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South–South cooperation

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The idea of South–South cooperation has its genesis in the Bandung Conference in 1955, when leaders of 29 developing countries met to promote collective self-reliance as a political imperative. That South–South cooperation was an economic imperative as well came to be recognized gradually as the works by Raul Prebisch, Hans Singer, Andre Gunder Frank, and others became well known. This body of literature argued that the existing economic relations among nations were not very different from those in the pre-colonial era, and they were not helping the developing countries. Thus came the creation of UNCTAD (United Nations Conference on Trade and Development). Meanwhile, the political objectives of Bandung were more or less achieved but developing countries remained poor. Hence, the focus shifted to economic issues, and South–South cooperation came to be seen as a way out from 'colonial' economic relations.

The establishment of a Working Group on TCDC (Technical Cooperation among Developing Countries) by the UN General Assembly in 1972 was another step towards promoting South–South cooperation. In 1978, many more such leaders gathered at Buenos Aires to formulate a Plan of Action, or BAPA. This consisted of a conceptual framework and programmatic goals, all endorsed by the UN General Assembly a few months later. This was followed by the establishment of the Special Unit for South–South Cooperation, or SU/SSC.

Meanwhile, despite much talk about South–South cooperation, economically, a large part of Asia became closer to the Americas, particularly through APEC (Asia-Pacific Economic Cooperation),

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Contents

Editorial

Regional economic integration in South Asia.....*Muchkund Dubey*

IBSA trilateral cooperation: a driver of South-South cooperation.....*Pranav Kumar*

Role of UNCTAD in promoting South–South cooperation.....*Linu Mathew Philip*

FDI in Africa: different perspectives

News in brief

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while Africa moved closer to Europe through the Lome Convention (and the Cotonou Agreement). In fact, the North itself also became more integrated. It is only recently, with the rise of China and some other Asian countries, that the South has become more economically integrated. Though the European Union remains the most integrated regional bloc, many such blocs in the South are in different stages of integration.

Deeper economic integration of the South can have several benefits. Smaller developing countries can ensure larger markets and enjoy economies of scale and scope. The flying geese pattern of development can also work better in this situation—as the advanced developed countries move up the technology ladder, the relatively backward developing countries also move up. This may not happen in North–South economic integration, as the technology gap may be too wide to bridge.

It is also quite comforting to note that some recent research has shown that greater economic integration within the South is much less trade-distorting compared to the trade-distorting effects of economic integration within the North. In fact, barring a couple of exceptions, South–South RTAs (regional trade agreements) were found to be not only trade-creating but also trade-expanding, increasing overall trade, even with third countries, sometimes quite significantly. Greater economic integration within the South can also bring them closer so that they can bargain better collectively in the global fora.

This, however, does not mean that the South should cut itself off from the North. Such an approach can bring technological stagnation, as was observed in the former communist countries. In fact, the High-level Committee on the Review of Technical Cooperation among Developing Countries, in its eleventh session in 1999 resolved that South–South cooperation should be viewed as a complement and not a substitute for North–South cooperation.

This issue of *GALT Update* brings about some aspects of South–South cooperation. It pays special attention to South Asia, which is among the fastest growing regions, as well as the home to the largest number of poor in the world. The issue analyses the regional integration process in the region. The triangular cooperation among India, Brazil, and South Africa – IBSA – is a special case of South–South cooperation. Interestingly, all these countries are also parts of local regional groupings and hence IBSA is also seen as a precursor to closer economic cooperation among South Asia, southern Africa, and southern Latin America. As noted, earlier, the establishment of UNCTAD has been an important part of the development of the very idea of South-South cooperation and hence its role in promoting South–South cooperation is also discussed.

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Regional economic integration in South Asia

Muchkund Dubey*

If political differences among the member states are set aside, then South Asia constitutes an ideal grouping for economic integration. It is a huge contiguous landmass criss-crossed by mighty rivers, with a rich wealth of natural resources, and a variety of climatic conditions. The countries in the region share common history, heritage, language, literature, and religions. Most of them have also inherited from the colonial period, common institutions and legal systems and common physical infrastructure of roads, railways, and inland waterways. These were disrupted and disconnected at places because of long neglect, disuse, and deliberate destruction during periods of conflicts. They can be restored without involving exorbitant costs.

South Asia has a market of 1.4 billion consumers with rising incomes as a result of relatively faster rate of growth of the economies in the region during the last decade and a half. In fact, today South Asia is the fastest growing region in the world (Chandra and Kumar 2008). They have stable exchange rates, sustainable external debt to GDP (gross domestic product) ratios, and comfortable foreign exchange reserves. Till recently, before the continuously rising oil and food prices started upsetting most calculations, these countries kept their rates of inflation reasonably under control.

One of the most significant developments conducive to the achievement of economic integration in the region has been the convergence of its macro-economic policies. As a result of the trade liberalization measures, the trade:_GDP ratio of the South Asian countries increased from 18.37% in 1991 to 30.41% in 2005 (Chandra and Kumar 2008, Table 10). Nevertheless, the share of intra-regional trade to the total trade of the region has remained very low, hovering around 5%. This figure seems insignificant when compared to the trend in other regions. However, there is a trend towards an increase in intra-regional trade, from 3.2% of the total trade in 1981 to 4.9% in 1998 (USAID 2005). There is also a considerable amount of informal trade taking place between the countries of the region, which is not reflected in the official figures for intra-regional trade. Moreover, for some countries of the region, the importance of the other regional countries as a source of imports or destination of exports has increased significantly.

Various estimates of the opportunity costs of non-cooperation indicate that the South Asian countries have been incurring huge costs by not cooperating with each other. Estimates by the RIS (Research and Information System) of the potential of SAFTA (South Asian Free Trade Area) in a partial equilibrium framework of trade creation and trade diversion effects suggest that the total trade gains from trade in manufactures will be about 8 billion under a full tariff regularization scenario in a static state (RIS and IPS 2006).

In spite of the natural advantage for and the climate conducive to regional integration, South Asia is a late starter in the movement for regional integration (Dubey 1998). The initiative for regional cooperation in South Asia was taken by the then President Ziaur Rahman of Bangladesh in 1980, and it assumed an institutionalized form only in 1985, with the creation of SAARC (South Asian Association of Regional Cooperation).

Trade was brought into the ambit of SAARC only in 1991 with the signing of an agreement on SAPTA (South Asian Preferential Trade Arrangement). But SAPTA was operationalized only four years later in 1995, when the first round of negotiations under it was concluded. After 1995, two more rounds of negotiations under SAPTA were completed and the fourth round was in progress when the process was interrupted, following the military take-over in Pakistan in 1999.

The tariff concessions exchanged under the three rounds of negotiations under SAPTA hardly made any

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impact on intra-regional trade transactions. The tariff cuts effected were not deep; the trade coverage was inadequate and some of the most important sectors of trade were left out of negotiations; some of the tariff concessions were offered on products not even traded between member countries; and not even a beginning was made towards the removal of non-tariff barriers.

From SAPTA to SAFTA

The idea of creating a SAFTA was first mooted in the SAARC Summit held in Delhi in 1995. At the Male Summit in 1997, it was decided to establish SAFTA by 2001. At the same time, a GEP (Group of Eminent Persons) was established that was entrusted with the task of projecting a vision for South Asian cooperation over the next 20 years and suggesting a roadmap for realizing the vision.

In its report submitted in 1998, the GEP projected a vision of South Asia moving towards a Free Trade Area by the year 2010, a Customs Union by 2015, and an Economic Union by 2020. It spelt out concrete measures that had to be taken at each stage for realizing the vision. It also pointed out that to move towards a FTA (free trade area), it was necessary for the member countries to have a separate treaty establishing such an area. The GEP laid down the datelines for the commencement of the negotiations and for the operationalization of the FTA.

Adoption of SAFTA

The atmosphere of drift and despondency on the issue of establishing an FTA in South Asia was transformed by the sudden action at the 12th SAARC Summit in Islamabad in January 2004, to sign a Framework Agreement for a SAFTA. The Agreement formally came into force on 1 January 2005, but it was operationalized only in July 2006 when the liberalization programme under it came into force.

One of the major deficiencies of the SAFTA Framework Agreement was that it left un-negotiated a large number of issues critical for the operationalization of the FTA (Dubey 2004). These included, the establishment of rules of origin and of negative lists of products, the compensation to the LDCs (least developed countries) for the loss of revenue due to the elimination of customs duties and the scope and modalities for extending technical assistance to the LDCs. These negotiations were duly completed during the interval of two years provided in the Agreement. As a result, the SAFTA Agreement has now as an annexure (Annex IV), containing one of the most liberal rules of origin provided for in any free trade regime. The mechanism for compensating the LDC members for loss in revenue constitutes another annex to the Agreement (Annex III). Yet another annexure (Annex I) contains the negative lists. But by way of extending technical assistance to the LDCs, all that has been agreed upon in Annex II, is to identify the areas in which such assistance can be given. The non-LDC member countries have not assumed any commitment on this behalf, and their obligation is only on a best-endeavour basis.

In the liberalization programme, the LDC members have been provided with a number of special dispensations. They have been given longer periods to reduce their tariff barriers. They have also been given greater flexibility in establishing their negative lists and in the application of anti-dumping and countervailing measures. Another significant development has been that three member countries have established separate smaller lists of sensitive products for LDCs.

In spite of the above positive features, SAFTA continues to remain a deeply flawed agreement. Some of the loopholes in SAFTA are as follows.

- The goal of free trade, that is, reducing tariff to 0% to 5% level, is going to be realized over a very long period of time, that is, 2013 to 2016. By that time, the whole process may become irrelevant because of the likely reduction of tariffs to this level, and even to lower levels as a result of multilateral trade negotiations under WTO and under bilateral free trade agreements between the member countries.
- There is no commitment to phase out the negative lists within a time-bound framework. India's negative list under SAFTA is more than three times larger than that according to the latest offer made by it in the negotiations for an FTA with ASEAN (Association of South East Asian Nations).
- There is no commitment to eliminate tariff and para-tariff barriers within a time bound frame.
- There is also no specific provision in the Agreement, for the adoption of measures of deeper integration.
- The agreement does not contain any specific provision or roadmap for moving beyond free trade.

Finally, Pakistan's decision of not extending its obligations under the Agreement to its trade with India, excludes from the process of SAFTA the largest segment of trade in the region. This makes regional economic integration *ab initio* a non-starter in South Asia.

