

# **DEVELOPMENT OF DEMOCRACY AND DEMOCRACY OF DEVELOPMENT**

## **IBSA AND BRICS IN THE NEW WORLD**

The advent of the 21<sup>st</sup> century ushered in significant changes in the global dispensation. The US-led War on Terror defined the actions of several States, principally the West, and had a huge impact on international relations. The end of the Cold War had left the NATO alliance in an unassailable position internationally, it seemed. The developed economies were enjoying a golden age, not mindful that their economies were to be shaken by the crash that commenced with the collapse of key financial institutions in the United States in 2008. The inexorable rise of China, the resurgence of an energy-rich Russia, and impressive dynamism shown by a rapidly growing Indian economy turned the world's gaze east.

In 2001, a study by Jim O'Neill, of the influential US based financial enterprise Goldman Sachs, predicted that Brazil, Russia, India and China would emerge as major economies within the next decade.<sup>1</sup> This prophecy has been realised in the BRICS – an institution that brings together O'Neill's four economies with the principal actor in Africa. Even as O'Neill's idea found traction, a separate political current was simultaneously flowing through the South Atlantic and Indian Oceans.

President Luis Inacio Lula da Silva, in his inaugural speech as President of Brazil on 1 January 2003, emphasized the importance of Brazil's relations with India, China,

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<sup>1</sup> O'Neill J, *Building Better Global Economic BRICs*, *Global Economics Paper*, 66, Goldman Sachs, 2001, <http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/build-better-brics.pdf>.

Russia and South Africa. In June 2003, the Foreign Ministers of India, Brazil and South Africa launched the India-Brazil-South Africa (IBSA) Dialogue Forum in Brasilia. This was foreseen as a coordinating mechanism among three emerging, multiethnic and multicultural democracies “determined to contribute to the construction of a new international architecture, to bring their voice together on global issues... and partnership with less developed countries.”<sup>2</sup>

IBSA had its first Summit of Heads of State and Government in 2008. Since then, five Summits have been held, the last in Pretoria, South Africa, in October 2011. The 6<sup>th</sup> Summit is to be held in New Delhi, India in June 2013.

The impulse for IBSA was the need to combine experiences and resources – human and material – of the three mid-sized countries in the developing world, to enable the consolidation of democracy, as well as to present a unified front on issues and in forums where their interests needed to be protected and promoted. Why India, Brazil and South Africa?

Each of these three, based in different continents, are connected by a maritime route that was used by Portugal, a former colonial power in all three regions. They have since gone through a process of discovering and deepening democracy, at different stages of their history. Alternating periods of democratic and authoritarian/military rule saw Brazil emerge in the mid-1980s as a multiparty democracy. This was consolidated through subsequent tenures of Presidents from differing ideological and political backgrounds, who nevertheless ensured that Brazil would never look back. Introduction of projects such as Zero Hunger and cash transfer schemes to the poor have democratized the process of development in Brazil.

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<sup>2</sup> *IBSA Trilateral Official Website : [www.ibsa-trilateral.org](http://www.ibsa-trilateral.org).*

South Africa had emerged from the nightmare of apartheid in the 1990s. After passing through the cathartic process of truth and reconciliation, it planted the roots of democracy deep within its African majority, which today co-exists along with other races in the rainbow country. Positive discrimination in South Africa is a shining example of the deepening of democracy in its most elemental sense.

India has passed through more than six decades of the development of its democracy after the end of British colonial rule. Its political economy has witnessed epic ventures such as the introduction of local (panchayati) democracy in 1959 (and its ratification by Constitutional amendment in 1993); and valiant opposition to the imposition of an Emergency in 1975. The process of economic reforms of the early 1990s and the recognition, the following decade of the need for transparency through the Right to Information Act, and a more equitable distribution of resources through employment guarantee schemes, etc. were important further steps in the process of democratising development.

The formation of IBSA seems a natural corollary to the development and propagation of democracy by these three main actors on the global stage.

Another common feature is the salience of the three countries in their own neighbourhoods. Brazil is the largest country in Latin America and carries tremendous weight in important regional organizations: Mercosur (the Southern Common Market of five South American countries, a Customs Union with Common External Tariffs); UNASUR (the Union of South American Nations - all twelve nations of South America) and the recently formed, pan-regional Community of Latin American and Caribbean States (CELAC).

South Africa similarly dominates the SADC (Southern African Development Council) and the SACU (Southern African Customs Union) and plays a significant role in the deliberations and policies of the African Union.

India is the principal player in the South Asian Association for Regional Cooperation (SAARC) and has an increasingly important voice in regional forums connected with the Association of South East Asian Nations and the Indian Ocean Rim.

All three have been looked upon with varying degrees of suspicion as potential hegemonies within their regions, and have been at pains to ensure that their strategies and actions take into account the disparities with their neighbours. For these and other reasons, IBSA chooses to have an open and flexible structure, without a permanent Secretariat.

