory derives from Marxism. It argues that international organisations (both public and private) forge trans-national relationships with elites in developing countries. In doing this, such organisations link domestic elites in both exploiter and exploited countries in a symbiotic relationship (Karns & Mingst, 2004:55). Dependency theory was particularly popular in Latin America in the 1950s. Although it has since lost much of its original more mainstream support, the argument still resonates with some. More recently, for example, Jawara and Kwa (2003:305) argued that “the underlying structural problem, developing countries’ economic dependency on the North, renders them extremely vulnerable to the power politics of the North, and the roots of this dependency lie largely in the global economic system itself”. Scholars like Jawara and Kwa would like to see the entire system transformed.

Grounded in historical analysis, world system theorists see the world capitalist system as evolving. The modern world consists of a capitalist world economy dominated by core/semi-peripheral/peripheral relations. The political structure of this system consists of sovereign states that operate in an interstate system (Wallerstein, 1995:1). The semi-periphery lies between the core and periphery. The existence of this middle ground indicates that movement between the levels are possible and that change can occur (Karns & Mingst, 2004:55). Ireland and South Korea are examples of countries that “moved up” in the world system. World system theorists Chase-Dunn, Kawano and Brewer (1999) argue that globalisation is grounded in world history and that it experiences cyclical growth that corresponds with hegemonic rise and decline. As an aspect of globalisation (and thus also subject to its cyclical growth), the globalisation of consumer markets becomes deeper and broader with time (Arrighi, 1999:217-251).

Antonio Gramsci is an Italian Marxist that has also had considerable influence on some neo-liberal institutionalists (Karns & Mingst, 2004:53). Murphy (2005:45) describes Gramsci’s approach as a synthesis of liberal, Marxist and realist social theories. Gramsci interprets hegemony as a relationship of consent to political and ideological leadership, not

domination by force (Karns & Mingst, 2004:53-54). The concept of “ideological leadership” moves Gramsci’s approach also closer to the reflective school.

This then, provides a theoretical overview of rationalistic approaches to globalisation, global governance, international organisations and the state. In terms of multilateral economic governance, the World Trade Organisation describes itself as the “only international organisation dealing with the global rules of trade between nations” (WTO online). That it might be, however, the authority and legitimacy of the WTO is not uncontested. It is to this issue that is moved next, as support for the WTO as a specific international organisation is plotted.

2.4 Plotting the World Trade Organisation

Rationalistic theories of institutions⁶ view them as affecting patterns of costs. They reduce certain forms of uncertainty and alter transaction costs. Transaction costs can be defined as the “costs of specifying and enforcing the contracts that underlie exchange” (North, 1984:256). Keohane (1989:166) uses several rationalistic theories of institutions⁷ to argue that, at any point in time, transaction costs are to a substantial degree the result of institutional context. It is worth quoting the rest of his argument:

“Dynamically, the relationship between these institutionally affected transaction costs and the formation of new institutions will, according to the theory, be curvilinear. If transaction costs are negligible, it will not be necessary to create new institutions to facilitate mutually beneficial exchange; if transaction costs are extremely high, it will not be feasible to build institutions – which may even be unimaginable” (Keohane, 1989:166).

Support for the World Trade Organisation, like that for many international organisations, can be illustrated on a continuum. Positions and opinions in the debate about the future of the trade regime span the entire political spectrum from left to right and north to south. Higgott (2004:24) identifies two main categories of opinion: dismantlers/abolitionists on the one hand and supporters on the other. He then continues to sub-divide these categories. Abolitionists can either be of a southern radical persuasion (like Focus on the Global South or Third World Network) or a northern nationalist persuasion (for example conservative US

⁶ Keohane (1988:382) defines institutions as follows: “a *general pattern or categorization* of activity or to a *particular* human-constructed arrangement, formally or informally organized”. International organisations are one type of institution.

⁷ See, for example: Keohane (1984), Moe (1987), North (1981) and Williamson (1981 and 1985)

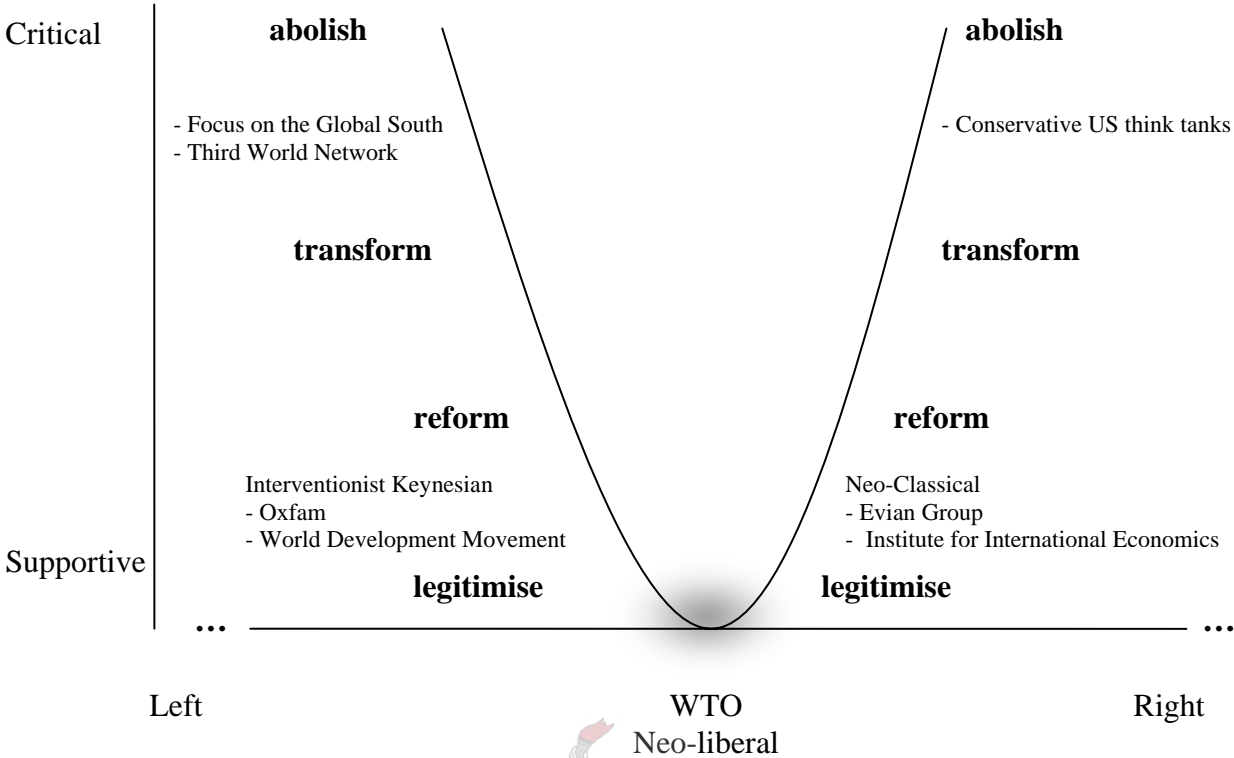
think tanks like the Heritage Foundation). In the same way, supporters (whose actions are legitimising) can be either of a market privileging neo-classical persuasion (like most academic economists, the Institute for International Economics or the Evian group) or of a more interventionist Keynesian persuasion (like Oxfam or the World Development Movement).

At their most extreme, abolitionists would dismantle the existing institutions altogether. As mentioned, the reactions of supporters and abolitionists exist on a continuum. This is in line with Hurrell and Narlikar (2005:6) who argue that discussions on globalisation and the developing world that concentrate on a stark dichotomy between fusion and fragmentation, or between regime convergence and revolt are somewhat simplistic. Higgott does note a difference in degree and extremity. To make clear the range of positions on the continuum, the additional categories of reformers and transformers are added between Higgott's positions of those most supportive (legitimisers) and those most critical (abolitionists) of the WTO. The categories of "transform" and "reform" are often used in relation to international organisations. The categories exist on a continuum in the following order (from least to most critical): legitimisers, reformers, transformers, abolitionists.

Abolitionists would prefer either a bilateral system of trade relations or a reversal of market-led globalisation and a return to protectionism. As such, they would dismantle the institutions (GATT/WTO) altogether. In contrast, both transformers and reformers support a multilateral system of trade governance. Where transformers would like to replace the system (GATT/WTO) with an alternative system (with different underlying norms), reformers choose to work for change from within the existing system. Legitimisers are those least critical (thus most supportive) of the system as is.

These positions are illustrated on a diagram below (Figure 6). In line with Keohane's argument the continuum is not linear, but curvilinear, with critique against the current position of the WTO coming from both left and right. Note that the point of most support (where the curve touches the left/right line) is not the middle (between left and right). It is simply the point of reference, where the WTO is currently at. Those looking from the left see the point (current WTO position) to their right and those looking from the right see the point (current WTO position) to their left.

Figure 6: Plotting the WTO



2.5 Conclusion

In line with most WTO delegations’ insistence on interest-based agendas (rationalist), the academic approach to international organisations that will be used is neo-liberal institutionalism. At the same time it will not be closed to constructive debate with, and critique from, the reflective school. The neo-liberal institutional starting point is also backed by the underlying assumptions that played a role in the establishment of the WTO; that states can work together, especially with the assistance of international institutions. In this way, organisations like the WTO provide opportunities for collective problem-solving. Actors on this stage are pluralistic states who act rationally and in self-interest. In their rational decision-making, such states are constrained, domestically by interest groups, and abroad by their strategic environment. It is possible for self-interested actors to cooperate if their individual interests differ, as long as these interests lead to a shared set of policy preferences.

Building on this theoretical foundation, the following chapter will ask what type of coalition India, Brazil and South Africa aims to be in the WTO.

3 IBSA, THE G20+ AND MISCALCULATIONS OF TRUST

In September 2003 the fifth Ministerial of the World Trade Organisation in Cancun collapsed when developing countries came together in several overlapping coalitions to block negotiations until their demands were met. Amongst these coalitions the G20+ on agriculture was the biggest newsmaker. This influential group composed of seemingly strange bedfellows surprised by unexpectedly holding together in the end-game.

History has provided an opportunity for developing country actors to learn from their previous interactions (Karns & Mingst, 2004:37; Narlikar & Tussie, 2004:957). Today's WTO coalitions, like the G20+, are built on a history of developing country coalitions in multilateral trade negotiations stretching back at least as far as the run-up to the Uruguay Round of the GATT.

3.1 Pre-Uruguay: The GATT and its Alternatives

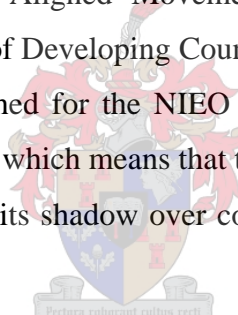
The precursor to the WTO, the General Agreement on Tariffs and Trade (GATT) entered into force in 1948 in the post-WWII context of multiplying multilateral fora. However, until the lead-up to the Uruguay Round (launched in 1986) developing country participation in the GATT was relatively uncomplicated (Draper & Sally, 2006:3). By and large, they excluded themselves from the GATT negotiations as reflected in the fact that the average number of negotiating countries in the first five rounds were between only 25 and 26.

From the 1940s to the 1960s the Third World's share of world trade shrunk. During that time the United Nations Conference on Trade and Development (UNCTAD) was the developing world's preferred trade-and-development forum (Draper and Sally, 2006:3). In the 1960s there was an attempt by developing countries to establish the UNCTAD as an alternative to the GATT (Hurrell & Narlikar, 2006:7). A common feature from the 1940s through the 1980s was a desire by African, Asian and Latin American governments for more control over international economic regimes. By the late 1960s this desire of the South for greater control was articulated in a political analysis that advocated change of international economic regimes (Murphy, 2005:103-118)⁸.

⁸ Essentially, the South argued for the "democratisation" of international relations. By this they meant two things: First, international institutions should be used to energise public opinion in developing countries to support Third World goals. Second, they argued for making binding international decisions "democratically", meaning "one nation, one vote" (Murphy, 2005:112).

Then, briefly, in the 1970s Third World oil producers controlled one of the “master variables” of world politics. They used this leverage to try to gain greater control over their development by pressing for reforms in the world economic organizations that were established in the post-WWII world (Murphy, 2005:103-117). Their proposals, meant to be a revision of the international economic system in favour of Third World countries that replaced the Bretton Woods system, became known as the New International Economic Order (NIEO). The proposals were put forward during the 1970s through the UNCTAD. In the 1970s and 1980s the developing countries pushed for the NIEO and an accompanying set of documents to be adopted by the UN General Assembly.

During this time, ideology and a supposed shared identity was the glue that cemented together the preferred bloc-type coalitions of the developing South. These coalitions have been described as coalitions of the “first generation” (Narlikar & Tussie, 2004). These coalitions attempted to maintain collective positions across issues and over time. Such bloc-type coalitions included the Non-Aligned Movement in the United Nations General Assembly and the Informal Group of Developing Countries in the GATT. In the UNCTAD, the G77 was such a bloc that pushed for the NIEO (Hurrell & Narlikar, 2006:10). This proposed NIEO was never realized, which means that today the attempt of the 1970s is seen largely as a failure⁹ that still casts its shadow over contemporary attempts at South/South cooperation.



3.2 The Uruguay Round: Ideological Blocs and Single-Issue Alliances

The Uruguay Round (launched in 1986) broke the mould of developing country participation in the GATT, with the participation of a (then) record 125 countries. Things began to change in the early 1980s as pressure for trade liberalization created a group of countries that needed access to developed country markets, but were increasingly the targets of developed country protectionism. This meant that many developing countries also started to see being active participants at the GATT bargaining table as a logical move (Draper and Sally, 2006:4-5).

⁹ The reasons for this failure are debatable, but as it is not the main topic of this study, it will not go into great detail. For more on this topic, see, for example Rothstein, R. 1984. “Regime-creation by a coalition of the weak: lessons from the NIEO and the Integrated Program for Commodities”, in *International Studies Quarterly*. 28.

For a critical review of the influential arguments for the failure of the NIEO, see Murphy, C.N. 2005. “What the Third World wanted: the meaning of the NIEO, Chapter 7 in *Global Institutions, Marginalization, and Development*. London: Routledge.

At first, with increased participation from the developing world in the GATT, the preferred coalitions remained of the ideological bloc-type. In 1982 the Informal Group was institutionalized as the G10¹⁰. This more focused, hard-line coalition of resistance came to typify “traditional Third World-ism” in its grand stand appeals for distributive justice (Hurrell & Narlikar, 2006:11). True to this (first generation) type of coalition, the G10 attempted to maintain collective positions across issues and over time. Despite being instrumental in bringing developing country concerns to center stage pre-Uruguay, the G10 failed to carry its concerns into the Uruguay Round. Technically, the G10 still exists today, but it functions mainly for information exchange and issue identification (Narlikar, 2003:45).

Another coalition that emerged during the run-up to the Uruguay Round is the Café au Lait¹¹ coalition, led by Columbia and Switzerland. In contrast to the G10, this coalition was formed for instrumental reasons and focused on a single issue: the meaning and implications of including services in the mandate of the GATT. A draft proposed by this coalition provided the basis for the Punta del Este Declaration that launched the Uruguay Round. The G10 was particularly opposed to the inclusion of services, which meant that its inclusion in this Round was a major loss for the G10. The successes of the Café au Lait coalition (in contrast to losses sustained by the G10) led developing countries to turn towards issue-based coalitions from the mid-1980s. The single issue-based coalitions have been described as coalitions of the “second generation” (Narlikar & Tussie, 2004).

Coalitions of developing countries in the GATT and WTO can be classified on a spectrum, with a specific analytical type on either end: bloc-type coalitions and issue-based alliances. While bloc-type coalitions attempt to maintain collective positions across issues and over time, issue-based alliances are formed to address a specific threat and dissipate once the issue has been resolved (Narlikar & Tussie, 2004:957). According to Narlikar (2003:31) blocs are characterized by the fact that they combine only like-minded states in a reflective, constructivist (ideational and identity-based) method of cementing members into a coalition. Issue-based alliances, on the other hand, are characterized by the very specific

¹⁰ Members of the G10: In pre-Uruguay phase, led by Argentina, Brazil, Egypt, India and the former Yugoslavia, but was inclusive of all developing countries (ambiguously defined) (Narlikar, 2003:45).

¹¹ This coalition consisted of the G20 (not the same as the G20 or the G20+ today) of developing countries that liaised with the G9 developed countries. Eventually it constituted the G48. G20: Bangladesh, Chile, Colombia, Hong Kong, Indonesia, Ivory Coast, Jamaica, Malaysia, Mexico, Pakistan, Philippines, Romania, Singapore, Sri Lanka, South Korea, Thailand, Turkey, Uruguay, Zambia and Zaire. G9: Australia, Austria, Canada, Finland, Iceland, New Zealand, Norway, Sweden and Switzerland (Narlikar, 2003:45)

give and take that is envisaged by most rationalist theories. Such alliances are likely to persist as long as the original cause for coalition creation persists and intra-coalition deals continue to yield expected pay-offs to members (Narlikar, 2003:31).