South Asia in the context of new regionalism

The advent of new regionalism has coincided with the current phase of globalization commencing from the mid-1980s. Under this wave of regionalism, important mega- groupings have been formed, bringing together countries, both big and small, developed and developing, and not necessarily contiguous. Countries outside the mega-groupings have, for fear of being isolated and discriminated, revived their old groupings and established new groupings for economic integration (Dubey 1998). South Asian countries also need to embrace economic integration in order to avoid isolation and discrimination.

There has been a shift of economic power balance in the world towards Asia. As a result, there is a *de facto* linking of the economies of Asia at a very fast pace, essentially driven by the market. There is a veritable competition among Asian economies to mingle with each other. Indian companies are going to China, Korea, Japan, and Thailand and establishing themselves there; companies of these countries are coming and establishing themselves in India. This is generating new trade and contributing to the change taking place in the entire geography of world trade.

The market-driven integration among the major economies of Asia is being sought to be strengthened and institutionalized by FTAs, these countries have concluded or are in the process of concluding with each other. Thus, for the first time in the post-war years, a Pan-Asian structure of economic linkages is in the process of emerging. Whereas there has been pan-continental structures, not only in the political but also in the economic field, in Europe, Latin America and Africa, it has been conspicuously absent in Asia. But today, mainly driven by market forces, a Pan-Asian economic structure is on the horizon. The East Asian Summit Conferences being held annually from the end of 2005, constitute the highest point reached in this direction.

South Asian economic integration should have a very important place in this wider movement of new regionalism in Asia. This is mainly because the South Asian countries can link with the wider pan-Asian movement in a more effective and meaningful way only if they do it together rather than going about it separately. This underlines the importance of achieving economic integration in South Asia as a springboard for linking with the emerging Asian economic community.

Role of political factors

In order to translate into reality the vision of South Asian economic integration, it is essential that the basic constraints to such integration, all of which are of a political nature, must be removed. The currently improved relations between India and Pakistan should be preserved and improved upon at all costs and a genuine effort should be made to resolve outstanding issues between the two countries. Pending that, Pakistan should take a decision to deal with India across the entire spectrum of economic relations in a full-fledged manner, mainly driven by market forces. A fallout of improved political relations would be that both the countries would come out of the current state security syndrome and give primacy to human security. Finally, India, and to a large extent, Pakistan, should agree to bear the main burden of South Asian integration, which may appear like a negative-sum game in the short run but would turn out to be a hugely successful positive-sum game in the medium and long run.

Milestones in the road map for regional economic integration

In the following paragraphs, an attempt is made to critically examine the areas that are related to regional economic integration, identify the outstanding issues, and suggest policy measures for resolving them. These are the milestones in the road map for achieving South Asian economic integration. Some of them fall within the framework of SAFTA while other go beyond SAFTA. It would be difficult to achieve genuine economic integration without achieving the desired results in each of these areas.

Moving towards an economic union

The South Asian countries should without any further delay accept at the highest political level the objective of South Asian economic union. This has already been achieved in Europe and to a large extent in North America. In Asia, the ASEAN countries in 2003 agreed to establish the ASEAN Economic Community by the year 2020, consisting of a single market. Subsequently, this dateline has been advanced to 2015. In Africa also, the goal of an African union and a charter for that has already been adopted, though the progress in realizing this goal has been rather tardy.

Measures within SAFTA

Reduction and phasing out of the sensitive list

The sensitive lists provided in Annex-I to the SAFTA Agreement are not found to be conducive to the achievement of regional integration in South Asia. The decision to adopt a percentage of total tariff lines – in this case 20% – as a benchmark has been misplaced. The benchmark should have been a percentage of the total trade and not of tariff lines. In order to comply with Article XXIV of GATT (General Agreement on Trade and Tariffs) 1994, at least 80% of total trade should have been covered under the liberalization programme.

Non-tariff and para-tariff barriers

There can be no economic integration without the removal of all the non-tariff and para-tariff barriers except those which are compatible with WTO (World Trade Organization). Member countries do not even accept that they maintain any non-tariff or para-tariff barriers. Therefore, the scrutiny and the final identification of these barriers should be left to a neutral expert group whose recommendations should be acceptable to the member countries concerned.

Special measures for the LDCs

The areas identified for technical assistance in Annex 2 of the SAFTA Agreement is of little consequence because the member countries have not given any commitment to provide such assistance. In the EU (European Union), a conscious effort has been made to bring the economically weaker countries as near the level of the development of the stronger ones as possible. For example, the total resources made available to Ireland after it joined the EU as a new member, amounted to over 3% of its GNP (gross national product).

A scheme like SADF (South Asian Development Fund), now renamed as SDF (SAARC Development Fund) is unlikely to prove any significant contributory factor to achieving regional integration in South Asia. SADF has been in existence for the last 11 years and it is still a non-starter.

Trade facilitation

The mere elimination of barriers to trade cannot ensure free movement of goods unless adequate measures for trade facilitation are adopted. Trade facilitation is covered in the SAFTA Agreement in Article 3 among the principles governing SAFTA and Article 8, under the title ‘additional measures’. Seven out of the thirteen additional measures relate to trade facilitation. The Agreement, however, does not provide for any mechanism for pursuing any of these ideas, nor does it lay down any dateline for these measures to be taken.

Transport

By far the most important trade facilitation measure is the availability of efficient and adequate transport facilities. But transport connectivity across the region leaves much to be desired. One of the major constraints to cooperation in this area is the refusal of some of the member countries to allow transit facilities through their territory for the goods and persons of other countries, either to the other parts of the same country or to other countries of the region or to countries outside the region. The opportunity costs of such refusal are enormous. Just to give an example, today it takes 45 days to transport a container from Delhi to Dhaka. If this transport was permitted through railway traffic, it would have taken only two to three days.

Measures of deeper integration

Measures of deeper integration confer immense benefits to the countries participating in regional integration, over and above the benefits accruing from the enlargement of the market and other static and dynamic benefits flowing from an FTA. These measures include, apart from trade facilitation including transport, liberalization of trade in services, freer flow of investment, joint development of infrastructure, particularly transport and energy, cooperation in the financial and monetary fields, cooperation for upgrading skills and technologies in specific sectors, harmonization or coordination of macro-economic policies, and evolving common policies on issues under negotiations in international forums and adopting common strategies for negotiations in these forums.

There is no provision for deeper integration built into the SAFTA Agreement except a brief mention of some of the measures for such integration in Article 8 under the title ‘Additional Measures’. These measures include removal of barriers to intra-SAARC investment, macro-economic consultations, rules for fair competition, and development of communications and transport.

Monetary cooperation

Ideas for monetary cooperation have been discussed under the aegis of SAARC both intergovernmentally as well as at the level of experts and intellectuals in seminars and conferences. One of the ideas that has gained currency from time to time is the adoption of a common currency by South Asian countries. But the South Asian countries have a long way to go by way of harmonizing their economic policies, particularly exchange rates, interest rates, fiscal deficits, price control measures, before reaching such a goal.

Some of the measures for monetary cooperation which can be implemented in the short and medium run and which could be feasible even without complete market integration are as follows.

- Establishment of a regional consultative machinery to hold regular consultations on key economic policy parameters
- Creation of a reserve fund to provide a cushion to member countries facing economic crises

Creation of a parallel currency, and not a common currency to replace the national currencies, to be used for limited transactions like payments under a clearing system, contributions to a regional fund or programme or as a unit of account for settling deficits in transactions under regional payment arrangements. It can also be used for funding the provision of regional public goods in the area of transport and communication, energy, information technology, biotechnology, food security, and tourism (RIS 2004).

Cooperation in the field of energy

Cooperative development of diverse energy resources of the region can significantly raise the level of energy security of the member countries. As the experience of cooperation between India and Bhutan in this field has demonstrated, coordinated development of the energy resources and their trading, has the potential of transforming the economic future of some of the countries involved in such cooperation. This point was underlined in the 12th SAARC Summit Declarations which called for ‘a study on South Asian Energy Cooperation, including the concept of an Energy Ring’ to be undertaken by the Working Group on Energy.

Macro-economic policy coordination

Macro-economic policies adopted by SAARC member countries, particularly the more developed ones, can have far-reaching implications for the economic development of the other countries of the region. The LDC member countries are particularly vulnerable in this respect. A slight variation in the exchange rate can nullify the trade advantages derived from the FTA. Some of the fiscal levies can have the same effect. Government control and regulations of prices and other forms of state intervention in the functioning of the market by one country can adversely affect the competitiveness and trade prospects of other countries. Interest rate variations can influence the flow of investment to particular countries in preference to other countries of the region.

At the present stage of economic integration and in the absence of political harmony, the South Asian countries can hardly think of attempting a harmonization of their macro-economic policies. But there is no doubt that a fair degree of such harmonization will be an essential pre-condition for moving towards the goal of economic union.

Common positions on and response to emerging global economic issues

The GEP has underlined the importance of the South Asian countries evolving common positions on emerging global economic issues and jointly responding to them, particularly in fora like the WTO, World Bank, and the IMF (International Monetary Fund). As a mechanism for evolving a common position, the Group had suggested the establishment of a standing committee of high-level experts to constantly review economic issues of global concern and suggest common positions on them.

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IBSA trilateral cooperation: a driver of South–South cooperation

Pranav Kumar*

Introduction

The IBSA (India, Brazil, South Africa) initiative launched in June 2003 is a unique and interesting case of South–South cooperation among three emerging powers of the South. Promotion of South–South cooperation has always been an important pillar of the foreign policy of India, Brazil, and South Africa—the three countries of the IBSA alliance. These countries have a lot of influence in their regions and are effecting changes that were unpredictable a few years ago. The IBSA initiative is being identified as a key formation in the new geography of international trade,[1] in which the South's role will be as strong and important as that of the North. This is also a response to G-8, an elite group of select rich countries, which often tries to impose its policies on the rest of the world.

Although the three countries have more differences than similarities, the factors that unite them are shared values and interests in the global arena—democracy, respect for human rights, support for international law and multilateralism, and the promotion of peace and stability (de Sousa 2008). While IBSA can be characterized as a strategic alliance for the pursuit of common interests of developing countries in global institutions, it also endeavours to act as a platform for bilateral, trilateral, and inter-regional South–South cooperation. The aim of the IBSA alliance is also to increase trilateral cooperation in key areas such as energy security, trade, and transport. The IBSA initiative may thus be seen as an effort to increase the collective bargaining power of the larger South. The evidence

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[1] UNCTAD has been at the forefront in analysing the 'new geography of international economic relations', the growing role of developing countries in international trade, investment, technology, services, commodities and finance. The issue was discussed at length during the UNCTAD XI Conference at Sao Paulo in 2004.

of this has been witnessed in case of formation of G-20 alliance, the central role it has been playing in the ongoing Doha round of trade negotiations.

