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The Rise of the Southern Economies: Implications for the WTO-Multilateral Trading System

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Abstract

The rise of the emerging southern economies – China, India, Brazil, and South Africa (CIBS) – as both economic and political actors, is having significant and far-reaching impact on the world economy. Notwithstanding the increasing amount of study and research, there are still important knowledge-gaps with respect to a range of likely consequences of the dynamism of the Southern Economies. One of these gaps concerns the implications for the WTO-multilateral trading system. The present paper proposes a review of the southern participation in the multilateral integration process and suggests a methodology to assess the impact of CIBS' rise on the future of the WTO system. Through the analysis of the trajectories of 'impact' of the trade channel, the paper draws some suggestive remarks.

Keywords: international trade, multilateral trading system, World Trade Organization, developing countries, China, Brazil, India, South Africa

JEL classification: F02, F13, F53, O5

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Tables appear at the end of the paper.

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1 Introduction

The global trading system – designed after the Second World War to promote tariff reductions on trade through multilateral negotiations – has been characterized by the poor participation of developing countries (DCs) until recently (Srinivasan 1999). The biggest impact of DCs on agendas and staking out positions occurred as recently as the negotiations for the Doha Round but it was at the 5th Ministerial that was held in Cancún in September 2003 that DCs really proved they are able to form, lead and maintain negotiating coalitions, even in the face of bilateral deals between the major players, EU and the US (Hoekman 2003). On this occasion, they (particularly the larger countries) showed that they were prepared to break up negotiations at the Ministerial level on the grounds that they were not receiving a balanced package of concessions (Baldwin R. E. 2006). This change of conduct reflects the increasing importance of the developing world in the international context. DCs now account for one-third of world trade and have been asking for a more active involvement in the decision making process and more weight in the choices of international trade policy.

Within the developing world the rise of the emerging southern economies – China, India, Brazil, and South Africa (CIBS) – as both economic and political actors, is having significant and far-reaching impact. Thanks to their economic growth and size, CIBS have emerged as important powers, at a regional as well as at a global level, accounting together for about 40 per cent of world population and approximately 10 per cent of the value of world GDP (World Bank 2006a). They have acquired leadership roles thanks to their ability to formulate policy, articulate the views held by broad groups of DCs, and because their size and political sophistication makes them less subject to coercion by the industrialized countries (Humphrey and Messner 2005).

It stands to reason that the world economy in general and WTO system in particular are undergoing a process of rapid change linked to the emergence of these new leading actors on the international scene. Consequently, during the last few years there has been an increasing recognition of the growing power of the Southern economies that has generated a large amount of attention and research. Most of the analyses aimed at assessing the overall impact of CIBS rise have been focussing on the linkages through which CIBS might affect the world economy, namely: growth and global production networks; trade and financial flows; environmental externalities; governance.

Notwithstanding the increasing amount of study and research, there are still important knowledge-gaps with respect to a range of likely consequences of the dynamism of the Southern economies. One of these gaps concerns the implications for the WTO-multilateral trading system. In fact, few scholars are asking the question: 'what impact will CIBS have on the multilateral trading system in terms of world trade patterns, trade interests and conflicts, balance of powers and WTO effectiveness and functioning'.

This question has important implications for the future of the multilateral rules-based system. To anticipate some significant trends such as changing trade patterns, the emergence of new trade clusters and the building of different trade blocs means foreseeing the rise of new conflicting interests on the multilateral agenda, the shift in the balance of powers, the building of *ad hoc* and or stable coalitions, the organizing of voting blocs, etc. In other words, it means foreseeing the actual menaces to the good and efficacious functioning of the WTO system in the future.

The aim of this paper is to examine this fundamental issue, which has been poorly analyzed to date, and to seek to offer a key to the reading of the likely impact that the Southern economies' dynamism may have on the current multilateral trading system. To achieve this the present analysis starts with a review of the southern participation in the multilateral integration process since the beginning, from the GATT to the WTO, with the aim of shedding light on the specific interests and strategies supported by these players during the whole period (Section 2). Subsequently, the paper suggests a methodology to assess the impact of CIBS' rise on the WTO system (Section 3) and continues by making a preliminary attempt to draw the trajectories of 'impact' that the rise in CIBS' trading is beginning to produce on the WTO system (Section 4). The paper concludes with some suggestions.

2 Developing countries, CIBS and the multilateral trading system: from the GATT to date

The global trading system was designed after the Second World War to promote tariff reductions on trade through multilateral negotiations. When the General Agreement on Tariffs and Trade (GATT) was signed in 1947, the original twenty-three contracting parties included the following DCs: Brazil, Burma, Ceylon, Chile, China, Cuba, India, Lebanon, Pakistan, Southern Rhodesia, Syria, and South Africa (see the General Agreement on Tariffs and Trade 1947).