This trust in single-issue coalitions was further internalized with the formation and subsequent successes of the Cairns Group of agricultural exporters¹². The Cairns Group emerged with the goal of including agriculture in the GATT purview as it pressed for greater liberalization of agriculture. Agriculture was indeed placed on the negotiating table at Punta del Este, and has since been a highly contested area in the multilateral trade arena. While the Cairns position was offensive, a strong defensive position on agriculture emerged in the form of the Food Importers' Group (FIG)¹³. Countering Cairns, but with considerably less success, the FIG highlighted the costs of agricultural liberalization to food-importing countries (Higgott & Cooper, 1990:601; Narlikar, 2003:127-154). The disappointing score-card of the FIG was but one indicator that, perhaps, ascribing coalitions' success largely to a single-issue-based focus was overenthusiastic and hasty. More recently, the G20+ emerged, also with a focus on the issue of agriculture.

3.3 The Doha Round: IBSA and the G20+ at Cancun

The G20+ formed in response to a specific problem: the US\$300 billion agricultural subsidies paid to farmers in the US and EU. The countries shared a common fear that the United States and the European Union would draft a deal on agriculture that bypassed their interests. At first sight this type of coalition seems typical of an issue-based alliance, defined by Wendt (1994:386) as, “temporary coalitions of self-interested states who come together for instrumental reasons in response to a specific threat. Once the threat is gone, the coalition loses its rationale and should disband”.

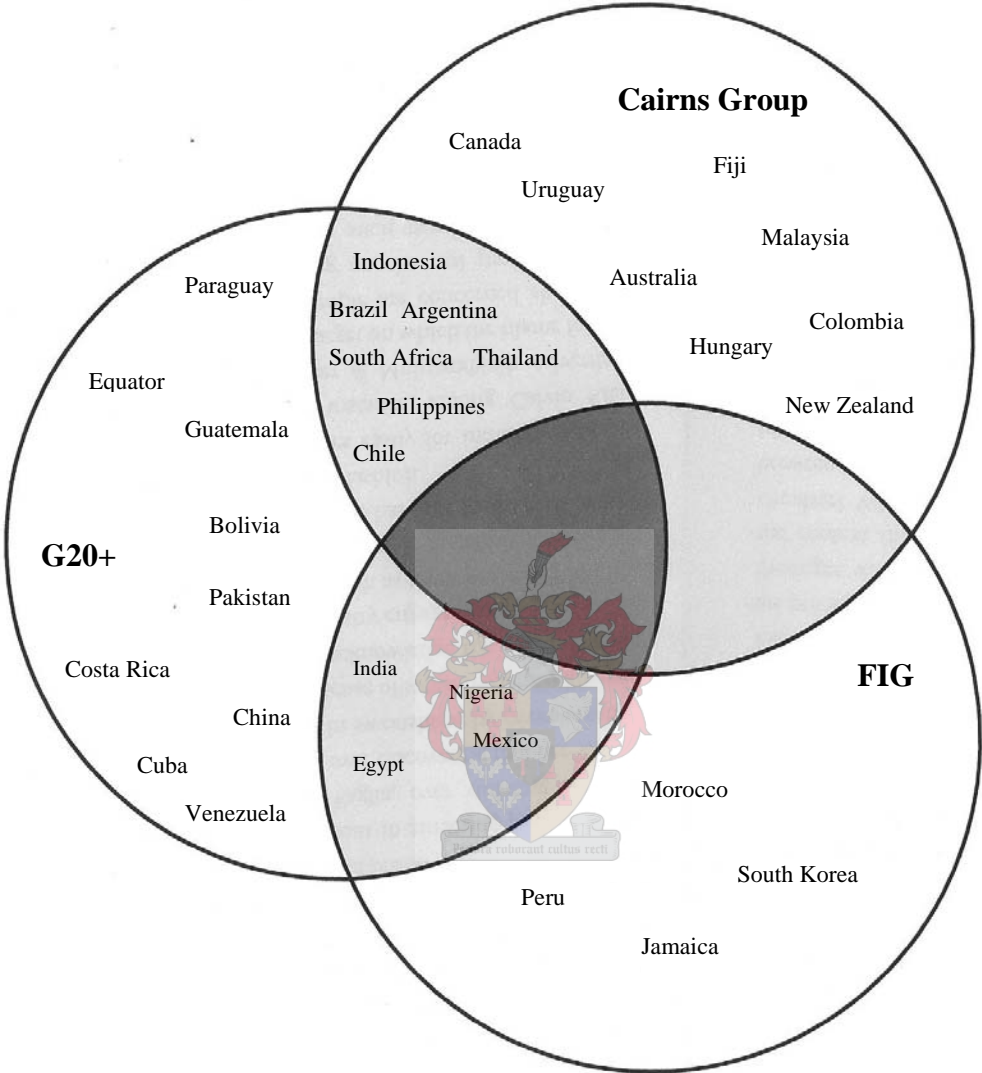
While both the Cairns Group and the FIG emerged at a time when they could make use of a rift between the United States and European Union (see, for example, Narlikar, 2003:127-154 and Tussie, 1993:181-204) the G20+ stood against both major powers. Interestingly, the G20+ combined members from both the Cairns Group (with an offensive interest, like Brazil) and the historic FIG (with a defensive interest, like India) into what has been labelled a “marriage of convenience” (Hurrell & Narlikar, 2006:24). In order to prevent

¹² Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Phillipines, South Africa, Thailand, Uruguay

¹³ Jamaica, Egypt, Mexico, Morocco and Peru (with the backing of India, Nigeria and South Korea)

possible offensive/defensive rivalries the G20+ proposed a blended formula on market access (Narlikar & Tussie, 2004:961).

Figure 7: Cairns, the FIG and the G20+



Logically, it seems to make sense that, in the search for possible allies, countries would start with countries that have a history of cooperation in the relevant issue area. The fact that the biggest countries in the G20+ are not “natural”, historic allies in the issue-area of agriculture suggests that there might be more to the G20+ than meets the eye. A group of unlikely candidates, the G20+ surprised many by not collapsing in the end-game, despite carrots and sticks from the Quad (the US, EU, Japan and Canada).

In fact, the classification of the G20+ as a single-issue-based alliance does not tell the full story. The group’s survival has, in large part, been credited to a solid core that held together

(Narlikar & Tussie, 2004:953-961). India, Brazil and South Africa (IBSA) played a key role in the establishment of the G20+ ahead of the WTO Ministerial in Cancun (Taylor, 2005:12). These countries have also been described as the “hard core” of the G20+ (White, 2006). Together with China, the IBSA Forum countries lead the G20+. On an economic level, Taylor (2005:18) described the IBSA Forum as a “concentrated effort by key states in the developing world to push the G20+ agenda”. The New Delhi Agenda for Cooperation also makes explicit that the countries agreed to cooperate in the WTO, as exemplified by the G20+. However, according to the New Delhi Agenda for Cooperation, IBSA’s goals for cooperation in the WTO extend beyond the G20+. In particular, the Agenda states that the countries agreed to intensify cooperation “in *areas* of mutual interest” (emphasis added), as exemplified by the G20+.

Thus, at the core of the single-issue G20+ is a group of countries (IBSA) that aim to cooperate across issue areas. Narlikar & Tussie (2004:957-960) describe the G20+ as epitomising the smart, evolved coalitions of the third generation. Such coalitions learnt from their predecessors and, today, they utilize some elements of both the bloc-type coalitions and issue-based alliances. While Narlikar & Tussie do not place IBSA in this framework, one’s first instinct would be to describe the G20+ and IBSA’s role in it as follows: IBSA is an identity-based bloc-type coalition that forms the core of the G20+, a single-issue alliance. The fact that IBSA aims to cooperate across issue areas, combined with historically opposing positions on agriculture (India backed the FIG, while Brazil and South Africa is part of the Cairns Group) tempts one to place it into the “bloc-type coalition cemented by issues of identity and ideology”-category.

However, like the G20+, IBSA’s cooperation claims to be interest-based (and not ideological). This next section (3.4) shows how this can be explained. It shows that IBSA has, in fact, learned more from the past than a simple rejection of ideologically-based overarching coalitions in favour of single-issue interest-based alliances. In order to show this we need to retrace our steps to the place where these problematic links between ideology and coalitions that operate across issues and time, and interests and single-issue coalitions, originated. We will start with the coalitions pre-Uruguay, but take an alternative route in the search for explanations that account for the collapse or survival of developing country coalitions.

3.4 Misplaced Trust: Beyond Ideological Blocs and Single-Issue Alliances

In the 1980s, the developing world took stock of their experiences with coalitions in multilateral trade negotiations. They saw that coalitions established on an ideological base and that hoped to be relevant in all situations (like the G10), failed. This contrasted with the success of single-issue coalitions established on the basis of interests (like the Café au Lait and Cairns coalitions). In the 1980s the shift from identity and ideology to interests coincided with a shift from coalitions that operated across issues and time, to single-issue-based coalitions.

In studying the coalitions of that time, the developing world linked ideology with long-term coalitions (like the G10) and interests with single-issue-based alliances (like Café au Lait). When the G10 collapsed such countries also linked problems with the G10 to all coalitions that operate across issues and over time. For a while, the developing world swung from putting their trust in broad-ranging ideological coalitions to putting it in single-issue interest-based ones. This euphoria was short-lived. Soon, the very limited influence of other such single-issue interest-based coalitions (like the FIG) made clear that a reassessment was necessary. This reassessment resulted in what Narlikar & Tussie (2004:959-960) call “smart coalitions of the third generation”. They explain that such coalitions, like the G20+, combine elements of both issue-based alliances and bloc-type coalitions.

The straightforward links made (both scholarly-conceptual and policy-practical) between identity-based (reflective) methods of formation and coalitions that maintain collective positions across issues and over time, and interest-based (rationalist) methods of formation and single-issue-based coalitions obscured the true reasons for the respective coalitions’ successes and failures. It did this by preventing the developing world from looking deeper for explanations. The lessons that the developing world thought they learned (from the G10, Café au Lait, and Cairns) was slightly different from those they should have learned. Although the difference was slight, the consequences were significant. We will make a (slightly) alternative assessment of the developing world’s past experiences to show that the newer coalitions (like the G20+, and specifically IBSA) could be examples of a more in-depth “relearning” of the experiences of the 1960s through the 1980s.

Narlikar (2003:142-154) qualifies the successes of the Cairns Group to explain why it does not serve as a “model” coalition for developing countries. This was proven by groups like

the FIG and the Friends of Services Group which attempted to duplicate the Cairns model, but without the irreproducible external conditions that contributed to Cairns' success. This chapter adds to Narlikar's explanation. However, instead of focusing on the specific circumstantial reasons for the success of coalitions like Cairns, the focus here will fall to structural reasons for the failure of coalitions like the G10. The failure of the ideological, broad-ranging coalitions (like the G10) should have taught the developing world two related, but separate lessons: the first dealing with interests vs. identity and ideology (as alternative methods employed at coalition construction), and the second with the necessary balance between formality and informality in coalition construction.

3.4.1 Lesson 1

Cooperation within a group is dependent on some level of trust existing among group members. Higgott and Cooper (1992:630) argue that mistrust is as important as significant in the potential for conflict between states as is the reality of fiercer economic competition in a more globally interdependent era. One view of trust is that it emerges in groups as a "by-product of shared social identity" (Braithwaite, 1998:52). The argument goes as follows: states that share a social identity will "find it harder to anticipate aggressive intentions towards them from an inherently 'good', that is similar, state" (Narlikar, 2003:27). Drahos (2003:100-101) argues that social identity trust is more likely to develop amongst negotiators that share similar cultural backgrounds or have the same religion. He continues that western states like the United Kingdom and the United States share a long tradition of liberal rights-based values and common institutions such as the rule of law and the separation of law-making powers that forms the basis of some sort of "cultural we-ness".

By contrast, developing country negotiators are less likely to be the beneficiaries of social identity trust. Many such developing countries only achieved sovereignty in the decolonization period after the Second World War. A shared history of colonialism could not make up for the vast and entrenched cultural, religious, social and economic differences obscured by the label "the developing world" (Drahos, 2003:100-101). In fact, colonialism often strengthened such countries' links with their colonial masters, while also preventing a shared history from forming between the countries of the developing world. The lack of social identity trust in the developing world is underscored by the fact that, historically, political conflict in the South has frequently been ideological in nature (Higgott & Cooper,

1990:629). Despite this, social identity trust was the type of trust favoured by the old-style bloc-type coalitions of the developing world between the 1960s and 1980s, like the G10.

This type of weak social identity trust holding together the developing world was further eroded with emerging differences between the interests of the South increasingly coming to the fore (Alden & Vieira, 2005:1091). The diplomacy of the South up to the 1980s, and including the G10 in the GATT, has been described as (norm governed) rhetoric (see, for example: Alden & Vieira, 2005:1091; Glover & Tussie, 1993:230; White, 2006:5 & Narlikar, 2003:81). The two-track game that Rothstein (1987) described in terms of UNCTAD during the 1970s was just as present in the GATT. The first track of this two track game involved ideological, rhetorical confrontation in Geneva. However, when negotiators returned to their home countries local political elites would demand short-term concrete gains. In order to appease these elites, the second track involved the establishment of interest-based bilateral relations with developed countries. This difference between Geneva-based rhetoric and home country realities led a developed country negotiator to describe the G10 as operating in “a vacuum of reality” (Kumar, 1993:211).

Social identity trust was overridden by issues of interest for two reasons. Firstly, compared to the developed world, true social identity trust in the developing world is weak. Secondly, the dominant type of trust in any given negotiation is not likely to be social identity trust, but exchange trust (Drahos, 2003:100). Exchange theories of trust “focus attention on utilities – material, social or psychic – evaluated and weighed by the actor in deciding whether it is in the actor’s interest to give or honour trust” (Braithwaite, 1998:52). In line with a neo-liberal institutionalist perspective’s focus on absolute gains, individual negotiators from developing countries cooperate after calculating that they are likely to do better individually if they operate as part of a group in which they exchange trust on a reciprocal basis (Drahos, 2003:101). However, this calculative trust is fragile as its value is quietly, but constantly recalculated by each negotiator. Strong states are particularly able to trigger such a recalculation in the minds of developing country negotiators in an attempt to “divide and conquer” (Drahos, 2003:101-102).

Developing countries’ struggle to follow through their cooperation has been attributed largely to a failure of calculative (exchange) trust (Drahos, 2003:101-102). Hardin (1998) explains how exchange trust can be increased: Trust is a product of knowledge. An actor

that repeatedly acts according to expectations (in other words, predictably) will become trustworthy. Exchange trust demands a track record and a trustworthy track record, in turn, depends on reiterated interactions. This type of trust thus develops as repeated interactions produce expected outcomes. With continued interaction the actors “know” that they can trust each other and exchange trust grows. Countries can thus grow exchange trust by increasing interaction with each other.

In similar fashion developing countries’ failed coalitions have in large part be attributed to an adoption of group structures that “do not pay enough attention to the need for constant communication in the form of talk, debate and deliberation” (Drahos, 2003:101-102). Part of the solution to the failure of calculative trust is for developing countries to institutionalize communication processes among themselves. A more formal group structure that forces countries to communicate can reduce the fears that negotiators have about each other (Drahos, 2003:101-102). Such communication can increase exchange (calculative) trust. It also creates the opportunity for social identity trust to grow. This type of trust will not surpass exchange trust as the dominant type of trust in negotiations, but it can serve a supporting role.

In line with rationalist theories, exchange trust is based on calculations of interest. Historically, links were made between identity-based (reflective) methods of formation and coalitions that maintain collective positions across issues and over time, and interest-based (rationalist) methods of formation and single-issue-based coalitions. Thus, when identity-based coalitions were discredited in the 1980s the shift to interest-based coalitions was accompanied by a shift to single-issue coalitions. The limited success of developing country coalitions has been attributed to a failure of exchange trust. As exchange trust is dependent on reiterated interactions with the same actors, single-issue coalitions are not effective contributors to the growth of this type of trust.

3.4.2 Lesson 2

As mentioned, the first lesson that history taught the developing world was that the confidence placed in social identity trust was confidence misplaced. The second lesson to be learnt from coalitions like the G10 relates to its hard-line stance across issue areas. The ideological coalitions of the 1960s to early 1980s often aimed to be relevant in all areas of the applicable institution. The G10 revealed the dangers of basing a coalition in aggregated

and log-rolled interests at the expense of a shared agenda (Narlikar, 2003:81). This problem was also illustrated in the 1970s by the Non-Aligned Movement in the UN and the G77 in UNCTAD. Cross-issue coalitions run the risk of being unwieldy structures that rob developing countries of flexibility in trade negotiations. Then again, coalitions that emphasise negotiating flexibility are at risk of being ineffective. This means that, for optimum effectiveness, an important balance has to be found between formality and informality (Drahoš, 2003:98-99). Ultimately, Drahoš (2003) argues for a rich developing country group life in the WTO that makes of both formal and informal groups. Informal issue-based alliances should be complemented by a more organized group structure that could form a kind of counterweight to the Quad.