It has been more than five years since the formal launch of the association of these three countries in the form of the IBSA Dialogue Forum. There has been a significant increase in intra-IBSA trilateral trade. The New Delhi Agenda for Cooperation set a target of increasing trilateral trade to $10 billion by 2007. According to the IMF (International Monetary Fund) *Direction of Trade Statistics* data, the intra-IBSA trade crossed $8 billion in the year 2007, reaching closer to the target of $10 billion. However, encouraged by the rising trend in trade, the IBSA heads of state in their 2007 summit put trilateral trade targets at $15 billion to be achieved by 2010.[2] In order to have a larger positive spillover effect of increasing trilateral trade on other countries of the respective regions, the governments of the three countries are seriously examining the feasibility of having a trilateral FTA (free trade agreement) between India-Mercosur-SACU (South African Customs Union).

The IBSA cooperation is not only about trade and commerce; the IBSA allies created the IBSA Facility for Poverty and Hunger Reduction Fund in 2003. This fund is aimed at taking concrete initiatives to reduce poverty and hunger in the world. Apart from members' contribution, the fund has the financial support of the UNDP (United Nations Development Programme) and is currently realizing two main projects: waste collection in Port-au-Prince, Haiti, and agricultural assistance in Guinea Bissau. Further projects, for example, in Palestinian territories, are under discussion.

Genesis of the IBSA initiative

The origin of the IBSA initiative can be traced to January 2003, when the South African president first mooted the idea of an alliance with Brazil and India to exercise larger influence by these three emerging powers at the global level. After a series of informal meetings and consultations by the heads of government of the three countries finally in June 2003, the foreign ministers of India, Brazil, and South Africa launched the IBSA Dialogue Forum by adopting the Brasilia Declaration. Since its formal launch in June 2003, these three states have held annual summits and signed several agreements, ranging from sectoral and global cooperation to work for global poverty eradication.

In the year 2004, the foreign ministers of the three countries held the first meeting of the Trilateral Commission of the IBSA Dialogue Forum and adopted the New Delhi Agenda for Cooperation. It delineated clearly the aspiration of IBSA to make significant contribution to the framework of South–South cooperation and contribute positively to human development in the South. In subsequent years, the three foreign ministers again met in 2005 and 2006 in Cape Town and Rio de Janeiro respectively. Trilateral working groups were created in the areas of agriculture, defence, education, energy, health, information technology, trade and investment, social issues, science and technology, and tourism and transportation.

In order to further strengthen the IBSA Dialogue Forum, the first Heads of State Summit was held in Brasilia in September 2006, though they had already met previously under IBSA format on the sidelines of the UN Annual General Assembly meetings in 2003 and 2005 in New York. The three heads of state reaffirmed their commitment towards the New Delhi Agenda for Cooperation. The heads of state and government reaffirmed the pragmatic approach shared by India, Brazil, and South Africa in the discussion on global issues. They also noted that common approaches by India, Brazil and South Africa strengthen the voice of developing countries and their capacity to contribute to global decisions that impact on their population. The IBSA Forum, therefore, contributes to the goal of a fair and equitable world order. In this regard, the heads of state and government reaffirmed their support for the joint proposals made by Brazil, China, India, Mexico, the Republic of Congo, and South Africa in the position paper released on the occasion of the recent G-8 Summit meeting in Russia.[3]

Areas of cooperation

The IBSA Dialogue Forum is an alliance of three large emerging developing countries having a similar global vision, with shared interests, values, capabilities, needs and grievances. The three large Southern democracies are committed to human rights, international law, multilateralism, promotion of democracy, peace and

[2] A report of the meeting of the Heads of States with the IBSA Business Council, 2007, Confederation of Indian Industry.
[3] 1st IBSA Heads of State Meeting Joint Declaration, 13 September 2006.

stability. The New Delhi Agenda of Cooperation, besides pledging to cooperate on the above-mentioned issues, also identified various sectors for enhancing the trilateral cooperation with a spirit and aim to achieve larger South–South cooperation. The sectors chosen are science and technology, information technology, health, civil aviation and shipping, tourism, trade and investment, defence, energy and education.

Trilateral sectoral cooperation is the most significant programme of the IBSA initiative. There are good synergies between the three countries, as they have developed substantial capabilities over the past many years of their economic development. In order to realize the objectives of sectoral cooperation, working groups were set up to identify the scope of cooperation among the three countries. The business chambers of the three countries also launched IBSA Business Council to complement the diplomatic initiatives taken by the governments of their respective countries. It was decided that the Business Council and the sectoral working groups would have an active working relationship.

The second most important element of South–South cooperation is the IBSA allies' commitment to fight against poverty and hunger. During the World Economic Forum in Davos and the enlarged G-8 Summit in Evian in 2004, Brazilian President Lula argued in favour of a new world order to better reconcile economic growth and social justice. On both the occasions, he proposed the creation of an international fund specifically designed to combat poverty and hunger and referred to alternative sources of financing for development. In pursuant of his proposal, at the opening debate of the 58th United Nations General Assembly, Brazil, alongside India and South Africa, created a fund called the IBSA Facility for Hunger and Poverty Alleviation, within the UNDP. This fund is not conceived to compete, but to complement existing initiatives of the kind, including the World Solidarity Fund.[4]

Trilateral trade

India, Brazil, and South Africa are being increasingly recognized as emerging economic powers from the South. A World Bank study puts Brazil, India and South Africa at the rank of 10th, 12th, and 27th respectively, in terms of traditional GDP (gross domestic product). If measured on the more useful measure of PPP (purchasing power parity) GDP, all three are reported to have acquired higher ranks (Sandrey and Jensen, 2007). While India and Brazil have assumed greater significance in world trading system, South Africa plays an important 'bridge' between the developed countries and developing Africa. In 2006, the combined share of the three countries in the world's total export was 2.7%. Both Brazil and South Africa are leaders in their respective continents in terms of their share in world exports.

The IBSA countries are dissimilar in economic and social dimensions. There is a lot of disparity among them in the size of the economy, population, and composition of trade. Apart from these differences, there are certain similarities. All the three countries are similar in terms of the share and size of world exports—in 2006 exports from India, Brazil and South Africa were estimated at $120.3 billion, $137.5 billion and $58.4 billion, respectively (WTO 2007). Overall, all three partners share important and somewhat equal trading relationships. Table 1 shows the general trading relationships between the three countries.

The trilateral intra-IBSA trade has crossed $8 billion in 2007. Surely, there has been a significant increase in intra-IBSA trade, particularly India's trade with Brazil and South Africa. The export figures given in Table 1 do not reflect trade in services. In the 2007 meeting of the IBSA heads of state, the trilateral trade targets has been set at $15 billion to be achieved by 2010. The Indian prime minister was more optimistic and expressed hope that the said target would be achieved by 2009 and double by 2012.

Table 1 *Trilateral trading relationships, 1998–2007 ($ million)*

Exporter	*IBSA partner*	*1998*	*2007*
India	Brazil	135.82	1829.15
	South Africa	389.22	1776.42
Brazil	India	144.86	1162.30
	South Africa	219.66	1658.69
South Africa	India	355.85	1350.64
	Brazil	194.41	519.65
Total			8296.76

IBSA – India, Brazil, South Africa
Source IMF 2008

[4] Action against Hunger and Poverty – World Leaders Meeting, New York, United Nations, 20 September 2004.

One of the important objectives of IBSA is to act as an engine for global and inter-regional South–South trade. The growth of IBSA countries' trade with developing countries in the last decade is illustrative of this role. The figures given in Tables 2 and 3 indicate that IBSA countries' trade with developing countries has grown much faster than their trade with industrialized countries. This growing role in intraregional and interregional South–South trade in general augurs well for IBSA trade and economic cooperation and for each country using the other partner as a gateway for intensifying intercontinental trade and investment links (UNCTAD 2006). The three heads of state have also expressed their full support and commitment to the expeditious establishment of the working group to work on the modalities for the envisaged India-Mercosur-SACU trilateral Free Trade Area.

Sectoral economic and technical cooperation

On realizing the fact that geographical distance and initial low volume of trade between India, South Africa/SACU (South African Customs Union) and Brazil/Mercosur do not provide much scope for enhancement of trade volumes in very near future, it was decided by the leaders of the three countries to foster sectoral cooperation in the areas where respective countries have developed substantial capabilities over the years and there are significant synergies between them. These synergies are yet to be fully utilized for the collective benefit and development of the South in general. By synergizing the sectoral complementarities in the fields of manufacturing, services, trade and technology, the IBSA countries can create a market of 1.2 billion people, 1.2 trillion dollars of GDP, and foreign trade of over 400 billion dollars, in addition to providing leadership and a powerful voice to the South at the multilateral forums and shaping their respective roles in global governance (Kumar 2006).

Agriculture and food processing

There is a tremendous scope for cooperation in agriculture and food processing. IBSA countries should conduct joint research on products of common interests and share their genetic resources in plant breeding

Table 2 IBSA countries' exports to developing and industrialized countries ($ million)

IBSA *country*	*Exports to*	*1998*	*2007*	*CAGR* (%)
India	Developing countries	14 290.5	89 578.4	22.62
	Industrialized countries	19 190.7	61 850.9	13.89
Brazil	Developing countries	22 426.6	95 916.0	17.52
	Industrialized countries	28 075.3	75 311.1	11.59
South Africa	Developing countries	7511.86	24 465.1	14.02
	Industrialized countries	11 849.2	38 882.2	14.11

IBSA – India, Brazil, South Africa; CAGR – compound annual growth rate
Source IMF 2008

Table 3 IBSA countries' imports from developing and industrialized countries ($ million)

IBSA country	*Imports from*	*1998*	*2007*	*CAGR* (%)
India	Developing countries	20 426.80	102 468.0	19.62
	Industrialized countries	21 648.80	82 981.1	16.10
Brazil	Developing countries	23 054.40	68 635.2	12.89
	Industrialized countries	40 182.00	67 506.9	5.93
South Africa	Developing countries	8 494.27	43 580.3	19.92
	Industrialized countries	20 650.50	50 545.0	10.46

IBSA – India, Brazil, South Africa
Source IMF 2008

programmes. Brazil is well known for its food processing industry. Brazil has vast area and a very well developed and diversified agricultural sector. Both India and South Africa stand to gain with Brazilian cooperation. India has developed capability and potential in some agricultural commodities such as wheat, rice, oilseeds, and sugarcane.