2.1 The growing participation of Developing countries in the multilateral trading system

DCs have shared a certain ambivalence toward the GATT from its origins that resulted in their limited participation and effectiveness in formal, multilateral negotiations (Srinivasan 1999). They were convinced that despite its one-member-one-vote system, the GATT promoted the interests of developed countries rather than theirs due to its commitment to liberalization, lack of balancing development provisions or special treatment for primary commodities, and the existence of the Green Room that worked to their exclusion. Hence the agenda of DCs in the first phase of their participation in the GATT was primarily characterized by the demand for preferential treatment which took two forms: special market access for the DCs products, and exemptions from GATT obligations (Narlikar 2005).

Their efforts to bring development onto the agenda of the GATT negotiations led to the establishments of the Committee on Trade and Development and to add, in 1965, Part IV into the agreement, devoted specifically to Trade and Development. In 1971, waiving the MFN principle, the GATT allowed the Generalized System of Preferences (GSP) and afterwards the 'Enabling Clause' (Differential and More Favourable Treatment, Reciprocity and Fuller Participation of DCs).[1]

Until the Tokyo Round, many DCs did not participate effectively, and they had no significant influence on the outcomes of the previous rounds, because they were

[1] It is worth noting that these 'concessions' granted to developing countries were defined by Srinivasan (2006) mostly rhetorical, always heavily qualified, and their benefits small.

fragmented. The GATT was run by the Quad (US, EU, Canada, and Japan) despite the increasing numerical weight of DCs. They participated more actively and had a greater influence on the Uruguay Round agreement when they began to realize that they could not influence the expanding rules of the GATT by standing on the sidelines. Under the Uruguay Round, DCs agreed to include the so-called 'new issues' in negotiations (services, intellectual property and investment) and, in return, agriculture and textiles and clothing were placed within the multilateral rules of the GATT (Finger and Schuler 2000; Narlikar 2006).

The establishment of the WTO marked a radical change in the DCs' actions. Since the mid 1990s, they have started to play a more pro-active role in the trading system. After Seattle, DCs started to manifest their willingness and desire to participate actively in the WTO (also advancing proposals on institutional reform within the WTO). The prominence of their coalitions and their effectiveness in trade negotiations has increased as much as their participation in the WTO.

In the run-up to the Doha Ministerial Conference many new coalitions of DCs emerged, hoping to influence the agenda-setting process. As a result, the November 2001 'Doha Development Agenda' put development concerns at the core of WTO deliberations, in part because of the perception that the need for development was more urgent than ever (Montalbano and Nenci 2006).

The biggest impact on framing agendas and staking out positions occurred as recently as the negotiations for the Doha Round. At the 5th Ministerial that was held in Cancún in September 2003 DCs proved they are able to form, lead and maintain negotiating coalitions, even in the face of bilateral deals, which were coming from the EU and the US. The Cancún Ministerial Meeting was to set the negotiations back on track after the setbacks of having missed several crucial deadlines set at Doha. The attention of the developing coalitions focused primarily on agriculture and the so called 'Singapore issues' (competition, foreign investment, government procurement and trade facilitation). The agriculture issue is important both for middle-income exporters such as Argentina, Brazil, and Thailand, and for poor countries such as Benin and Burkina Faso while the Singapore issues are of particular concern to many low-income African and the least developed countries governments, as well as a number of more advanced countries (Hoekman 2003). A noteworthy aspect of the Cancún Conference was that DCs came prepared to push for specific negotiating targets and modalities.

2.2 The CIBS' role in trade negotiations

CIBS are now also gaining importance as influential global players. They have acquired leadership roles thanks to their ability to formulate policy and to articulate the views held by broad groups of DCs, and because their size and political sophistication makes them less subject to pressure by the industrialized countries (Humphrey and Messner 2005). All CIBS were original members of the GATT (even if China withdrew from the GATT after the 1949 revolution, it acceded to the WTO at the end of 2001). China, India, Brazil, and South Africa are individually and collectively an important force at the WTO. Their experience in the multilateral trading system demonstrates well that the group of DCs is diverse, and is not always united in its interests.

It is noteworthy that since the early years of the GATT, the role of middle powers such as Brazil and India from the developing world has been prominent. Both have played a leading role in formulating and voicing the demands of the South in the GATT since the negotiations for the aborted International Trade Organization in the middle of the 1940s and as original signatories of the GATT. The role of CIBS – though not a monolithic bloc – was relevant also in the Uruguay Round. In the ministerial what of Punta del Este in 1986, which launched the Uruguay Round, there was a group of ten DCs, the G-10, led by Brazil and India. On that occasion, the G-10 attempted to block the inclusion of services into the Uruguay Round, and refused to engage in any trade-offs until its demands were met (Narlikar 2005; 2006).

