

**SOUTH AFRICA'S ECONOMIC RELATIONSHIP WITH
INDIA AND BRAZIL IN THE CONTEXT OF
SOUTH – SOUTH COOPERATION (1994-2004)**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfilment of the requirements
for the award of the Degree of*

MASTER OF PHILOSOPHY

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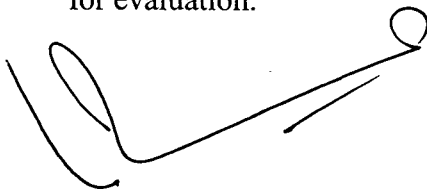
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CERTIFICATE

Certified that the dissertation entitled “**SOUTH AFRICA’S ECONOMIC RELATIONSHIP WITH INDIA AND BRAZIL IN THE CONTEXT OF SOUTH-SOUTH COOPERATION (1994-2004)**” submitted by **ARUN KUMAR RAO** in partial fulfilment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** of this university is his own work and has not been submitted for any other degree to this university or any other university.

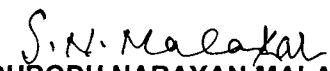

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PREFACE

The three countries South Africa, India and Brazil represent three continents, vibrant democracies, and similar levels of economic and technical development. However the economic dealing was below potential in the past thus the question is how to take it forward. The agenda of cooperation among the three countries, however, now become quite specific. The contact base of IBSA has now moved on from the three foreign ministries to economic ministries, business organisations and is now expanding to include non-government organisations, parliamentarians, and civil society members. A number of South-south organisations have faded into irrelevance, as they could not motivate the people to participate. Thus the motivation of people to participate is the key to extend the relationship for successful achievement of the desired goals.

The world community is watching IBSA very carefully. IBSA can be an influential voice in political and economic matters. IBSA's opinion on issues, such as, UN reforms, millennium development goals, terrorism, weapons of mass destruction would be considered seriously.

The Challenges with IBSA pertains to coordination since each country is caught up in their regional agendas and preoccupations. The physical distances also make frequent contacts difficult. The question at the forefront is can the three countries come over these obstacles and bring together their personal collected under different circumstances to prove that there exists cohesion in the development goals of various developing countries.

There are a number of areas that have been identified as areas of cooperation among the IBSA countries. The areas that have showed significant potential are S&T, defence, trade and investment and energy. For each of these areas there is a well-defined programme of action.

The scope of the study lies in determining the trend in trade and changing patterns of trade between India, Brazil and SA from 1994 to 2004 and to find out how South Africa acts as hub for widening the economic horizon for improving south-south cooperation. The study also discusses the interest among these three countries for economic or political alliance for negotiating a better position for them in a new matrix of international economic and political order. Focus on the prospects and challenges facing India, Brazil and SA in order to obtain maximum mutual benefits also been discussed. Study explains whether the IBSA initiative only be an effective coherent group while negotiating on trade issues at the WTO and how the IBSA initiative can serve as a role model for the third world community by building a sustainable dialogue on major policy issues and present an alternative agenda for global governance, build business to business contracts and collaborate on technology. This study brings into focus notice how South Africa could manage its resources in order to attain maximum benefits by way of bringing policy reforms and institutional change in their economy. In the era of liberalization various countries are looking towards potential market /fields to exploit, thus IBSA initiative will provide enough to them for mutually beneficial trade and commercial linkages in the spirit of south – south cooperation. The need for expanded export market and the challenges of the developed and industrialized economies need to be taken seriously. The changing pattern of trade and trends since from liberalization i.e. 1994-2004 is discussed to make the comparative study of trade (export - import) relationship.

The broad objectives of the study “South Africa’s economic relationship with India and Brazil in the context of South –south cooperation” are *firstly* is to trace out the historical background and specific features of South Africa's economic relationship with India and Brazil. *Secondly* to focus on South Africa’s economic relationship with India and Brazil since 1994. *Lastly*, to examine the potential, prospects and the challenges of new kind of inter-continental and inter-regional cooperation in extending economic and political cooperation between these countries.

The major hypotheses of the study are *firstly*. After the democratic government came in force in 1994 in South Africa had initiated many policy changes in strengthening the cooperation with India and Brazil to meet its economic challenges. *Secondly* the economic relationship of South Africa that provide complementary nature of support (act as transit point) to India and Brazil which could widen the horizon and accelerated trade in services, manufacturing, infrastructure, tourisms, defense and Information Technology of South Africa. *Lastly* the economic relationship of South Africa with India and Brazil for mutual benefits would resulted in improving GDP conversely the per capita income, generate employment and reduce poverty in the respective nations.

This academic endeavour of mine would not have been possible without the help of a number of people, who with their kind co-operation, active supervision and stead fast support have made this research work a reality. I am extremely grateful to my esteemed supervisor Dr. S. N. Malakar whose able guidance, intellectual ingenuity and avid suggestion helped me in completing this academic exercise. May God relieve his (My Father) pain who shaped my destination in a positive direction with his limited and constrained resources and sufferings! I am thankful to my friends Rakesh, S. Thangzason, Pratap, Manoj, Praveen, Dhiraj, Arun Dhall, Jaideep, Nirmal, Chithra and Jasobantapant those help in searching for data as well as they have been constant source of moral support and immense encouragement throughout this exercise.

Having been privileged in receiving such love and support, I own responsibility for all the errors or omissions that might have crept in the work.

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ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
ANC	African National Congress
ASEAN	Association for South East Asian Nations
BJP	Bharatiya Janata Party
CD	Compact Disks
CII	Confederation of Indian Industries
DIEESE	Departamento Intersindical de Estatística e Estudos Sócio-Econômicos- (Inter union Department for Statistics and Socioeconomic Studies)
EXIMBANK	Export Import Bank
FDI	Foreign Direct Investment
FTA	Free Trade Agreements
GDP	Gross Domestic Product
IPEA	Instituto de Pesquisa Econômica Aplicada (Applied Economic Research Institute)
IBSA	India, Brazil and south Africa
ICCR	Indian Council for Cultural Relation
IAEA	International Atomic Energy Agency
ISACA	India-South Africa Commercial Alliance
IMF	International Monetary Fund
JMC	Joint Ministerial Commission
MDG	Millennium Development Goals
NAM	Non-Aligned Movement
NEPAD	New Economic Policy for African Development
NASSCOM	National Association of Software and Service Companies
ODA	Official Development Assistance
OAU	Organisation of African Union
PAC	Pan African Congress
PPP	Purchasing Power Parity
PTA	Preferential Trade Agreement
RDP	Reconstruction and Development Programme (South African)
SADC	Southern African Development Community
SACU	South African Customs Union
SAARC	South Asian Association for Regional Cooperation
SAPS	Structural Adjustment Programmes
UNESCO	United Nation Educational, Scientific and Cultural Organisation
WTO	World Trade Organisation

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

1.2 SOUTH AFRICA'S ROLE IN EXTENDING SOUTH-SOUTH CO-OPERATION

1.3 WHY SOUTH AFRICA!

1.4 NEWLY BORN IBSA

INTRODUCTION

1.1 BACKGROUND

South Africa is a vibrant democracy, which has made great strides in economic reform, and which is committed to a secure, stable region. All these things are also true for India and Brazil. India and Brazil share many common interests with South Africa and remain committed to developing a dynamic, forward-looking and mutually beneficial approach. Therefore the high-level political visits, interaction between communities and business, and trade and investment flows. Which make the three major countries of three major continent closures to each other.

India and Brazil has the resources, technology and the service to partner South Africa's continued economic expansion. The current economic relationship with India and Brazil continued to reflect in the ever-increasing trade volume in various spheres of goods and services. The key issue is how to boost the cooperation and enhance policy dialogue for mutual interest.

The trilateral relationship¹ is now under-pinned by a quartet of annual ministerial and senior official level dialogues, which provide the institutional structure for managing and expanding the political, economic and strategic facets of the relationship: the Foreign ministers' framework dialogue, the joint ministerial commission (on trade); the senior officials' talks; and the strategic dialogue which includes Joint Working Group dealing with defense, counter-terrorism and immigration.

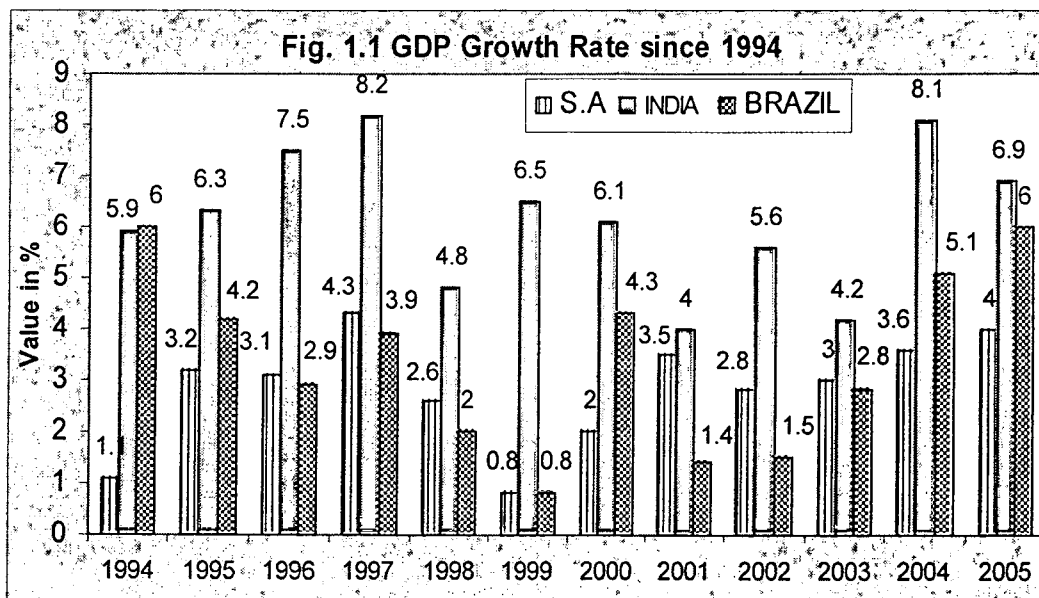
¹ India-Brazil-South Africa Dialogue Forum was established on 6th June, 2003 and thereafter the 1st Trilateral Joint Commission Meeting was held in New Delhi. However the relationship between these three countries was always cordial that is reflected in the historic, political and economic relationship. Although in the economic frontier the trade is always below potentials.

1.2 SOUTH AFRICA'S ROLE IN EXTENDING SOUTH-SOUTH COOPERATION

Three important countries namely South Africa, India and Brazil representatives of three major continents of the world, which are of great economical and political importance in the world. They constitute the aspirations of more than 1.3 billion people together for a better future. These three countries have sufficient resources to lead them to prosperity but, all is needed to think and implement policy, agreement, negotiation for mutual benefits. The economic and political relations of India and Brazil with South Africa have always been cordial, but urgency to give more emphasis on economic issues is felt in recent past only which can be justify in course of study.