3.5 IBSA, A Recalculation of Trust

The challenge facing the creators of IBSA was to institutionalise the type of interaction that would lead to a growth in exchange trust without compromising on flexibility. The India, Brazil and South Africa Dialogue Forum (IBSA) was established with the purpose of sharing views on relevant regional and international issues of interest, and to promote cooperation in specific issue areas (ranging from areas like peace and security to sustainable social development and multilateral diplomacy). The foreign ministries of the three countries played a seminal role in the creation of IBSA. This embedding of IBSA in the respective foreign ministries meant that the leaders of the three countries sought to “rapidly institutionalise a process that might otherwise fall victim to the vagaries of changing political fortunes or individual interests” (Alden & Vieira, 2005:1089).

The IBSA Dialogue Forum could thus be regarded as an example of an institutionalised communication process. Drahoš (2003:102) argues that exchange trust would be built most effectively if institutionalised communication does not remain Geneva-based. Negotiations are increasingly becoming more complex, with negotiation on, for example, investment, services and intellectual property taking place simultaneously in bilateral, regional and multilateral fora. Decisions taken in the context of one regime have implications for negotiations in another.

In the abovementioned aspects, too, IBSA’s innovative approach increases interaction on several levels. This is seen in the fact that the IBSA Plan of Action targets specific sectors (for example transport, tourism, health, and science and technology) with the intention of

creating various trilateral inter-sectoral relations underpinned by interpersonal exchanges with counterparts from the partner countries. With this in mind, the Action Plan is divided into 13 working groups according to existing government departments and domestic priorities (White, 2006).

At the same time IBSA aims to avoid the pitfalls of inflexibility by its narrow membership and not having an IBSA chair, secretariat or any other formal institutions (White, 2006:8-9). Furthermore, while encouraging wide-ranging communication, India, Brazil and South Africa does not agree to cooperate in all areas, but only in “areas of mutual interest”. In line with a liberal institutionalist approach to coalition formation, coalitions are cemented through processes that promote the cooperative dimensions of interaction and minimise conflictual ones (Narlikar, 2003:30). Thus, IBSA assumes that, as communication increases, the countries will find cooperative opportunities that also serve their individual interests. With increased cooperation comes increased trust. IBSA aims to promote potential synergies among its members (Alden & Vieira, 2005:1089). In this vein it has been argued that 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” (White, 2006:4).

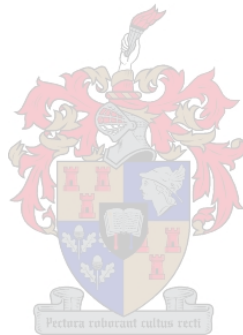
The first “area of mutual interest” in which the countries cooperated related to the pharmaceutical patents dispute for anti-HIV medication. This cooperation in terms of the TRIPS Agreement on Public Health (in the WTO) led to the first tangible victory for IBSA. It served to drive the three countries closer together (White, 2006:2). Interestingly, and in support for cooperation on different levels and communication that extends beyond Geneva, in the IBSA Plan of Action the TRIPS issue falls under the category of “health” and not under the obvious WTO category of “trade and industry”.

The successful cooperation with regards to the TRIPS Agreement can be seen as the first step in growing exchange trust between the countries. Further communication led to an opportunity for cooperation in the G20+. It can be argued that the decision for these countries to cooperate in an area of agriculture (an area in which they were divided in the past) can be attributed to increased communication and growing exchange trust. Without communication these three countries would not have realised that there was in fact an

opportunity for cooperation (and common interests), despite their history of opposing offensive vs. defensive positions on agriculture.

This chapter argued that it is possible, and indeed desirable, to establish interest-based (rationalist) coalitions that maintain collective positions across issues and over time. Indeed, this is what IBSA aims to achieve by intensifying cooperation “in *areas* of mutual *interest*” (emphasis added). Its innovative institutionalization of communication processes aims to maximize flexibility, without compromising on effectiveness.

The next chapter will ask whether these three countries do in fact form a viable and sustainable coalition. The chapter will study India, Brazil and South Africa in order to establish whether it makes sense for these countries to work together.



4 VIABLE AND SUSTAINABLE COALITIONS IN THE WTO

4.1 Introduction

The previous chapter showed the type of coalition IBSA aims to be in the WTO. However, it is not enough for any group of countries to decide to cooperate by forming a particular type of coalition. Maintaining any coalition incurs certain costs (Narlikar, 2003:26, 197-198). In order for any coalition to be viable the members must calculate that they are likely to do better individually as part of the coalition than they would alone. Thus, countries have to make sure they have enough in common to make it worthwhile to build trust.

This is not as simple as asking whether a particular group of countries have the same interest in a particular issue area. Even if it was, it would not be an easy question to answer. A single country's needs in any particular issue area can be framed in any number of ways. Furthermore, the WTO is a forum for negotiation. The very term "negotiation" carries with it a sense of dynamism. To negotiate or bargain is a dynamic process of interaction that is context-dependent. It is not always possible to pre-empt what issues will arise, how interests and needs will be framed (as policy preferences) and how different countries' positions - as well as those of coalitions that form - will develop and change with time.

The abovementioned complexities are all relevant in a single-issue based coalition. Even in such coalitions, determining whether countries have enough in common is difficult. Increasingly, however, countries have to manage negotiating complexity across several multilateral fora as well as across issue areas. An issue like intellectual property, for example, is linked in complex ways with issues of biotechnology, agriculture (the Food and Agriculture Organisation) and biodiversity (and the Convention on Biological Diversity). Issues of intellectual property are also negotiated simultaneously both in the WTO and the World Intellectual Property Organisation (Drahos, 2003:95-96). In response to a complex environment, IBSA is a coalition that aims to balance formality and informality for optimum efficiency.

By institutionalising communication, IBSA's goal is to cement a coalition through processes that promote the cooperative dimensions of interaction and minimise conflictual ones (Narlikar, 2003:30).. It assumes that increased communication will result in the discovery of issue areas where cooperation (for example, in multilateral fora like the WTO)

is possible. Like any coalition, IBSA aims to be viable. A viable coalition is effective in negotiating outcomes that favour its members. In addition to viability, IBSA aims for sustainability as it cooperates across several issue areas. Importantly, its goal is not to cooperate in all issue areas, but in those areas where individual interests can lead to shared policy preferences. IBSA's viability and sustainability thus hinges, firstly, on whether the three countries have enough to talk about. Secondly, communication has to translate into opportunities for cooperation in multilateral fora. Thirdly, India, Brazil and South Africa have to be able to influence negotiations in their favour.

Apart from its structural viability, the success of a coalition also depends on the negotiating strategies it employs. This thesis does not focus on negotiating strategies, but on structural characteristics of coalitions. The previous chapter looked at the type of coalition IBSA aims to be. This chapter will ask whether it makes sense for India, Brazil and South Africa to form such a type of coalition. IBSA has been described as a "coalition of the willing" (White, 2006:1). We will not look at all of the countries in the world in an attempt to search for countries that could form viable and sustainable coalitions. IBSA will not be studied from the point of view of asking whether any other countries would make more or less sense as coalition partners. Rather, the focus will fall to the three IBSA countries who decided to work together and ask if this coalition is structurally viable and sustainable.

Coalitions of developing countries often encounter two central problems: minimal external weight and a risk of fragmentation (Hamilton & Whalley, 1989; Kahler & Odell, 1989; Narlikar & Odell, 2003; Tussie & Glover, 1995; Narlikar, 2003 and Narlikar & Tussie, 2004). Narlikar (2003) identifies two structural imperatives that any coalition must meet in order to ensure that it is structurally viable: it must enjoy a substantial external weight as well as internal coherence.

As obvious as these criteria appear, several past coalitions have been known to establish themselves on elaborate processes of logrolling that result in a "mutually inconsistent, badly aggregated 'collective' end" (Narlikar, 2003:197). The sheer size of the G77 that evolved in the context of the UNCTAD was both its strength and its downfall. It meant that the coalition had external weight, but it was too big and diverse to share interests that could lead to internally coherent policy preferences. In this chapter the focus is on balancing external weight and internal coherence for maximum effectiveness. The chapter will

analyse IBSA as a whole according to these criteria, before applying it to some examples of issue areas in which the countries have chosen to cooperate.

4.2 External Weight

The first basic condition for successful coalition formation relates to the critical weight that the coalition exercises externally. A coalition of two small states with a shared and focused commitment to a particular issue and well-coordinated positions will most probably not be successful, because the internal coherence of the coalition will not overcome their weaknesses as marginal producers or demanders in international markets (Narlikar, 2003:199).

One's first reaction would be to seek strength in numbers. However, coalition building in the WTO differs to that in a party political system where the number of votes defines a winning coalition (Drahos, 2003:85). Although each state in the WTO has a vote and there are procedures for voting, thus far no decisions in the WTO have been based on majority vote. Such decision-making by voting was also extremely rare under the GATT (WTO online). Instead, the WTO agreement states that the WTO "shall continue the practice of decision-making by consensus". This means that a decision is accepted when no states object to it. Historically, decisions have usually been made as follows: first, an inner circle of strong states would reach consensus on an issue. It would then be difficult for weaker states to resist the unity of the strong states (the stakes would be too high). Weaker states would often keep quiet rather than object to a decision with which they do not agree (Drahos, 2003:85-86).

Thus, while it has been argued that the fact that no country has veto power in the WTO makes it more democratic than the United Nations (White, 2004:532), in reality WTO member countries are certainly not equal. Alone, a weak state's credibility will be low, since its vulnerability to pressures inside and outside the organisation and its need for agreement on other issues will be obvious. Forming coalitions increase credibility. However, strength in voting numbers does not in itself translate into a winning coalition. Rather than numerical superiority, bargaining power is the key to victory in negotiating consensus at the WTO (Drahos, 2003:85-86).

Traditionally, realists focus on the primacy of power. However, the concept of bargaining power is not irreconcilable with a neo-liberal institutionalist approach. The liberal idealist's disregard for power was discredited with the outbreak of the Second World War. Neo-liberal institutionalism emerged as an alternative. As was mentioned, neo-liberals (neo-liberal institutionalists) and neo-realists share many assumptions about the world. Keohane stated that neo-liberal institutionalism borrows equally from realism and liberalism (Lamy, 2001:183-184). Neo-liberal institutionalists do not deny the role of power, but see power as a means to an end, while classical realists see power maximisation as a state's ultimate goal. While neo-realists focus on relative gains ("will I gain more than other states?"), neo-liberals (neo-liberal institutionalists) focus on absolute gains ("what will I gain?") (Woods, 2001:295). Thus, neo-liberal institutionalists argue it is possible for countries to cooperate after calculating that they are likely to do better individually if they operate as part of a group. Power can be used to bargain or to threaten (Dewitt, 2006:3). If the focus is on relative gains, other countries' power is seen as a threat. A preference for coalitions that pool bargaining power in the economic realm is thus in line with the neo-liberal institutionalist approach.

A state's (and a coalition's) bargaining power is context-dependent, which makes it difficult to quantify. It is, however, possible to identify several sources of bargaining power. One such source relates to a country's economic clout. This includes its place in the world economy (Narlikar, 2003:199), its share of market power (Drahos, 2003:82), as well as the importance of the relevant sector/sub-sector to the individual economy (Narlikar, 2003:199). Economic clout translates into the capacity to make credible threats and this capacity is a critical determinant in trade negotiations (Drahos, 2003:82). Another source of bargaining power relates to a country's political presence and regional prestige (Narlikar, 2003:199). The capacity of a state to enrol other actors, both state and non-state, in a coalition (Braithwaite & Drahos, 2000:482) also adds to its external weight.

India, Brazil and South Africa's economic clout is not insignificant and it is growing. Together, the IBSA creates a market of 1.2 billion people with a US\$ 1.2 trillion domestic market. By 2004 IBSA's foreign trade amounted to about US\$ 300 billion. With these figures IBSA's trade equalled 15 percent of that of the EU and the USA. By 2015, however, the countries' trade is forecast to equal 25 percent of EU trade and 20 percent of the USA's. In terms of GDP in purchasing power parity, IBSA accounts for 10 percent of

global GDP. This figure is forecast to increase to 12 percent by 2015 (compared to the EU's at 18 percent and the USA's at 20 percent). By 2015 the IBSA countries will also have 208 million college-educated people below 40, compared with only 127 million in the G7 (Taylor, 2005:22-23). All three have been identified as part of the ten key emerging markets as identified by the US Commerce Department (Garten, 1997).

Furthermore, all three countries are in different regions, on three different continents. All three have in fact been described as regional powers, giving them regional prestige. This will be discussed in more detail below. For now, it will suffice to say that this means that they can potentially bring their regions with them into multilateral processes. The abovementioned facts do indeed make the G7's current domination of the global agenda seem increasingly incongruous with changing realities (Taylor, 2005:23). The three countries have used such realities as justification for their proposed candidatures as permanent seats on a reformed and expanded UN Security Council (Taylor, 2005:23; White, 2004:15). This reflects the countries' political prestige.

IBSA's narrow core membership has been identified as one of its main strengths. The assumption is that their positions as large regional powers provides them with substantial bargaining power, while narrow membership makes it possible for them to retain internal coherence. IBSA does indeed carry a substantial (and growing) external weight. This weight increases even more as the three countries draw in others as relevant per issue area. Such specific examples will be discussed in section 4.4, after considering the criteria of internal coherence that follows in section 4.3.

4.3 Internal Coherence

Historically, coalitions have formed among countries described as like-minded (Higgott & Cooper, 1990:632). Some speak of a necessary "meeting of minds" (Taylor, 2005:30). As discussed in Chapter 3, in the past developing countries have tried building internal coherence on a shared social identity and ideology. It was argued that social identity trust among developing countries is weak and that it is not the main type of trust in negotiations. The focus shifted to interest-based coalitions. Such coalitions' membership have usually predicated on and been circumscribed by a similarity of attributes and location in the international order (Higgott & Cooper, 1990:589).

As the previous section described mainly “the developing world” as a unit and not specifically India, Brazil and South Africa, this section will follow a similar order, of identity-based features followed by material realities, but applied specifically to IBSA. It will show that IBSA has a very mixed social identity scorecard and in terms of gross material dimensions the countries are very different. Ultimately, it will be argued that the three countries share a certain like-mindedness in terms of material and power realities that they balance domestically and internationally. It is in these shared problems and opportunities that the three countries can find a “meeting of minds”.

This “meeting of minds” makes it possible for them to find opportunities for cooperation in certain areas. They do not aim to cooperate in all areas, but where their interests can be framed in terms of shared policy preferences. Some examples of such cooperation (past and present) will be discussed, and possible future areas will be mentioned. The challenge for these countries remains 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” (White, 2006:4).

4.3.1 Social Identity: Mixed

In Chapter 3 it was argued that developing country negotiators are less likely (than those from the developed world) to be the beneficiaries of social identity trust. A shared history of oppression created only the broadest kind of link. In fact it can be argued that, rather than create a shared social identity, colonialism served to strengthen these countries’ links with their colonial masters, while preventing constructive, independent relations and a shared history from forming among developing countries of the South. President Luiz Inacio “Lula” da Silva of Brazil confirmed this view when, at the September 2006 IBSA summit, he said that the three countries had not been exploiting the potential of a relationship amongst themselves. He added, “We had not discovered it because for decades we were geared towards strong ties with countries of the North and we almost forgot the South-South relations” (Svartzman, 2006).

As mentioned, social identity trust is more likely to develop amongst negotiators that share similar cultural backgrounds or have the same religion. In terms of religion, 80.5% of Indians state they are Hindu, while 73.6% of Brazilians are Catholic and 72.6% of South Africans are Protestant. Cultural differences are also apparent in language barriers. Hindi

(one of fifteen official languages) is the national language and primary tongue of 30% of Indians. English enjoys associate status. In Brazil, the official language is Portuguese, like that of the former colonial power. South Africa has eleven official languages: English, the language of the former colonial power, and ten languages indigenous to Africa (CIA World Factbook, 2006). Furthermore, the three countries are on three different continents divided by the Atlantic, Indian and Pacific Oceans. This imposes both geographic and perceptual distances between them (White, 2004:525). One thing that these countries have in common is their cultural and ethnic diversity. This does, however, not create social identity trust between the countries. Rather, it means India, Brazil and South Africa share the common challenge of creating such trust within each of the countries, between its own citizens.

Yet, there are also some ties between these countries that could create a certain level of social identity trust. Brazil has the second-largest black population in the world, surpassed only by Nigeria (Osava, 2003). This diaspora ties in history, culture and even ethnic bonds. South Africa (and the rest of Africa) draws on the African diaspora to support African initiatives that aim to improve the continent's international standing (White, 2004:526). Although Latin American countries are generally much older than African countries, democracy remains a relatively new concept that roughly coincided with an increase in globalisation. Brazil became an independent nation in 1822, but was ruled by a military regime until 1985. Thus, South Africa and Brazil also share a mutual understanding of challenges following repressive regimes and international isolation (White, 2004:525).