The potential power was indeed revealed at the Cancún Meeting, where CIBS formed the G-20 with some other important WTO developing members to articulate and negotiate on agriculture for the DCs. The G-20 arose as a reaction to the EU-US text on agriculture, which was considered inadequate by most of the DCs even if they were supporting different interests. Brazil and India, which drafted the initial text, were joined in their counter-proposal by China, South Africa and Argentina and a large group of other DCs. The G-20 is also remarkable for: including both China and India, countries with very different farming interests from those of Brazil, South Africa, and Argentina; keeping together the Cairns Group exporters and the defensive food importers; and combining some of the largest and most powerful members of the developing world with some of the smallest (Narlikar and Tussie 2004). Furthermore, it was the first coalition in which China played a leading role since it became a member of the WTO. At first, China appeared to consider the G-20 as a convenient shelter. Having made an enormous effort to qualify for WTO membership, it was initially unwilling to make significant new commitments in the Doha Round, but after reviewing its position it probably perceived the risk of dwindling credibility if they maintained that stance (Sutherland 2005).

The G-20 also contributed to the establishment of other groups (Table 1), such as: the G-33 group of poor WTO members which sought to protect their agricultural sectors from the impact of a tariff-cutting deal; the African, Caribbean, and Pacific nations (known as ACP countries), which were worried about loosing some long-standing trade preferences; the G-90 which brought together the African Group, ACP, and the LDC groupings on a broad range of concerns including ‘Special and Differential Treatment’.

The negotiations collapsed after the G-20 refused to negotiate on the ‘Singapore issues’ given the lack of broad commitment by the developed countries to reduce agricultural subsidies and lower import barriers on agricultural products. The Cancún meeting showed that DCs, and particularly the larger countries, were prepared to break up negotiations at the Ministerial level when not receiving a balanced package of concessions (Baldwin R. E. 2006; Hoekman 2003).

After Cancún, the multilateral agenda was set by a new Group of 5, which included the United States, the EU, Brazil, India, and Australia (as a representative of the Cairns Group of agriculture-exporting countries). Brazil and India had attempted to keep their G-20 allies informed about the consultations, but many non-members felt that they had been marginalized in the process.

During 2007, under the threat of a failure of the global trade talks, the European Union, the United States with India and Brazil, made a last, desperate attempt to save trade talks trying to narrow down some of their widely diverging proposals in agriculture and manufacturing and achieve a compromise. Some implications emerged from it: a shift has occurred in the 'balance of power' in the WTO. It could however open up a likely cleavage among DCs. After the collapse of the latest session of Doha-round talks in June, some DCs expressed much concern about the role played by CIBS. The poorest countries in Africa and elsewhere charge that the emerging market economies are ignoring their needs. India and Brazil, for instance, came to the final negotiations in Potsdam, Germany, last June with a proposal that called for drastic cuts in American farm subsidies, which was expected. But the two countries also proposed that they themselves lower their own tariffs by a smaller amount than anyone expected.

3 Assessing the impact of the rise of CIBS on the WTO system

A set of dominant vectors are commonly taken into consideration when assessing the impact of CIBS dynamism on world economy. They are: growth and global production networks; trade flows; financial flows; environmental externalities; governance; etc. Focussing on the WTO trading system the strongest and most direct vector along which CIBS rise is impacting on it is trade. In this context, a key question emerges: what impact will CIBS have on the multilateral trading system in terms of world trade patterns, regional blocs and WTO effectiveness and functioning?

A set of critical points emerge from this question, namely:

- ✓ impact of CIBS production, size and trade growth on the current multilateral trading system;
- ✓ losers and winners from the growing dynamism and trade specialization of CIBS in the multilateral trading system;
- ✓ conflict of interests inside the WTO among CIBS and high and low–income economies in their gains and patterns of trade;
- ✓ CIBS role in the current regional trade integration processes;
- ✓ influence of CIBS rise on the governance of the multilateral rules-based system.

An appropriate methodology to tackle this complex issue is to analyse nexus and inter-linkages among the following topics:

- Trade specialization patterns in goods and services;
- Implications for regional integration;
- Repercussion on the multilateral governance.

Concerning the *nexus*, we should acknowledge that the competitiveness and growth of CIBS can affect differentially the WTO economies, changing the framework of world trade patterns. Their specialization can generate, in some cases, complementary effects, in other cases competitive effects, opening likely conflicts of interest among trade partners. This change in trade patterns could lead to the building of new clusters between CIBS and economies with similar trade interests. These clusters could interest countries belonging to the same geographical area, with the likely result of fostering regional trade integration, eventually South-South. It stands to reason that the strengthening of these kinds of regional trade blocks would have serious consequences not only on the current Doha Round but on the future of the multilateral trading system.