India is an economic hub, connecting markets in central Asia, Middle East, ASEAN, and East African regions, Brazil is a hub for entire Latin American region; dominates the continent and shares borders with all major countries (except Chile) and South Africa is the hub for the entire southern and Eastern Africa so it provides a tremendous opportunity for India, Brazil and S.A. to extend their economies for mutual benefit by utilizing pent-up demand existing in their markets as well as in their regions. Emphasizing South Africa, which is placed in geographically feasible location how, utilized its resources for economical benefit and how act in improving south-south cooperation thus South-South cooperation is more needed in form of such cluster of countries today than ever. As no single country, even the most advanced among developing countries, has much hope of reaching individually expected growth and development and influencing outcomes of international agenda. But, collectively, our countries can play a more effective role in achieving development objectives and in shaping international relations. Stress that the economic growth in several developing countries and the strengthening of their domestic capabilities can have strong impacts on the scope and effectiveness of South-South cooperation. Several developing countries such as South Africa, India and Brazil have now diversified economies and rely on well-trained human resources. Current trends in international trade and investment liberalization as well as the increasing regional and economic integration offer

new opportunities and challenges for South-South cooperation. Several developing countries play an active role in the transfer of knowledge and experience as well as in the creative expansion of technologies aimed at increasing productivity and competitiveness. The desire and potential to move South-South cooperation within and beyond regional and sub regional boundaries. Market proximity, similarity in products, processes, and business culture affinity that can offer investors from developing country greater opportunities for a new wave of South-to-South trade and investment are added advantages.



The India, Brazil, South Africa countries, which create a market for the 1.2 trillion dollars of GDP and foreign trade of 300 billion dollars together, economic strength in areas of Industries, services, education, health and information technologies. The similarities in trade as a percentage of world trade of India, Brazil and South Africa is 0.8%, 0.8%, 0.3% respectively and expected GDP growth annually (2004-2015) will be 6.1%, 4.0%, 3.5% respectively with current year GDP in US billion \$ is 2660, 1340, 414 respectively. The common problem such as poverty, unemployment, population, diseases such as AIDS and illiteracy prevailing in these countries bring them closer for more vibrant economic and political relationship to face these challenges for better place to live in.

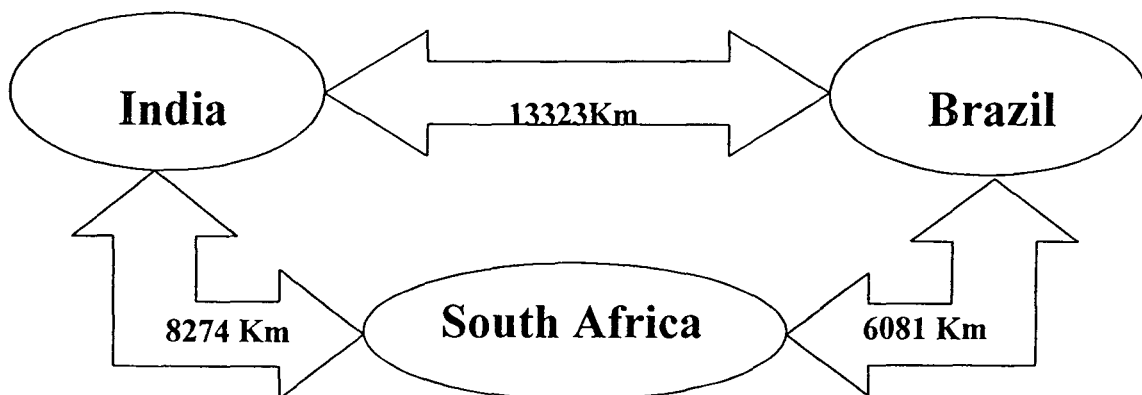
The Figure² 1.1 mention above shows the gross domestic Product at factor cost of South Africa, India and Brazil since 1994. From the figure it is revealed that India's GDP almost in every year grater in comparison to South Africa and Brazil. However the Growth rate of South Africa Shows Slackness, but it is still better performance comparison to the previous decade. Thus for multiplying growth and enhance south-south cooperation potential venture are must to identify.

1.3 WHY SOUTH AFRICA!

1. Advantage of the Geographical Location

South Africa can serves as a hub to India and Brazil in extending economic relationship. The trading relations amongst any two nation is highly dependent on the geographical distant. Provided the location of the South Africa is the feasible for the entire three nations to extend the economic ties. Both the sea and air link amongst them attract them more to come closer to each other to make gain from the field lying unexplored.

Figure 1.2 : Distance between the Three Nations



The Figure³ 1.2 mention above clearly shows the there is vast geographical distance of 13323 Km between India and Brazil. However the distance between

² Data in figure 1.1 taken from Europa Year Book, 2003, and 2004. Hhowever some of the data is also taken from the in the internet site and then compile by the researcher.

³ Distance mentions between the countries were taken from the website www.mapsofworld.com.

Indian and South Africa and South Africa and Brazil is 8274 Km and 6081 km respectively. Therefore the geographical position as we see of South Africa is in the feasible limit to serve the two nations i.e. India and South Africa. Its air and the sea route to these nation are shorter with is essential to promote trade on the large scale the diagram mention above depicting same. Thus it can serve as hub for these nations for trade related issues.

2. Historical Relations with India and Brazil

The legacy of the India in South Africa and legacy of South Africa in Brazil put them together for the common cause of overall growth of the nation. Strong cultural and historical bonds between the India and South Africa have developed into a firm political partnership, solidified during the dark days of apartheid isolation. Now that South Africa is a fully-fledged democracy, the historical closeness between our two countries has turned into a strong political commitment. Furthermore, relations hold significant promise for the growth of economic relations and co-operation in key economic areas.

3. Economic Potentials

South African government has diversified and deepened the country's trading networks; export markets and sources of FDI. Apart from its traditional trading partners, South Africa has developed more extensive relations with South America, Asia and Africa, thereby enhancing South-South economic cooperation. As part of its global trade strategy, government has identified strategic partner countries with which to develop economic elations through bilateral Free Trade Agreements (FTA).

The government is pursuing market-based policies, with the international partner and private sector as generator of wealth and the government trying to address inequities in health, education, housing, and social services. It has embarked on large reconstruction and development programs intended to reduce unemployment, provide free medical care. To accomplish its goals without undermining business confidence, the government's budgets have maintained strong fiscal discipline and strict monetary controls. South Africa has aimed to establish and maintain a pro-business environment and is encouraging both

foreign and domestic investment. But the level of foreign investment was well below expectations over the 1994-2004 periods. Therefore it looking forward for new partnership for profitable venture in various fields agriculture, industries or services.

South Africa has rich mineral resources; the only major mineral products it lacks are petroleum and bauxite. It is the world's largest producer and exporter of gold and also exports a significant amount of coal which attract the international player. The value-added processing of minerals to produce ferroalloys, stainless steels, and similar products is a major industry and an important potential growth area. The country's diverse manufacturing leads the world in several specialized sectors, including railway rolling stock, synthetic fuels, and mining equipment and machinery.

Agriculture accounts for only about 3% of the gross domestic product, focusing on citrus fruits, corn, dairy products, sugarcane, tobacco, wine and wool. However, because of inadequate and erratic rainfall, only about 15% of the land is suitable for farming. South Africa has many developed irrigation schemes and is a net exporter of food. India and Brazil are the major Agricultural countries in the world arena thus the agricultural know-how from them will really fetch South African agriculture to grow.

4. Regional Dimensions for Growth

Soon South Africa got its independence in 1994; it became a member of the Southern African Development Community. The 13 other members are Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia, The Democratic Republic of Congo, Seychelles and Zimbabwe.

The SADC agreement consists of general objectives rather than specific obligations. The key policy objective is to strengthen trade and investment linkages between South Africa and other SADC countries.

South Africa has made a free trade offer to its fellow SADC⁴ members to address the trade imbalances in the region. The offer was made in terms of the proposed SADC free trade agreement. As yet agreements resulting from this offer have only been ratified by South Africa and Mauritius and hence tariff barriers between these two countries have been lowered with effect from 31 September 2000. South Africa has offered to remove its tariffs faster than the other members and could begin reducing its tariffs as soon as other SADC countries ratify agreements.

The regional integration of South Africa with the South African nations provides enough potential to expand its economy. But for the wider interest of the nation it must see the opportunities globally therefore country like India and Brazil those we also the prominent member of the certain regional blocks. Thus for extensive trading relationship and the indirect reach to each other economic grouping will yield huge gain.

5. Common Constraint for Overall Growth and Development⁵

South Africa, India & South Africa share similar socio-economic and developmental challenges. While these challenges have long been realized as essential to the social, political and economic stability of our countries, they must now be addressed in the context of a globalising world economy. At the same time, we need to officially engage the forces of globalisation to ensure that these support our development efforts. Our collective capacity and co-operation in bargaining and voicing concerns that affect our economies in international forums has been highly effective. The following are just few major socio-economic and other problems.

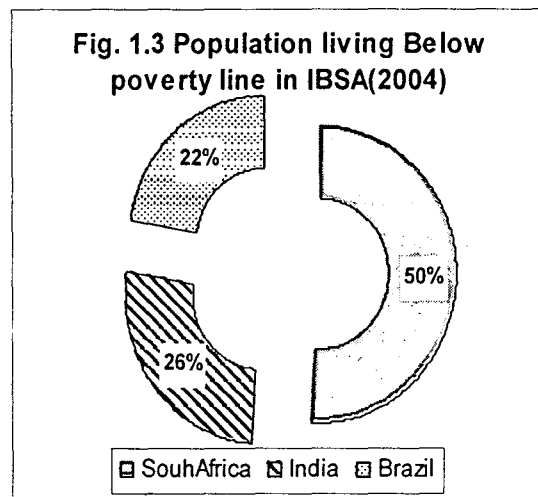
Poverty in all these three nation over 100 millions who lived on less than \$1 a day and over 250 million-more than one-quarter of the population-on less than

⁴ The Southern African Development Community (SADC) has been in existence since 1980, when it was formed as a loose alliance of nine majority-ruled States in Southern Africa known as the Southern African Development Coordination Conference (SADCC), with the main aim of coordinating development projects in order to lessen economic dependence on the then apartheid South Africa.

⁵ For knowing more common constraints of these three countries please refer to the social challenges of the chapter four of the study.

\$2 a day. Two-thirds of the very poor lived in rural areas where the richest 1% of the landowners own big chunk of the arable land, and more than 50% of the farmers must toil on less than 3% of the land. The people living below poverty line constitute a big proportion of the world population. The Figure⁶ 1.3 clearly explains the proportion of people living below poverty line in the respective nation.

The Table 1.1 mention above shows the prevailing poverty in the IBSA nations which laggard the growth of any nation if not checked with proper implementation of policy. This huge inequality has recently spawned a sometimes-violent reaction by a major new social and political movement called the “landless movement” in these nations.



Unemployment, Child labour, Primary Health and Primary Education these are the some of the common socio- economic issue which laggard the economic and overall growth of the nation. To eradicate these socio- economic problems is still a challenge among them.