South Africa also has quite strong historical links to India. These links predate Mohandas Gandhi's arrival in the country in 1914, through Delhi's stance against Apartheid which created sympathy between India and the new South African government (Draper, Mills & White, 2004:7). These historical links are also underscored by a large Indian diaspora in South Africa.

On this level, it seems that South Africa is not only geographically situated between the other two countries, but that its relationships with both India and Brazil also link the three. All three countries also share a history of non-violent transition. As mentioned, Brazil's military regime peacefully ceded power to civilian rulers in 1985. In India non-violent resistance to British colonialism brought independence in 1947 (CIA World Factbook, 2006). Most recently, in the 1990s, South Africa underwent a transition from white

minority rule to majority rule, without the widely anticipated civil conflict that characterised many similar transitions on the continent.

Table 1: IBSA Social Identity

| INDICATOR | India | Brazil | South Africa |
|----------------|---|--|---|
| Language | Hindi (national), and 14 others (official) | Portuguese (official) | English and ten others (official) |
| Religion | Hindu | Christian (Catholic) | Christian (Protestant) |
| Shared history | Some, particularly with South Africa | Some, particularly with South Africa | Some, with both India and Brazil |
| Ethnicity | Indo-Aryan 72%, Dravidian 25%, Mongoloid & other 3% | white 53.7%, mulatto 38.5%, black 6.2%, other 0.9% | black 79%, white 9.6%, coloured 8.9%, Indian/Asian 2.5% |
| Culture | Diverse | Diverse | Diverse |

Source: CIA World Factbook (2006)

Ultimately, IBSA's scorecard in terms of social identity is very mixed. The three countries have some historical links, but also serious barriers like culture, language and religion that hinder the development of solid social identity trust. As was mentioned, however, social identity trust is not sufficient for successful coalition formation. Such trust can play a *supporting* role in negotiations where the main type of trust is calculative, exchange trust. Developing countries will thus cooperate if calculations indicate that they are likely to do better individually if they operate as part of a group that exchange trust on a reciprocal basis. Thus, internal coherence should first and foremost be based on rationalist interests.

4.3.2 Material Dimensions: Different

One's first instinct when looking for a more rationalist coherence in a multilateral trade forum is to look to the relevant countries' respective economic indicators and relative positions in the world system.

In these terms, too, the three countries are vastly different. Brazil's population is more than three times the size of South Africa's, and India's about six times the size of Brazil's. In terms of GDP size, India and Brazil are in a similar league with a GDP of between US\$ 600 billion and US\$ 700 billion. At a GDP of just over US\$ 214 billion, South Africa's economy is about a third of the size of the other two (World Bank, 2004). While South Africa's economy is the smallest, its per capita income is the highest of the three. In terms

of purchasing power parity (PPP), by 2003 India's GDP per capita was the smallest at US\$ 2 892, followed by Brazil's at US\$ 7 790 and then South Africa's at US\$ 10 346. In real GNI per capita terms, India falls in the World Bank "low income" category, while both Brazil and South Africa fall in the "middle income" category.

Table 2: IBSA Material Dimensions

| INDICATOR | India | Brazil | South Africa |
|--|---------------------|---------------------|---------------------|
| Population size (2004) | 1.1 billion | 183.9 million | 45.5 million |
| Gross Domestic Product (GDP) (2004) | US\$ 694.7 billion | US\$ 604 billion | US\$ 214.7 billion |
| Gross National Income (GNI) per capita (2004) | US\$ 630 | US\$ 3000 | US\$ 3670 |
| World Bank income classification** (2003) | Low income | Middle Income | Middle Income |
| GDP per capita (PPP)* (2003) | US\$ 2 892 | US\$ 7 790 | US\$ 10 346 |
| Exports (f.o.b.) (2005 est.) | US\$ 76.23 billion | US\$ 115.1 billion | US\$ 50.91 billion |
| Imports (f.o.b.) (2005 est.) | US\$ 113.1 billion | US\$ 78.02 billion | US\$ 52.97 billion |
| Total trade | US\$ 189.33 billion | US\$ 193.12 billion | US\$ 103.88 billion |

Sources: World Bank (2003-2004), CIA World Factbook, WTO

* 2003 values as in United Nations Development Programme 2005. These values can be compared to the following values for GDP per capita (PPP): World average US\$ 8 229, Least Developed Countries US\$ 1 328, OECD countries US\$ 25 915, developing countries US\$ 4 359

** Low income: 2003 GNI per capita of less than US\$ 765, Middle income: 2003 GNI per capita of between US\$ 766 and US\$ 9 385, and High income: 2003 GNI per capita of more than US\$ 9 386

Ultimately, it is clear that these countries are by no means of equal size or material dimension. Furthermore, even if India, Brazil and South Africa were more alike in terms of these indicators it would not necessarily translate into interests that could lead to policy convergence. What these three countries do share are certain challenges and objectives.

4.3.3 Challenges and Objectives: A Meeting of Minds

In line with a liberal approach, the WTO is considered a problem-solving arena. In this sense, countries that face similar challenges and problems will have similar objectives. Such countries can then form bargaining coalitions to advance their interests. The decisions that these coalitions support will reflect solutions to problems they have in common. If a country does not have any problems with an existing agreement they will support the status quo. If someone else raises an issue that threatens the status quo that a specific country supports, then it becomes a problem and the supporting country's position becomes

defensive. Moravcsik (1993:483) argues that states are constrained in their decision-making, domestically by interest groups, and abroad by their strategic environment. The focus of the following section will thus be, first on the three states' domestic environments and interest groups, and then on their respective (and collective) strategic environments.

4.3.3.1 Domestic Interests

It is only when the state is seen as a pluralistic actor that domestic interest groups can be studied. By seeing a state as a unitary actor, gross figures (for instance Gross Domestic Product or Gross National Income) serve to obscure the issues faced by domestic interest groups within a country. This is also true when averages are used to determine values like citizens' mean income (GDP per capita, for instance). For improved explanatory and comparative value gross figures should be interpreted in conjunction with measures that allow for the pluralistic nature of the state.

One such measure is the Gini index. The Gini index is often used to measure income inequality within a country. A Gini value of 0 represents perfect equality, while a value of 100 represents perfect inequality (where one citizen has all the income, while the others have nothing). Both Brazil and South Africa have very high Gini indexes, of 59.3 and 57.8 respectively. This places them, again respectively, in 8th and 9th worst place (out of 124 countries measured worldwide) (United Nations Development Programme, 2005:270). In both countries inequality still has a strong racial dimension.

In India, uneven economic development and social stratification is institutionalised in the caste system. Such poverty and inequality contribute to internal tension and social conflict in Indian states like Gujarat where unrest is fuelled by caste and non-Hindu minorities (Alden & Vieira, 2005:1087). Also, although, in terms of measures of inequality, India fares better with a Gini of 32.5, it should be remembered that India's per capita income is much lower than either Brazil's or South Africa's.

Not just India, but all three IBSA countries face the challenge of high percentages of poor citizens. There are various measures of poverty, leading to vastly different results. Most measures measure income poverty in terms of specific income poverty lines. For such measures "poor" can be defined in terms of, for instance, an income of less than \$1 per day or in terms of a nationally established poverty line. In terms of US dollars per day, India

has the highest poverty rate of the three, while, in terms of a national poverty line, South Africa (with its high unemployment rate) has the worst score (United Nations Development Programme , 2005 & CIA Factbook, 2006).

The United Nations Development Programme uses a different formula to calculate a Human Poverty Index for the developing countries¹⁴. This index looks beyond income poverty with the aim of providing a more accurate reflection of the extent of human deprivation in a country (United Nations Development Programme , 2005:217). In this index South Africa and India rank respectively 56th and 58th out of 103 developing countries (a separate poverty index exists for the developed world). Brazil scores better, with a ranking of 20 out of 103. However, while South Africa scores better than most sub-Saharan countries, Brazil (whose economy is by far the biggest in its region) scores worse than several South American countries, including Uruguay (ranking first), Chile, Costa Rica, Cuba, Colombia, Panama, Venezuela and Paraguay (United Nations Development Programme , 2005:227-229).

India, Brazil and South Africa are all emerging markets with growing business sectors. Business has a strong voice in the three countries, especially among influential domestic elites. At the same time, the countries face similar problems of complex social heterogeneity coupled with unemployment, and high poverty and/or inequality rates, which could lead to power struggles between capital and labour. These challenging domestic environments mean that the governments of India, Brazil and South Africa have to perform complicated economic balancing acts. In all three countries the commitment to neo-liberal economic policies is (to different degrees) limited and has not gone uncontested. All three states are strongly influenced by leftist elements from within the ruling alliances and coalitions. Possible power struggles between labour and capital are not the only challenges facing these countries. Problems like crime, unemployment and HIV/AIDS have also been linked in complex ways to poverty, and especially to socioeconomic inequality (White, 2004:525-526).

The three countries' domestic interests is one half of Moravcsik's "constraints on decision-making", the other is their strategic environment. As the focus shifts towards India, Brazil

¹⁴ See the Human Development Report for more details. A separate Human Poverty Index (HPI-2) is used for most of the OECD countries, Eastern Europe and the CIS.

and South Africa's strategic environments, the focus is again on the state as the main collective actor on the world stage.

4.3.3.2 Strategic Environment

A glance at the world map reveals the most obvious characteristic of India, Brazil and South Africa in terms of the international environment as their geographic positions on three different continents, all situated in the developing South. Chapter 3 mentioned the vast and entrenched cultural, religious, social and economic differences that a term such as “developing” can obscure. It also discussed how interests of the broad “developing world”, when they lead to divergent policy preferences, will override broad ideational commonalities.

The fact that they are situated on different continents also means that India, Brazil and South Africa are situated in three different regions¹⁵. In fact, the three IBSA countries have often been described as regional powers¹⁶ of the South. The category of “regional powers” is much smaller than that of “developing world”. This places them in a category that also includes countries such as Nigeria (regional power in West Africa) and Malaysia (regional power in South East Asia). As regional powers the IBSA countries have more in common than three countries chosen randomly from “the developing South”. Being in the position of a regional power leads to certain challenges and opportunities, challenges and opportunities that India, Brazil and South Africa share. Much of these shared challenges and opportunities derive from the fact that, as regional powers, India, Brazil and South Africa are on the strong end of bilateral relationships with all or most of their neighbours, while having different relationships to the situation beyond their neighbourhood (Womack, 2006:7).

The three countries dominate their respective regions by virtue of their size, economically as well as in terms of population and even mostly geographical size. Tables 3-5 below

¹⁵Scholars agree that one of the defining characteristics of a region is geographic cohesiveness

¹⁶ It is possible to claim that the IBSA countries are regional powers, without being overly concerned with the precise boundaries of their regions (Womack, 2006:2). For the purposes of this thesis I will consider the three countries' respective regions as follows: South Africa's region is southern Africa, Brazil's is South America and India's is South Asia. Womack (2006:7) argues that India, Brazil and South Africa highlight the complexities of regional definitions and structures. For more on these complexities, see his paper:

- Womack, B. 2006. “Asymmetry Theory and Regional Powers: The Cases of India, Brazil and South Africa”, presented at a conference on *Emergent Powers and Regional Security: The experience of IBSA*. Universidad de San Andrés, Argentina. May.

detail the capacity of India, Brazil and South Africa as compared with their next-largest neighbours (in terms of GDP), respectively, Pakistan, Argentina and Angola:

Table 3: India and Pakistan

| | INDIA | PAKISTAN |
|-------------------|-----------------------------|-------------------------|
| GDP (nominal) | US\$ 694.7 billion | US\$ 9.6 billion |
| Geographical size | 3.3 million km ² | 880 000 km ² |
| Population | 1 079.1 million | 152 million |

Table 4: Brazil and Argentina

| | BRAZIL | ARGENTINA |
|-------------------|-----------------------------|-----------------------------|
| GDP (nominal) | US\$ 604 billion | US\$ 153 billion |
| Geographical size | 8.5 million km ² | 2.8 million km ² |
| Population | 183.9 million | 38.4 million |

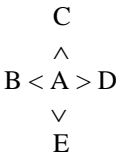
Table 5: South Africa and Angola

| | SOUTH AFRICA | ANGOLA |
|-------------------|-----------------------------|------------------------------|
| GDP (nominal) | US\$ 214.7 billion | US\$ 19.6 billion |
| Geographical size | 1.2 million km ² | 1.25 million km ² |
| Population | 45.5 million | 15.5 million |

Source: World Bank, 2004

Each of the three countries has a very different relationship with its region, but they share similar positions at the centre of regional attention¹⁷. This centrality of attention means that the regional powers are in the default position of regional leaders (Womack, 2006). Some of the opportunities this provides were discussed above. Being a regional power provides a

¹⁷ Womack (2006:9) explains that a regional power has an asymmetric relationship with each of the states in its region (thus A>B, A>C, A>D...). In each of these relationships the exposure of the smaller state in the relationship is greater than vice versa (in other words, A is a bigger part of B’s world than the other way round). Because all the states in a region interact, the relationships form a pattern that Womack illustrates as follows:



“The regional power is the natural centre of attention for the region not only because of its bilateral asymmetries, but also because regional communications and coordination are more easily handled with a common venue of information and deliberation” (Womack, 2006:9).

country with a certain sense of regional prestige that contributes to its international political clout. However, a centrality of attention also means that these countries cannot separate themselves entirely from any regional problems, instability and conflict. In fact, as regional powers it is often expected of them to accept some sense of responsibility for regional stability.

In addition to regional problems shared by everyone in a region, with regional powers there is the added potential of conflicts deriving from their asymmetric relationship with countries in the region. Womack (2006:4-7) explains how asymmetry can easily lead to hostility as differences in perspective can lead to a negative complementarity of bullying and victim roles. Regionally, there exists an abiding suspicion of hegemonic intentions among the states of India, Brazil and South Africa's respective regions (Alden & Vieira, 2005:1091; Taylor, 2005:23-24; Bischoff, 2003:188).

At the same time, however, as regional powers these countries are not hegemons in the same way that a global hegemon is. This is because states in the region also have the option of calling on global powers and upsetting the regional balance of power. The extra-regional matrix adds a dimension of global relationships to the context of regional ones. In the global realm regional powers are subject to the same forces and concerns as everyone else (Womack, 2006:1-2). Womack (2006:1) argues that regional relationships are not derivative from global relationships, but they are exposed to global influences. In this sense India, Brazil and South Africa are in similar (though not exactly the same) situations vis-à-vis global power. Regional powers thus have to look both above and below, which creates a systemic tension that complicates their foreign policy actions (Womack, 2006:10).

In economic terms, the Brazilian foreign minister described IBSA as a coalition of democracies at the same stage of development (White, 2006:1). The interests of diversified, middle-range developing countries like India, Brazil and South Africa are different from those of the very advanced as well as from the least developed (LDCs). Firstly, as diversified economies they will find it difficult to assign priority to any one sub-sector. Different challenges arise per issue area. Take the area of services, for example: India and Brazil's markets and levels of development allow them a potential export advantage in services. This means that, in this area, they will most likely not choose to bandwagon with the developed countries. Ultimately, they can neither compete in the league of their more

advanced counterparts, nor easily make concessions in this area like the LDCs (Narlikar, 2003:205).

Ultimately, India, Brazil and South Africa continuously have to perform complicated balancing acts, both in terms of complex domestic environments and in terms of the systemic tension derived from their positions as regional powers at the same stage of economic development. This balancing of material and power realities translates into a certain like-mindedness. It could be argued that the likelihood of cooperative opportunities arising in IBSA is higher than it would be in a random selection of countries, because of IBSA's "meeting of minds". The South African President Thabo Mbeki stated that the three countries have common hopes, aspirations and challenges and that IBSA was created as a platform from which to attend to these "many and varied challenges" (The Presidency, 2006).

In line with cementing coalitions by processes that promote the cooperative dimensions of interaction and minimise conflictual ones (Narlikar, 2003:30), since its launch in 2003 IBSA's focus has been less on formal institutions and procedures than on defining possible areas for cooperation. The idea was that interaction on several different levels would lead to areas where cooperation would be possible. Coupled with substantial external weight, it would then be possible for a coalition like IBSA to negotiate outcomes in their member countries' favour. The following section looks at the result of this process in the WTO.

4.4 Viability and Sustainability in Practice

The WTO can be seen as an example of a multilateral institution for cooperation in the form of collective problem-solving. India, Brazil and South Africa share some problems and aspirations. This creates possibilities to, in some issue areas, push in the same direction in multilateral fora, if these countries formulate their positions well. In the Agenda for Cooperation, India, Brazil and South Africa agreed to intensify cooperation in the current round of multilateral trade negotiations to realise the Doha Development Agenda. This section will first discuss the Doha Development Agenda, before moving on to discuss several areas for cooperation that have arisen in the context of this current round of multilateral trade negotiations.