Brazil has been successful in developing a variety of root and horticultural crops, which may be of interest to two other partners. Cassava, a root crop, which is being grown on a large scale in Brazil is also being grown (having low yield rates) in some southern states of India and in some African countries, but both India and African countries could not develop and market value-added products from cassava, as has been done by Brazil. Hence, cooperation between IBSA in horticulture and root crops could be beneficial to all the three. In addition, IBSA countries may share their expertise, capability and experiences in complying with SPS measures applicable to processed foods in the developed countries (Kumar 2006).

Minerals and mining

India has revealed comparative advantage[5] in mining of metal ores, coal and lignite, extraction of peat, other mining and quarrying, extraction of crude petroleum and natural gas, which shows where India can gain significantly from exports (Dihel and Kowalski 2007). India has exported coal/coke worth $14.7 million in 2005, while it is a big importer of a variety of minerals from Brazil. Its imports of minerals included iron ore ($27.9 million), nickel ($18.7 million), hydrocarbons ($10.5 million) and precious stones ($17 million). Thus, India is a net importer of minerals from Brazil.

India exported to South Africa mineral fuels ($141 million), mineral ores ($1.9 million), precious stones ($24 million) and other metal ores such as iron, nickel, aluminum, lead, zinc, and other base metals during 2005. At the same time, India imported similar kinds of mineral ores, thus showing complementarities/inter-industry trade between the two countries. However, imports of gold alone captured more than 70% from South Africa's exports to India, followed by iron/steel ($199 million) and mineral fuel/coal ($171 million).

South Africa is the largest gold producer in the world, while India is one of the most important jewellery exporters. Both countries will gain enormously by the potential FTA. India stands to gain due to reduced cost of jewellery manufacturing, as gold will be imported at zero duty (presently 15%), while South Africa will gain by its deeper penetration into the huge Indian gold market. Indeed, it is this sector that is driving a considerable portion of the welfare gains to both South Africa and India, and the policy implication is very clear: reducing the Indian tariffs on gold is a win–win situation and must become a priority for negotiators (Sandrey and Jensen 2007, p.7).

Transportation

Given the geographical distances, strengthening transport links is an important issue for exploiting the full potential of trade and investment. At the Brasilia Summit, a Maritime Transportation Agreement was concluded to improve logistics and maritime skill bases. The Trilateral Working Group on Transportation is currently preparing an MoU (memorandum of understanding) on civil aviation in order to establish regular air links between the three countries. Already in 2004 cooperation treaties between the national airlines were signed to simplify the goods-and-passenger traffic. The transportation sector presents opportunities for exchanging best practices as well. India's expertise in the automation of railways can be extended to South Africa and Brazil. Similarly, India and South Africa can learn from the Brazilian experiences in the introduction of private capital to improve railway efficiency. India, with its renowned maritime training institutes, can offer modern maritime training to seafarers of South Africa and Brazil. Moreover, South Africa's experiences in port management can be extended to the Indian port authorities (Kumar 2006).

Energy

The energy sector is another pivotal area of cooperation that was spelt out at the September 2006 IBSA Heads of State Summit, where an MoU on biofuels was signed. Brazil's bioethanol programme goes back at least to the oil crisis in the 1970s, and has been the world's most advanced biofuels market for decades. There are currently nearly 300 sugar-ethanol mills in operation, with 60 or more under construction.[6] In April 2002

[5] A macroeconomic concept for calculating a relative advantage or disadvantage of a particular country in a certain technological field. Most commonly referring to an index introduced by Balassa in 1965:
$RCA = (E_{ij} / E_{it}) / (E_{nj} / E_{nt})$, where E = Exports, i = country index, j = commodity index, n = set of countries, t = set of commodities

[6] http://www.i-sis.org.uk/BiofuelRepublicBrazil.php

India and Brazil signed an MoU for technology sharing in the blending of petrol and diesel with ethanol. India is the world's largest sugar cane producer. Solar energy and coal liquefaction are further potential cooperation areas. India's capabilities in the field of solar photovoltaic could be of considerable interest to Brazil and South Africa given the climate and vastness of these countries. South Africa has a highly developed synthetic fuels industry. This industry takes advantage of the country's abundant coal resources and has developed an expertise in the technology of coal liquefaction. In view of the high oil prices, this technology may be commercially viable and could be explored by Indian companies.

Concerning future cooperation in nuclear technology, the Joint Declaration issued at the Brasilia Summit stated that

> *They [the three heads of states and governments] agreed that international civilian nuclear cooperation, under appropriate IAEA (International Atomic Energy Agency) safeguards, amongst countries committed to nuclear disarmament and non-proliferation objectives could be enhanced through acceptable forward-looking approaches, consistent with the respective national and international obligations.*

Brazil and South Africa are among the most influential NSG (Nuclear Suppliers Group) members and India concluded a deal on civilian nuclear cooperation with the US in March 2006. Supporting the deal between the US and India, which has not signed the NPT (Non-Proliferation Treaty), indicates a major shift from rule and principle based to a more pragmatic proliferation policy of South Africa. The three emerging southern powers seem, therefore, determined to seek large-scale synergies in nuclear energy production.

Civil aviation and shipping

The importance of strategic cooperation among the IBSA countries in the aerospace industry has been championed at the highest political level in South Africa. During the visit of the Indian head of state to South Africa in September 2004, President Thabo Mbeki called on the IBSA countries to work together to intensify trilateral cooperation in the aerospace sector and indicated that South Africa was ready to share its capabilities, technologies and expertise with its IBSA partners in this regard. There is currently none or very little aerospace collaboration among South Africa, India, and Brazil. Broadly, three potential areas of cooperation have been identified as part of the agenda of the IBSA Working Group on Trade.

The first area is expansion of aerospace supply chains. This is premised on the commercial opportunities offered by the diverse aerospace capabilities of IBSA countries. In particular, it centres on the prospects promised by Brazil's Embraer, the world's third largest commercial aircraft manufacturer, which produces regional aircraft. From a South African perspective, it is envisioned that the demand for regional aircraft in Africa will grow in the near future, with commercial carrying capacity in the region expected to double over the next six years.

The second area is collaboration around aerospace systems in support of strategic defence needs. The global trend toward the industrialization of defence production – typified increasingly by the development of weapons systems through international linkages – provides clear opportunities for integrating the domestic defence industry into global supply chains. This can be accomplished through international strategic alliances, which are crucial to pursuing high-value manufacturing programmes and mitigating potential risks to individual economies. Previous experience has shown that such global partnerships can produce important economic gains and spillovers, especially the transfer of skills and technology. Within this context the South African Department of Defence (supported by the DTI) has been engaged in discussions with the Brazilian authorities with a view to either upgrading or replacing some of that country's ageing air force hardware—mainly fighter jets but also supporting subsystems. Denel, the largest manufacturer of defence equipment in South Africa has set up an office in Brazil to beef up cooperation with the Brazilian defence sector with a strong electronics competitive edge. Grintek, a South African telecommunication firm, has made progress in entering the Indian market. Taking cognizance of India's growing defence spending, robust defence and aeronautical industry, plus high ambitions, the company seeks to share its technology and supply Indian fighter aircraft with self-protection systems. Based on 2004 figures, defence spending in India amounted to $16.97 billion, compared to $11 billion and $3.17 billion spent by Brazil and South Africa respectively.

The third possible field of collaboration is around small and micro satellites. Brazil and India possess strong competencies in small and micro satellites, including launching capability, while South Africa has a small but reputable small and micro satellite industry and full-fledged ground support infrastructure. It was indicated that the IBSA nations stood to gain from a more coordinated and integrated approach in these fields, particularly in exchanging expertise and technology platforms and in fostering closer working relationships between both public and private sectors in the three countries.

Cooperation on social development

The 2003 Brasilia Declaration commits the IBSA partners to fighting against poverty and hunger, which seriously affect them and their neighbours. Through the 2004 New Delhi Agenda for Cooperation, the ministers reaffirmed the determination of their governments to contribute actively and concretely to the implementation of internationally agreed development goals, particularly that of combating hunger and poverty. Following the heads of state/ governments announcement in September 2003 during the 58th session of the UN General Assembly, they reviewed and approved the Guidelines for Operationalization of the IBSA Facility for Hunger and Poverty Alleviation contained in the Plan of Action.

On 26 May 2005, the Special Unit of UNDP for South–South Cooperation was entrusted with the management of the IBSA Facility for Poverty and Hunger Alleviation. President Lula made the first contribution, in the form of $50 000, and helped to mobilize $1.5 million in subsequent contributions, mainly from the private sector in Brazil. In addition, the two other IBSA countries, India and South Africa, each contributed $1 million. During the remaining months of 2005, the Government of Brazil made its 2005 agreed contribution of $1 million, and additional contributions from the private sector increased the balance to a total of $2 823 056. As on 31 December 2005, the facility had disbursed $146 136.[7]

The project was first implemented in 2005 in Guinea Bissau, one of the poorest countries of the world. Through this fund the IBSA allies in association with UNDP seek to foment the sustainable development of Guinea Bissau's agriculture and livestock sector. This initiative has made significant positive impact in terms of reducing the rice production deficit, increasing the production of horticulture, developing small and middle farms, and lending institutional support. The second important project of the IBSA fund was in Haiti in the year 2006, where it dealt with refuse collection in Port-au-Prince. This initiative was aimed at promoting the development of Haiti, which suffers a port-conflict scenario with high levels of urban violence, unemployment and lack of basic infrastructure. The IBSA countries, while assisting Haiti, incorporate their own experiences of dealing with similar situations they had faced in the past at different points of time. Based on IBSA's work in Guinea Bissau and Haiti, it was awarded the UN prize for South–South Cooperation in 2006 (de Sousa 2008).

Conclusions

Since its inception in June 2003, the IBSA Dialogue Forum has been making significant contribution by providing an influential international platform from where the development challenges of the South could be prioritized and the world could see the end of marginalization of a large number of poor developing countries. IBSA has helped in increasing the understanding among developing countries, which are a heterogeneous group in any international forum. As a result, the alliance has performed well in the political arena, effectively negotiating at various trade summits of the WTO through G-20.