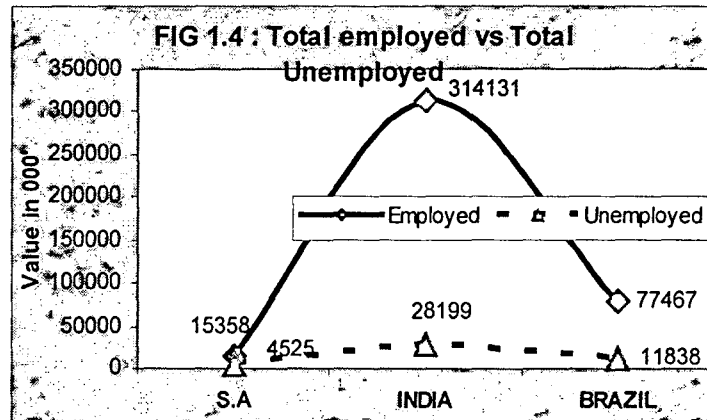
Table 1.1: Health and family welfare in IBSA

HEALTH AND WELFARE	SOUTH AFRICA	INDIA	BRAZIL
(i) Total fertility rate (children per women, 2002)	2.6	3.1	2.2
(ii) Under 5 mortality rate (per 1000 live birth 2002)	65	93	36
(iii) HIV/AIDS (% of person aged 15-49; 2003)	21.5	0.79	0.65
(iv) Physician (per 000 heads, 1996)	0.6	0.52	1.27
(v) Health Expenditure (% of GDP; 2001)	8.6	5.1	7.6
(vi) Access of water (% of person, 2000)	86	88	87
(vii) Access to sanitation (% of person)	86	31	77
(viii) Human Development Index Ranking	,1999-1012003-111 2004-119	2001 - 127	2001- 65

Source: Europa year book 2004 (compiled data)

⁶ Percentage of the data mention is computed by the data obtained from www.en.wikipedia.org/wiki/Brazil (India and Brazil)

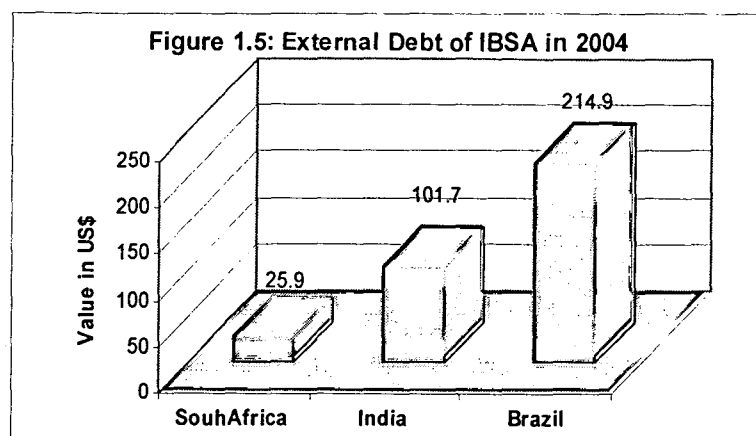
The indicators mention in the table above of the three nations related to various health issues and others were having direct implication on the growth of the nation. Thus these countries must come more close to each other for making an agenda to fight against these evils hampering growth. As India account the highest population as well as the unemployment among IBSA that is mention in the figure 1.4. However the unemployed in South Africa is also in the bad condition because the proportion of people living unemployed is found high.



Inflation Rapid inflation has been a persistent problem in these entire nations, which is still to over come. The basic causes have been large public deficits at the federal and state levels and deficits incurred by state-owned companies.

Declining Real Incomes in these countries decline in the real income of the large group of people should be taken care off. Marginalization of the poor is of grave concern thus to involve poor is the key issue. Richer become richer and poor becoming more poor should be properly checked through proper policy making.

Foreign Debt⁷ As a result of foreign borrowing, including borrowing from private commercial banks and the World Bank,



the country's foreign debt stood at multi billion, in all these developing nations.

As the large proportion of the nation's GDP goes in setting of the foreign debts resulted in limited growth of the nation. The Figure⁸ 1.5 mention, clearly express the amount of foreign debt owed by the small nation i.e. South Africa US 214 \$. Thus it desperately need to revise its foreign outlook in terms of trading policy with the potential partner like India and Brazil which having comparative advantage in number of sectors.

Stringent Import Barriers Until a few years ago, no product could be imported if it was also produced domestically, even if the domestic price was higher. A stubborn refusal to recognize patents had until recently discouraged foreign investors. Tariffs on imports are still relatively high in these nations, but they have come down drastically in the past few years. However the more flexibility is required in the relation to boost up the trade between them.

1.4 BRIEF INTRODUCTION OF THE THREE NATION

1. Brief Background of South Africa⁹

After the British seized the Cape of Good Hope area in 1806, many of the Dutch settlers (the Boers) trekked north to found their own republics. The discovery of diamonds (1867) and gold (1886) spurred wealth and immigration and intensified the subjugation of the native inhabitants. The Boers resisted British encroachments, but were defeated in the Boer War (1899-1902). The resulting Union of South Africa operated under a policy of apartheid - the separate development of the races. The 1990s brought an end to apartheid politically and ushered in black majority rule.

SOUTH AFRICAN GEOGRAPHY

Southern Africa located in the southern tip of the continent of Africa. The geographical coordinates were 29 degree South and 24 degree East. The total

⁷ Foreign Debt of the three countries mention in the next chapter along with the other components.

⁸ The external debts mention in the Figure 1.5 are taken form the website of the respective nations.

⁹ Data mention in the description taken from the website www.southcentre.org/info/southbulletin/bulletin75/bulletin75-05.htm

Area area of south Africa 1,219,912 sq km land it covers the 1,219,912 sq km water space and includes Prince Edward Islands (Marion Island and Prince Edward Island). South Africa's border touches five countries with total length of 4,862 km border countries are Botswana having the longest border with South Africa of 1,840 km, Lesotho 909 km, Mozambique 491 km, Namibia 967 km, Swaziland 430 km, Zimbabwe 225 km. However South surrounds the lesto and swaziland form all the sides. It having the one of the longest coastline of 2798 Km. the climate of South Africa is mostly semiarid; subtropical along east coast; there are sunny days and cool nights in most of the part of the country. It consists of vast terrine of interior plateau rimmed by rugged hills and narrow coastal plain. **Natural resources consist of** gold, chromium, antimony, coal, iron ore, manganese, nickel, phosphates, tin, uranium, gem diamonds, platinum, copper, vanadium, salt, natural gas, etc. mostly. **Land use in south Africa according to 2001 data was consist of 12.08 %** arable land and permanent crops of 0.79% other: 87.13%.

It has net **Irrigated land** of 13,500 sq km (1998). Prolonged droughts are common occurrence in the country. **Environment - current issues:** lack of important arterial rivers or lakes requires extensive water conservation and control measures; growth in water usage outpacing supply; pollution of rivers from agricultural runoff and urban discharge; air pollution resulting in acid rain; soil erosion; desertification.

SOUTH AFRICAN PEOPLE

Population: 42,718,530 note: South Africa took a census October 1996 that showed a population of 40,583,611 (after an official adjustment for a 6.8% under-enumeration based on a post-enumeration survey); estimates for this country explicitly take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2004 est.) **Age structure:** 0-14 years: 29.5% (male 6,337,468; female 6,254,925) 15-64 years:

65.3% (male 13,898,269; female 14,017,559) 65 years and over: 5.2% (male 886,801; female 1,323,508) (2004). The **Population growth** rate of South Africa is 0.25% (2004), whereas the **Death rate** is 20.54 deaths/1,000 population (2004). As far as **Net migration rate** it is 0.29 migrant(s)/1,000 populations (2004). **Sex ratio**: at birth: 1.02 male(s)/female under 15 years however in total population: 0.98 male(s)/female (2004). The **Infant mortality rate** is recorded as high as total: 62.18 deaths/1,000 live births male: 65.87 deaths/1,000 live births female: 58.4 deaths/1,000 live births (2004). **Life expectancy at birth**: total population: 44.19 years male: 44.39 years female: 43.98 years (2004). The major concern is the **Total fertility rate**: 2.18 children born/woman (2004) is still high.

The prevalence of **HIV/AIDS** amongst adult is 21.5% (2003) in the country the total **HIV/AIDS** - people living with **HIV/AIDS** is 5.3 million (2003). However the total **HIV/AIDS – deaths** is 370,000 (2003). The ethnic composition in South Africa constitutes black 75.2%, white 13.6%, Colored 8.6% and Indian 2.6%. The most common **Religions** is Christian 68% (includes most whites and Coloreds, about 60% of blacks and about 40% of Indians), Muslim 2%, Hindu 1.5% (60% of Indians), indigenous beliefs and animist 28.5%. In South Africa there are 11 official languages, including Afrikaans, English, Ndebele, Pedi, Sotho, Swazi, Tsonga, Tswana, Venda, Xhosa, Zulu. The **Literacy** definition is population above 15 years can read and write total population: 86.4% male: 87% female: 85.7% (2003).

SOUTH AFRICAN GOVERNMENT

The conventional long form: Republic of South Africa conventional short form: South Africa former: Union of South Africa abbreviation: RSA. The South Africa is having republican Government. The capital of South Africa is Pretoria however Cape Town is the legislative center and Bloemfontein the judicial center. It got **Independence** on 31 May 1910 (from UK); South Africa became a republic in 1961 following an October 1960 referendum. The **National holiday**: Freedom Day, 27 April (1994). **Constitution** adopted on 10 December 1996; this new constitution was certified by the Constitutional Court on 4 December 1996, was signed by then President Mandela on 10 December 1996,

and entered into effect on 3 February 1997. It is being implemented in phases and **Legal system**: based on Roman-Dutch law and English common law; accepts compulsory jurisdiction, with reservations.

2. Brief Background of India¹⁰

The Indus Valley civilization, one of the oldest in the world, dates back at least 5,000 years. Aryan tribes from the northwest invaded about 1500 B.C.; their merger with the earlier inhabitants created the classical Indian culture. Arab incursions starting in the 8th century and Turkish in the 12th were followed by European traders, beginning in the late 15th century. By the 19th century, Britain had assumed political control of virtually all Indian lands. Nonviolent resistance to British colonialism under Mohandas Gandhi and Jawaharlal Nehru led to independence in 1947. The subcontinent was divided into the secular state of India and the smaller Muslim state of Pakistan. A third war between the two countries in 1971 resulted in East Pakistan becoming the separate nation of Bangladesh. Fundamental concerns in India include the ongoing dispute with Pakistan over Kashmir, massive overpopulation, environmental degradation, extensive poverty, and ethnic and religious strife, all this despite impressive gains in economic investment & output.

INDIAN GEOGRAPHY

India **located in the** Southern Asia, bordering the Arabian Sea and the Bay of Bengal, between Burma and Pakistan. Its **Geographic coordinates are** 20 degree north, 77 degree south. The total **Area is** 3,287,590 sq km with 2,973,190 sq km land and 314,400 sq km water area. It touches the **Land boundaries of** total: 14,103 km with six countries. India having maximum border with Bangladesh of 4,053 km, Bhutan 605 km, Burma 1,463 km, China 3,380 km, Nepal 1,690 k and Pakistan 2,912 km. India is having vast coastline 7,000 km. **Maritime claims** the territorial sea of 12 nm contiguous zone 24 nm exclusive economic zone: 200 nm continental shelf and 200 nm or to the edge of the continental margin. **Climate** in India varies from tropical monsoon in south to temperate in north. **Terrain is** upland plain (Deccan Plateau) in south,

flat to rolling plain along the Ganges, deserts in west, Himalayas in north. The most important **Natural resources** are coal (fourth-largest reserves in the world), iron ore, manganese, mica, bauxite, titanium ore, chromites, natural gas, diamonds, petroleum, limestone and arable land. The total **Land use constitutes the** arable land: 54.4% permanent crops: 2.74% other: 42.86% (2001) the total **Irrigated land**: 590,000 sq km (1998). The most common **Natural hazards** are droughts; flash floods, as well as widespread and destructive flooding from monsoonal rains; severe thunderstorms and earthquakes. The current **Environment issues** were the deforestation; soil erosion; overgrazing; desertification; air pollution from industrial effluents and vehicle emissions; water pollution from raw sewage and runoff of agricultural pesticides; tap water is not potable throughout the country; huge and growing population is overstraining natural resources.

INDIAN PEOPLE

The total **Population** of India is 1,065,070,607 (July 2004) with the **Age structure**: 0-14 years: 31.7% (male 173,869,856; female 164,003,915) 15-64 years: 63.5% (male 349,785,804; female 326,289,402) 65 years and over: 4.8% (male 25,885,725; female 25,235,905) (2004). The **Median age**: total: 24.4 years male: 24.4 years female: 24.4 years (2004). The **Population growth** rate of India has come down to 1.44% (2004). The **Death rate** in India has also come down, the current death rate is 8.38 deaths/1,000 populations (2004). The **Net migration rate** is 0.07 migrant(s)/1,000 population (2004) **Sex ratio** in India is alarmingly degrading as in total population 1.07 male(s)/female (2004) were noted.