4.4.1 The Doha Development Agenda

The multilateral trading system has been gradually expanding both in membership and scope. The replacement of the GATT with the WTO meant that the system became gradually more visible, intrusive and potent. In the course of the Uruguay Round, and as the GATT was being replaced with the WTO, issues relating to services, agriculture, trade-related investment (TRIMS) and trade-related intellectual property (TRIPS) were added to the multilateral trade agenda. The inclusion of these issues means that, today, the multilateral trading system covers virtually all trade, including a vast and expanding range of domestic regulations. In the Uruguay Round domestic regulations that were added include agreements on sanitary standards and technical barriers to trade (TBT). (Wolf, 2000:186-202).

Some negotiations that started under the GATT continued after 1994 and into the WTO. At the 1996 Singapore Ministerial Conference four working groups were set up to study issues relating to the relationship between trade and investment, the interaction between trade and competition policy, transparency in government procurement, and trade facilitation. These four issues became known as the “Singapore issues” (WTO online). The inclusion of these issues would further expand the scope of the WTO to reach even deeper into domestic regulations (Wolf, 2000:202). The positions of the vast majority of developing countries range from strong opposition to the addition of the “Singapore issues” to the agenda, to being not particularly concerned to add them (Erwin, 2003). The EU is most supportive of the inclusion of these new issues. In addition, the US and the EU also pushed for the inclusion of environmental issues and labour standards (Wolf, 2000:192).

In 2000 new talks were launched on agriculture and services. In 2001, at the Fourth Ministerial Conference in Doha, Qatar, these talks were incorporated into a broader work programme that became known as the Doha Development Agenda (or the Doha Declaration). The idea was that the Doha Round would be a developmental round. Besides agriculture and services, the Doha Development Agenda (DDA) also includes in its mandate negotiations on non-agricultural market access (NAMA), trade-related aspects of intellectual property rights (TRIPS) and new negotiations on trade and the environment. The Doha Declaration stated that negotiations on the “Singapore issues” would start after the Fifth Ministerial Conference (held in Cancun in 2003) on the basis of decisions taken (in Cancun) on the modalities of such negotiations (WTO online).

Paragraphs 13 and 14 of the Doha Declaration deal with agriculture. As mentioned, agriculture has long been a contentious issue in multilateral trade negotiations. The purpose of including agriculture in the Doha Round is to “correct and prevent restrictions and distortions in world agricultural markets” (WTO online). Member governments committed themselves to comprehensive negotiations aimed at improved market access (substantial reductions to barriers), exports subsidies (reductions, with a view to phasing out all export subsidies) and domestic support (substantial reductions for supports that distort trade). The declaration makes special and differential treatment for developing countries (discussed in paragraph 44) integral throughout the negotiations. It added that the outcome on agricultural negotiations should enable developing countries to meet their needs, in particular in food security and rural development. Negotiations on agriculture in this round started in 2000 and the aim was to have comprehensive draft commitments ready by the 5th Ministerial Conference held in Cancun, 2003 (WTO online).

With regards to services (paragraph 15) and market access for non-agricultural products (NAMA, paragraph 16), the Doha Declaration aims, respectively, to progressively liberalise trade in services, and to launch tariff-cutting negotiations on all non-agricultural products. Again, when it came to non-agricultural market access, the DDA stated that negotiations shall take fully into account the special needs and interests of developing and least-developed countries, recognising that such countries need not match or reciprocate in full tariff-reduction commitments by other participants (WTO online).

Paragraphs 17 to 19 of the DDA deal with trade-related aspects of intellectual property rights (TRIPS). With regards to TRIPS and public health the DDA refers to a separate declaration on the subject. This special declaration, as well as the inclusion of the issue of TRIPS and public health in the Doha Agenda, is the result of long-ranging negotiations in which India, Brazil and South Africa played a key role. The issue has also evolved since the release of the Doha Development Agenda in 2001. The following section discusses the so-called “paragraph 6 waiver” and IBSA’s role in getting it passed in 2003. This is one area where IBSA can claim concrete results. Therefore, it will be the main focus in discussions in this section on “viability and sustainability in practice” (Section 4.3).

As mentioned earlier, IBSA (as the core of the G20+ on agriculture) also played a key role in the collapse of trade talks at the Fifth Ministerial in Cancun in 2003. This issue will be discussed in Section 4.3.3 as it relates to external weight and internal coherence, but not in as much detail as the TRIPS issue. This is because, by 2006, the agriculture issue had not yet been satisfactorily resolved. In 2006 talks again collapsed. The following section will focus on the G20+ beyond Cancun. After the TRIPS and agriculture issues, Section 4.3.4 looks at some other areas related to the DDA and identified for cooperation by IBSA.

4.4.2 TRIPS Agreement on Public Health

Following the WTO Doha ministerial conference in 2001, a trade related intellectual property (TRIPS) waiver was issued that stated intellectual property should not take precedence over public health. This meant that compulsory licences could be issued for drugs that treat any disease that constitutes a severe health emergency in a country, and that no royalties need to be paid in such a case. The waiver made it possible for developing countries that face health crises (like HIV/AIDS in sub-Saharan Africa) to manufacture their own generic versions of still patented drugs (Avert, 2006). The roles of South Africa, Brazil and India proved central in getting the TRIPS Agreement on Public Health accepted.

However, the waiver only allowed such countries to produce these drugs for domestic use. After 2001 India, Brazil and South Africa again joined forces with other actors (some other states as well as NGOs like Medicines Sans Frontieres and Oxfam) to push for an amendment to the WTO TRIPS Agreement on Public Health. They argued that some developing countries, especially the least developed ones like many in sub-Saharan Africa, do not have the capacity to manufacture their own drugs and should be allowed to import generic drugs. After much deliberation another waiver, which became known as the “paragraph 6” waiver, was introduced to the TRIPS Agreement on 30 August 2003. This waiver made it possible for countries that suffer serious health crises to override international pharmaceutical patents by importing generic drugs from other countries under compulsory licences (Avert, 2006).

The TRIPS issue illustrates the complexity involved in managing negotiating flexibility across several multilateral fora as well as across issue areas. Firstly, negotiations on the issue of intellectual property and public health happen simultaneously in the WTO, the World Health Organisation and the World Intellectual Property Organisation. Then, trade

related intellectual property issues cross areas ranging from bio safety, agricultural trade and services to investment and health. This means that it would not be possible to ask simply whether India, Brazil and South Africa agree on issues of trade related intellectual property (TRIPS) in the WTO, because in some areas they do and in some they do not. Health was one issue in which their policy preferences on intellectual property could converge. The protection of intellectual property rights relating to traditional knowledge is another. However, as contrast to the public health issue (where they pushed for waivers that relaxed patent laws), in terms of traditional knowledge IBSA wants the introduction of legally-binding rules (Department of Foreign Affairs, 2005).

The TRIPS and public health issue also demonstrates how IBSA can cement viable multilateral coalitions through process. The TRIPS issue was negotiated in the WTO. However, in the IBSA documents it is not discussed under the heading of “Trade”, but under “Health” (one of the sectors for cooperation identified in the IBSA Plan of Action). India, Brazil and South Africa’s respective health sectors have been building on inter-sectoral links in this area with the IBSA working-group on health. One of the main health challenges identified by the three countries dealt with the impact of intellectual property rights on access to medicine. (Department of Foreign Affairs, 2004a). It is this issue that they decided to take to the WTO.

IBSA specifically used the issue of HIV/AIDS to push for the TRIPS waiver. As mentioned, HIV/AIDS is one challenge that is often linked in complex ways to poverty and inequality. HIV/AIDS is an important issue for all three IBSA countries, but the situation is particularly severe in South Africa. With an estimated 5.3 million people living with HIV/AIDS (2003) South Africa holds the dubious global position of “country with the most people living with HIV/AIDS”. India is second with an estimated 5.1 million (2003). However, India’s massive population means that its HIV/AIDS adult prevalence rate is less than 1% compared to South Africa’s 21.5%. An estimated 660 000 Brazilians are HIV positive (CIA World Factbook, 2006).

Of the estimated 38.6 million people living with HIV/AIDS in 2002, 36.9 million come from Latin America (1.5 million), sub-Saharan Africa (29.4 million) and South/Southeast Asia (6 million) (Novak, 2003:1270). Many of these countries, especially in sub-Saharan Africa, fall in the World Bank Least Developed Countries (LDCs) category, which means,

firstly, that many people in these countries cannot afford expensive patented drugs, and secondly, that many of these countries do not have the capacity to manufacture their own generic drugs. This gave the IBSA countries, as three regional powers, authority to speak as leaders of a developing world that desperately needed the TRIPS issue on the table. The coalition also increased its (already substantial) external weight by enrolling other actors, especially NGOs such as Medicines Sans Frontieres and Oxfam.

As regional powers, India, Brazil and South Africa also face an interesting strategic environment. They are countries that face the same problem of HIV/AIDS as most others in their regions. However, as middle-range diversified economies their capacity to respond is different to that of the least developed (most of sub-Saharan Africa, for example). Most of the patented HIV/AIDS drugs were developed by major pharmaceutical companies in the developed world, such as Abbott Laboratories, Merck and Co. and Roche Holding AG. The first waiver enabled the IBSA countries, with their capacity to produce their own generic drugs, to override the patents of these big pharmaceutical companies. This places these countries in a different category to the most advanced (patent holders who can also afford patented drugs) and to the least developed (countries that do not have the capacity to produce their own generic drugs).

Not only do India, Brazil and South Africa have the capacity to manufacture their own generic drugs, they are also amongst the leading producers of generic drugs in the world. The “paragraph 6” waiver meant that these countries could now produce and export drugs patented by the large Western pharmaceuticals as long as they export them only to needy nations. The first waiver meant that Brazil could provide cheaper antiretrovirals (about \$2 000 per year per patient as opposed to \$12 000 per year in the US) to its own population. Brazil cut its AIDS death rate in half by providing patented drugs to 150 000 people free of charge. The second waiver meant that it could also export these generic (but still patented) drugs to least developed African countries (Novak, 2003:1269-1271).

The interests of India, Brazil and South Africa were not identical. On the one hand there is the interest of people suffering from AIDS, but unable to afford patented drugs. On the other is the interest of generic pharmaceutical companies. All three countries have both interests, but in terms of importance, the weight is distributed differently. India, Brazil and South Africa (and their regions) face the problem of HIV/AIDS, but the situation is much

more severe in South Africa (and southern Africa). Overall, the IBSA countries faced similar challenges and opportunities both domestically and in terms of their strategic environment. With increased interaction came another opportunity for formulating shared policy preferences in the WTO. This internal coherence coupled with external weight led to a WTO outcome that favoured all three. Even though the “paragraph 6” waiver has been criticised from various angles, the very fact that it was passed showed that IBSA is a power to be reckoned with.

IBSA documents published after 2003 continued to follow-up on the issue. Amongst other things, the 2004 Action Plan urged developing countries, especially the least developed, to take steps to reflect the flexibilities allowed for under the “paragraph 6” waiver. They also stated that bilateral and multilateral trade agreements which included “TRIPS Plus” should be opposed (Department of Foreign Affairs, 2004a). “TRIPS Plus” agreements involve, for instance, the US promising better investment and improved trade with a particular country, in return for a guarantee that the country will introduce strong legislation (stronger than that allowed for in the WTO, that is) to protect US intellectual property rights (Avert, 2006).

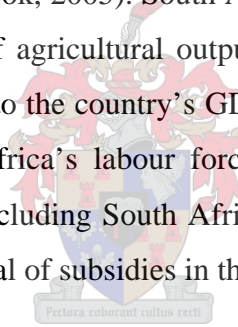
At the IBSA Summit in 2006 the IBSA countries committed themselves to further enhancing trilateral cooperation in the field of HIV/AIDS, Malaria and Tuberculosis (Department of Foreign Affairs, 2006a). Considering the fact that Brazil has one of the most successful anti-AIDS programs in the world (it has managed to cut its AIDS death rate in half), this cooperation looks promising.

4.4.3 The G20+ and Agriculture

In September 2003, less than a month after the “paragraph 6” waiver was introduced, the WTO negotiations held in Cancun collapsed. Central to this collapse was the refusal by a bloc of developing countries (mobilised by India, Brazil, South Africa and China) to agree with a wide-ranging global agreement proposed jointly by the US and the EU. In the run-up to the Cancun Ministerial the US and EU moved from the Doha Declaration in an attempt to safeguard their subsidy regimes in return for negligible reforms and also pushed for the “Singapore issues” to be discussed (Taylor, 2004:14). The G20+ (with IBSA at its core) formed in response to these agricultural subsidies paid to farmers in the US and EU. In keeping with the aims of the Doha Declaration the G20+ demanded substantial reform to trade-distorting domestic subsidies in the developed world.

The fact that the coalition framed its demands in the “language of the market” (they demanded substantial reductions in trade-distorting domestic subsidies, thus a freer market) also added to the legitimacy of its claims in the context of the WTO and, as such, to its weight. By drawing in other countries IBSA added to its already substantial external weight. The G20+ accounts for 51 percent of the world’s population and 63 percent of all farmers (Taylor, 2005:14).

Almost two-thirds of India’s labour force works in agriculture and the sector accounts for 23.6% of the country’s GDP (CIA World Factbook, 2005). This means that, in terms of agricultural output in US\$, worldwide India is second only to China. At US\$263 952 million China’s agricultural output is just less than that of the entire EU at US\$292 820 million. The United States and Japan occupy third and fourth positions respectively, and Brazil, fifth¹⁸. Agriculture accounts for just over 10% of Brazil’s GDP and employs 20% of the labour force (CIA World Factbook, 2005). South Africa is the smallest of the three both in terms of its position in terms of agricultural output (43rd out of 162 countries) and in terms of agriculture’s contribution to the country’s GDP (4-6%). However, agriculture still employs around 30% of South Africa’s labour force (CIA World Factbook, 2005). In addition, certain key sub-sectors including South Africa’s sugar farmers and its fruit juice sector stand to gain from the removal of subsidies in the US and EU (Taylor, 2005:13).



In the previous it was mentioned that the G20+ brings together both countries with an offensive interest in agriculture (members of the CAIRNS Group of agricultural exporters, for instance, see Section 3.3) and those with a defensive interest (the old Food Importers Group, see Section 3.3). It includes countries ranging from highly competitive agricultural exporters (like Brazil) to rural giants (like India). Although India, Brazil and South Africa are in different positions in terms of agriculture, their developmental problems have been described as “less dissimilar” (Erwin, 2003). Compared to other countries at the top of the agricultural output list that fall in the high human development category (the EU, USA, and Japan for instance), those who are members of the G20+ fall in the low- to medium human development categories (China, India and Brazil). South Africa (43rd on the agricultural output list) also falls in the medium human development category. In addition, although the G20+ formed in response to a specific problem in the field of agriculture, for India, Brazil

¹⁸ Agricultural output as calculated by Wikipedia using data from the CIA World Factbook, 2005.

and South Africa it is also related to the systemic concentration of power (in the WTO, specifically and in the global order, generally). This will be discussed in more detail in the following section that also focuses on the G20+ beyond Cancun.

4.4.4 More Areas for Cooperation

Since 2003 other possible areas for cooperation have been identified. At the Hong Kong Ministerial in 2005 a coalition formed whose aim was to coordinate positions and strengthen Non-Agricultural Market Access (NAMA). The IBSA countries formed part of this coalition that became known as the NAMA-11¹⁹. The coalition claims their key objective is to “reclaim and emphasise the developmental content of the round” (Grant, 2006:). The NAMA-11 supports flexibilities for developing countries, especially in the area of industrials. As such, they resist calls by the EU and others for greater market access commitments by developing countries. The NAMA-11 also aims to balance NAMA with other areas under negotiation (Department of Foreign Affairs, 2006; Grant, 2006).

At the trilateral IBSA commission in Rio de Janeiro in March 2006 South Africa’s Minister of Foreign Affairs drew the group’s attention to the proposed EU Registration Evaluation and Authorisation of Chemicals (REACH) legislation. The legislation claims to aim for the protection of human health and the environment, but it will also have a direct impact on chemical, metal and mineral exports from the developing (including the less-developed) countries to the EU (White, 2006:11-12). IBSA expressed a concern that REACH would become a technical barrier to trade (TBT) as the sophisticated legal structures of the proposed REACH legislation would place new burdens on the weaker institutional fabric of the developing world (DTI, 2003). IBSA claims that, should REACH be adopted in its current form, it would hold grave consequences for the developing world (Department of Foreign Affairs, 2006). They expressed their desire that REACH should be consistent with the WTO laws and provide for adequate flexibility to developing countries. They resolved to make all efforts to cooperate in coordinated manner regarding REACH (Department of Foreign Affairs, 2006).