IBSA is still an infant body, which has to go a long way in its effort to fully realize many diverse objectives of the southern countries. Although politically it boasts the outline of a bold international stance, IBSA's future viability relies on its reaching beyond moral and symbolic congruencies to enter into bold trade and technological cooperation ventures among themselves and other developing societies (Lai 2006).

For greater trade cooperation, it is essential that existing South–South trade barriers must be dismantled or minimized. For instance, while India maintains high tariff on farm products, Brazil's manufacturing tariffs act as a bottleneck in trade flow. Further, one of the important objectives of the IBSA alliance is to form a trilateral FTA. However, under the existing situation, it does not seem feasible as both Brazil and South Africa are member of customs union (Mercosur and SACU respectively), which prohibit individual members from forming a free trade agreement with any outside nation without extending the newly expanded free trade area and its benefits to other existing members.

[7] Report of the implementation of the Third Cooperation Framework for South–South cooperation (2005–07), DP/2006/21, United Nations Annual Session 2006.

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Role of UNCTAD in promoting South-South cooperation

Linu Mathew Philip*

Introduction

Global economic policy-making continues under the realm of the Bretton Woods institutions (World Bank and International Monetary Fund) that were set up after World War II and the WTO (World Trade Organization). All these institutions have traditionally been dominated by countries of the North. However, the emergence of some developing countries as strong economic powers has ensured that they assume a critical role in global economic policy-making. Their assertiveness and influence are clearly evident, particularly at the WTO, especially since the start of the current decade.

The growing clout of the major developing countries (Brazil, India, and China) is clearly evident at the WTO talks as India and China stand up to enormous pressure from the US to weaken the SSM (Special Safeguard Mechanism). The WTO Director-General said at the Mini Ministerial Meeting held recently in Geneva that

> *'A similar core group around 15 years ago would have included the US, the EU, Canada, and Japan, as they were the important players then, but now it had to be a group of seven, including "big brothers" like India, Brazil, and China. This is because the world has changed,'*[1]

UNCTAD (United Nations Conference on Trade and Development), however, has always seen greater influence of the developing countries, who are also in numerical majority. Among other things, UNCTAD has always emphasized the importance of South–South cooperation. However, this was easier said than done. Developing countries were primarily agrarian and natural resource-oriented, and developed countries were their major markets. On the other hand, developing countries needed industrial goods both for consumption and investment purposes, which were to be found mainly in developed countries. Thus, greater trade flow between the North and South was the reality.

The recent emergence of a few developing countries like Brazil, China, and India on the global economic map has changed the scenario. Goldman Sachs, who coined the acronym BRIC (Brazil, Russia, India, and China) in 2001, had predicted last year that that India's GDP (gross domestic product) per capita in US dollar terms would quadruple by 2020 from the 2007 level, and the country's economy would also overtake the US in dollar terms by 2043. Besides, the economic output of the BRIC countries would be more than the powerful G-7 in 2032.[2] These changes have brought about much greater scope of South–South economic cooperation. These developments have also changed the mindset of the North. Now, the North is no more skeptical about South–South cooperation, recognizing it as a necessity and often encouraging it. The Accra Conference in April 2008 in its final accord testified that

> *'The emergence of new major global players among developing countries and among countries with economies in transition has been a particularly important feature of the globalization experience of recent years. While asymmetries in international economic relations remain, the new geography of the global economy has the potential to broaden the spectrum of multilateral cooperation and to promote the integration of all developing countries in the long term. South–South economic cooperation complements rather than substitutes North–South cooperation, and can contribute to balanced global growth and development.'*[3]

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[1] Details available at <http://www.financialexpress.com/news/WTO-talks-highlight-emerging-nations-power/353610/> last accessed on 31 August 2008.

[2] Details available at <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf> last accessed on 31 August 2008.

[3] Details available at <http://www.unctad.org/en/docs/td413_en.pdf> last accessed on 16 August 2008.

These developments have taken place not overnight but through the effort of the developing countries in their continued struggle to overcome the barriers that have limited their gains in the international trade arena. The role of UNCTAD in bringing about this change has been historic. Its effort to bring in cohesion among developing countries is closely linked to the G-77 grouping, which spearheaded the movement for South–South cooperation and unity among developing countries. UNCTAD has always been assertive and pressing on the demand for reshaping the international political, economic environment for developing countries and has strongly supported the alternate pathways to market-oriented classic liberal trade (Walters 1973).

UNCTAD's initiatives

Essentially a brainchild of developing countries, UNCTAD, over the 44 years of its existence, had two avatars. The first, which can be said to have existed from its inception in 1964 to the late 1980s, during which UNCTAD was seen as an important collective action tool in creating a more balanced international trading system to realize the goal of development. Its primary mandate, therefore, was 'to promote international trade, especially with a view to accelerating development;[4] to promote principles and policies on international trade and related problems of economic development;[5] and initiate actions for the negotiations and adoption of multilateral legal instruments in the field of trade (implying it can negotiate to formulate soft laws as well as legally binding instruments);[6] to be available as a centre for harmonizing trade and related development policies of governments and regional economic groupings;[7] and to review and facilitate the coordination of the activities of other institutions within the United Nations system in the field of international trade and related problems of economic development'.[8] In pursuit of its mandate, it took several laudable initiatives in the past (Box 1).

UNCTAD has been one of the pioneering organizations that have supported the cause of the developing countries and acknowledged the emerging developing countries as a group (China and India) which could act as engines of growth not just for the South but also for the world economy. Their rise is also a key factor in the growth of South–South trade

Box 1 UNCTAD: the frontrunner in many development initiatives

1	G-77 (1964)	*An influential grouping of developing countries owes its origin to UNCTAD*
2	Part IV-GATT (1966)	*A clause that ensured some amount of preferential treatment to developing countries was added through UNCTAD initiatives*
3	Identifying the LDC	*UNCTAD identified the group of least developed countries as early as 1971*
4	Integrated Programme for Commodities IPC (1976)	*UNCTAD played an instrumental role in passing several International Commodities Agreements aimed at stabilizing the price of exports essential for developing countries.*
5	The Control of Restrictive Business Practices (1978-)	*UNCTAD again initiated and negotiated multilaterally agreed set of principles and rules on Restrictive Business Practices*
6	Environment and Trade	*UNCTAD one of the pioneering organizations on highlighting interlinkages between trade and environment prior to the Stockholm Conference on Environment*
7	Code of conduct on transnational corporations	*UNCTAD contributed substantively to the formulation of draft code of conduct of Transnational Corporations*
8	GSTP Agreement	*UNCTAD's efforts to promote South–South trade facilitated the GSTP agreement*
9	National Liberation Movements	*UNCTAD supported Third World credentials and liberation movements of Namibia, Zimbabwe*

GSTP – Global System of Trade Preferences

[4] Para 3 of the 1995 (XIX) resolution
[5] Para 3 (b) of the 1995 (XIX) resolution
[6] Para 3 (e) of the 1995 (XIX) resolution
[7] Para 3 (f) of the 1995 (XIX) resolution
[8] Para 3 (d) of the 1995 (XIX) resolution

and making intra-south trade a veritable locomotive of growth. The UNCTAD Report of the Secretary-General of UNCTAD to UNCTAD XII – *Globalisation for Development: opportunities and challenges* – has reinstated the need for policy diversity rather than uniformity.

> *A second generation of globalization is thus emerging. A distinctive characteristic of this phase of globalization is economic multipolarity, in which the South plays a distinctive role.*[9]

The increasing share of developing countries in the global economy has been an integral part of the global economic recovery that has taken place since 2001. UNCTAD has not just been leading the advocacy initiative for the cause of the developing countries, its secretariat and support staff have been providing substantial logistic support, along with technical expertise, resources, and advice for the progress of developing countries, enhancing their capabilities, facilitated through their huge database and analysis of the trends of global trade.[10]

The 2006 *UNCTAD Trade and Development Report* has highlight the developing country growth over the past five years on account of the favourable terms of trade, arising on account of cheaper and competitive trade. Improved external performance has brought developing countries into a capital current account surplus, while developed countries are still in deficit. Manufacturing and trade capacity expansion in many developing countries were supported by increased levels of inward investments into their economies as investor flows are moving into developing countries on account of higher yields.[11] The share of developing countries has increased drastically since the last decade (Table 1).

UNCTAD and GSTP

The biggest initiative for the developing countries by UNCTAD has been the GSTP (Global System of Trade Preferences) initiatives, which have provided

Table 1 Changing share of regional merchandise exports and imports in world trade

Region	*1990*	*1995*	*2005*	*2007*
Exports				
Developing economies	24.25	27.62	36.05	37.52
Developed	72.33	70.02	60.52	58.62
Developing Africa	3.07	2.08	2.97	2.87
Developing Asia	16.97	21.02	27.65	29.05
Developing America	4.13	4.44	5.45	5.53
Brazil	0.90	0.89	1.13	1.16
China	1.78	2.87	7.27	8.81
India	0.52	0.59	0.95	1.05
Imports				
Developing economies	22.29	28.57	31.52	32.95
Developed	73.81	69.24	65.95	63.73
Developing Africa	2.70	2.31	2.44	2.43
Developing Asia	15.90	21.36	24.07	25.12
Developing America	3.54	4.79	4.92	5.33
Brazil	0.62	1.03	0.72	0.90
China	1.48	2.52	6.12	6.80
India	0.66	0.66	1.32	1.53

Source UNCTAD Handbook of Statistics 2008

[9] Details available at <http://www.unctad.org/en/docs/td413_en.pdf > last accessed on 15 September 2008.
[10] Details available at <http://www.centad.org/events_29.asp> last accessed on 21 September 2008.
[11] UNCTAD Trade and Development Report 2006.

a common platform for these countries to promote greater economic integration among themselves. At a time when the current Doha talks have hit a stalemate, the big question clinging to everyone's mind presently is: what next? While it is important from the perspectives of all developing countries, it is spearheaded by the BRIC nations, as their presence and prominence in the global trade are gaining momentum. It is now imperative to explore other alternatives till the Doha talks are revived, since a temporary slack in trade liberalization can evolve into a longer stoppage that can potentially harm fast-growing economies, particularly of the developing countries in the southern hemisphere. This comes in the context that all major advanced economies are reeling under economic recession. Looking at the situation from a positive mindset, times cannot get better for developing countries to revive one of their earlier initiatives to boost intra-developing-country trade, the GSTP. It is perhaps the readily available means for the developing countries as the efforts through the WTO route continue.