The **Infant mortality rate** in India is total 57.92 deaths/1,000 live births. The **Life expectancy rate of India's** population rose to 63.99 years (2004). However the **Total fertility rates** 2.85 children born/woman (2004). The **adult prevalence rate of HIV/AIDS** in India is 0.8% of the total population (2001). The total **people living with HIV/AIDS** in India are 3.97 million (2001)

¹⁰ Data mention in the description taken from the website www.indianembassy.org.br/port/relations/ForumForCo-operation.htm

however it raises to about 5 million in year 2005. The total number **HIV/AIDS deaths** in India is 310,000 (2001)

The **Ethnic groups** consists of Indo-Aryan 72%, Dravidian 25%, Mongoloid and other 3% (2000). The most common religion in India is Hinduism 81.3% followed by Muslims 12%, Christian 2.3%, Sikh 1.9%, other groups including Buddhist, Jain, Parsi 2.5% (2000). English is the **Languages** enjoys associate status but is the most important language for national, political, and commercial communication; Hindi is the national language and primary tongue of 30% of the people. There are 14 other official languages: Bengali, Telugu, Marathi, Tamil, Urdu, Gujarati, Malayalam, Kannada, Oriya, Punjabi, Assamese, Kashmiri, Sindhi, and Sanskrit; Hindustani is a popular variant of Hindi/Urdu spoken widely throughout northern India but is not an official language. The **Literacy** definition age 15 and over can read and write total population 59.5% male: 70.2% female: 48.3% (2003). However it raises to 65% in the year 2004.

INDIAN GOVERNMENT

The conventional long form of India is Republic of India and conventional short form India. The type of government in India is federal republic. Capital of India is Delhi. India got her **Independence** on 15 August 1947 (from UK). **National holiday**: Republic Day, 26 January (1950) and on Gandhi Jayanti 2nd October. The constitution of India formed in on 26 January 1950. The **Legal system** is based on English common law; limited judicial review of legislative acts; accepts compulsory jurisdiction, with reservations.

3. Brief Background of Brazil¹¹

Following three centuries under the rule of Portugal, Brazil became an independent nation in 1822. By far the largest and most populous country in South America, Brazil has overcome more than half a century of military intervention in the governance of the country to pursue industrial and agricultural growth and development of the interior. Exploiting vast natural resources and a large labor pool, Brazil is today South America's leading

¹¹ Data mention in the description taken from the website www.brazilmag.com/content/view/1722/49/

economic power and a regional leader. Highly unequal income distribution remains a pressing problem.

GEOGRAPHY OF BRAZIL

The total **Area** total of Brazil is 8,511,965 sq km which comprises of 8456510 sq. km of land and 55455 sq km water territory. The area of Brazil also includes the area of Arquipelago de Fernando de Noronha, Atol das Rocas, Ilha da Trindade, Ilhas Martin Vaz, and Penedos de Sao Pedro e Sao Paulo. The **Land boundaries** of Brazil touches the ten countries which shows its vastness and coverage with total 14,691 km border countries with sharing longest border with Bolivia of 3400 km. however share the border Argentina 1,224 km, Colombia 1,643 km, French Guiana 673 km, Guyana 1,119 km, Paraguay 1,290 km, Peru 1,560 km, Suriname 597 km, Uruguay 985 km, Venezuela 2,200 km. the total brazil **Coastline** is massive 7,491 km. **Maritime claims** the territorial sea of 12 nm contiguous zone, 24 nm exclusive economic zone, 200 nm continental shelf, 200 nm or to edge of the continental margin. The **Climate** in Brazil is mostly tropical, but temperate in south.

The major **Natural resources** of Brazil are bauxite, gold, iron ore, manganese, nickel, phosphates, platinum, tin, uranium, petroleum, hydropower and timber. The **Land use pattern** in brazil consist of 6.96 arable permanent crops, 0.9% and other 92.15% (2001) the total **Irrigated** land in brazil is 26,560 sq km (1998). The most common **Natural hazards** are mostly similar to that of the other IBSA nation recurring droughts in northeast, floods and occasional frost in south. **Current Environment issues** is deforestation in Amazon Basin destroys the habitat and endangers a multitude of plant and animal species indigenous to the area. There is a lucrative illegal wildlife trade; air and water pollution in Rio de Janeiro, Sao Paulo, and several other large cities; land degradation and water pollution caused by improper mining activities; and wetland degradation.

PEOPLE OF BRAZIL

Population: 184,101,109 note: Brazil took a count in August 2000, which reported a population of 169,799,170. That figure was about 3.3% lower than projections by the US Census Bureau, and is close to the implied under numeration of 4.6% for the 1991 census. The estimates for this country

explicitly take into account the effects of excess mortality due to AIDS. This can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2004). The composition of the various **Age structure** in Brazil is as follows 26.6% in 0-14 years of population 26.6% (male 24,915,902; female 23,966,713) 15-64 years: 67.6% (male 61,739,012; female 62,770,480) 65 years and over: 5.8% (male 4,389,659; female 6,319,343) (2004). The **Population growth rate** in Brazil is lower than the other IBSA nation's i.e. 1.11% (2004). However the total **Death rate**: 6.14 deaths/1,000 population (2004). The total net **migration rate** is also low 0.03 migrant(s)/1,000 population (2004). The **Sex ratio** is in comfortable position as in total population: 0.98 male(s)/female (2004). The total **Infant mortality rate** in total is 30.66 deaths/1,000 live births (2004). The **Life expectancy at birth**: total population is rises to 71.41 years male: 67.45 years female: 75.57 years (2004). However the **Total fertility rate** is 1.97 children born/woman (2004). The **adult prevalence rate of HIV/AIDS** is 0.7% (2003) the **people living with HIV/AIDS** in Brazil 660,000 (2003) whereas the **deaths due** to HIV/Aids is 15,000 (2003). The **Ethnic groups** comprises of white (includes Portuguese, German, Italian, Spanish, Polish) 55%, mixed white and black 38%, black 6%, other (includes Japanese, Arab, Amerindian) 1%. The most commonly worship **Religions** is the Roman Catholic (nominal) 80%. If we talk about the **Languages** Portuguese is the official language along with the Spanish, English and French. The **Literacy** definition is similar to the other IBSA nation i.e. age 15 and over can read and write total population: 86.4% male: 86.1% female: 86.6% (2003).

BRAZILIAN GOVERNMENT

The Country's conventional name in long form is Federative Republic of Brazil conventional short form is Brazil local long form is Republica Federativa do Brasil local short form is Brasil The type of **Government** in the nation is federative republic. Brasilia is the **Capital** of Brazil. Brazil got its **Independence** on 7 September 1822 (from Portugal)there fore the national **holiday** is declared on the name of Independence Day, 7 September (1822). The

Constitution of Brazil established on 5 October 1988 **Legal system** is based on Roman codes; has not accepted compulsory ICJ jurisdiction.

1.5 NEWLY BORN IBSA

To developing a common vision for enhanced South-South co-operation and the realisation of the development agenda of the South during the 21st Century. The three nations agreed to work together on economic development with social equity in the context of a globalising world. IBSA would examine ways to adopt a pro-active approach to channel the forces of globalisation in this direction. They re-affirmed the principle that IBSA was dedicated to the strengthening of the international framework of South-South co-operation and the advancement of human development through the promotion of potential synergies among its members. To provide an important platform to assess the present economic, social and political situation in the South and to propose measure at the national, regional and international level that would enable developing countries to fulfill their developmental potential.

The grand-design of colonialism for forcefully and oppressively control the destiny of African peoples has today been harnessed to work in favour. The children of Africa were scattered around the globe, including Brazil as slaves, while the children of India were equally scattered globally, including in South Africa, as indentured labourers. The African and Indian diasporas have today become vibrant communities that link us together in our global village.

The rapid expansion of economic relations between these three nations is most encouraging. In this regard the active co-operative between South African Governments, as well as the apex bodies and business interests of India and Brazil were required. Governments of respective nation are equally resolved to ensure that the benefits of economic change and prosperity percolate to all sectors.

The newly born IBSA (India, Brazil and south Africa) incentive which came into being in the middle of 2003 with the meeting of the heads of governments

of respective countries on the sidelines of the evain summit. Which was follow by the meeting of foreign ministers in early June 2003 in Brazil set out the communality of strength and interest of the three countries in international arena and suggested areas of cooperation. It also explains the importance of such a coalition in negotiating with the developed and rich countries and protects them from the hostile policy adopted by developed nation in global economic world fora such as the WTO. The trilateral dialogue forum meant to enable the three nations to address issues of global concern- socio-economic development, technology and global governance. With sharing conviction that the combined energy and resources of our three countries can and must be utilized in a dynamic and creative manner to make a difference in the lives of our people, creating a better life for all. The three nation on a Plan of Action for trilateral cooperation in the fields of Transportation (Civil Aviation and Shipping), Tourism, Trade & Investment, Infrastructure, Job creation and small, medium and micro-enterprises, Science & Technology, Information Society, E-Governance, Capacity Building, Local Content Development, E-Health, Information Society, Health, Energy, Defence and Education.

The need to built a coalition of large industrializing and increasingly sophisticated emerging economies the reason for this was both economical and political to Intensifying South-South cooperation for the preservation, protection and promotion of traditional knowledge, genetic resources and folklore. The building of consensus in relevant international fora and the development of legally binding international instruments on intellectual property rights and other related issue and could be summarized as follows:

- *Firstly-* The need to built the sustainable alliance for multilateral trade negotiation in the WTO. This brought out by increasingly convergence on issues like trade in services, agriculture, non-tariff barriers to trade and intellectual property rights.
- *Secondly-* the need to built alternative sources of technology and increase business-to-business contracts that would desire to derive trade relations among the major emerging economies.
- *Thirdly-* Come together as a pressure group to enhance security.

The politics is the necessary resources to make this trilateral partnership a vibrant force of future. It is rally the challenge we have set before us in this regard. Commitment and responsibility to South-South co-operation and meaningful interaction has given birth to the IBSA and to nurture this co-operation to ensure it becomes a full-blown flower in all its radiance and vibrancy that holds benefit for all our people.

Such multilateral co-operation naturally reinforces trilateral relationship. and provides added impetus to the way in which South Africa, India and Brazil address the social and economic inequalities and disparities that are common, not only to us, but to the developing world as a whole.

CHAPTER TWO

POLITICAL & ECONOMIC ASPECTS

2.1 HISTORICAL INTRODUCTION

2.2 POLITICAL ASPECTS

2.3 ECONOMIC ASPECTS

**2.4 THE TRADE (EXPORT AND IMPORT) AND
INVESTMENT AMONG IBSA NATIONS.**

POLITICAL & ECONOMIC ASPECT

This chapter dealt in the explanation of the various historical, political, and diplomatic relationship afterwards followed by the explanation of the economic relationship between the three nations namely South Africa, India and Brazil. As to have good economic relationship with and country the counterpart must have the good political and democratic relationship for thriving trade. Historic relationship is also of utmost importance for simmering the relationship as it provides edge to the particular country, which has friendly historic relationship. The major section of this chapter is mention is below:

2.1 Historical Introduction

2.2 Political Aspects

2.3 Economic Aspects

2.4 The Trade (Export and Import) and Investment among IBSA Nations

2.1. HISTORICAL INTRODUCTION

1. South Africa

THE EARLY INHABITANTS

There seems to be general agreement among scholars that humankind had its earliest origins in Africa. South Africa is rich in fossil evidence of the evolutionary history of the human family, going back several million years. The discovery of the skull of a Taung child is the latest discoveries of hominid fossils at Sterkfontein caves. It recently declared a world heritage site. Modern humans have lived in this region for over 100 000 years.