Concerning the inter-linkages among the above three aspects, CIBS can be seen as competitors for those economies that have similar comparative advantages in the same products and/or services. At the same time, CIBS can be seen as driving forces for those economies that have complementary production and trade structures, because producers can benefit from the demand for their output from CIBS and they can be included in regional value chains. To analyse the actual structure of CIBS' trade patterns it is useful to foresee the emergence of new trade interests and conflicts that could lead to the building of new clusters. This clustering could drive in its turn, a polarization of trade interests and a strengthening of the current regional integration process (with a proliferation of both South-South and North-South agreements). If we analyse the recent trend of regional agreements we can observe a substantial increase involving a growing number of DCs. These developments have considerable repercussions on multilateral governance. This trend, combined with the current motley assortment of unilateral, bilateral and multilateral trade agreements – the so called 'spaghetti bowl' of trade deals (Baldwin 2006) – could represent a severe menace to the functioning of the current WTO system. Moreover, because of the relative lack of progress multilaterally in the Doha Round the evolving set of regional agreements could, potentially displace the WTO as the leading edge of global reciprocity-based negotiated trade liberalization for the next few decades.

4 The current trends: trade performance and trajectories of 'impact'

According to Section 3, an appropriate appraisal of CIBS' impact on WTO trading system needs to focus on the inter-linkages among the following issues: trade specialization patterns, regional integration process, and multilateral governance. However, it is easy to derive that deepening the analysis of CIBS' trade performance is a precondition for any valuable assessment of the likely impact of the Southern economies' rise on the multilateral trading system.

4.1 CIBS trade performance

China and India, with GDP values of US$7.9 and US$2.8 trillion respectively in 2006 (Groningen Growth and Development Centre 2007), can be defined as the new 'giant economies' (Winters and Yusuf 2007). China was the second largest economy in the world, after the United States at US$9.3 trillion, while India was fourth after Japan. Moreover, CIBS accounted for about 50 per cent of the total GDP of low and middle income economies.

During the last decade CIBS have achieved a significant increase also in their economic performance. China and India, in particular, have performed very strongly since 1995. China's GDP grew the fastest at an average rate of 8.8 per cent per year during 1995-2005, while India grew at 6.0 per cent and Brazil and South Africa registered a more modest GDP growth rate of 2.1 and 3.1 respectively (World Bank 2006a).

The performance of CIBS has also been relevant in terms of trade that can be considered the strongest channel through which the growth of CIBS affects other countries. The four economies are currently the leading exporters and importers – both in merchandise and services – in their respective regions. CIBS trade growth has been particularly relevant during the last decade (Table 2) and China's trade expansion since 1978 has been extraordinary. India's trade began to grow following changes in trade policies in the 1980s and even more so after the 1991 reforms (Srinivasan 2006).

Within trade aggregates, China is a significant importer and exporter of manufactured goods, with market shares of 6 per cent and 7.3 per cent, respectively, in 2005 (Table 3). It holds the third place as world exporter and importer of merchandise and, respectively, the ninth and seventh in commercial services (where China's weight in world trade is 3.0 of total world exports and 3.5 in total imports). Focussing on trade by commodities, Chinese main exports are (Table 4): electronic equipment (22.6 per cent of total exports); machinery and mechanical appliances (19.6 per cent); articles of apparel and clothing accessories (8.63 per cent); optical, photo, technical, medical, etc. apparatus (3.4 per cent). Of the first group the leading products are: computer equipment, telecommunications equipment and, office equipment. It is noteworthy to consider however that the contribution to Chinese trade balance of this industry is negative, as shown by Lafay index, and that Balassa Index is also weak (Table 4).

India's largest export category is manufacturing (0.9 of total world exports and 1.3 of total imports, see Table 3). Main export commodities are (Table 4): natural or cultured pearls, precious or semi-precious stones (15.3 per cent), but also mineral fuels, mineral oils and products of their distillation (11.5 per cent), especially heavy petrol/bitum oils; articles of apparel, accessories (5.3 per cent); organic chemicals (4.7 per cent); ores, slag and ash (4.3 per cent), particularly iron ore/concentrates. In this case the contribution to trade balance is negative in the case of mineral fuels, mineral oils and products of their distillation. It is noteworthy to underline that in the case of India, market shares in the world trade are more relevant in the service sector than in the merchandise ones (2.2 of total world exports and 2.1 of total imports against respectively 0.9 and 1.3, see Table 3). The most dynamic export sector is information technology (IT)-enabled services for global companies, including call centers and software application, design, and maintenance. However, despite their dynamism, India's overall exports of commercial services are less than those of China (India is ranked 12th for exports and 15th for imports in world commercial services trade, see Table 3).

Less extraordinary – but no less important – is the weight of Brazil and South Africa on world trade. The first account for a share of 1.1 per cent of world trade exports and 0.7 per cent of total imports of the merchandise trade but with a lower share in the commercial services sector (0.6 per cent and 0.9 per cent respectively). The latter accounts for a share of about 0.5 per cent both in merchandise and the commercial services sector (Table 3).