Promoted and nurtured by UNCTAD, the GSTP is a system of exchanging trade (tariff) concessions between developing countries that are parties to the system. Its key objective is to promote trade ties and mutually agreed preferential treatment for and by the developing countries to each other. Started with 44 members in 1989 as an important milestone in enhancing South–South trade, the GSTP has crossed three rounds of negotiations so far and of late, China and South Africa, too, have expressed interest in joining the group. The GSTP has been viewed favourably by many trade analysts in developing countries as an effective way for the developing countries to hasten their trade liberalization process through opening up their markets, preferably to other member nations in the GSTP group.

The numbers speak for themselves. About half of the South–South trade – in value terms $1.8 trillion in exports and $1.6 trillion in imports – is taking place between GSTP members, while Asia accounts for a quarter of this intra-GSTP trade. The GSTP is proposed as a 'by-pass' for accessing Latin American, African, and Caribbean markets through the WTO or bilateral trade negotiations. It is considered as the second safer route for developing countries, LDCs (least developed countries) and other small and vulnerable economies, which can save their fragile industrial and agricultural markets from succumbing to surging imports (largely subsidized heavily) mainly from developed countries. Importantly, through exchanging concessions, another developing country gets the opportunity to serve its counterparts in the group, which can result in increased investments and scale to become an efficient supplier in a particular product globally. Further, the arrangement can complement and support the provisions of other bilateral and regional trade agreements as it is permitted under the WTO's Enabling Clause on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries and paves the way for enhanced cooperation and interdependence among its members.

Given the meagre gains expected from the Doha rounds for the developing countries, estimated to be just 0.16% of the GDP, in return for major reductions in their tariffs (most favoured nation) at the WTO fora, the GSTP can be a better alternative for the developing nations to weather out the might of the transatlantic trade superpowers—the US and the EU. It is not to undermine the prospects for market access in these developed countries, however, it is time to emphasize upon the growing economic powers like India, China, and other South-East Asian countries. For example, China's economy in PPP (purchasing power parity) terms, which was about 86% of the US economy in 2008, is expected to surpass it by 32% in 2020 and that of Europe as well to become the largest. Similarly, India is certain to accelerate its buoyant growth from the present 35% of the US economy to about 55% in 2020. In a way, this seems to be the right time as the markets in the developed countries are facing a grim outlook, at least for the near future under rippling fears of recession. This is the time for the developing countries to become the economic growth engines of the future global trade, for which enhanced cooperation and mutual interdependence are critical. Thus, the GSTP advocated by UNCTAD has proved to be a good way of achieving the goals of increased South–South trade linkages, particularly among developing countries. As the region is buoyant with many agreements like ASEAN–India FTA (free trade agreement) shaping up firmly, the GSTP also needs quick and solid revival to put the developing nations in tandem and provide them the collective power to balance their rich counterparts in harnessing the fruits of free and fair global trade.

Conclusion

Undoubtedly, since its establishment, the WTO has received more attention in the global discourse on trade issues, compared to UNCTAD. But UNCTAD has not lost its relevance. The WTO's job is to create and enforce trade rules and it will continue with this job. However, UNCTAD was never a forum for rule-making and enforcement, which was done at GATT (General Agreement on Tariffs and Trade) which existed even when UNCTAD was established. Yet, UNCTAD played a significant role all through these years. Thus the emergence of the WTO, which is essentially the strengthening of the GATT process, might require strengthening of UNCTAD as well.

While WTO can deal with the rules, UNCTAD can continue its role of research, capacity building, and policy discourse to ensure that trade promotes development. As a matter of fact, in the current global scenario of free trade, the importance of UNCTAD in promoting a development-friendly trade agenda as well as South–South cooperation has increased.

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FDI in Africa: different perspectives

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Book review of
Africa Foreign Investor Survey 2005
Understanding the contributions of different investor categories to development implications for targeting strategies
UNIDO (United Nations Industrial Development Organization) Publication, Vienna 2007, 2nd Edition,
ISBN: 92-1-106442-2

This report published by UNIDO (United Nations Industrial Development Organization) in 2005 highlights the contribution of different investors towards the development of various African countries. It highlights the results of perception surveys and data analysis on FDI (foreign direct investment) across the countries of Africa. Theories suggest that FDI in a country is expected to infuse skills, know-how, and market access, increasing the efficiency of resource usage and productivity of resources. FDI is expected to enhance growth by incorporation of inputs and technologies in the production process of the recipient country. The report contradicts these theories in the context of sub-Saharan African countries. Realized benefits from FDI in sub-Saharan African countries have been lower than expected benefits.

According to the UNCTAD (United Nations Conference on Trade and Development) *World Investment Report of 2005*, a large part of the inward FDI has been directed to oil and mineral sectors in countries like Angola and Gambia. The report analyses and highlights the importance and nature of South–South FDI from South Africa, sub-Saharan Africa, and the Asian economy to various countries of East and West Africa as an instrument of South–South cooperation. The nature of FDI in the East and West African region could be largely categorized into the following.

- FDI according to organizational structure under which FDI comes from large TNCs (transnational corporations) having group sales of over $200 million, from small TNCs with group sales below $200 million, from firms that are owned and operated by foreign entrepreneurs.
- FDI based on their origin (investors from industrialized countries of the North, investors from developing countries of the South).

* Associate Fellow, TERI

- FDI from groups that export (1) less than 10% of their total sales, (2) more than 10% of the total sales, half of which goes to other sub-Saharan African countries, (3) more than 10% of total sales, half of which goes to markets outside the region.

The above-mentioned inward FDI into Africa could also be categorized based on the nature of the FDI recipient sectors—primary, secondary, and tertiary sectors. The report highlights that the above-mentioned inward FDI in these countries was from very small firms. The largest 25 firms contributed to 42% of the total sales, 39% of total assets, and 15% of total employment. Amongst the subsidiaries, 26% of the firms were French; 13% were South African; and 11% were from the UK. According to the analysis of the report, older firms have been largely European, investing in food, finance, and marketing subsectors. In countries like Cameroon and Côte d'Ivoire, inward FDI has been dominated largely by established European TNCs of pre-1980 origin. Small firms had directed their FDI to Ghana, Burkina Faso, Uganda, and Guinea. Tanzania had a dominance of small regional market seekers. In the agriculture and manufacturing sector, the older firms had invested largely and their size was higher in terms of sales and book value. The report mentions that new investments in these sectors were of Southern origin and labour intensive to a larger extent. Foreign investors have reduced equity exposure and retained royalty payments, exclusive import rights for branded products, management fees, and operation control. For instance, tyre manufacturer Firestone sold its majority shareholding to Kenyan business and retained the management contract for running the company and minority equity share. Many of the foreign investors diluted their equity through partial acquisition of new assets in the host country. However, the analysis in the report does not highlight the developmental implications of the acquisition through its impact on employment and distribution of earnings amongst the employees.

The report further moves on to subclassification of FDI from firms of North and South on the basis of their market orientation. The analysis in the report depicts that subsidiaries of large TNCs had a higher sales and book value in comparison to other TNCs although the gap in employment generation between large and small TNCs have been small. Moreover, the book value of a primary-sector large TNC was $24 million, with a workforce of 5400. But the same figures stand at $1.4 million and 269 for foreign enterprises that are involved in the primary sector. The report, however, does not highlight the reasons behind such outcomes, which could have policy relevance.

From a policy perspective, it would have been more relevant to understand how the various dimensions of primary sector play a key role towards the dominance of large TNCs. Many companies which dominated in the extractive primary sector belonged to the group of subsidiaries of large TNCs that started operation before 1981. Post 2001, most of the investments by large TNCs have been in the telecommunication (mobile telephony) and energy sector. The book, however, does not give an explanation behind the switchover of investments to the services sector. But it mentions that large TNC investors from the North were largely directed to services, infrastructure, and agro industries. Investors from the South focused mainly on machinery, paper and paper products, chemicals and garments. Southern investors were new, with only 14% of the subsidiaries being more than 15 years old. Investments from emerging economies have been rising in recent years. The report moves on further to highlight the nature of these investments. .

Analysis of the market-seeking behaviour of FDI in the report shows that 97% of the FDI was seeking the local financial intermediary market, and 70% was seeking transport and communication, followed by food, chemical, plastic, and rubber. Only 20% of the FDI was seeking the local electricity, gas and water supply market. More than one-third of the FDI was directed to sectors like food, automobiles, chemical, basic metals with a focus on regional export. The investing firms that are global market-seekers create 75% of the employment created by the local market-seeking firm. The caveat related to development which is added in the report shows that TNCs employ more people in comparison to the small TNCs. The employment created by the service sector is half of that created by the manufacturing sector. So, the employment elasticity of the service sector has been low in comparison to the manufacturing sector.

The next segments of the report highlight how during different time span FDI has been directed to Africa. The investors in Africa who arrived after 2001 have directed their FDI to the secondary sector. During 1991–2000, FDI was largely directed to the tertiary sector, followed by the secondary and primary sector. Joint ventures were also high amongst the large TNCs investing during this time. The workforce has been higher in joint venture operations than in other forms. The report had the scope of more detailed analysis on the labour policies of the joint ventures could have thrown more light on this. Most of the FDI that has come after 2001 has been in the form of wholly owned enterprise. The gap between the number of wholly owned enterprise and joint ventures has widened since 2001 in Africa. There has been a greater propensity amongst investors from the South to enter the African market as wholly owned subsidiaries after 2001. Managerial control has acted as an incentive for the investors from the South towards forming these wholly owned subsidiaries. Most of the FDI before 1980 came from Europe and was directed to the oil, gas, electricity, and water sector. FDI from the South has increased over time. Research areas in analysing the dynamics of this trend could be explored in future.

Following this, the report highlights the current status of improving FDI performance in sub-Saharan Africa. But more clarity on the policy-related factors contributing to such improvement is not spelt out in the report. These factors could be necessary for policy-making on South–South cooperation. In the current time frame, firms investing in publishing and financial services have been largely satisfied, unlike the ones in the leather and textile sectors. The sales growth has varied across firms from the North and South during the current time period, with high sales growth being recorded in Ethiopia and Madagascar. It has also varied between firms with different organizational structure, market orientation, and period of establishment. The report, however, does not deal with the market-determining factors behind such observations and also does not explain the reasons behind the slow growth of manufacturing firms of Europe, France, and Cameroon. The report analyses association between extent of satisfaction of the investors and growth in the sales of the investing firms through a correlation test which came out to be positive. But the report does not highlight the impacts on market shares and market structure from local market control of these satisfied investors. This could be of relevance from a development perspective.