In some ways, actions in opposition to REACH reminds of the TRIPS dispute (see section 4.3.1 above). In India the REACH legislation even relates to the TRIPS issue. Unlike many manufacturers of generic drugs, Indian companies make both finished generic tablets and

¹⁹ NAMA-11: Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.

the raw ingredients and chemicals used in their manufacture (Avert, 2006). India exports generic drugs and chemicals. The REACH legislation would complicate their exports to the EU. All three IBSA countries, and especially South Africa and Brazil, are rich in natural resources, translating into a strong interest in opposing the REACH legislation.

4.5 Conclusion

In line with a liberal institutionalist approach to coalition formation, in the context of the WTO, IBSA is a coalition cemented through processes that promote the cooperative dimensions of interaction and minimise conflictual ones (Narlikar, 2003:30). Thus far, the processes have led to several opportunities for cooperation in the WTO. The TRIPS issue is one area in which cooperation has led to concrete results. In this area IBSA was viable as it had both external weight and internal coherence.

In terms of the G20+ and agriculture, the 2003 collapse at Cancun alerted the world to the collective bargaining power (external weight) of a group of developing countries. The fact that the group held together in the end-game has been credited to a strong core (the IBSA countries) that held together (internal coherence). However, the agriculture issue is yet to be resolved. Since 2003 two more areas for cooperation have arisen; the first relating to non-agricultural market access, and the second to the proposed EU REACH legislation. It shows that IBSA aims to be more than “a concentrated effort to push the G20+ agenda” (Taylor, 2005:18). It also aims to be sustainable. The challenge for these countries thus remains 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” (White, 2006:4). What also remains to be seen is whether India, Brazil and South Africa can translate their cooperation (in the G20+, NAMA-11 and relating to REACH) into tangible gains for its three members.

IBSA aims to be more than a viable and sustainable coalition in the WTO. The Forum also claims to speak for the “Developing South”. Representing the South in the WTO is a whole different ball game. It is also the issue that will be turned to in the next chapter.

5 IBSA, AN AXIS OF THE DEVELOPING SOUTH?

India, Brazil and South Africa can be described as increasingly activist intermediate states (Hurrell, 2006:19 and Alden & Le Pere, 2004). The IBSA Dialogue Forum is one expression of this activity. India and Brazil can be seen – and like to see themselves – as potential major powers. At the same time, both states have identified themselves specifically as developing countries that understand their foreign policy options through the prism of North/South relations (Hurrell, 2006:19). Although, as mentioned, in terms of material size South Africa is much smaller than the other two IBSA countries, since 1994 it has been “punching above its weight” in the international arena. Like India and Brazil, South Africa explicitly identifies itself as part of the South. This is reflected in its “butterfly strategy” which aims at strengthening relations with Africa (the body) as well as South America and Asia (the wings) (Alden & Le Pere, 2004).

At IBSA’s core is a reiterated commitment to strengthening the multilateral system. In line with India, Brazil and South Africa’s self-identification, IBSA also links its goals to that of the developing South. By focusing on working within the multilateral system to push for reform that would benefit the South²⁰ the IBSA Dialogue Forum assumes that international institutions are indeed open to reform. In line with a neo-liberal institutionalist approach, it also assumes that “the leading powers and economic forces can be reigned in through recourse to the universalist principles upon which they were founded” (Alden & Le Pere, 2004:295). As quoted in the beginning of this chapter, in terms of multilateral trade negotiations IBSA agreed to intensify cooperation in areas of mutual interest “as exemplified by the G20[+]” and “commensurate with the development needs of developing countries under a fair, equitable, and transparent rules-based multilateral trading system” (Department of Foreign Affairs, 2004).

Such an activist role on the international stage that reaches beyond a state’s immediate geographical environment and narrow self-interest is typical of so-called “middle power” diplomacy (Jordaan, 2003:167). Traditionally, Canada, Australia and Sweden are considered prime examples of middle powers. More recently, the concept has also been linked to countries like India, Brazil and South Africa. The grouping together of such

²⁰ See IBSA Dialogue Forum: New Delhi Agenda for Cooperation as well as subsequent IBSA documentation for details.

diverse states as Canada and Brazil, or South Africa and Sweden demands some explanation (Jordaan, 2003).

5.1 Middle Power Leadership, the Evolution of a Concept

Some states, while not being one of the great powers, are nevertheless active in world politics. Of these states, some that fall in an intermediate power position have at times behaved as middle powers (Christie & Dewitt, 2006:9). In this sense the term “middle power” encompasses more than just a state “in the middle” range of material capabilities. Such middle powers typically adopt an activist role on the world stage to the extent that they interfere in global issues beyond their immediate concern (Jordaan, 2003:167). Generally, opportunity or necessity compels this commitment of countries to act not out of a narrow self-interest, but out of a broader commitment to improving the international system (Christie & Dewitt, 2006:24).

Middle powers have a particular interest in a predictable world (Jordaan, 2003:166-167). This leads them, in their foreign policy behaviour, to look to multilateralism and international law for solutions to international problems. They stand in the middle of situations of conflict, where they seek to expand the area of common ground in an attempt to limit risk in the management of conflict (Cox, 1989:827). As such they contribute to the cohesion and stability of the world order. By this strengthening of order in the world (world economy in the case of multilateral trade), middle powers in effect restrain and modify the behaviour of larger, more powerful actors (Higgott & Cooper, 1990:600). As necessary, middle power behaviour involves representing the needs of smaller or less developed states (Christie & Dewitt, 2006:24).

Historically, middle powers were often considered the “goody-two-shoes boy scouts” of the international arena. Today, scholars are increasingly arguing that middle power behaviour can largely be explained by rationalist arguments; that such powers do in fact act in self-interest (Van der Westhuizen, 1998). Consistent with the rest of this thesis this chapter also builds upon a rationalist, interest-based foundation, influenced by reflectivism and specifically notions of identity. At the same time the existence of more radical perspectives on middle powers is also acknowledged (Robert Cox, for example). IBSA’s underlying assumption that the international system is open to reform through multilateralism, agrees

with the neo-liberal institutionalist's emphasis on agency in middle power foreign policy (Jordaan, 2003:166).

Neo-liberal institutionalists agree with neo-realists that state capacity and relative power play an important role in middle power behaviour. However, their understanding of the term "power" is broader than that of realists and neo-realists. Ultimately however, though defined more broadly, power is still used in self-interest. According to neo-liberal institutionalists this self-interest can, and should, be normatively grounded to change the nature of international politics in a more equitable fashion. Unlike realists who see the world as governed by short-term self-interest, in the world system described by neo-liberal institutionalists it is possible for state interests over the medium- and long-term to coincide with other states' needs (Christie & Dewitt, 2006:8-13).

The following chapter agrees with Van der Westhuizen (1998), and Christie and Dewitt (2006:6) that the "ways and means of middle power action can, and indeed does, change according to the broader historical context within which they act". The discussion will thus focus on the evolution of the concept of middle power leadership, specifically in the context of conflict and cooperation in multilateral trade negotiations (therefore in the economic, rather than politico-strategic domain). Earlier it was mentioned that, like the Cairns Group, the issue area that the G20+ focuses on is agriculture. This chapter will compare and contrast Canada and Australia as leaders of the Cairns Group in the Uruguay Round of the GATT, with India, Brazil and South Africa as the "hard core" (White, 2006) of the G20+ in the current Doha Round of the WTO.

In Chapter 3 the shift from ideology-based coalitions like the G10 to interest-based coalitions like the Café au Lait coalition was discussed. It was mentioned how the developing world's trust in single-issue interest-based coalitions was further internalized with the formation and subsequent successes of the Cairns Group. However, the shift from ideology to interest-based coalitions was not the only change in coalition strategy triggered by these experiences. The successes of the Café au Lait (and the Cairns Group after that) were also seen as discrediting the adversarial style of North/South diplomacy that the G10 represented. A coalition like Cairns crossed the "old" North/South and East/West divides and seemed to herald the emergence of an "era of mediating middle powers" (Narlikar, 2003:103).

Ten years after the North-South paradigm was described as “passé” (Kumar, 1993:217), it was revived by a group of developing countries from “the South”. Furthermore, in their strong preference for multilateralism and activism on the world stage, countries like India, Brazil and South Africa exhibit characteristics of middle powers. However, the context has changed and middle power behaviour adapted accordingly. In an attempt to “rescue the concept from increasing vagueness”, Jordaan (2003) distinguishes between traditional middle powers (like Australia and Canada) and emerging middle powers (like South Africa and Brazil).

5.2 Linking Capability with Intent

Traditional middle powers usually have a very equal domestic distribution of wealth (low Gini), while emerging middle powers’ high inequality is often superimposed onto ethnic cleavages. Moreover, India, Brazil and South Africa’s high regional influence (as described in Chapter 4.) is typical of emerging middle powers, as opposed to traditional middle powers that have a low regional influence (Jordaan, 2003).

It is, however, not enough to have the constitutive features of a specific type of middle power. Dewitt (2006:19-20) argues that, to be a middle power, capability must be linked with intent. Although related to external weight, the capability to play a middle power role is more than countries’ viability as a coalition (as discussed in Chapter 4). Middle powers must have both the will and the capability to adopt an activist role in multilateral fora as they interfere in global issues beyond their immediate concern. In this respect middle power capability refers both to a country’s material capability and to its ability to claim to speak on behalf of other countries. Middle powers need the broader support for their role from other states in the international system (Christie & Dewitt, 2006:20-23).

Traditional middle powers emerged as middle powers during the Cold War. The highly charged context of the Cold War provided an opportunity for countries like Canada and Australia to construct for themselves an international identity as mediators and good international citizens. The purpose of this international identity construction was to distinguish themselves from the powerful in their region. They did this by getting involved in niche diplomacy in areas like the banning of landmines and conflict diamonds. Middle powers are usually able to stand some distance from a situation of conflict, which gives

them a reputation as a neutral, honest broker. Traditional middle powers' perceived neutrality stems from their regional ambivalence and relative unimportance (Jordaan, 2003:168-178).

In typical middle power fashion, Canada and Australia are strong supporters of multilateralism. In their capacity as leaders of the Cairns Group, they contributed to moving the Uruguay Round of multilateral trade negotiations from deadlock by ensuring that momentum be maintained. During the Uruguay Round of the GATT (from 1986) Canada and Australia had the capability and the intent to act as middle powers. They were capable to play activist, mediating roles because they had both the material capability to pursue their interests and a perceived neutrality that enabled them to claim to speak on behalf of others. They also had the will (intent) to behave in such ways as it provided them with an opportunity to create an international identity distinctive from powerful states (in their regions).

Following the Cold War, from the mid-1990s the golden era of the traditional middle power seemed to fade²¹. Canada and Australia's capability (and intent) to act as middle powers was further eroded after 11 September 2001 when they responded to the USA's call for friends and allies in its war efforts in Afghanistan. By aligning themselves with the USA, both Canada and Australia lost much of their perceived neutrality (Christie & Dewitt, 2006:6).

Although there were earlier references to non-western middle powers (like India, Brazil and Argentina), during the Cold War their roles were severely constrained by the Cold War architecture. This context meant they had limited space and recognition. The post- Cold War period brought with it a more diffuse international system, providing political space for a new generation of middle powers to emerge (Christie & Dewitt, 2006:7). As traditional middle powers became more constrained by the altered context and their own realignment, countries like India, Brazil and South Africa started exhibiting certain middle power characteristics.

As mentioned, these emerging middle powers differed from their traditional counterparts in terms of regional significance. The regional context acts both as opportunity and constraint

²¹ For factors contributing to the erosion of traditional middle power behaviour, see (Dewitt, 2006:15-17)

(discussed below). By performing middle power tasks, emerging middle powers aim for relative international visibility and influence by constructing for themselves an identity removed from the weak in their regions (Jordaan, 2003:178). One expression of this identity construction is the IBSA Facility for Hunger and Poverty Alleviation. At the IBSA Summit meeting in September 2006, the IBSA members encouraged developing countries, particularly the “Least Developing Countries”, to submit projects to the IBSA Fund (Department of Foreign Affairs, 2006).

At the same time, the developed world confers legitimacy on countries like India, Brazil and South Africa as regional leaders of the developing world. All three have been invited to represent their regions in multilateral settings like the G7 meetings and small groups in the WTO. Furthermore, the USA has publicly recognised all three as leaders in regional security management (Chase, Hill & Kennedy, 1996; Alden & Le Pere, 2005: 1081 & 1091). Thus, as one aspect of middle power capability, India, Brazil and South Africa’s regional status adds to their intermediate status. At the same time their perceived neutrality derives from their regional strength and self-association, which “undermines the impression that they are mere hegemonic proxies” (Jordaan, 2003:177).

Like South Africa (Van der Westhuizen, 1998:450), India and Brazil can also be described as “microcosms-of-the-world”. The domestic complexities of social heterogeneity coupled with inequality and/or poverty and unemployment reflect global complexities. Furthermore, as mentioned in the previous chapter, these countries cannot separate themselves from problems faced by their regional neighbours. Ultimately, what has been said of Brazil is also true of India and South Africa, that “the government’s fight against poverty and unequal income distribution at home and its assertive and activist foreign policy can be viewed as two sides of the same coin” (Soares de Lima & Hirst, 2006:21). Thus, as emerging middle powers, both opportunity and necessity compel the IBSA countries to act out of a broader commitment to improving the international system.

As discussed above, the IBSA countries all exhibit certain degrees of capability and intent (commitment) to act as emerging middle powers. For countries like India, Brazil and South Africa powers the final and most difficult aspect of achieving middle power status is the recognition of their role by other states in the international system (Christie & Dewitt, 2006:23), especially from the developing world itself. This is made particularly complex by

the regional significance of the IBSA countries. All three countries' regions view them with attitudes ranging from suspicion (of hegemonic intentions) to animosity (in the case of India and Pakistan, for instance). The Egyptian ambassador to South Africa explained it as follows: "The problem comes in when South Africa wants to decide for all of the developing world. It cannot fly the flag of the whole group until those positions are endorsed by the whole group" (Taylor, 2005:24). At the same time India, Brazil and South Africa will find it virtually impossible to disengage from their regions and are even expected to assume a sense of responsibility for regional stability (both in terms of security and economy). This complexity is mentioned in most writings on IBSA, but without specific suggestions for managing it²².

The IBSA New Delhi Agenda for Cooperation states that the G20+ exemplifies IBSA's cooperation in the multilateral trading system; a cooperation that it claims is "commensurate with the development needs of developing countries". The section that follows shows how the abovementioned complexity was managed in the specific case of the G20+ on agriculture.

5.3 Agriculture and the South

Although described as "strange bedfellows", members of the Cairns Group, with their competitive export-oriented agricultural sectors, were united in their pursuit of a single interest (Higgott & Cooper, 1990:600-604). In the 1980s a rift existed between the European Commission (EC) and the US' GATT positions on agriculture. The Cairns Group, with Canada and Australia at its helm, stepped into the political niche created by this rift as mediator and bridge-builder. The coalition played a role in moving the GATT negotiations from deadlock by ensuring that momentum on the negotiations were maintained (Narlikar, 2003:131-142). In November 1992 an agreement, the Blair House Accord, was reached between the US and the EC. This agreement was cited as a victory by both the US and the EC (Narlikar, 2003:131-142). The Blair House accord did not, however, solve the agriculture issue. While the US and the EC were happy, the developing world felt left out of the process. Agriculture was again to be discussed in the Doha Round.

²² See, for example: Taylor, 2005:23-24; Alden & Vieira, 2005; Christie & Dewitt, 2006:20-24; Womack, 2006

In the run-up to the Cancun Ministerial the US and EU moved from the Doha Declaration (see section 4.4.1) in an attempt to safeguard their subsidy regimes in return for negligible reforms and also pushed for the “Singapore issues” to be discussed (Taylor, 2004:14). Developing countries expressed a fear that the US and the EU would “pull another Blair House” on them (Narlikar & Tussie, 2004:949-950). Hence, the G20+ was formed, with IBSA at its core.

If the Cairns Group could be described as “strange bedfellows”, the G20+ is even more strange. Like the Cairns Group, the G20+ also focuses on agriculture. However, unlike the Cairns Group of agricultural exporters with its offensive interest, the G20+ includes both members with an offensive interest and those with a defensive interest in agriculture (see Section 3.3). In addition, while both the Cairns Group and the FIG emerged at a time when they could make use of a rift between the United States and European Commission (see, for example, Narlikar, 2003:127-154 and Tussie, 1993:181-204) the G20+ stood against both major powers.

As mentioned earlier, the G20+ formed in response to a specific problem: the US\$300 billion agricultural subsidies paid to farmers in the US and EU. In order to prevent possible offensive/defensive rivalries the G20+ proposed a blended formula on market access. Although the G20+’s agenda was predominantly liberalizing, its blended formula, that made references to special and differential treatment (S&D), incorporated the concerns of the net-food importing countries and the LDCs (Narlikar & Tussie, 2004:961). Typical of middle powers, the blended formula expanded the area of common ground.