Brazil also shows a lower degree of export polarization compared to the other CIBS (Table 4). Its main exports are vehicles (9.9 per cent of total exports); machinery and mechanical appliances (8.3 per cent); iron and steel (7.3 per cent); ores, slag and ash (6.7 per cent); meat and edible meat offal (6.1 per cent). South Africa main exports are: natural or cultured pearls, precious or semi-precious stones (18.1 per cent); iron and steel (12.3 per cent); mineral fuels, mineral oils and products of their distillation (10.4

per cent); vehicles (8.7 per cent) and machinery and mechanical appliances (7.6 per cent). Also in this case, the item mineral fuels, mineral oils and products of their distillation show a negative contribution to trade balance as well as vehicles and machinery and mechanical appliances (see Lafay Index in Table 4).

A comparative picture of CIBS trade performance shows that China leads the others in almost all product categories. The comparative trade performance of China is indeed impressive considering that in the top five commodities exported it is one of the big five exporters in the world (three times out of five it is the biggest exporter!). It is noteworthy that Brazil and South Africa are never in the top ten with the exception of exports of ores, while India appears in the top ten, other than in the case of ores, also for the exports of natural or cultured pearls, precious stones, metals, coins as well as articles of apparel, clothing accessories (Table 5).

4.2 The trajectories of 'impact'

Trade specialization patterns

When we talk about the evolution of trade specialization patterns consequent on CIBS rise in the international trade scenario, the 'losers' are believed to be those countries facing competition from cheap manufactured goods in both their domestic and export markets (Messner and Humphrey 2006). In addition, it is commonly believed that the biggest challenges will be faced by the developing economies.

A snapshot of CIBS' main competitors could indeed be suggestive. By using trade data disaggregated at the three-digit Standard International Trade Classification (SITC) level for the most recent period it is possible to identify the following trends. China's main competitors are the leading industrialized countries (Germany, USA, and Japan) in almost all its top exports as well as Italy and France in the field of clothing. Among DCs China's main competitors are Korea and Mexico, together with India and Turkey for clothing (Table 6).

India's main competitors are USA, Canada, and Belgium among the industrialized countries and China among DCs (Table 6), while Brazil and South Africa compete again with Germany, Japan, and USA as well as with China and Korea in the developing world.

As it is easy to derive from this quick overview, the issue of the true losers and winners with respect to the rise of CIBS in the international trade specialization is not straightforward. There are many interdependencies to be analyzed and results are likely to change according to the level of aggregation of trade statistics; the time reference period as well as the choice of statistical indicators. Moreover, important issues such as the measurement of quality differences of exports of the trading partners, and the link between FDI flows and the international production networks need to be addressed.

In spite of this it is relatively easy to identify potential conflicts among trade partners as well as new coalition of interests at a regional level.

Regional integration process

During the last decades, although the global approach is fundamentally superior because it maximizes the number of foreign markets involved and avoids the economic distortions (and political risks) of discrimination among trading partners, there has been a rapid growth in the number of unilateral, bilateral and multilateral trade agreements, which has led to the current 'spaghetti bowl' of trade deals. This situation is very unlikely to change for the foreseeable future (Baldwin R. E. 2006; Baldwin 2006). In particular, the number of Regional Trade Agreements (RTAs) has significantly increased. RTAs have become so widespread that practically all WTO members are now parties to one or more of them. According to the WTO, it is estimated that more than half of world trade is now conducted under RTAs. Up to July 2007, over 350 RTAs had been notified to the GATT/WTO, of which over 240 were notified after January 1995. In the near future, if RTAs reportedly planned or already under negotiation are concluded, the total number of RTAs in force might soon reach 400.

All CIBS are currently fully involved in regional as well as, bilateral agreements showing a particular dynamism in promoting new partnerships. Antkiewicz and Whalley (2005) quote that CIBS have concluded 53 regional agreements and have 19 other in negotiation (Table 7). The majority of these were signed within the last few years. The 13 agreements signed before 2000 are mostly simple tariff-based arrangements with small entities in the region while the 21 more recent agreements are more comprehensive, and are aimed at broader economic partnerships covering not only trade goods, but also services, investment and economic co-operation. In addition, India, Brazil, and South Africa, are carrying out the establishment of a trilateral commission (IBSA) which will include an explicitly three-country arrangement.

India seems to be the most active CIBS' negotiators even if it is only recently that it has been active in negotiating comprehensive regional trade agreements. Brazil has signed only one key regional agreement so far but as a part of Mercosur it has signed a number of RTAs. It is also a leading player in negotiations on the Free Trade Agreement of the Americas (FTAA) which would cover more than thirty countries in Northern, Central, and Southern America. China has been active in exploring regional options following its accession to the WTO in 2001; while South Africa's efforts on expanding trade and economic co-operation ties have, until recently, been focused on the Southern African region and the EU (Antkiewicz and Whalley 2005).