In order to buttress the developmental perspective the report explores through an analysis of high sales revenue per employee. The analysis shows that high sales revenue is linked with the market conditions in which the firms operate. High sales per employee was observed in subsidiaries of large TNCs. Construction companies generated the highest ratio of sales per US dollar of assets. The poorest sales return on assets accounted for wood product companies, followed by companies from the publishing and energy sector. There was a huge variation in assets per worker across the financial service and garment manufacturers. But, the policy implications and causal factors of these variations have not been detailed out in the report. The report targets the developmental perspective of FDI also by exploring its interlinkage with wage levels.

It has been observed that firms that have high-value assets have paid higher wages in comparison to the firms having low-value assets. Large TNCs have gathered high-value assets, and it was reflected in their return to two factors—labour and capital. South African, North American, and European firms have paid wages above the average unlike Asian firms. The wages have been the highest in countries like Côte d'Ivoire and Senegal. The analysis in the report leaves scope to explore the research perspective of understanding how cultural factors could contribute to wage determination. In future this research could be explored in case of the large TNCs that have experienced low employment growth but have paid higher wages. Along with wages the report addresses labour welfare and development dimension through research on local employment generation and training expenditure in the recipient countries. It shows that these indicators of labour welfare in the recipient countries have been the highest for South African firms. This is followed by a statistical summary in the report. It states that the largest exporters have been TNCs from the North, which were established before 1981. Cameroon has the highest volume of exports. Three large firms from this country control 56% of the export volumes. Most of the largest exporters are in the Francophone countries of West Africa, and they arrived after 2000. Exporters from China and Hong Kong account for only 15% of the total volume of exports. The report then moves onto some dynamics of recent market trends of FDI.

The report shows that lately, there has been saturation in the market of the regional market seekers. So the new firms that are local market seekers are gradually gaining strength. The new regional market seekers are uniformly distributed across the countries, whereas there is a concentration of old regional market seekers in countries like Kenya and Senegal. The regional market seekers in Ethiopia and Ghana are the newer ones. These new market seeking firms are experiencing high growth and are expanding rapidly. Textile companies of Malawi and Mali are also expanding. Some of the global exporters are relatively small and have arrived recently. One interesting observation is that the global-market-seeking behaviour of the East African firms does not impact the behaviour of West African firms. Most of the global-market-seeking firms are exporting their products to the EU (European Union).

Exports of textiles and garment to the US by Africa's global-market-seeking firms have increased over the years, catalysed by the AGOA (African Growth and Opportunity Act). According to the analysis given in the report. The AGOA has created incentives for 24 companies to increase their exports to the US. As most of these companies belong to East Africa, AGOA has not enhanced exports from West African countries.

In a nutshell from the above analysis of the sections of the report, the main five factors which have influenced the investors towards making the FDI are (1) economic stability, (2) political stability, (3) physical security, (4) local market, and (5) skilled labour. However, these investors are those that already have a large amount of sunk capital in the existing projects. Probably, that might have led to the above- mentioned prioritization of factors within the firms for directing their FDI. These above-mentioned factors are, however, rated in different ways by different investors. For instance, South African investors rank the local market as the most important factor. On the other hand, investors from the US rank the importance of skilled labour as the most important factor for directing their FDI in the host countries. According to the investors, some factors that have deteriorated in the host countries are (1) physical security, (2) incentive structures, and (3) legal frameworks for making investments. Most of the investors perceive the role of the IPA (Investment Promotion Agency) to be important for FDI in the host countries. Firms making FDI into the manufacturing and primary sector perceive the importance of the IPA for making investment to be the highest amongst all investing firms. Overall, it evolves that firms that are investing in sub-Saharan Africa have widely differing opinions on the quality of investment environment in which they work. The investors from the South have a more positive opinion about the investment climate in comparison to the investors from the North. In this regard, the IPAs play a crucial role in improving the investment climate by coordinating with other IPAs. The results of the perception survey of the investors in the report shows that FDIs originating from the South (from South Africa and Asia) have an optimism of the investors associated with it. The World Bank has invested in developing the investment environment across countries of the world.

Hence, in future, there is a need to carry out a benchmarking exercise of the various indicators in the host countries of Africa for FDI. Such indicators could include financial situation, macro-economic and fiscal stability, business environment, state of corruption, market structure, availability of human resources, efficiency of the legal, and regulatory systems of making FDI in the host countries. Such benchmarking would lead to ranking and prioritization of host countries for receiving FDI. However, this benchmarking has to be done through stakeholder consultation. A mere theoretical exercise of benchmarking could be futile if the changes in the benchmarks over a period time are not highlighted. A stakeholder-sensitive benchmarking would, thus, help in framing differentiated country-sensitive policy-making for directing FDI in various host countries of interest.

NEWS IN BRIEF

Trade winds

India-ASEAN free trade deal in goods

ASEAN (Association of South-East Asian Nations) has concluded a deal for free trade with India, the bloc's seventh largest trading partner. Singapore's Minister for Trade and Industry Lim Hng Kiang and India's Minister for Commerce and Industry Kamal Nath announced the deal during ASEAN meetings in Singapore. The deal is to be signed at ASEAN's Bangkok summit in December.

The agreement, covering more than 1.5 billion people, brings ASEAN a step closer to completing the bloc's trade ties with all its key Asia–Pacific trading partners.

The agreement covering trade in goods but not services between ASEAN states and India was supposed to have been concluded last year.

AFP, 28 August 2008

Trade cooperation between Latin America and Africa

In a meeting held in June 2008, ministers from Latin America and Africa came to a consensus to enhance and harmonize trade negotiations within the WTO (World Trade Organization) to further the South–South trade initiative, by focusing on issues of investments, transportation and logistics, diversification of exported goods, and tariff reduction.

http://www.bilaterals.org/article.php3?id_article=12508

PTA between SACU and MERCOSUR

The final round of PTA (preferential trading arrangements) between SACU (South African Customs Union) (consisting of Botswana, Lesotho, Namibia, South Africa and Swaziland) and MERCOSUR (Mercado Comun del Sur, the Southern Common Market) (consisting of Argentina, Brazil, Paraguay, and Uruguay) were concluded on 17–18 April 2008 in Buenos Aires, Argentina. The agreement focuses on greater investment and cooperation between the sectors of different countries belonging to SACU and MERCOSUR.

http://www.sacu.int/traden.php?include=about/traden/bilateral.html

Brazil may challenge US tariff on ethanol in WTO

Brazil may approach the WTO against US tariff on ethanol import. Brazil is the world's largest exporter of ethanol, while the US is the largest importer. But Brazil is facing constraint in ethanol export to the US as it charges 54 cents per gallon tax on ethanol entering the US. Recently, Brazil won a case against the US in case of subsidy for cotton farmer and may receive retaliation of $4 billion. Even if the US domestic production of corn-based ethanol is more expensive than Brazillian sugar-cane-based ethanol, the later has deforestation and GHG (greenhouse gas) emission impact on the environment.

http://ictsd.net/i/trade-and-sustainable-development-agenda/27614/

India cuts 'sensitive' list

India cut the number of items on its 'sensitive' list of goods that are banned from trading in South Asia after leaders from the region pledged to cut barriers to spur growth. India, South Asia's biggest economy, and seven other nations, including Pakistan and Sri Lanka, vowed to cut trade barriers to accelerate growth, underscoring the importance of regional groupings after the collapse of WTO talks. Trade obstructions have made South Asia, where a quarter of the world's population lives, contribute less than 2% to global commerce.

Bloomberg, 13 August 2008

Doha talks falter once again

The mini-ministerial meeting of the WTO held at Geneva towards the end of July 2008 failed to make any progress on the contentious Doha Agenda. As the US started blaming India and China for creating obstacles in establishing modalities for Agenda in agriculture and market-opening for industrial products, it became quite clear that the negotiations were over without any outcome.

The Doha mandate stipulated that the sectoral tariff elimination must be voluntary and not mandatory. However, the WTO chief proposed language on sectoral tariff elimination that makes it almost mandatory for developing countries as proposed by the US and its allies. US criticized China in particular for not agreeing to lower duties on rice, cotton, and sugar. But the fact is that these products are heavily subsidized by the US administration. China said it not only cut tariffs steeply during its accession to the WTO but also took on new commitments to provide enhanced market access. India said it is 'unfair' on the part of US to blame the two countries, suggesting that Lamy's text is not a take-it-or-leave-it text. India also argued that it cannot accept dilution of special safeguard mechanisms as proposed in the Lamy text.

Business Standard, 29 July 2008;
The Economic Times, 30 July 2008

Investment currents

Changes in investment laws in Africa

Investment law reforms, changes in national policies have taken place in various countries of Africa to promote inward FDI (foreign direct investment). This has been done to promote South–South cooperation between Africa and investors from developing countries. According to an UNCTAD (United Nations Conference on Trade and Development) study, in 2006 there had been 57 such policy changes, out of which 49 were made to promote inward FDI.

http://www.unctad.org/Templates/webflyer.asp?docid=9732&intItemID=2068&lang=1&mode=downloads,

Asia-Pacific summit of SMEs

A summit of SMEs (small and medium enterprises) of the Asia-Pacific Region would be held in Lima on 17 November 2008. This is the second one in the series of such summits. The aim of the summit would be to discuss issues related to fostering investment and economic cooperation between the SMEs of the Asia-Pacific Region.

http://www.andina.com.pe/Ingles/Inicio.aspx

Tax stability for foreign investment in Peru

Peru's National Tax Administration Superintendency, has come out with a judgement in favour of the foreign investor firm called Duke Energy from the US, giving the judgement against a firm from Peru called DEI Bermuda. According to the judgement, DEI Bermuda has been responsible for underpayments of tax, penalties, and interest liabilities amounting to $48.3 million during 1996–99. The tax calculation had two components, namely, tax payments from indirect foreign ownership and tax payments from assets belonging to DEI Bermuda having incorrect depreciation rates.

http://www.investmenttreatynews.org/

Equador held liable for violation of investment treaty

Electroquil, an electric company of Equador has been found to have violated the norms of the Equador–US Bilateral Investment Treaty. Duke Energy, an American firm has invested in Electroquil and holds ownership stakes in the company along with a state-owned power company called INECEL. According to a power purchase agreement, Electroquil was supposed to supply certain amount of power to Duke Energy, INECEL, at a certain guaranteed price. Over the years, Electroquil got the guaranteed price but has failed to supply the committed amount of power for the guaranteed price as mentioned in the power purchase agreement. INECEL has penalized Electroquil by imposing fines, which has crossed $8 million. Electroquil has violated the norms of the 'Equador–US Bilateral Investment Treaty by not paying the interest amounts on the fines on time.

http://www.investmenttreatynews.org/

Settlement of investment disputes in Argentina

There has been a rise in BIT (bilateral investment treaty) claims in the post-financial crisis period of Argentina from the Chilean firm like CGE (Compania General de Electricidad). The BIT claims have dealt with electricity distribution concessions in two Argentinian provinces, namely, Tucuman and San Juan. However, lately in February, two out of the three claims have been withdrawn by CGE. In some of these claims, the investor (CGE) and the Argentinian firm have settled the claims through a settlement of the concession contract.