The small, mobile bands of Stone Age hunter-gatherers, who created a wealth of rock art, were the ancestors of the Khoekhoe and San of historical times. The Khoekhoen and San (the 'Hottentots' and 'Bushmen' of early European terminology), although collectively known as the Khoisan, are often thought of as distinct peoples.



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The former were those who, some 2 000 years ago, adopted a pastoralist lifestyle herding sheep and, later, cattle. Whereas the hunter-gatherers adapted to local environments and were scattered across the subcontinent, the herders sought out the pasturelands between modern-day Namibia and the eastern cape, which, generally, are near the coast.

At around the same time, Bantu-speaking agropastoralists began arriving in southern Africa, bringing with them an Iron Age culture and domesticated crops. After establishing themselves in the well-watered eastern coastal region of Southern Africa, these farmers spread out across the interior plateau, or 'highveld', where they adopted a more extensive cattle-farming culture¹. Chiefdoms arose, based on control over cattle, which gave rise to systems of patronage and hence hierarchies of authority within communities. Cattle exchanges formed the basis of polygamous marriage arrangements, facilitating the accumulation of social power through control over the labour of kin groups and dependants.

Metallurgical skills, developed in the mining and processing of iron, copper, tin and gold, promoted regional trade and craft specialisation. At several archaeological sites, such as Mapungubwe and Thulamela in the Limpopo Valley, there is evidence of sophisticated political and material cultures, based in part on contact with the East African trading economy. These cultures, which were part of a broader African civilisation, predate European encroachment by several centuries. Settlement patterns varied from the dispersed homesteads of the fertile coastal regions in the east, to the concentrated towns of the desert fringes in the west.

The farmers did not, however, extend their settlement into the western desert or the winter-rainfall region in the south-west. These regions remained the preserves of the Khoisan until Europeans put down roots at the Cape of Good Hope. This meant that the farmers were little affected by the white presence for

¹ Reference, Arnold, Guy: *The New South Africa*, Edited in year 2000; Mac-millan Press Limited; London; Pg. No. 91 to 143

the first century during which European settlement expanded from the western cape.

Currently, aided by modern science in uncovering the continent's past, which forms part of the African Renaissance, South Africa is gaining a greater understanding of its rich precolonial past and African achievements that were to be disrupted and all but hidden from sight in the period that followed.

THE EARLY COLONIAL PERIOD

Portuguese seafarers, who pioneered the sea route to India in the late 15th century, were regular visitors to the South African coast during the early 1500s. Other Europeans followed from the late 16th century.

In 1652, the Dutch East India Company set up a station in Table Bay (Cape Town) to provision passing ships. Trade with the Khoekhoe for slaughter stock soon degenerated into raiding and warfare. Beginning in 1657, European settlers were allotted farms by the colonial authorities in the arable regions around Cape Town, where wine and wheat became the major products. In response to the colonists demand for labour, the traders were imported slaves from East Africa, Madagascar, and its possessions from the East Indies.

By the early 1700s, the colonists had begun to spread into the hinterland beyond the nearest mountain ranges. These relatively independent and mobile farmers (trekboers), who lived as pastoralists and hunters, were largely free from supervision by the Dutch authorities.

As they intruded further upon the land and water sources, and stepped up their demands for livestock and labour, more and more of the indigenous inhabitants were dispossessed and incorporated into the colonial economy as servants. Diseases such as smallpox, which was introduced by the Europeans in 1713, decimated the Khoisan, contributing to the decline of their cultures. Unions across the colour line took place and a new multiracial social order evolved, based on the supremacy of European colonists. The slave population steadily increased since more labour was needed.

By the mid-1700s there were more slaves in the Cape than there were 'free burghers' (European colonists). The Asian slaves were concentrated in the towns, where they formed an artisan class. They brought with them the Islam religion, which gained adherents and significantly shaped the working-class culture of the western cape. Slaves of African descent were found more often on the farms of out-lying districts.

In the late 1700s, Khoisan bands offered far more determined resistance to colonial encroachment across the length of the colonial frontier. From the 1770s, colonists also came into contact and conflict with Bantu-speaking chiefdoms some 700 km east of Cape Town. A century of intermittent warfare ensued during which the colonists gained ascendancy first over the Khoisan and then over the Xhosa-speaking chiefdoms to the east. It was only in the late 1800s that the subjugation of these settled African societies became feasible. For some time their relatively sophisticated social structure and economic systems fended off decisive disruption by incoming colonists, who lacked the necessary military superiority.

At the same time, a process of cultural change was set in motion, not least by commercial and missionary activity. In contrast to the Khoisan, the black farmers were by and large immune to European diseases. For this and other reasons they were to greatly outnumber the whites in the population of white-ruled South Africa, and were able to preserve important features of their culture.

As splinter groups conquered and absorbed communities in their path, the disruption was felt as far north as central Africa. Substantial states, such as Moshoeshoe's Lesotho and other Sotho-Tswana chiefdoms, were established, partly for reasons of defence. The mfecane or difaqane, as this period of disruption and State formation became known, remains the subject of much speculative debate.

But the temporary disruption of life on the Highveld served to facilitate Boer expansion northwards from the 1830s, and provided a myth of the 'empty land'

which whites employed to justify their domination over the subcontinent in the 20th century.

THE BRITISH COLONIAL ERA

In 1795, the British occupied the Cape as a strategic base against the French, controlling the sea route to the East. After a brief reversion to the Dutch in the course of the Napoleonic wars, it was retaken in 1806² and kept by Britain in the post-war settlement of territorial claims. The closed and regulated economic system of the Dutch period was swept away as the Cape Colony was integrated into the dynamic international trading empire of industrializing Britain.

A crucial new element was evangelicalism, brought to the Cape by Protestant missionaries. The evangelicals believed in the liberating effect of 'free' labour and in the 'civilising mission' of British imperialism. They were convinced that indigenous peoples could be fully assimilated into European Christian culture once the shackles of oppression had been removed.

Although slavery had become less profitable because of a depression in the wine industry, Cape slave-owners rallied to oppose emancipation. The compensation money, which the British treasury paid out to sweeten the pill, injected unprecedented liquidity into the stagnant local economy. This brought a spurt of company formation, such as banks and insurance companies, as well as a surge of investment in land and wool sheep in the drier regions of the colony, in the late 1830s. Wool became a staple export on which the Cape economy depended for its further development in the middle decades of the century.

Increasingly, they were lumped together as the 'coloured' people, a group which included the descendants of unions between indigenous and European peoples and a substantial Muslim minority who became known as the 'Cape Malays' (misleadingly, as they mostly came from the Indonesian archipelago). The coloured people were discriminated against on account of their working-class status as well as their racial identity. Among the poor, especially in and around

² Facts were taken from the Europa Year Book Year 2004.

Cape Town, there continued to be a great deal of racial mixing and intermarriage throughout the 1800s.

In 1820, several thousand British settlers, who were swept up by a scheme to relieve Britain of its unemployed, were placed in the eastern cape frontier zone as a buffer against the Xhosa chiefdoms.

By the mid-1800s, British settlers of similar persuasion were to be found in Natal. They too called for imperial expansion in support of their land claims and trading enterprises.

Meanwhile, large numbers of the original colonists, the Boers, were greatly extending white settlement beyond the Cape's borders to the north, in the movement that became known as the Great Trek, in the mid-1830s. Alienated by British liberalism, and with their economic enterprise usurped by British settlers, several thousand Boers from the interior districts, accompanied by a number of Khoisan servants, began a series of migrations northwards. They moved to the Highveld and Natal, skirting the great concentrations of black farmers on the way by taking advantage of the areas disrupted during the mfecane.

When the British, who were concerned about controlling the traffic through Port Natal (Durban), annexed the territory of Natal in 1843, those emigrant Boers who had hoped to settle there returned inland.

Only after the mineral discoveries of the late 1800s did the balance of power swing decisively towards the colonists. The Boer Republics then took on the trappings of real statehood and imposed their authority within the territorial borders that they had notionally claimed for themselves.

The Colony of Natal, situated to the south of the mighty Zulu State, developed along very different lines from the original colony of settlement, the Cape. The size of the black population left no room for the assimilationist vision of race domination embraced in the Cape. Chiefdoms consisting mainly of refugee groups in the aftermath of the mfecane were persuaded to accept colonial

protection in return for reserved land and the freedom to govern themselves in accordance with their own customs. These chiefdoms were established in the heart of an expanding colonial territory.

Natal developed a system of political and legal dualism, whereby chiefly rule was entrenched and customary law was codified. Although exemptions from customary law could be granted to the educated products of the missions, in practice they were rare. Urban residence was strictly controlled and political rights outside the reserves were effectively limited to whites. Natal's system is widely regarded as having provided a model for the segregationism of the 20th century.

Natal's economy was boosted by the development of sugar plantations in the subtropical coastal lowlands. Indian-indentured labourers were imported from 1860 to work the plantations, and many Indian traders and market gardeners followed.

These Indians, who were segregated and discriminated against from the start, became a further important element in South Africa's population. It was in South Africa that *Mohandas Gandhi* refined from the mid-1890s the techniques of passive resistance, which he later effectively practised in India. Although Indians gradually moved into the Transvaal and elsewhere, they remain concentrated mainly in Natal.

In 1853, the Cape Colony was granted a representative legislature in keeping with British policy, followed in 1872 by self-government. The franchise was formally non-racial but also based on income and property qualifications. The result was that Africans and 'coloured' people formed a minority - although in certain places a substantial one - of voters.

THE MINERAL REVOLUTION

By the late 19th century, the limitations of the Cape's liberal tradition were becoming apparent. The hardening of racial attitudes that accompanied the rise of a more militant imperialist spirit coincided locally with the watershed

discovery of mineral riches in the interior of southern Africa. In a developing economy, cheap labour was at a premium, and the claims of educated Africans for equality met with increasingly fierce resistance.

Alluvial diamonds were discovered on the Vaal River in the late 1860s. The subsequent discovery of dry deposits at what became the city of Kimberley drew tens of thousands of people, black and white, to the first great industrial hub in Africa, and the largest diamond deposit in the world. In 1871, the British, who ousted several rival claimants, annexed the diamond fields, which fell in sparsely populated territory to the west of the main corridors of northward migration.

The mineral discoveries had a major impact on the subcontinent as a whole. A railway network linking the interior to the coastal ports revolutionised transportation and energised agriculture. Coastal cities such as Cape Town, Port Elizabeth, East London and Durban experienced an economic boom as port facilities were upgraded.

The fact that the mineral discoveries coincided with a new era of imperialism and the scramble for Africa, brought imperial power and influence to bear in southern Africa as never before. The discovery of the Witwatersrand goldfields in 1886 was a turning point in the history of South Africa. It presaged the emergence of the modern South African industrial State. The mineral discoveries had a radical impact on every sphere of society. Labour was required on a massive scale and could only be provided by Africans, who had to be drawn away from the land.

In response to the expansion of internal markets, Africans exploited their farming skills and family labour to good effect to increase production for sale. A substantial black peasantry arose, often by means of sharecropping or labour tenantry on white-owned farms.

Africans could be denied basic rights if the fiction could be maintained that they did not belong in 'white South Africa' but to 'tribal societies' from which they

came to service the 'white man's needs'. Where black families secured a toehold in the urban areas, local authorities confined them to segregated 'locations'. This set of assumptions and policies informed the development of segregationist ideology and, later (from 1948), apartheid.