It has been argued that the G20+’s support for other countries’ concerns was responsible for maintaining the group’s unity (Lima, 2006:3). Its members also included countries that participated in other developing country groupings like the G33 and the G90 (Lima, 2006:3). Special effort was expended to maintain coordination between different developing country groupings. Accordingly, the G20+ expressed its support for the Alliance on Strategic Products (SP) and Special Safeguard Mechanisms (SSM), which included countries like Honduras, Philippines and Uganda. Consultation between the Alliance on SP and SSM, the African Caribbean Pacific (ACP) Group, the LDCs, the African Group and the G20+ continued into the second-last day of the Cancun conference (Narlikar & Tussie, 2004:952-953). Even a “southern radical” (see chapter 2) civil society

organization like *Focus on the Global South* spoke of giving the G20+ (and especially the countries at its core) “high marks for consulting the different developing country groupings” (Bello & Kwa, 2004).

In September 2003, the WTO trade talks held in Cancun collapsed. Central to this collapse was the refusal by the G20+ on agriculture (with IBSA at its core) to accept a wide-ranging document drafted by the US and the EU (see section 4.4.3). As was mentioned, the fact that the G20+ survived surprised many. This survival was in large part attributed to the core holding together. Although the G20+ succeeded in showing that it was a force to be reckoned with, the resulting impasse benefited no-one, least of all the developing world. The first challenge was to get the talks moving again. The second challenge was to move from a common opposition against the unfair to the achievement of fairer agreements (Taylor, 2004:14-15).

After Cancun the US and the EU invited India and Brazil to be part, together with Australia, of the Five Interested Parties (FIPs) on agriculture. Traditional middle powers have been known to use their positions as “good international citizens” to claim seats in multilateral fora. This looks like the emerging middle power equivalent. Similar to the Uruguay Round impasse of the 1980s (where Australia and Canada ensured that momentum was retained), in 2004 it was an agreement among the FIPs that solved this impasse and led to a framework agreement that became known as the “July 2004 Framework” (Lima, 2006:4).

The framework included an agreement on the elimination of all export subsidies. This was an important gain for the G20+ and especially for major agricultural exporters like Brazil. However, in a situation similar to the Uruguay Round, not everyone was happy. The gains came at a cost as the developing world had to make major concessions to the developed countries²³ (Lima, 2006:4-5). Critics argue that the July 2004 Framework was proof that

²³ These concessions relate to intricacies that fall beyond the scope of this thesis. A brief explanation follows: during the Uruguay Round subsidies relating to agriculture were placed in three categories of “box”. The “amber box” was acknowledged as being very trade distorting in the sense that it impacts directly on the ability of producers to trade. The “blue box” distorted trade, but did it indirectly through supporting the level of production, price or income to make it easier to export surpluses, for instance. The “green box” related to rural areas and the environment, areas regarded as “sensitive” with less room for liberalizing maneuver (Erwin, 2003). The concessions that developing countries made to the developed countries (in the July 2004 Framework) include: 1) the maintenance of the “blue box”, instead of eliminating it, 2) more flexible treatment of the “green box”, 3) the introduction of “flexibility” for tariff cuts for “sensitive products” (a

major agro-exporters in the G20+ had as their focus the ending of subsidy systems in the US and EU (which they did and would agree with), but that they were less concerned with protecting developing country markets and smallholder agriculture from low-priced imports (which many developing countries would argue is central to their “development needs”) (Bello & Kwa, 2004). The talks were once again moving, but the G20+’s commitment to issues of the South was no longer unquestioned.

The same critics explain the inclusion of India and Brazil in the FIPs as a deliberate strategy by the EU and the US, the centrepiece of which was bringing the leaders of the G20+ to the center of the negotiations and playing to their specific interests²⁴ (Bello & Kwa, 2004). Indeed, “by becoming central actors in the elaboration of the proposed framework, they had painted themselves into an impossible situation” (Bello & Kwa, 2004). In a situation similar to the one described in Chapter 3, countries like India, Brazil and South Africa’s interests (when broken down as negotiations progressed) started diverging from those of many other less developed countries.

Ahead of the Hong Kong Ministerial Conference in December 2005 the G20+ tried to regain some of the developing world confidence lost after the July 2004 Framework. To some degree they succeeded. At the Hong Kong Ministerial the G20+ formed an alliance with the G33, the ACP, the LDCs, the African Group and the Small Economies to form the so-called G110. At the end of the conference a (very modest) agreement was achieved, but most of the modalities were left to be discussed in 2006. In 2006 negotiations again collapsed. This collapse is of particular concern to the IBSA countries who stated (in September 2006) that they would “spare no effort to resume the suspended negotiations” (Department of Foreign Affairs, 2006a).

category demanded by the developed countries), and 4) the maintenance of a formula to address escalating tariffs in the negotiating agenda

²⁴ India’s key concern was avoiding the so-called “Swiss Formula” for tariff cuts that would require it to bring down its agricultural tariffs substantially. Both India and the EU were more comfortable with a “Uruguay Round” approach to tariff cuts (Bello & Kwa, 2004). The “Uruguay Round” approach involves an average reduction of all tariffs, while the “Swiss Formula” reduces tariff peaks and the average (meaning higher tariffs would face deeper cuts) (Erwin, 2003). Brazil’s biggest concern was the removal of agricultural subsidies. Brazil got a date for the elimination of these subsidies, although important modalities were left to be discussed in 2006 (Bello & Kwa, 2004).

Agriculture is an example of the increasingly divergent interests of the “developing South”, as discussed in Chapters 3²⁵ and 4²⁶. Countries of the “developing world” range from competitive agricultural exporters to poor countries where the majority of the population’s survival depends on subsistence farming. These countries have different interests when it comes to agriculture. The blended formula proposed in 2003 took into account the needs of a divergent developing world. However, the nature of negotiation is such that it usually entails compromise. This means that, very rarely (if ever) do parties leave the table with their ideal deal as formulated beforehand. When negotiations on agriculture came to a stage where compromises had to be made, the self-appointed “representatives of the South” would not choose to compromise on those issues central to their own direct self-interest.

Clearly, in individual areas developing countries’ interests will often diverge. By claiming to speak for the South in individual areas as they enhance trade opportunities “commensurate with the development needs of developing countries” (as exemplified by the G20+) IBSA in effect put their heads on the chopping block. A slight understated change in IBSA documentation shows the three countries might have realized this. After the second meeting of the trilateral commission of the IBSA Forum in March 2005 (thus after the July 2004 Framework), the phrase “enhance trade opportunities *commensurate with the development needs of developing countries* under a fair, equitable and transparent rules-based multilateral trading system” (Department of Foreign Affairs, 2004, emphasis added) was replaced with the following phrase: “enhance trade opportunities under an open, fair, equitable and transparent rules-based multilateral trading system” (Department of Foreign Affairs, 2005).

²⁵ Take sugar as an agricultural commodity, for instance. Brazil is one of a few countries that have sugar sectors that operate at world market prices. Over 80 percent of world sugar production relies on domestic support, export subsidies and access to preferential markets. These protectionist measures keep Brazil’s sugar out of the EU market. However, certain small countries that also produce sugar (notably the African, Caribbean Pacific Group) benefit from preference agreements with the EU. This means that sugar that these countries export to the EU are exempted from tariffs (or face lower tariffs for limited quantities). These small countries can export sugar to the EU at artificially high prices, while larger countries like Brazil are kept out (Lima, 2006:12-13). Thus, opening up trade in sugar could benefit Brazil, but harm Mauritius (who benefits from current preference agreements) (Grant, 2004:537).

²⁶ Recall Section 4.3.3.2 where I explained how interests of diversified, intermediate developing countries are different from those of the least developed. Diversified economies find it difficult to assign priority to any one sub-sector. Less diversified economies (especially those largely dependent on one commodity or sector) find it easier to trade concessions across sectors and issues. Take the example of sugar again: A large percentage of Mauritius’ export earnings derive from agriculture in general, and sugar more specifically. They will find it relatively easy to trade concessions on agriculture with other issues (NAMA or services, for instance). Brazil has potential export advantages in both agriculture and services. They will thus find it more difficult to trade concessions across the two areas.

On a broader level, however, the developing world has in common two things: 1) an interest in multilateralism, and 2) a need for development. It is in these two areas that IBSA (and the G20+) can claim to represent the South. These two interests will be briefly discussed below.

5.4 The Developing South, Multilateralism and Development

It is difficult to establish what the 2005 Hong Kong outcome would have been without the G20+. Most probably, this question would not have been necessary. If it was not for the G20+, the US and the EU would have been able to push through their proposal in 2003 already. In a situation similar to the Uruguay Round, the South would have been able to provide minimal to no input. By standing firm at Cancun (and after) the G20+ managed to exact a higher price for moving the agenda (Narlikar & Tussie, 2004:964).

From the point of view of the developing world organisations like the WTO need “more predictability and a broader range of input” (Womack, 2006:14). India, Brazil and South Africa are increasingly being invited to small-group meetings in multilateral fora that used to be attended only by the G7. This shows a realisation by the “old” (and still major) powers that, should they wish to pursue further liberalisation, the concerns and interests of the South would, to some degree at least, have to be accommodated (Taylor, 2001:72). This was illustrated by the collapse at Cancun and subsequent invitation to India and Brazil to join the Five Interested Parties (FIPs). To have more centres of authority in influential decision-making structures should be good for the world as a whole, and for the developing world, too, especially when the expanded centre of power includes countries from the South.

On the other hand, the developing South would be correct to criticise India and Brazil. When these two countries joined the FIPs, the decision making process remained the same as in previous conferences, with “green room” (closed) negotiations among the FIPs. This was contrary to India and Brazil reiterated support for a more transparent process as stated, for example, in the Agenda for Cooperation. While an expanded centre of power in (closed) decision-making structures might make global governance slightly “more multilateral”, it is by no means even close to “globally multilateral”.

One positive aspect that emerged from the WTO talks at Cancun (and continued through the Hong Kong talks in 2005) relates to dialogue and deliberations among developing country groupings. Careful effort was made to maintain coordination between groups and, where support for the other's position was not possible, to at least prevent outright opposition (Narlikar & Tussie, 2004). This new open approach to other coalitions replaced an old "us vs. them" antagonism (Narlikar & Tussie, 2004:959). Thus, while the G20+ was not always able to speak *for* the entire developing South, it continued talking *with* the different developing country groupings. In this vein, Lima (2006:15) states, "it is important to recognize that even though there is a very limited range of interests between the G20[+] and the G90, their coordination and dialogue plays a significant counterbalancing role against the US and EU tactics to divide developing world trade negotiations".

The other thing that developing countries have in common is a need for development. The theme of development is central to the IBSA Forum. Towards the end of 2005 IBSA held a conference on economic development and social equity in Rio de Janeiro, Brazil. This commitment was again reiterated at the first IBSA Summit in September 2006. A Joint Press Communiqué released after the Summit stated, "India, Brazil and South Africa share similar views regarding the importance of achieving sustainable development, particularly through the eradication of poverty, the promotion of economic growth and the protection of the environment" (Department of Foreign Affairs, 2006a). With regards to the G20+, the Brazilian Foreign Minister Celso Amorim was quick to note that "despite the diversity of situations of developing countries, they were united in their pursuit of a *bona fide* development round" (Lima, 2006:17).

In this regard, IBSA's commitment to development should be less rhetorical than that of the developed world. Domestically, these countries face the challenges of poverty, unemployment and inequality. Internationally, they are fixed in their (complex) regional geographic positions. This means that any regional instability (in terms of both security and economy) have spill-over effects into India, Brazil and South Africa. Womack (2006:10) argues that "systemic tension that results from having to look both above and below complicates the task of regional powers, but perhaps it also contributes to a higher quality of regional leadership".

The G20+ confirmed that it is problematic to speak of the developing world as a uniform bloc with shared interests in all areas (Taylor, 2005:31). At the same time, however, and in line with broader claims to South/South cooperation, IBSA does appear to be concerned with the way it is perceived by the developing world (White, 2006:13). Where possible IBSA tries to find areas where their policy preferences could converge with that of the South. One such area was the TRIPS Agreement on Public Health. The developing world should also gain if IBSA is successful in the negotiations on NAMA and the REACH legislation (discussed in the previous chapter). Clearly, IBSA cannot be wholly representative of the South in all individual areas. Ultimately, however, it is still better for the developing world to have countries like India, Brazil and South Africa in multilateral fora than not to have them there.

Another area in which the developing South could benefit deals with the liberalisation of manufactured goods. The *Trade Equity and Development Project of the Carnegie Endowment for International Peace* developed a model of trade (henceforth Carnegie model) to estimate the impact of different trade policy scenarios. It was used before and after the 2005 Hong Kong meeting to simulate a range of plausible outcomes from the Doha Round (Polaski, 2006). The Carnegie model showed that 90 percent of developing country gains from Doha scenarios would come from the liberalisation of trade in manufactured goods (Polaski, 2006:viii). Thus, while countries like India, Brazil and South Africa's gains from manufacturing liberalisation might be more modest than that of agriculture, it is worth considering for the developing country legitimacy it would bring them.

The Brasilia Declaration (on which IBSA is based) aims at bringing about change in the global political economy. In the case of the UN these aims are translated into a push for institutional reform of the UN Security Council. Thus far no IBSA documents mention a similar commitment to structural or institutional reform of the WTO. In essence, the WTO is a bargaining forum. At the heart of the multilateral trading system are the WTO agreements, negotiated and signed by WTO members and then ratified in their parliaments (WTO online). Thus, the current position of the WTO is the result of past agreements. The cumulative effect of several new agreements made to reflect the policy preferences of IBSA (those mentioned in this thesis, for instance) will serve to move the WTO reference point. In essence, the global order would then be different.

In claiming to speak “for the South”, emerging middle powers’ attitude to global order differs from that of traditional middle powers. At the same time, today’s interaction differs from the North/South confrontation of the 1960s through 1980s. The following section focuses on historical attitudes to global order in the context of the WTO.

5.5 Middle Powers, the South and Global Order

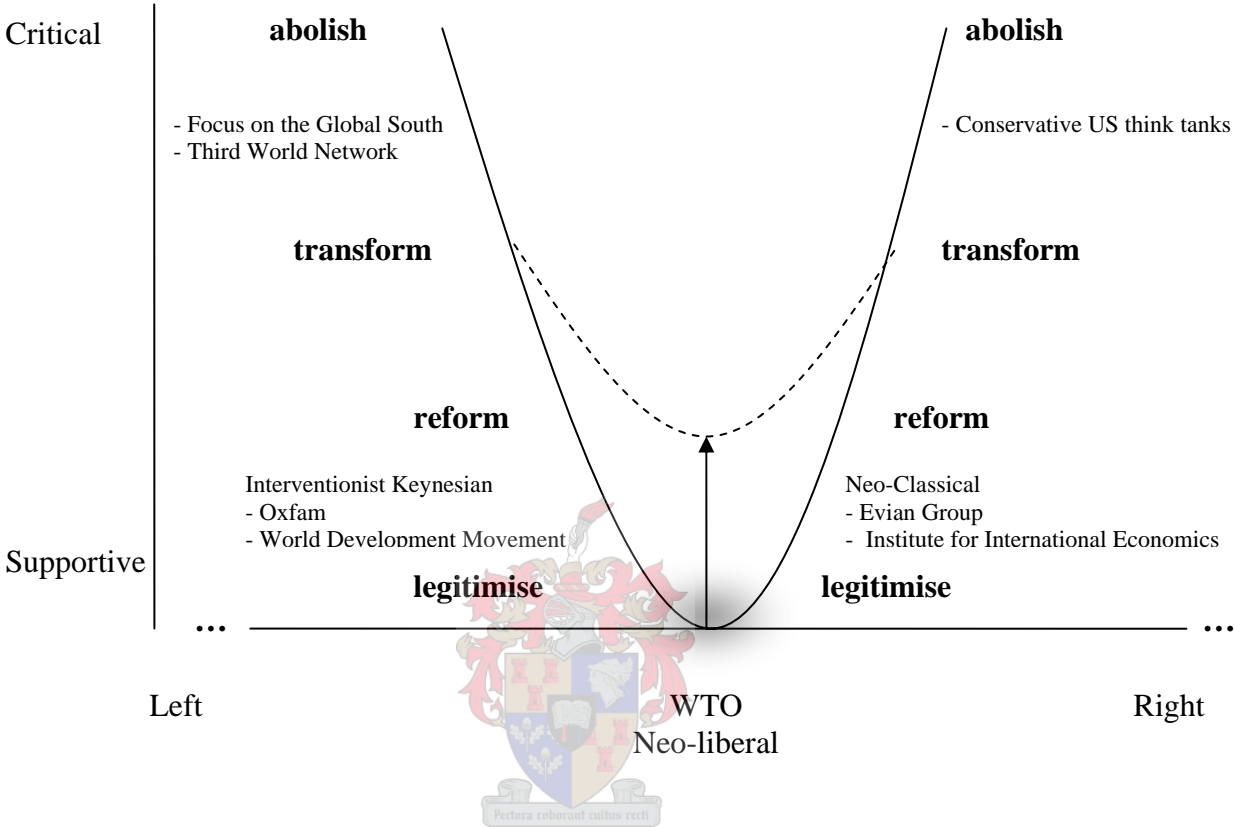
In the Uruguay Round, the position of the Cairns Group tilted towards the liberalising agenda of the US (Narlikar, 2003:142). In typical middle power fashion (Jordaan, 2003:167-179), the actions of Canada and Australia in the Cairns Group were appeasing and largely legitimizing of the neo-liberal global order.