Investment Treaty News, 1 April 2008, published by the International Institute for Sustainable Development, http://www.investmenttreatynews.com

Chinese investment in Africa: a case of South–South cooperation?

A study commissioned by the IDS (Institute of Development Studies) is ongoing, which focuses on analysing the developmental implications of Chinese investments in Africa. China has established a $5-billion fund to encourage Chinese investors to invest in Africa. The year 2006 was marked as the 'Year of Africa' by China. Following the China – Africa cooperation forum, Chinese investors have been investing to a large extent in food processing, fishing, furniture, and garment-making. Chinese investors are broadening their investment portfolio by investing in these sectors along with investments in extractive industries. The study by IDS aims to address the developmental implications of these investments by assessing the 'Going Global' policy of China. These results of the study would be important in order to address the role of Chinese investments in Africa as a facilitator of South–South cooperation.

http://www.ids.ac.uk/go/about-ids/news-and-commentary/august-2008-news/ids-and-china/chinese-entrepreneurs-in-africa

Energy and resources

Venezuela–Ecuador joint venture in oil field

PdVSA (Petroleos de Venezuela SA) had drilled three wells in Ecuador's Amazonian region, namely, Guanta 18, Guanta 19, and Lago 40 wells, along with Petroecuador. This joint venture added an additional 1529 barrels of crude oil a day to Ecuador's production. Venezuela and Ecuador also engaged in a joint initiative to build a 300 000-barrel-a-day refining complex on Ecuador's Pacific coast.

Dow Jones Newswires, 17 July 2008.

Clean-energy trade mission to India, China

The United States and 19 US companies will visit India and China in October 2008 on a clean energy and environment trade mission, the Commerce Department has said. The 19 companies participating in this mission represent the cutting edge of US innovation, which can boost the efforts of China and India to meet their massive energy demands while improving the environment.

According to the US government, the clean technology market in China will increase to $186 billion in 2010 and to $555 billion in 2020, and India, with its abundance of renewable energy resources, could become the largest renewable energy market in the world.

Among the companies participating include GE Energy, Rockwell Automation, 3 Tier, Synergics Energy Services and Vista International.

AFP, 3 September 2008

Nigeria–Russia joint venture in natural gas energy

Russian gas giant Gazprom had signed an MoU (memorandum of understanding) with NNPC (Nigerian Natural Petroleum Corp.) for exploration of natural gas and oil in Nigeria. Nigeria has the seventh largest gas reserves in the world, but lacks the fund to develop the gas industry. According to the Nigerian government, Gazprom would spend about $1 billion to $2.5 billion in the joint venture to develop the gas sector of the resource-rich country. Gazprom currently supplies about 25% of Europe's gas requirements. Some industry experts are of the view that Russia aims to control Europe's natural gas supply market through joint ventures with African OPEC (Organization of Petroleum Exporting Countries) members.

http://www.forbes.com/reuters/feeds/reuters/2008/09/03/2008-09-03T173759Z_01_L3530552_RTRIDST_0_NIGERIA-GAZPROM-UPDATE-3.html

OPEC decision to reduce oil production to curb price

In Vienna on 9 September 2008, OPEC took an unexpected decision. As a measure to curb the continuous decline in oil price, it decided to reduce its production by about half a million barrels a day. Oil price peaked at $145.29 a barrel on 3 July 2008. After that, slowdown in the economy and falling oil demand by developing countries led to reduction in oil consumption. Thus, the stipulated production level resulted in excess supply and declining price of oil. Till date, it has declined about 30% and is heading down towards $100 a barrel. But Saudi Arabia, the biggest member of OPEC, stood against the decision. According to Saudi Arabia, the market is pretty balanced and is a result of their successful and strong effort to cut down the price from the June–July peak price. Even Saudi Arabia produced more than the sanctioned quota to control the oil price soaring in June–July. But, some members in OPEC led by Iran and Venezuela supported reductions in output to stop further price decline.

http://www.iht.com/articles/2008/09/10/business/10oil.php

Uttar Pradesh government initiative for bio-diesel production

To solve the problem of shortage of diesel fuel in the coming five years, the Uttar Pradesh government has taken an initiative for bio-diesel production. It planned to turn 40% of wastelands into bio-diesel firms by cultivating jatropha. The state government had formed a joint venture BREL (Bharat Renewable Energy Ltd) with Bharat Petroleum Ltd. BREL will invest Rs. 20.31 million in 30 districts. It will be responsible for production, procurement, plantation of horticulture products (example, jatropha, pongamia). The government has planned to allot wasteland to farmers for cultivation of jatropha through panchayats, and BREL will provide the necessary technical assistance for facilitating production.

Business Standard, 16 August 2008

Environment and development

Declaration on climate change by G8

At the Hokkaido Toyako Summit of G8 this year, climate change was high on the agenda and the leaders agreed to the following.

- Long-term goal — to achieve at least 50% reduction of global emissions by 2050
- Mid-term goals — implement ambitious economy-wide mid-term goals to achieve absolute emission reductions in all developed nations

It was also agreed that a sectoral approach was needed for achieving national emission targets and reducing GHG (greenhouse gas) emissions. G8 leaders also welcomed and supported the establishment of the Climate Investment Funds administered by the World Bank to support the efforts of developing countries.

Official website of G8 Hokkaido Toyako Summit
www.g8summit.go.jp

WTO Director-General asserts WTO climate change links

Speaking at the European Parliament in May 2008, Mr Pascal Lamy, Director-General of the WTO commented on the possible contribution that the WTO could make 'to the fight against climate change by opening markets to clean technology and services through the Doha Round'. He also highlighted how many of the WTO's developing country members argued that even if these negotiations were environmental, they must nevertheless deliver a 'trade gain' if they were being conducted under the roof of the WTO.

World Trade Organization
http://www.wto.org/english/news_e/sppl_e/sppl91_e.htm

CBD parties meet in Bonn

The ninth Conference of the Parties of the CBD (Convention on Biological Diversity) was held in Bonn during 19–30 May 2008. Covering a wide range of issues, the Conference of the Parties had various sessions and finally adopted 37 decisions on diverse issues ,including agricultural and forest biodiversity, biofuels, invasive alien species, and progress in implementation of the Strategic Plan at country levels. Of these, greater focus was on access and benefit sharing, biofuels, and climate change.

Convention on Biological Diversity
http://www.cbd.int/cop9/

SPS Working Group on private standards

The WTO Committee on SPS (Sanitary and Phytosanitary Measures) met on 24–25 June, with members raising specific export-related concerns with regard to health and safety standards set by other members. With respect to private standards, many developing countries have often raised apprehensions that these 'reduce the efficacy of the SPS regime by creating higher standards outside of government control.' On similar lines, Uruguay made a submission vis-à-vis the Working Group to be set up, whereby it would be chaired by a developing country representative. The Working Group on private standards is expected to look at SPS aspects only by undertaking tasks such as examining the difference between private sector and official standards, roles and responsibilities of public and private organizations, and coordination with other international-standard-setting organizations recognized by the WTO such as Codex and the ISO.

Bridges Weekly Trade News Digest, Vol. 12, No. 24
http://ictsd.net/i/news/bridgesweekly/12250/

US climate change bill blocked

The bill was intended to introduce caps on carbon dioxide emissions from power plants, oil refineries, and factories and to grant emissions allowances to carbon producers which they would have been able to trade with one another, provided them with an incentive to cut their emissions. Despite getting the support of most senators, the bill did not get required number of 60 votes.

BBC News item, 6 June 2008
http://news.bbc.co.uk/1/hi/world/americas/7440662.stm

Disagreement with respect to biodiversity-related issues at the TRIPS (Trade Related Aspects of Intellectual Property Rights) continued to prevail even at the meeting this June. With members' positions remaining unchanged, no agreement could be reached upon in respect of the proposed amendment to the TRIPS Agreement, including 'disclosure of origin' requirement for biological resources and 'horizontal negotiations on modalities in agricultural and non-agricultural market access within the Doha Round'.

Bridges Weekly Trade News Digest, Vol 8, No. 12
http://ictsd.net/i/news/biores/12240/

Cartagena Protocol's fifth anniversary

At the MOP4 (Meeting of Parties) in Bonn, working group sessions on standing and substantive issues as well liability and redress negotiations went together. However, no substantial progress could be made. The primary focus was on the establishment of legally biding rules for liability and redress to ensure biosafety. The biosafety protocol completed five years on 11 September, but making it operational is still in the stages of discussion.

Official website of Biosafety Protocol
http://www.cbd.int/mop4/

About TERI

T E R I, established in 1974, is a not-for-profit, non-governmental organization deeply committed to every aspect of sustainable development. Over the years, T E R I has been working with governments, multilateral organizations, and corporate entities in providing comprehensive support on aspects, such as policy issues, project evaluation, and technology. T E R I has regional centres in Bangalore, Goa, Guwahati, and Mukteshwar; an office in Mumbai; and a presence in Japan and Malaysia. It has also set up affiliate institutes: T E R I-North America in Washington, DC, USA; T E R I-Europe in London, UK; and T E R I -Gulf in Dubai, UAE ....

About GALT

The broad aim of the area is to study the rapidly developing systems of international trade and environmental law and their implications for national policy-making and implementation. The area also undertakes economic sectoral surveys and policy research, both qualitative and quantitative to validate its policy prescriptions. It is involved in the following activities.

- Conducting trade negotiations and analyses of developing country issues and concerns.
- Establishing linkages between multilateral trade and environment regimes.
- Facilitating globalization and a sustainable development interface.
- Focusing on equity issues in macro- and micro-economic perspectives of globalization.
- Implementing international environmental agreements and international obligations within the national regulatory regime.

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