SEGREGATION

Government policy in the Union of South Africa did not develop in isolation, but against the backdrop of black political initiatives. Segregation and apartheid assumed their shape, in part, as a white response to Africans' increasing participation in the country's economic life and their assertion of political rights. Despite the Government's efforts to shore up traditionalism and destabilize them, black people became more fully integrated into the urban and industrial society of 20th-century South Africa than happened elsewhere on the continent. An educated elite of clerics, teachers, business people, journalists and professionals grew to be a major force in black politics.

Mission Christianity and its associated educational institutions exerted a profound influence on African political life, and separatist churches were early vehicles for African political assertion.

In its early years, the ANC was concerned mainly with constitutional protest. Worker militancy emerged in the wake of the First World War, and continued through the 1920s. It included strikes and an anti-pass campaign given impetus by women, particularly in the free state resisting extension of the pass laws to them. The Industrial and Commercial Workers' Union, under the leadership of Clements Kadalie, was (despite its name) the first populist, nationwide organisation representing blacks in rural as well as urban areas. But it was short-lived. The communist party, formed in 1921 and since then a force for both non-racialism and worker organisation, was to prove far longer lasting. In other sections of the black population too, the turn of the century saw organised opposition emerging. Gandhi's leadership of protest against discriminatory laws gave impetus to the formation of provincial Indian congresses, including the Natal Indian Congress formed by Gandhi in 1894.

The principles of segregationist thinking were laid down in a 1905 report by the South African Native Affairs Commission and continued to evolve in response to these economic, social and political pressures. In keeping with its recommendations, the first Union government enacted the seminal Natives Land Act in 1913.

This defined the remnants of their ancestral lands after conquest for African occupation, and declared illegal all land purchases or rent tenancy outside these reserves.

The reserves ('homelands' as they were subsequently called) eventually comprised about 13% of South Africa's land surface. Administrative and legal dualism reinforced the division between white citizen and black non-citizen, a dispensation personified by the Governor-General who, as 'Supreme Chief' over the country's African majority, was empowered to rule them by administrative fiat and decree.

Legislation, which was consolidated in the Natives (Urban Areas) Act, 1923, entrenched urban segregation and controlled African mobility by means of pass laws. The pass laws were intended to enmesh Africans in a web of coercion designed to force them into labour and keep them there under conditions and at wage levels that suited white employers, and to deny them any bargaining power.

In these and other ways, the foundations of apartheid were laid by successive governments representing the compromises hammered out by the National Convention of 1908 to 1909 to effect the union of English- and Afrikaans-speaking whites. An Afrikaner underclass was emerging in the towns, which found itself uncompetitive in the labour market, as white workers demanded higher wages than those paid to blacks.

Soon, labour issues came to the fore. In 1920, some 71 000 black mineworkers went on strike in protest against the spiraling cost of living, but the strike was quickly put down by isolating the compounds where the migrant workers were

housed³. Another threat to government came from white workers. Immigrant white workers with mining experience abroad performed much of the skilled and semi-skilled work on the mines. As mine-owners tried to cut costs by using lower-wage black labour in semiskilled jobs, white labour became increasingly militant. These tensions culminated in a bloody and dramatic rebellion on the goldfields in 1922, which the Smuts Government put down with military force. In 1924, a Pact government under Hertzog, comprising Afrikaner nationalists and representatives of immigrant labour, ousted the Smuts regime.

In 1934, the main white parties fused to combat the local effects of a worldwide depression. This was followed by a new Afrikaner nationalist breakaway under Dr D.F. Malan. In 1936, white supremacy was further entrenched by the United Party with the removal of the Africans of the Cape Province who qualified from the common voters' roll. Meanwhile Malan's breakaway national party was greatly augmented by an Afrikaner cultural revival spearheaded by the secret white male Afrikaner Broederbond and other cultural organisations during the year of the Voortrekker Centenary Celebrations (1938), as well as anti-war sentiment from 1939.

APARTHEID

After the Second World War, in 1948, the NP, with its ideology of apartheid that brought an even more rigorous and authoritarian approach than the segregationist policies of previous governments, won the general election. It did so against the background of a revival of mass militancy during the 1940s, after a period of relative quiescence in the 1930s when black groups attempted to foster unity among themselves.

The change was marked by the formation of the ANC youth league in 1943, fostering the leadership of figures such as Nelson Mandela, Oliver Tambo and Walter Sisulu (who passed away in May 2003), who were to inspire the struggle for decades to come.

³ Reference Nattrass Nicoli and Seekings Jeremy: *The 'new economy' and inequality in South Africa*, Edited in Year 2000; John Hopkins University Press, London; Pg. No. 170 to 187.

In the 1940s, squatter movements in peri-urban areas brought mass politics back to the urban centres. The 1946 mineworkers' strike was a turning point in the emergence of a politics of mass mobilization. The case with the First World War, the experience of the Second World War and postwar economic difficulties enhanced discontent. For those who supported the NP, its primary appeal lay in its determination to maintain white domination in the face of rising mass resistance; uplift poor Afrikaners; challenge the pre-eminence of English-speaking whites in public life, the professions and business; and abolish the remaining imperial ties. The State became an engine of patronage for Afrikaner employment.

In 1961, the NP Government under Prime Minister H.F. Verwoerd declared South Africa a Republic, after winning a whites-only referendum on the issue. A new currency, the Rand, new flag, anthem and coat of arms were formally introduced. South Africa, having become a Republic, had to apply for continued membership of the commonwealth in the face of demands for an end to apartheid, South Africa withdrew its application and a figurehead president replaced the Queen (represented locally by the Governor-general) as Head of State⁴.

In most respects, apartheid was a continuation, in more systematic and brutal form, of the segregationist policies of previous governments. A new concern with racial purity was apparent in laws prohibiting interracial sex and provisions for population registration requiring that every South African be assigned to one discrete racial category or another.

Until the 1940s, South Africa's racial policies had not been entirely out of step with those to be found in the colonial world. But by the 1950s, which saw decolonisation and a global backlash against racism gather pace, the country was dramatically opposed to world opinion on questions of human rights. The

⁴ Reference Lennart Peterson: *Post-apartheid Southern Africa—Economic Challenges and policies for future*, Edited in the year 1999; By Rouledge, London; Pg. No. 64 to 85.

architects of apartheid, among whom Dr Verwoerd was pre-eminent, responded by elaborating a theory of multinationalism. Their policy, which they termed 'separate development', divided the African population into artificial ethnic 'nations', each with its own 'homeland' and the prospect of 'independence', supposedly in keeping with trends elsewhere on the continent. This divide-and-rule strategy was designed to disguise the racial basis of official policy-making by the substitution of the language of ethnicity. This was accompanied by much ethnographic engineering as efforts were made to resurrect tribal structures. In the process, the Government sought to create a significant collaborating class.

Forced removals from 'white' areas affected some 3,5 million people and vast rural slums were created in the homelands, which were used as dumping grounds. The pass laws and influx control were extended and harshly enforced, and labour bureau was set up to channel labour to where it was needed. Hundreds of thousands of people were arrested or prosecuted under the pass laws each year, reaching over half a million a year from the mid-1960s to the mid-1970s. Industrial decentralisation to growth points on the borders of (but not inside) the homelands was promoted as a means of keeping blacks out of 'white' South Africa.

In virtually every sphere, from housing to education to healthcare, central government took control over black people's lives with a view to reinforcing their allotted role as 'temporary sojourners', welcome in 'white' South Africa solely to serve the needs of the employers of labour. But these same programmes of control became the focus of resistance. In particular, the campaign against the pass laws formed a cornerstone of the struggle.

THE END OF APARTHEID

The beginning of apartheid policies coincided with the adoption by the ANC in 1949 of its Programme of Action, expressing the renewed militancy of the 1940s. The Programme embodied the rejection of white domination and a call for action in the form of protests, strikes and demonstrations. There followed a decade of turbulent mass action in resistance to the imposition of still harsher

forms of segregation and oppression. The Defiance Campaign of 1952 carried mass mobilisation to new heights under the banner of non-violent resistance to the pass laws. These actions were influenced in part by the philosophy of Gandhi.

A critical step in the emergence of non-racialism was the formation of the Congress Alliance, including the ANC, South African Indian Congress, the Coloured People's Congress, a small white congress organisation (the Congress of Democrats), and the South African Congress of Trade Unions.

The black political organisations were banned and their leaders went into exile or were arrested. In this climate, the ANC and PAC abandoned their long-standing commitment to nonviolent resistance and turned to armed struggle, combined with underground organisation and mobilisation as well as mobilisation of international solidarity.

As capitalist economies sputtered with the oil crisis of 1973, black trade unions revived. A wave of strikes reflected a new militancy that involved better organisation and was drawing new sectors, in particular intellectuals and the student movement, into mass struggle and debate over the principles informing it. The year 1976 marked the beginning of a sustained antiapartheid revolt. School pupils of Soweto rose up against apartheid education, followed by youth uprisings all around the country. By the 1980s, the different forms of struggle - armed struggle, mass mobilisation and international solidarity - were beginning to integrate and coalesce.

The United democratic front and the informal umbrella, the Mass Democratic Movement, emerged as legal vehicles of democratic forces struggling for liberation. Clerics played a prominent public role in these movements. Popular anger was directed against all those who were deemed to be collaborating with the Government in the pursuit of its objectives, and the black townships became virtually ungovernable. From the mid-1980s, regional and national states of emergency were enforced.

Developments in neighbouring states, where mass resistance to white-minority and colonial rule led to Portuguese decolonisation in the mid-1970s and the abdication of Zimbabwe's minority regime in 1980, left South Africa exposed as the last bastion of white supremacy.

Under growing pressure and increasingly isolated internationally, the Government embarked on a dual strategy, introducing limited reform coupled with intensifying repression and militarisation of society, with the objective of containing the pressures and increasing its support base while crushing organised resistance.

Militarisation included the ascendancy of the State Security Council, which usurped the role of the executive in crucial respects, and a succession of states of emergency as part of the implementation of a comprehensive counter-insurgency strategy to combat what, by the mid-1980s, was an endemic insurrectionary spirit in the land. However, by the late 1980s, popular resistance was taking the form of mass defiance campaigns, while struggles over more localised issues saw broad sections of communities mobilised in united action. Popular support for released political prisoners and for the armed struggle was being openly expressed.

The ANC, enjoying popular recognition and legitimacy as the foremost liberation organisation, was increasingly regarded as a government-in-waiting. International support for the liberation movement came from various countries around the globe, particularly from former socialist countries and Nordic countries as well as the NAM. The other liberation organisations increasingly experienced various internal and external pressures and did not enjoy much popular support.

White South Africa had also changed in deeper ways. Afrikaner nationalism had lost much of its *raison d'être*. Many Afrikaners had become urban, middle class and relatively prosperous. Their ethnic grievances and attachment to ethnic causes and symbols had diminished.

A large part of the NP's core constituency was ready to explore larger national identities, even across racial divides, and yearned for international respectability. Apartheid increasingly seemed more like a straitjacket than a safeguard. In 1982, disenchanted hardliners had split from the NP to form the Conservative Party, leaving the NP open to more flexible and modernising influences. After this split, factions within the Afrikaner élite openly started to pronounce in favour of a more inclusive society, causing more friction with the NP Government, which increasingly became militaristic and authoritarian.

A number of business, student and academic Afrikaners held meetings publicly and privately with the ANC in exile. Secret talks were held between the imprisoned Nelson Mandela and government Ministers about a new dispensation for South Africa with blacks forming a major part of it.