It is undeniable that the strengthening of regionalism is another critical issue for the current WTO multilateral trading system. The question whether regional arrangements represent WTO-plus, by accelerating and extending on a non-discriminatory basis the liberalization process, or whether they are likely to weaken the WTO by bypassing is still open (see Bhagwati 1994; Panagariya 1999; Yamamoto 2002; Baldwin 2006).

The multilateral governance

Changing trade patterns, rise of new trade interests and conflicts, strengthening of regional integration involving CIBS can have considerable repercussions on multilateral governance and pose a threat to the functioning of the current WTO system.

The multilateral system is already suffering from a number of difficulties that have been afflicting it during the last few decades: the spreading of non tariff barriers; the growing criticism towards the decision making process inside the Organization; the abnormal increase in the number of cases being laid before the dispute settlement mechanism; and, as broadly mentioned above, the mounting active role of DCs. In addition, the current impasse of the Doha Round is potentially likely to displace the WTO as the leading edge of global reciprocity-based negotiated trade liberalization (Hoekman 2003; Legrain 2006).

In this framework it is useful to seek to reconstruct the stances adopted by each CIBS on the multilateral ground to extrapolate some interesting insights into their attitudes to the multilateral integration process.

First of all, it is worth stressing that CIBS' trade interests and stances inside the WTO-multilateral regime are divergent. *China* has kept a low profile within the WTO, instead of fighting with other DCs for fairer trading conditions and development support. As an emerging power, in fact, it is likely it will benefit more from the maintenance of the economic order created by the WTO. *India*, on the contrary, has frequently presented itself as a leader of the developing world. In this respect, it has much in common with the current South Africa and Brazil, as these countries have also taken up this role and the creation of a democratic G-3 of the South in 2003 (through the IBSA – India, Brazil and South Africa Dialogue Forum) and not integrating China, reflected their common views and attested their aim to play a more prominent role as non industrialized countries (Messner and Humphrey 2006). *Brazil*, as a major exporter of agricultural and agro-industrial goods, has adopted an offensive stance in negotiations on the liberalization of trade in agriculture taking place in the WTO, as well as in other negotiations. However, Brazil's position remains ambiguous being at the same time the voice of the poor countries and pursuer of self-interests (just think of the role of Brazil in voicing multilateral rhetoric while simultaneously adopting regional policies towards Mercosur). *South Africa* does not actively or effectively identify the role of African countries within the WTO. It has gradually, and then overtly, diverged from the African countries that have claimed a special and differential treatment for years and focussed essentially on the agricultural and implementation issues, while South Africa was basically in favour of a multilateral and multi-dimensional agenda.

5 Conclusions

Developing countries have experienced an increasing involvement in the international scenario during the last few decades. Among them, CIBS are having significant and far-reaching impact on the world economy and are transforming the world economic order into a multipolar power constellation.

Through the analysis of the trajectories of 'impact' of the trade channel, the paper has drawn the following insights. The snapshot about main CIBS' competitors suggests that CIBS show a high degree of competition with East Asian countries and with a number of industrialized countries such as the main European countries and USA. Hence, CIBS can be seen as competitors for those economies that have similar comparative advantages in the same products and/or services leading to the birth of new conflicts between WTO members. CIBS could further exclude other developing economies from access to global markets or investment resources and this could increase demand for protection by low-income economies and a major rift inside the developing world during multilateral trade negotiations. At the same time, the role of CIBS as driving forces for those economies that have a complementary production and trade structure may lead to the building of new coalitions among WTO members. The focus on trade blocs has stressed the role CIBS are having and their increasing involvement in regional integration process even if the question of the ambiguous effects of ‘regionalism’ on ‘multilateralism’ remains unsolved. Lastly, regarding the role of CIBS in the governance of the current multilateral trading system, the paper shows that CIBS do not have a monolithic and/or common position: on some occasions, some of them are prepared to defend DCs’ position when coincident with theirs while on others they are more concerned with in the mere defence of their specific interests and on other occasion they are scarcely involved in the question of governance.

It is nevertheless true that CIBS’ role within the multilateral trading system is far from defined. This paper suggests a key to the reading of this multi-dimensional issue and represents a step forward to developing a broader comprehension of it. Remarks reported here are not causal but suggestive only. Starting with them, there is room for additional outstanding research.