Its achievements have been impressive. Sectoral cooperation through 16 working groups, the IBSA Fund for Alleviation of Poverty and Hunger, and initiatives such as forums of businessmen, women, parliamentarians, editors, academicians and civil society organizations have contributed to substantiate the centrality of the democracy of development. IBSA has also undertaken successfully, through the Fund, projects in Haiti, Guinea Bissau and Cape Verde. New projects include a sports complex in Ramallah, in the West Bank in Palestine.

IBSA has also demonstrated that its members carry substantial weight internationally. Brazil played a critical role in ensuring that the US initiative of the Free Trade Area of the Americas (FTAA) did not proceed after 2005, given the lopsided nature of the trade-offs between North and Latin America. India demonstrated that its autonomous policy on nuclear technology would have to be recognized, when the

Nuclear Supplier's Group concluded a deal with it in 2008. South Africa, in the 1990s, played a vital role in forcing the developed world, principally the US, to recognize the rights of the developing world to protect public health and prevent the abuse of intellectual property rights by pharmaceutical companies. Brazil, South Africa and India have become essential interlocutors during negotiations in the WTO. Despite being members of the Cairns Group of agricultural exporters, the first two have made common cause with India, which needs to protect its domestic producers. South Africa coordinated the NAMA-11 Group in 2006, which seeks to 'advance the development content of the Doha Development Agenda'. All three are important constituents of the G-20 grouping.

IBSA has also achieved important inter-regional agreements such as the India-Mercosur Preferential Tariff Agreement (PTA) (2009); Mercosur-SACU Agreement (2004); and the India-SACU PTA (2006). The aim is to eventually have a trilateral Free Trade Agreement (FTA) which, however, will be subject to the concurrence of the other partners in Mercosur and SACU customs unions. The establishment of the IBSA Business Forum has also given an impulse to investment opportunities and connectivity between the three important maritime economies.

Strategic issues also figure in the IBSA agenda. The three IBSAMAR joint naval exercises between the navies of the three countries have contributed to better understanding and interoperability of these forces, in an age when vital interoceanic navigation needs to be protected from piracy and other threats. As emphasized in the Tshwane Declaration of 18 October 2011 of the Fifth IBSA Summit, the Forum

“declared support for each other’s aspirations for permanent seats in a reformed United Nations Security Council.”<sup>3</sup>

## **BRICS**

The successful trajectory of IBSA definitely had an impact on the formation of the original BRIC forum in 2009, expanded in 2011 with the inclusion of South Africa to form BRICS. It is curious that Jim O’Neill, who coined the term BRIC, held the view that South Africa’s inclusion had weakened the Group and that it would be “a drag on the dynamics of the BRIC”.<sup>4</sup> O’Neill argued that South Korea, Indonesia, Mexico, Turkey or even Nigeria, would be more suitable within the Forum. His conception was probably based on the size of a country’s economy, rather than the influence the country could exert on the international stage.

Today BRICS comprises 43% of the world’s population; 26.5% of world’s GDP (2012 – up from 16.4% in 2000) and has been responsible for 55% of global growth since the end of 2009 (23 developed countries accounted for only 20% of global growth in this period).<sup>5</sup> According to the World Bank, BRICS account for 27% of global purchasing power and 45% of the world’s work force. Intra-BRICS trade flows have ballooned from US\$ 27 billion in 2002 to US\$ 282 billion in 2012. BRICS account for 11% of global crude oil reserves, 29% of natural gas, and 43% of coal deposits. They

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<sup>3</sup> *India-Brazil-South Africa (IBSA) Dialogue Forum Fifth Summit of Heads of State and Government Tshwane Declaration*

<sup>4</sup> *Mail and Guardian*: South African’s presence “Drags down BRICS”, 23 March 2012.

<sup>5</sup> *The Economist*, 28<sup>th</sup> March 2013.

are responsible for 28% of global oil production; 22% of natural gas production and 65% of coal production.<sup>6</sup>

In March 2013, there was a comprehensive statement of the confident grouping of leaders at the Fifth BRICS Summit in Durban, South Africa, that will have significant impact not only within their regions, but also in the international arena.<sup>7</sup> The text of the Declaration also makes it evident that the demand for greater democracy in global economic development is a priority. It criticizes the “negative spillover effects on other economies” of policy actions in Europe, the US and Japan, which have dragged the global economy towards recession through misguided actions and policies. The reform of International Financial Institutions is another major issue on which there is unanimity within BRICS. The Declaration recognizes “urgent need to implement... the 2010 IMF Governance and Quota Reform.” BRICS have put their money where their mouth is and have pledged US\$ 75 billion to boost the IMF’s crisis reserves, primarily to support the Eurozone. The ambition of BRICS is eventually to ensure an open and merit based selection method for the Bretton Wood’s institutions – World Bank and IMF – to ensure a more inclusive decision making process, an imperative for the democratisation of the global economy.