Inside the country, mass action became the order of the day. Petty apartheid laws and symbols were openly challenged and removed. Together with a sliding economy and increasing international pressure, these developments made historic changes inevitable.

AFTER THE 1994

As the new government is established in the mid-1990s, South Africa's leaders face the daunting challenges of meeting the expectations of black voters while fulfilling the economic potential of the country. Half a century of apartheid and a much longer period of legally enforced racial discrimination have left most black South Africans poor and undereducated. The reliance on a low-wage work force, especially in the country's mines but also in other areas of the economy, left South Africa without a significant consumer class among its black majority. Instead, nearly one-half of the population in the mid-1990s lives below internationally determined minimum-subsistence levels. Nearly fifty years of Verwoerdian "Bantu education" left the country short of skills and unable to generate the sort of labor force that could produce an "Asian miracle" along the lines of the skilled-labor-dependent industries of South Korea or Taiwan.

Demands for immediate economic improvements intensified in 1995 and 1996. Labor unions pressed demands on behalf of organized workers, many of whom feared that their interests would be ignored, lost amid the government's concerns for alleviating severe poverty and for bolstering investor confidence in a stable workforce. Many labor unions were also weakened, at least temporarily, by the loss of key leaders who were elected or appointed to government office. After these all completed in May 1996, the Constitutional Court approved the new ("final") constitution, intended to govern after the five-year transition. President Mandela signed the new constitution into law on December 1996, and the government began phasing in provisions of the new document in February 1997. The final constitution contains a Bill of Rights, modeled on fundamental rights in the interim constitution. It also ends the power sharing requirements that were the basis for the Government of National Unity under the interim constitution. The NP in 1997 is attempting to establish a new political identity as an active participant in the national political debate; it will challenge ANC initiatives it opposes and compete with the ANC for political support among all racial groups.

South Africa conducted its first post-apartheid census in October 1996. The process of enumeration proved even more difficult than expected, in part because provincial governments are still establishing their functions and authority, and administrative boundaries are still in dispute in a few areas. The final results--likely to reveal a population of more than 45 million--are not yet available as of April 1997.

The government has made substantial progress in expanding social services, health care, and education, but the backlog in demand for these services has been impossible to meet. These inadequacies continue to erode confidence in the new government, despite impressive progress in areas such as the provision of potable water and electricity, and the expansion of educational opportunities in previously under-served areas. The demand for housing is proving particularly difficult to meet; foreign construction firms are participating in the effort, and the pace of new home construction is expected to increase steadily during 1997 and 1998.

South Africa's culturally diverse society has not yet negotiated acceptable compromises for dealing with controversial aspects of individual behavior, such as women's rights to abortion or contraceptive use and behavior related to the spread of acquired immune deficiency syndrome (AIDS). ANC legislators successfully voted to liberalize public policy in many areas, most notably concerning abortion, despite strong opposition from some Christian and Muslim groups. The campaign against AIDS continues to be mired in political debate, funding controversies, and personal acrimony, as of 1997.

Violence, both political and criminal, continues to plague the country. The newly organized South African Police Service has not yet eliminated the corruption and racial biases that characterized some segments of the police force during the apartheid era. The continuing violence and political uncertainty contributed to a steady decline in the value of the rand in late 1996 and early 1997. Levels of foreign investment have lagged behind that needed for economic growth, and the government is offering incentives to increase foreign participation in South Africa's business and manufacturing sectors. The 1996 document describes investment incentives and steps toward restructuring the tax base to help stimulate new growth without substantially increasing public spending. It also outlines further steps toward the lifting of import tariffs and exchange controls to expand foreign trade.

As of April 1997, the most likely successor to President Mandela appears to be deputy president Thabo Mbeki; Mandela signaled his approval of this choice several times in the past year. A respected ANC diplomat and trained economist, Mbeki is expected to press for fiscal responsibility. Private-sector development, already a high priority, is likely to receive even greater emphasis in the early twenty-first century. At the same time, any new government will face the challenge of narrowing the gap between rich and poor, which will be crucial to furthering the goals of peace and reconciliation. Any new government also will face obstacles created by political extremists and economic opportunists hoping to reap their own gains in the new, post-apartheid South Africa.

2. India

HISTORICAL INTRODUCTION

INDIA IS A LAND of ancient civilization, with cities and villages, cultivated fields, and great works of art dating back 4,000 years. India's high population density and variety of social, economic, and cultural configurations are the products of a long process of regional expansion. In the last decade of the twentieth century, such expansion has led to the rapid erosion of India's forest and wilderness areas in the face of ever-increasing demands for resources and gigantic population pressures--India's population is projected to exceed 1 billion by the twenty-first century.

Such problems are a relatively recent phenomenon. Rhinoceros inhabited the North Indian plains as late as the sixteenth century. Historical records and literature of earlier periods reveal the motif of the forest everywhere. Stories of merchant caravans typically included travel through long stretches of jungle inhabited by wild beasts and strange people; royal adventures usually included a hunting expedition and meetings with unusual beings. In the *Mahabharata* and the *Ramayana*, early epics that reflect life in India before 1000 B.C. and 500 B.C., respectively⁵, the forest begins at the edge of the city, and the heroes regularly spend periods of exile wandering far from civilization before returning to rid the world of evil. The formulaic rituals of the Vedas also reflect attempts to create a regulated, geometric space from the raw products of nature.

The country's past serves as a reminder that India today, with its overcrowding and scramble for material gain, its poverty and outstanding intellectual accomplishments, is a society in constant change. Human beings, mostly humble folk, have within a period of 200 generations turned the wilderness into one of the most complicated societies in the world. The process began in the northwest in the third millennium B.C., with the Indus Valley, or Harappan, civilization, when an agricultural economy gave rise to extensive urbanization and long-distance trade. The second stage occurred during the first millennium B.C., when the Ganga-Yamuna river basin and several southern river deltas

experienced extensive agricultural expansion and population growth, leading to the rebirth of cities, trade, and a sophisticated urban culture.

By the seventh century A.D., a dozen core regions based on access to irrigation-supported kingdoms became tied to a pan-Indian cultural tradition and participated in increasing cross-cultural ties with other parts of Asia and the Middle East. India's inclusion within a global trading economy after the thirteenth century culminated in the arrival of Portuguese explorers, traders, and missionaries, beginning in 1498. Although there were ebbs and flows in the pattern, the overall tendency was for peasant cultivators and their overlords to expand agriculture and animal husbandry into new ecological zones, and to push hunting and gathering societies farther into the hills.

By the twentieth century, most such tribal groups, although constituting a substantial minority within India, lived in restricted areas under severe pressure from the caste-based agricultural and trading societies pressing from the plains. Because this evolution took place over more than forty centuries and encompassed a wide range of ecological niches and peoples, the resulting social pattern is extremely complicated and alters constantly.

India had its share of conquerors who moved in from the northwest and overran the north or central parts of the country. These migrations began with the Aryan peoples of the second millennium B.C. and culminated in the unification of the entire country for the first time in the seventeenth century under the Mughals. Mostly these conquerors were nomadic or semi nomadic people who adopted or expanded the agricultural economy and contributed new cultural forms or religions, such as Islam.

The Europeans, primarily the English, arrived in force in the early seventeenth century and by the eighteenth century had made a profound impact on India. India was forced, for the first time, into a subordinate role within a world system based on industrial production rather than agriculture. Many of the

⁵ Reference www.indconjoburg.co.za/

dynamic craft or cottage industries that had long attracted foreigners to India suffered extensively under competition with new modes of mass production fostered by the British. Modern institutions, such as universities, and technologies, such as railroads and mass communication, broke with Indian intellectual traditions and served British, rather than Indian, economic interests. A country that in the eighteenth century was a magnet for trade was, by the twentieth century, an underdeveloped and overpopulated land groaning under alien domination. Even at the end of the twentieth century, with the period of colonialism well in the past, Indians remain sensitive to foreign domination and are determined to prevent the country from coming under such domination again.

Through India's long history, religion has been the carrier and preserver of culture. One distinctive aspect of the evolution of civilization in India has been the importance of hereditary priesthoods, often Brahmans, who have functioned as intellectual elites. The heritage preserved by these groups had its origin in the Vedas and allied bodies of literature in the Sanskrit language, which evolved in North India during the second millennium B.C. This tradition always accepted a wide range of paths to ultimate truth, and thus encompassed numerous rituals and forms of divinity within a polytheistic system. Generally, Brahmans supported the phenomenon known as Sanskritization, or the inclusion of local or regional traditions within Sanskrit literary models and pan-Indian cultural motifs. In this way, there has been a steady spread of North Indian cultural and linguistic forms throughout the country. This process has not gone unopposed. Siddhartha Gautama (the Buddha) and Mahavira (founder of Jainism) in the fifth century B.C. represented alternative methods for truth-seekers; they renounced the importance of priesthoods in favor of monastic orders without reference to birth. The largest challenge came from Islam, which rests on Arabic rather than Sanskritic cultural traditions, and has served, especially since the eleventh century, as an important alternative religious path. The interaction of Brahmanical religious forms with local variations and with separate religions creates another level of complexity in Indian social life.

Closely allied with religious belief, and deeply rooted in history, caste remains an important feature of Indian society. Caste in many Indian languages is *jati*, or birth--a system of classifying and separating people from birth within thousands of different groups labeled by occupation, ritual status, social etiquette, and language. Scholars have long debated the origins of this system, and have suggested as the origin religious concepts of reincarnation, the incorporation of many ethnic groups within agricultural systems over the millennia, or occupational stratification within emerging class societies. What is certain is that nineteenth-century British administrators, in their drive to classify and regulate the many social groups they encountered in everyday administration, established lists or schedules of different caste groups. At that time, it seemed that the rules against intermarriage and interdining that defined caste boundaries tended to freeze these groups within unchanging little societies, a view that fit well with imperialistic models imposed on India as a whole. Experience during the twentieth century has demonstrated that the caste system is capable of radical change and adaptation.

Modernization and urbanization have led to a decline in the outward display of caste exclusiveness, so that issues of caste may never emerge directly on public transit or in the workplace. Entire castes have changed their status, claiming higher positions as they shed their traditional occupations or accumulate money and power. In many villages, however, the segregation of castes by neighborhood and through daily behavior still exists at the end of the twentieth century. In the cities, segregation takes more subtle forms, emerging directly at times of marriage but existing more often as an undercurrent of discrimination in educational opportunities, hiring, and promotion. The British schedules of different castes, especially those of very low or Untouchable (Dalits) groups, later became the basis for affirmative-action programs in independent India that allowed some members of the most oppressed caste groups access to good education and high-paying jobs. The reservation of positions for Backward Classes has remained a sore point with higher-ranked groups and has contributed to numerous political confrontations. Meanwhile, attempts by low-ranking (and desperately poor) castes to organize and agitate against

discrimination have been met with violence in most Indian states and territories. Caste, therefore, is a very live issue.

Religious, caste, and regional diversity exist in India against a background of poverty. At independence in 1947, the British left India in terrible condition. The country emerged from World War II with a rudimentary scientific and industrial base and a rapidly expanding population that lived primarily in villages and was divided by gross inequalities in status and wealth. Under the leadership of Jawaharlal Nehru, India's first Prime Minister (1947-64), India addressed its economic crisis through a combination of socialist planning and free enterprise. During the 1950s and 1960s, large government investments made India as a whole into one of the most industrialized nations in the world. Considerable expenditure on irrigation facilities and fertilizer plants, combined with the introduction of high-yield variety seeds in the 1960s, allowed the Green Revolution to banish famine. The abolition of princely states and large land holdings, combined with (mostly ineffective) land redistribution schemes, also eliminated some of the most glaring inequalities in the countryside and in some areas, such as Punjab, stimulated the growth of middle-sized entrepreneurial farms. Building on the education system bequeathed by the British, India established an infrastructure of universities, basic research institutes, and applied research facilities that trained one of the world's largest scientific and technical establishments.