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Table 1: Main GATT/WTO coalitions involving CIBS

Punta del Este Ministerial 1986 (Uruguay Round)	G-10	Argentina, Brazil, Cuba, Egypt, India, Nigeria, Nicaragua, Tanzania, Peru, Yugoslavia
Doha Ministerial 2001 (DDA)	Like Minded Group	Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda, Zimbabwe + Jamaica and Kenya as observers
	TRIPs and Public Health	African Group + Bangladesh, Barbados, Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, Haiti, Honduras, India, Indonesia, Jamaica, Pakistan, Paraguay, Peru, Philippines, Sri Lanka, Thailand, Venezuela
	African Group*	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Côte d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mail, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe
Cancun Ministerial 2003 (DDA)	G-20	Argentina, Bolivia, Brazil, China, Cuba, Ecuador, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Thailand, Venezuela (original signatories also included Colombia, Costa Rica, El Salvador, Guatemala, and Peru)
	G-33	Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe (actually 42 members)
	G-90	ACP + African Group + LDCs (actually 64 members)
Hong Kong Ministerial (2005)	G-5	United States, the EU, Brazil, India, and Australia

Note * = Coalitions that were also active at the Cancún Ministerial.

Source: WTO and Narlikar (2003).

Table 2: CIBS export and import levels, 1995-2005 (million dollars)

Exports	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
World	5,164,000	5,401,000	5,589,000	5,499,000	5,709,000	6,452,000	6,186,000	6,486,000	7,578,000	9,203,000	10,431,000
Brazil	46,506	47,747	52,994	51,140	48,011	55,086	58,223	60,362	73,084	96,475	118,308
South Africa	27,853	29,221	31,027	26,362	26,707	29,983	29,258	29,723	36,482	46,029	51,876
China	148,780	151,048	182,792	183,712	194,931	249,203	266,098	325,596	438,228	593,326	761,954
India	30,630	33,105	35,008	33,437	35,667	42,379	43,361	49,250	57,085	75,562	95,096
Imports	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
World	5,284,000	5,545,000	5,738,000	5,681,000	5,920,000	6,724,000	6,481,000	6,740,000	7,857,000	9,556,000	10,783,000
Brazil	54,137	56,792	63,291	61,135	51,909	59,053	58,640	49,716	50,845	66,433	77,585
South Africa	30,546	30,182	32,998	29,242	26,696	29,695	28,248	29,267	39,748	55,210	62,304
China	132,084	138,833	142,370	140,237	165,699	225,094	243,553	295,170	412,760	561,229	660,003
India	34,707	37,942	41,432	42,980	46,979	51,523	50,392	56,517	71,238	97,331	134,831

Source: WTO (2007).

Table 3: CIBS' weight in world trade

	Merchandise				Commercial services			
	Rank in world trade		Share in world total exports	Share in world total imports	Rank in world trade		Share in world total exports	Share in world total imports
	Exports	Imports			Exports	Imports		
China	3	3	7.3	6.1	9	7	3.0	3.5
India	29	17	0.9	1.3	12	15	2.2	2.1
Brazil	23	28	1.1	0.7	35	28	0.6	0.9
South Africa	39	34	0.5	0.6	38	37	0.4	0.5

Source: WTO statistics (2007).

Table 4: CIBS's main export commodities, 2005 (in USD thousands)

	Exports in value	Exports as a share of total exports (%)	Number of exported products (which value > USD 100.000)	Specialization (Balassa Index)	Specialization (Lafay Index)
85 Electrical, electronic equipment	172,313,776	22.6	279	1.7	-12
84 Boilers, machinery; nuclear reactors, etc,	149,694,351	19.6	488	1.4	16
62 Articles of apparel, accessories, not knit or crochet	35,030,828	4.6	119	3.2	14
61 Articles of apparel, accessories, knit or crochet	30,870,775	4.1	114	3.3	13
90 Optical, photo, technical, medical, etc. apparatus	25,479,425	3.3	149	1.1	-13
00 All industries	761,953,410	100	4580		0
India					
71 Pearls, precious stones, metals, coins, etc.	15,836,460	15.3151	36	8.2	2
27 Mineral fuels, oils, distillation products, etc.	11,912,192	11.52	25	0.9	-35
62 Articles of apparel, accessories, not knit or crochet	5,456,382	5.2768	118	3.7	8
29 Organic chemicals	4,875,747	4.7152	262	1.8	2
26 Ores, slag and ash	4,469,717	4.3226	21	6.4	5
00 All industries	103,404,167	100	4062		0
Brazil					
87 Vehicles other than railway, tramway	11,531,243	9.9297	58	1.1	5
84 Boilers, machinery; nuclear reactors, etc.	9,726,564	8.3757	412	0.6	-8
72 Iron and steel	8,548,235	7.361	134	2.7	7
26 Ores, slag and ash	8,024,737	6.9102	14	10.2	7
02 Meat and edible meat offal	7,178,503	6.1815	30	10	7
00 All industries	116,128,845	100	3139		0
South Africa					
71 Pearls, precious stones, metals, coins, etc.	8,539,958	18.1722	36	9.8	34
72 Iron and steel	5,770,052	12.2781	141	4.5	24
27 Mineral fuels, oils, distillation products, etc.	4,894,440	10.4149	26	0.8	-8
87 Vehicles other than railway, tramway	4,119,293	8.7654	64	1	-3
84 Boilers, machinery; nuclear reactors, etc.	3,605,960	7.6731	396	0.6	-17
00 All industries	46,994,753	100	3159		0

Notes: The Balassa Index, or index of revealed comparative advantage (RCA), measures the relative export specialization of individual countries across sectors with respect to the world average. If RCA> 1, then country is specialized in the sector relative to the world average. The Lafay Index measures each product's contribution to the overall normalized trade balance of a country. Positive values of it indicate the existence of a comparative advantage; the larger the value, the higher the degree of specialization. Similarly, negative values indicate no specialization in a given sector or product.