The Summit called for an “open, transparent and rule-based multilateral trading system... affording the principal of transparency, inclusiveness and multilateralism.” It demanded that the next Director-General of WTO should be a representative of the developing world.

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<sup>6</sup> Komarov Mikhail (2012). *“How Building Links among BRICS could help to solve fuel problems.” BRICS Delhi Summit 2012, Toronto; University of Toronto, Canada.*

<sup>7</sup> *E-Thekwini Declaration and Action Plan, March 2013*

BRICS also makes common cause on the need for reform of the United Nations Security Council, and “China and Russia reiterate the importance they attach to the status of Brazil, India and South Africa in international affairs and support their aspiration to play a greater role in the UN”. The resolution of conflicts such as Syria; Palestine; Iranian nuclear issue; rehabilitation and reconstruction of Afghanistan; terrorism; security of the internet; and climate change all find a place in the Declaration. Africa was a central theme, largely due to the role played by South Africa in the Summit, which convened a separate meeting with African leaders under the theme “BRICS and Africa : Partnership for Development, Integration and Industrialization.”

The BRICS grouping has also strengthened the coalition formed in 2009, of Brazil, South Africa, India and China – BASIC - in the climate change negotiations. In Copenhagen in 2009, each of the BASICs announced mid-term targets for unilateral cuts in carbon dioxide emissions by 2020, ranging from 20-25% by India to 40-45% by China. The voluntary offers provoked the US to be more proactive. The developed world was forced to commit more resources towards helping least developed countries, forestry and investments through international institutions.

An important initiative of BRICS has been the Contingent Reserve Arrangement (CRA) of US\$ 100 billion agreed at the Durban Summit “to help BRICS countries forestall short term liquidity pressures, provide mutual support and strengthen financial stability... contribute to strengthening the global financial safety net and complement existing international arrangements as an additional line of defence.” A more ambitious project is the New Development Bank, with a corpus postulated at US\$ 100 billion, discussions on which are on-going and which according to the five leaders in Durban “is



feasible and viable... the initial contribution to the Bank should be substantial and sufficient for the Bank to be effective in financing infrastructure.”

An IMF study<sup>8</sup> in 2011 concluded that since 2001, trade between BRICS and low income countries grew by at least 25% each year, and trade with BRICS now accounts for half of their trade with EU and the US. Investments by BRICS in less developed countries were initially in the natural resources sector, but now flow into agriculture and manufacturing, service sectors, most notably telecommunications and into small and medium size enterprises, with important technologies being transferred.

Notwithstanding skepticism about the lack of coherence in the BRICS, and apprehension that it will swallow IBSA or make it irrelevant, there is complementarity between the two Groups that should be recognized. IBSA is a gathering of three countries which have maintained stable, democratic regimes despite considerable challenges. They have managed to play discreet leadership roles within their regions. They have also proved that they can withstand pressure, oppose discrimination, and overcome historic handicaps to achieve and retain their acknowledged strengths.

The development of democracy has convinced these partners of the need to join forces and make common cause. Sharing of experience – such as the direct cash transfers to the poor in Brazil – has inspired joint ventures in almost all areas of developmental activity in this triad. The broadening of the IBSA agenda to include Russia and China, two potent forces within the international system, who nevertheless share a proclivity for greater democracy on the international stage, can only help IBSA. The latter has established a successful model – referred to by some analysts as

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<sup>8</sup> *New Growth Drivers for low income countries : The Role of BRICS, Washington D.C., IMF 2011.*

“shallow multilateralism.”<sup>9</sup> This model enables relatively weaker States to offset the “hard power” or stronger players through a “soft balancing”, i.e. by diluting, slowing down, modifying or even obstructing the latter’s policies in multilateral forums. It also enables its members to pursue collective action without sacrificing sovereignty involuntarily.

Though the symmetry of collective action within IBSA is different from that in the BRICS, there is a certain congruence, which can enable IBSA to leverage the strengths of the other two powerful partners to further its agenda.

Even though national interests of the BRICS members may lead them to assign different levels of priority to issues such as terrorism, poverty, foreign investment and trade, education, public health, narcotics abuse, science and technology and other issues on their agenda, even the lowest common multiple of consensus will make a significant difference to each of them. By focusing on cooperation rather than competition, these five emerging world powers have shown that they are capable of changing the paradigm of international relations and promoting the democracy of development.

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<sup>9</sup> *Jurgen Ruland and Karsten Bechle : Interregionalism without Regions (Chapter 9) : Asia and Latin America, Political and Economic Multilateral Relations, Routledge, 2010.*