In the current Doha Round, the Brazilian Permanent Representative to the WTO, Luiz Felipe de Seixas Corrêa, explained the rationale behind the G20+ as follows: “What prompted the creation of this group in the WTO was a recurrent phenomenon that we think has to be changed in order to cope with the new realities of multilateral negotiations. There is the belief or understanding that everything can be solved when the two major powers get together and carve out a deal that represents their convergence of interests. And that the rest of the world, being so disunited or being so fragmented or having so many different perspectives, ends up one by one being co-opted into an agreement – for lack of an organizational framework” (Taylor, 2005:12).

Thus, although the G20+ formed in response to a specific problem in the field of agriculture, it is also related to the systemic concentration of power. The G20+ attempts to pose as a counter-weight to the concentration of power in the North, especially that of the US and EU. It has even been argued that South Africa’s membership of the G20+ may serve this purpose more than the desire to promote agricultural market access (Draper & Sally, 2006:43). South Africa’s ambition to create a “G7 of the South” is integrated into the Department of Trade and Industry’s policy (Alden & Vieira, 2005:1083). Also, the politics of Brazil and India in the WTO have been described as very directly related to the systemic concentration of power, thus making it more than a product of issue-specific interests (Hurrell, 2006:16).

This makes it tempting to see in IBSA echoes of the North/South confrontation of the 1960s-70s. However, in fundamental ways, today’s interaction is different. This can be illustrated on the same curvilinear figure used in Chapter 2 (see figure 8 below)²⁷.

Figure 8: Plotting the WTO (2)



The 1960s saw an attempt to establish the UNCTAD as an alternative to the GATT. Developing countries dismissed the GATT as the “Rich Man’s Club” and turned to the UNCTAD to further their interests (Hurrell & Narlikar, 2006:7). In similar fashion, Sukarno’s initial ambition for the Non-Aligned Movement (NAM) was to create an alternative world order to that of the Western-dominated UN (Alden & Vieira, 2005:1081). Like the abovementioned examples, the proposed New International Economic Order (NIEO) of the 1970s is illustrative of a transformative position vis-à-vis institutions of the multilateral trade regime, like the GATT (then) and the WTO (now). In essence, the NIEO was based on assumptions of distributive justice that differed from those of the existing economic order (Narlikar, 2003:13). It supported a preference for trade regulation and the

²⁷As a reminder of the different positions: Abolitionists would prefer either a bilateral system of trade relations or a reversal of market-led globalisation and a return to protectionism. As such, they would dismantle the institutions (GATT/WTO) altogether. In contrast, both transformers and reformers support a multilateral system of trade governance. Where transformers would like to replace the system (GATT/WTO) with an alternative system (with different underlying norms), reformers choose to work for change from within the existing system. Legitimisers are those least critical (thus most supportive) of the system, as is.

principle of states' economic rights as an answer to a system that was "recognized as discriminatory against the South due to the concentration of power in the North" (Murphy, 2005:111). How radical the proposed order was, is debatable²⁸, however, it did push for a "new order".

In contrast to the New International Economic Order (NIEO) that was characterised by confrontation with the developed world, the new engagement (in the form of the G20+, for example) is based on working within the ongoing financial architecture in a pragmatic fashion. Even though the G20+ was originally supported by abolitionists, in reality its position is "system-maintaining" (Draper & Sally, 2006:45) and reformist. At the core of the G20+, IBSA's reformist developmental agenda fits within the broad neo-liberal paradigm, while aiming to mitigate potential risks associated with globalization. Bischoff (2003:185) speaks of "a compensatory movement" to globalisation that, through conscious interventions, corrects the inability of the market to address issues of peace, democracy, health and prosperity. In essence, IBSA aims for market integration of the developing world, but on renegotiated terms (Taylor, 2005:7-10; Narlikar & Hurrell, 2005:6). Such a reformist approach to the global order is typical of emerging middle powers (Jordaan, 2003:175-176)²⁹.

In general, the policy preferences of the three countries studied falls between the line and dotted line on Figure 8 (see arrow). The cumulative effect of several agreements that reflect their original policy preferences might serve to move the WTO reference point to a position somewhere on the dotted line (see Figure 8). Ultimately, in terms of the World Trade Organisation, IBSA's approach aims not for abolishment or transformation of the system, but for reform by moving the reference point. The resultant reformed position of the WTO should be better for the South as a whole (as a net result, though certain countries and sectors will no doubt lose in some areas). Importantly, this "reformed" WTO that benefits the South is dependent on several outcomes that reflect the *original* policy preferences of IBSA.

²⁸ For a critical discussion on this topic see Murphy, C.N. 2005. "The Meaning of the NIEO" in *Global Institutions, Marginalization and Development*. London: Routledge.

²⁹ Jordaan (2003:175-176) makes use of a Modern World Systems approach (from the broad Marxist school) as he traces the difference in middle power behaviour (appeasing vs. reformist) to constitutive differences between traditional middle powers (part of the core) and emerging middle powers (part of the semi-periphery).

The above point is hypothetical. The nature of negotiation is such that it usually entails compromise. This means that very rarely (if ever) do parties leave the table with their ideal deal as formulated beforehand. To some extent there is always room for critique. This makes it difficult to evaluate the achievements of any round as, depending on where the critic stands, critique for a single agreement can come from opposing sides. For example, after some agricultural liberalization those with a defensive interest might lament that the process has gone too far, while those with an offensive interest argue that it has not gone far enough. These positions are thus subjective. A more objective way of measuring the impact of negotiated agreements is to make use of econometric models. The Carnegie model was mentioned above.

In terms of agriculture, the blended formula of the G20+ was an example where IBSA's policy preferences were framed in a manner inclusive of the needs of the South. If they could get their original proposal passed, the resulting new WTO reference point would definitely be better for the developing South. However, balancing the needs of a divergent South became more difficult as negotiations progressed as it was not only the developing South that had to find a workable solution amongst themselves. This became clear in 2003 as the WTO talks in Cancun collapsed when neither the G20+ nor the US and the EU would back down. With the July 2004 Framework agreement the FIPs (including India and Brazil) got the talks moving again, but compromises were made.

The modest agreement on agriculture that was reached in Hong Kong in 2005 left most of the modalities to be discussed in 2006. The Carnegie model concludes that the specifics of these modalities would prove decisive in whether or not the poorest countries would gain from any agreement on agriculture (Polaski, 2006:x). In 2006 the talks again collapsed. The repeated collapse of WTO talks means that the reference point is not moving. Instead, things are going downwards for the South as the US threatens to go the bilateral route. IBSA's first interest is in the multilateral system itself. In this regard, at the 2006 IBSA Summit the three countries stated that they would "spare no effort to resume the [WTO] negotiations sooner rather than later" (Department of Foreign Affairs, 2006b).

6 CONCLUSION

The IBSA Agenda for Cooperation articulated India, Brazil and South Africa's intent to cooperate in the World Trade Organisation. This thesis was interested to find out whether their intent is matched by capability. To this end three questions were asked. Firstly, what type of coalition does India, Brazil and South Africa aim to be in the context of the WTO? Secondly, does it make sense for these three countries to form this type of coalition? Lastly, in the context of the WTO, what are some of the complexities involved in claiming to speak for the developing South?

In line with most WTO delegations' insistence on interest-based agendas, and with developing countries' support for multilateralism, the theoretical approach to international organisations used was neo-liberal institutionalism. At the same time, the approach was open to constructive debate with, and critique from, the reflective school. This is what was found:

Today's coalitions, like the G20+ with IBSA at its core, is the result of a process of social learning that reaches back at least to the Uruguay Round of the GATT. Two lessons can be learnt from the coalitions of the Uruguay Round. Firstly, the cement of identity and ideology is too weak to hold together a developing world with increasingly divergent interests. Ultimately, the confidence placed in social identity trust (see Section 3.4) was a confidence misplaced. What was needed was a growth in exchange trust (see Section 3.4). As exchange trust is dependent on reiterated interactions, single issue coalitions are not effective contributors to this kind of trust. This leads to the second lesson, that for optimum effectiveness, an important balance needs to be found between formality and informality. The challenge facing India, Brazil and South Africa is to institutionalise the kind of interaction that would lead to a growth in exchange trust without compromising on flexibility. Their answer was the creation of the IBSA Dialogue Forum. While encouraging wide-ranging communication, this coalition does not agree to cooperate in all areas, but only in "areas of mutual interest".

As long as the three countries focus on clear and possible areas for collaboration and avoid areas of controversy, IBSA has the potential to form a structurally viable and sustainable coalition in the WTO. For maximum viability the optimum balance between external

weight and internal coherence has to be found. India, Brazil and South Africa continuously have to perform complicated balancing acts, both in terms of complex domestic environments and in terms of the systemic tension derived from their positions as regional powers at the same stage of development. This balancing of material and power realities translates into a certain like-mindedness.

In line with a neo-liberal institutionalist approach to coalition formation, IBSA aims to cement a coalition through processes that promote the cooperative dimensions of interaction and minimise conflictual ones (Narlikar, 2003:30). It assumes that increased communication will result in the discovery of issue areas where cooperation is possible. Thus far the process has led to several possible areas for cooperation in the WTO. One such area where the process has gone from communication, to opportunity identification, to a negotiated outcome that favours all three members is the “Paragraph 6 waiver” that falls under the “TRIPS and Public Health” section of the Doha Development Agenda. Three other issues that are still “in process” relate to agriculture, non-agricultural market access and the proposed EU REACH legislation.

Ultimately, what has been said of Brazil is also true of India and South Africa, that “the government’s fight against poverty and unequal income distribution at home and its assertive and activist foreign policy can be viewed as two sides of the same coin” (Soares de Lima & Hirst, 2006:21). As regional powers of the South, both opportunity and necessity compel the three IBSA countries to act, not only out of narrow self-interest, but also out of a broader commitment to improving the international system. In their adoption of activist roles on the world stage to the extent that they interfere in global issues beyond their immediate concern, India, Brazil and South Africa exhibit certain middle power characteristics. However, these “emerging” middle powers operate in a very different historical and geopolitical context to that of “traditional” middle powers like Canada and Australia. The IBSA countries all exhibit certain degrees of capability and intent (commitment) to act as emerging middle powers. The final and most difficult aspect of achieving middle power status is the recognition of their role by other states in the international system (Christie & Dewitt, 2006:23), especially from the developing world itself. In particular, their regional significance acts both as opportunity and constraint.

As far as possible, India, Brazil and South Africa try to find individual areas where they could frame policy preferences in ways that would benefit both the IBSA members and the broader South. As negotiations progress, however, balancing divergent interests becomes more complicated. This was illustrated in the case of the G20+ on agriculture. True to its name, one of the main strengths of the IBSA Dialogue Forum lies in its promotion of dialogue and deliberation. Even when IBSA and the G20+ found it increasingly difficult to speak *for* the entire developing world, they continued talking *with* other developing country groupings. This coordination and dialogue have been described as “playing a significant counterbalancing role against the US and the EU” (Lima, 2006:15).

As a coalition, IBSA is concerned not only with issue-specific interests, but also with the (im)balance of power in the international arena, more broadly, and the WTO, specifically. Although the IBSA countries often do not have the same interests as the larger South, they share with the developing world both a common interest in a strong multilateral system and a need for development. It was argued that IBSA’s commitment to development should be less rhetorical than that of the developed world. Several decisions made to reflect IBSA’s original policy preferences will serve to move the WTO reference point. Hypothetically, it was suggested that the reformed WTO should then be better for the South as a whole (as a net result, though certain countries and sectors will no doubt lose in some areas).

Ultimately, the challenges that bind these countries also constrain each of them. The three IBSA countries might be emerging, but they are also developing countries with limited capacity that face serious developmental challenges. In addition, these countries of the South are situated in complex regional environments. IBSA’s innovative approach to cooperation that aims for collaborative development and a pooling of resources does provide some hope. How they use their collective capacity will prove decisive. No doubt, it will require hard work, especially as IBSA will have to deliver concrete results not only to domestic constituencies, but also to the developing world as a whole. One area in which IBSA’s cooperation has led to concrete results that benefit both the three countries and the developing world as a whole relates to the TRIPS Agreement on Public Health.

Whether India, Brazil and South Africa will achieve similar successes in negotiations on agriculture, non-agricultural market access and the REACH legislation issue remains to be seen. The answer will not depend only on structural criteria for successful coalition

formation (discussed in Chapter 4). As mentioned in Chapter 1, this is only one aspect that contributes to whether a coalition is successful in negotiating outcomes that favour its members (and others it claims to speak for). Another relates to the strategies it employs. More research needs to be done on negotiating strategies employed in multilateral negotiations, especially as it relates to emerging powers like India, Brazil and South Africa. Such research could also be done on specific case studies, for example by evaluating the strategies of IBSA and the G20+ in the current Doha Round of multilateral trade negotiations.

It was mentioned that IBSA's commitment to development should be less rhetorical than that of the developed world. What was not discussed in detail was how India, Brazil and South Africa aim to achieve this much-needed development, both domestically and internationally. A comparative study of the three countries' models for development should be an interesting study. Publications flowing from the conference on economic development and social equity held in Rio de Janeiro, Brazil in 2005 could prove a valuable starting point.

Like criticism for the WTO, criticism of the three countries' respective developmental approaches comes from both the left and the right. On the international stage, IBSA's position (as core of the G20+) also draws critique from both sides. From the right, after the collapse at Cancun in 2003 Robert Zoellick (the US Trade representative) placed India, Brazil and South Africa (as core of the G20+) in a category of "won't do" countries (Van de Ven, 2003:5). On the other hand, critics from the left argue that, thus far, IBSA's reformist agenda (fitting as it does within the broad liberal policy paradigm) risks emasculating any interrogatory position (Taylor, 2004:24). These critics argue that an alternative model is needed.

One such possible model is the "Buenos Aires Consensus" (in contrast to the "Washington Consensus"). The Buenos Aires Consensus is based on a declaration signed between Brazil and Argentina. It emphasises poverty reduction and tackling unemployment, coupled with a Keynesian approach to invigorate economies. Taylor (2004:15) argues that such a reformist platform can "sit quite happily alongside the type of messages of reform enunciated by people such as Mbeki". He continues that this Buenos Aires Consensus may prove a credible grounding for initiatives such as IBSA and the G20+. More research on recent

developmental alternatives from the emerging world (and how they differ to the Washington Consensus, for instance) is necessary.

This thesis regarded the firm stand by the developing countries that contributed to the collapse of the Cancun talks in 2003 as a watershed since the birth of the WTO. However, as mentioned, the collapse of the talks benefited no-one, least of all the developing world. Moreover, the Cancun collapse was neither the first nor the last time WTO talks collapsed. Before Cancun, the talks in Seattle collapsed in 1999. And after 2003, it happened again in 2006. The repeated collapse of WTO talks means that the reference point is not moving. Instead, things are going downwards for the South as the US threatens to go the bilateral route. IBSA's first interest is in the multilateral system itself. In this regard, at the 2006 IBSA Summit the three countries stated that they would "spare no effort to resume the [WTO] negotiations sooner rather than later" (Department of Foreign Affairs, 2006b).

However, perhaps more than a re-launch of current negotiations is necessary. Sally (2005) argues that, as a negotiating mechanism, the WTO has not really functioned since the late 1990s. The vast expansion of membership since the 1980s has made decision-making more unwieldy and snail-like. Furthermore, the ever-increasing scope of trade negotiations that reaches ever deeper into domestic regulations means that the WTO is in danger of regulatory overload (Sally, 2003). Martin Wolf, chief economic commentator of the *Financial Times*, warned of this in 2000 when he argued that stretching the WTO to cover foreign direct investment and competition policy is risky and probably unnecessary (Wolf, 2000:201-203). Six years later these issues and more have been added to the WTO Agenda. Both Wolf (2000) and Sally (2005) agree that the WTO needs to rediscover a core purpose, something lost in the post-GATT transition. It is necessary to consider what the multilateral trading system can and cannot (and should and should not) do (Wolf, 2000:204).

It is suggested that, instead of launching ever more ambitious rounds claiming to aim for development, a WTO round is necessary just to review what the multilateral trading system is trying to accomplish. Perhaps a (structurally) reformed WTO that is much more limited in scope is preferable to one that keeps on collapsing, threatening to take with it the entire multilateral trading system. Thus, while neither IBSA nor this thesis focuses on institutional reform of the WTO itself; that might be exactly what is needed. More research on this is also necessary.

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