Source: Intracen (ITC) database.

Table 5: CIBS leading sectors in export of goods

Product	China		India		Brazil		South Africa	
	Share (%)	World Rank	Share (%)	World Rank	Share (%)	World Rank	Share (%)	World Rank
Electronic equipment	12,3	1	0,2	37	0,4	31	0,07	49
Machinery and mechanical appliances	10,7	3	0,3	33	0,7	27	0,2	37
Articles of apparel, accessories, knit or crochet	24,5	1	2,5	7	0,1	57	0,07	76
Articles of apparel, accessories, not knit or crochet	23,8	1	3,7	5	0,1	66	0,05	82
Natural or cultured pearls, precious stones, metals, coins	2,9	13	8,2	4	0,4	26	4,4	7
Organic chemicals	4,4	10	1,4	15	0,7	22	0,3	33
Iron and steel	5,3	5	1,3	22	3	12	2	16
Ores, slag and ash	1,6	11	6,4	4	11,4	3	3,4	9
Optical, photografic, cinematographic, etc.	7,8	4	0,2	32	0,1	36	0,01	42
Vehicles	1,8	13	0,4	26	1,3	18	0,4	25
Mineral fuels, mineral oils and distillation products	1,3	27	0,8	31	0,5	38	0,3	50

Source: Intracen (ITC) database.

Table 6: CIBS' main competitors (for the top five exports of each country)

Product	Top 3 Industrialized countries			Top 3 Developing countries		
China - main competitors (2005)						
Electronic equipment	USA	Japan	Germany	Korea	Mexico	Malesia
Machinery and mechanical appliances	Germany	USA	Japan	Korea	Mexico	Malesia
Articles of apparel, accessories, knit or crochet	Italy	Germany	France	Turkey	Bangladesh	India
Articles of apparel, accessories, not knit or crochet	Italy	Germany	France	India	Turkey	Mexico
Optical, photographic, cinematographic, etc.	USA	Germany	Japan	Korea	Mexico	Malesia
India - main competitors (2005)						
Natural or cultured pearls, precious stones, metals, coins	USA	Belgium	Israel	South Africa	United Arab Emirates	China
Mineral fuels, mineral oils and distillation products	Canada	Norway	Netherlands	Saudi Arabia	Russian Federation	United Arab Emirates
Articles of apparel, accessories, not knit or crochet	Italy	Germany	France	China	Turkey	Mexico
Organic chemicals	USA	Belgium	Ireland	China	Saudi Arabia	Russian Federation
Ores, slag and ash	Australia	USA	Canada	Chile	Brazil	Peru
Brazil - main competitors (2005)						
Vehicles	Germany	Japan	USA	Korea	Mexico	China
Machinery and mechanical appliances	Germany	USA	Japan	China	Korea	Mexico
Mineral fuels, mineral oils and distillation products	Canada	Norway	Netherlands	Saudi Arabia	Russian Federation	United Arab Emirates
Ores, slag and ash	Australia	USA	Canada	Chile	India	Peru
Iron and steel	Japan	Germany	Belgium	Russian Federation	China	Korea
South Africa - main competitors (2005)						
Natural or cultured pearls, precious stones, metals, coins	USA	Belgium	Israel	India	United Arab Emirates	China
Iron and steel	Japan	Germany	Belgium	Russian Federation	China	Korea
Mineral fuels, mineral oils and distillation products	Canada	Norway	Netherlands	Saudi Arabia	Russian Federation	United Arab Emirates
Machinery and mechanical appliances	Germany	USA	Japan	China	Korea	Mexico
Vehicles	Germany	Japan	USA	Korea	Mexico	China

Note: Hong Kong and Taiwan are not taken into consideration as competitors for China.

Source: Intracen (ITC) database.

Table 7: CIBS' regional agreements before and after 2000 by country/region

Country	Number of Agreements			
	Concluded before 2000	Concluded after 2000	Currently in negotiation	Total by country
Brazil*	5	5	1	11
India	6	7	8	21
China	0	7	3	10
South Africa	2	2	7	11
Total	13	21	19	53

Note: *Including those negotiated jointly with other Mercosur countries.

Source: Antkiewicz and Whalley (2005).