The socialist model of development remained dominant in India through the 1970s, under the leadership of Prime Minister Indira Gandhi, Nehru's daughter. Government-owned firms controlled iron and steel, mining, electronics, cement, chemicals, and other major industries. Telecommunications media, railroads, and eventually the banking industry were nationalized. Import-substitution policies, designed to encourage Indian firms and push out multinational corporations, included strict and time-consuming procedures for obtaining licenses and laws that prohibited firms from operating in India without majority ownership by Indian citizens or corporations. These rules were instrumental, for example, in driving IBM from India in the 1970s, leading to the growth of an indigenous Indian computer industry. By the late 1980s, however, after Mrs.

Gandhi's 1984 assassination, the disadvantages of the centrally planned economy began to outweigh its benefits. Inefficiency in public-sector firms, lack of entrepreneurial innovation, excessive bureaucracy, and the inability of the Indian scientific and technical apparatus to transfer technology to marketable goods kept many Indian firms from being competitive in international markets.

Indian-style socialism was probably necessary in the years after independence to protect the nation from foreign economic domination, but its biggest problem was that it did not eliminate poverty. The vast majority of India's population continued to live in small agricultural villages with few public amenities. A significant minority of the population in the 1990s live below the Indian definition of the poverty line, surviving at subsistence level, unemployed or underemployed, with little education or opportunity for training, and suffering from a variety of curable health problems. There are also some 200 million people who live above the official poverty line, but whose lives remain precariously balanced on the border of destitution. The per capita income of India as a whole remains among the lowest in the world. One of the biggest issues facing India as its economy has changed direction is that free-market capitalism offers little help for this large mass of people, who lack the skills or opportunity to participate in the new economy.

The big social story of India in the 1980s and the 1990s is the emergence of the middle class. This group includes members of prosperous farming families, as well as the primarily urban-based professional, administrative and business elites who benefited from forty years of government protection and training. By the mid-1990s, the drive toward modernization had transformed 26.1 percent of the country into urban areas, where, amid masses of impoverished citizens, a sizable class of consumers has arisen. The members of this increasingly vocal middle class chafe under the older regulated economy and demand a loosening of economic controls to make consumer goods available on the free market. They want education for their children that prepare them for technical and professional careers, increasingly in the private sector instead of the traditional sinecures in government offices. They build their well-appointed brick houses

in exclusive suburban neighborhoods or surround their lots with high walls amid urban squalor, driving their scooters or automobiles to work while their children attend private schools.

The result of these processes over the course of fifty years is a dynamic, modernizing India with major class cleavages. The upper 1 or 2 percent of the population includes some of the wealthiest people in the world, who can be seen at the racetrack in the latest fashions from Paris or Tokyo, who travel abroad to attend the most exclusive English-language schools within India and abroad. For the middle class, which makes up between 15 and 25 percent of the population, the end of the twentieth century is a time of relative prosperity: incomes generally keep pace with inflation and jobs may still be obtained through family connections. The increase in consumer goods, such as washing machines and electric kitchen appliances, makes life easier and reduces dependence on lower class (and low-caste) servants. For the industrial working class, the 1990s are a period of transition as dynamic new industries grow, mostly in the private sector, while many large government-sponsored plants are in jeopardy. The trade union movement, closely connected in some states with communist parties, finds itself under considerable pressure during a period of structural change in the economy. For large numbers of peasants and dwellers in urban slums, a way out of poverty remains as elusive as it had seemed for their grandparents at independence.

The political system responsible for these gigantic successes and failures has been democratic; India has called itself "the world's largest democracy." Paradoxically, it was the autocratic rule of the British that gave birth to the rule of the people. Democratization started when a group of concerned British citizens in India and well-to-do Indian professionals gathered in Bombay in 1885 to form a political debating society, the Indian National Congress. Originally conceived as a lobbying group, the Congress after 1900 became radicalized and took the forefront in a drive for home rule that encompassed elected assemblies and parliamentary procedure. In the face of British intransigence, the Congress soon became the leading organization within a broad-based freedom struggle that finally forced the British out in 1947.

Mohandas Gandhi was a central figure in this struggle because he was able to turn the Congress from an elite pressure group into a mass movement that mobilized hundreds of millions of people against the immorality of a foreign, non democratic system.

Gandhi perfected nonviolent techniques for general strikes and civil disobedience, and coordinated demonstrations with mass publicity; the techniques that he popularized have played a part in later Indian and world politics (including the United States civil rights movement). He evolved a philosophy of political involvement as sacrifice for the good of the world and played the role of a holy man who was also a cagey politician--an image that remained important for Indian political figures after independence.

In a move to undercut British industrial superiority, Gandhi encouraged a return to a communal, rustic life and village handicrafts as the most humane way of life. Finally, he railed against the segregation of the caste system and religious bigotry that reduced large minorities within India to second-class citizenship. Gandhi was thus able to unite European humanistic and democratic ideas with Indian concepts of an interdependent, responsible community to create a unique political philosophy complete with action plan. In the last years before his assassination in 1948, Gandhi's idiosyncratic program fell out of step with the modernization paradigm of Nehru and the leadership of an independent India, and his ideas became a background theme within Indian political economy. On a regular basis, however, Indian leaders continue to hearken back to his message and employ his organizational and media tactics on the independent Indian political scene.

The Congress remained the most important political organization in India after independence. Except for brief periods in the late 1970s and late 1980s and until the mid-1990s, the Congress always controlled Parliament and chose the Prime Minister. The political dynasty of Jawaharlal Nehru (1947-64), his daughter Indira Gandhi (1965-77, 1980-84), and her son Rajiv Gandhi (1984-89) was crucial in keeping the Congress in power and also providing continuity in leadership for the country. The party was able to appeal to a wide segment of

the poor (including low castes and Muslims) through its ideology of social equality and welfare programs, while appealing to the more prosperous voters--usually from upper castes--by preserving private property and supporting village community leadership. Because it stayed in power so long, the Congress was able to dispense government benefits to a wide range of constituencies, which prompted charges of corruption and led to Congress reversals in the late 1980s. Because it affected a type of socialist policy, the Congress diffused or incorporated left-wing political rhetoric and prevented the growth of a communist-led insurrection that might have been expected under the difficult social conditions existing in India.

Although a vibrant communist movement remains a force in Indian politics, it manifests itself at the state level of government rather than in national political power or large-scale revolutionary turmoil. Challenges from the right were small as well until the early 1990s, when the Bharatiya Janata Party (BJP--Indian People's Party) emerged as a serious contender for national leadership. The BJP advocated a blend of Hindu nationalism that inserted religious issues into the heart of national political debates, unlike the secular ideology that officially dominated Indian political thought after independence. In the early 1990s, however, the Congress, after having entered its second century of dominance over the Indian political landscape, continued to hold on to power with a middle-of-the-road message and smaller majorities.

The federal structure of India, embodied in the constitution of 1951, attempts to strike a balance between a strong central government and the autonomous governments of the nation-sized states, each with a distinct culture and deep historical roots that make up the union. A formidable array of powers at the center makes it possible for the central government to intervene in state issues. These powers include control over the military, the presence of an appointed governor to monitor affairs within each state, and the ability of the president to suspend state-level legislatures in times of internal disorder and declare direct President's Rule. In theory, these powers should come into play rarely because the regular administration of the states resides with elected assemblies and chief ministers appointed through parliamentary procedures. State governments have

extensive powers over almost all of their internal affairs. The framers of the national constitution constructed a series of checks and balances among the legislative, executive, and judicial branches at the center, and between the center and the states, designed to provide national security while allowing a maximum of state autonomy within the diversified union.

The Indian political system has proven to be flexible and durable, but major internal conflicts have threatened the constitution. In practice, the elected office of the nation's president has gravitated toward the formal and ritual aspects of executive power, while the office of the Prime Minister, backed up by a majority in Parliament. The national Parliament has not developed an independent committee structure and critical tradition that could stand against the force of the executive branch. The judiciary, while remaining independent and at times crucial in determining national policy, has stayed in the background and is subject to future change through constitutional amendments. The constitution itself has been subject to numerous amendments since its adoption in 1950. By August 1996, the constitution had been amended eighty times.

National politics have become contests to set up the appointment of the Prime Minister, who then has considerable power to interfere directly or through a cooperative president in all aspects of national life. The most drastic example of this power occurred in 1975, when Indira Gandhi implemented the constitutional provision for a declaration of Emergency, suspending civil rights for eighteen months, using Parliament as a tool for eliminating opposition, and ruling with the aid of a small circle of advisers. The more common form of executive interference has been the suspension of state legislatures under a variety of pretexts and the implementation of President's Rule. This typically has occurred when opposition parties have captured state legislatures and set in motion policies unfavorable to the Prime Minister's party. After Indira Gandhi's assassination in 1984, her successors engaged in such overt acts of interference less often.

The main opposition to the national executive comes from the states, in a variety of legal and extralegal struggles for regional autonomy. Most of the states have developed specific political identities based on forms of ethnicity that claim a long historical past. The most common identifying characteristic is language. Agitation in what became the state of Andhra Pradesh led the way in the 1950s, resulting in the reorganization of state boundaries along linguistic lines. Agitations in the state of Tamil Nadu in the 1960s resulted in domination of the state by parties dedicated officially to Tamil nationalism.

In the northeast, regional struggles have coalesced around tribal identities, leading to the formation of a number of small states based on dominant tribal groupings. Farther south, in Kerala and West Bengal, communist parties have upheld the banner of regionalism by capturing state assemblies and implementing radical socialist programs against the wishes of the central government.

The regional movements most threatening to national integration have occurred in the northwest. The state of Punjab was divided by the Indian government twice after independence--Haryana and Himachal Pradesh were sliced off--before it achieved a Sikh majority population in what remained of Punjab. That majority allowed the Sikh-led Akali Dal (Eternal Party) to capture the state assembly in the early 1980s. By then radical separatist elements were determined to fight for an independent Sikh Punjab. The result was an army attack on Sikh militants occupying the Golden Temple in Amritsar, Indira Gandhi's assassination by her Sikh bodyguards, both in 1984, and a ten-year internal security struggle that has killed thousands. In India's state of Jammu and Kashmir (often referred to as Kashmir), where Muslims constitute the majority of the population, regional struggle takes a different religious form and has created intense security problems that keep bilateral relations with Pakistan, which also lays claim to Kashmir, in a tense mode.

The central government usually has been able to defuse regional agitations by agreeing to redefinition of state boundaries or by guaranteeing differing degrees of regional autonomy, including acquiescence in the control of the state

government by regional political parties. This strategy defused the original linguistic agitations through the 1970s, and led to the resolution of the destructive political and ethnic crises in Assam in the mid-1980s. When national security interests came into play, however, as in Punjab and Jammu and Kashmir, the central government did not hesitate to use force.

In the mid-1990s, India remains a strong unified nation, with a long history of constitutional government and democracy, but at any moment there are half a dozen regional political agitations underway. A dozen guerrilla movement in different parts of the country advocating various types of official recognition or outright independence based on ethnic affiliation. The unity of the country as a whole has never been seriously threatened by these movements because the benefits of union within India have outweighed the advantages of independence for most people within each state. There have always been moderate elements within the states willing to make deals with the central government, and security forces have proven capable of repressing any armed struggle at the regional level.

One of the most serious challenges to India's internal security and democratic traditions has come from so-called communal disorders, or riots, based on ethnic cleavages. The most typical form is a religious riot, mostly between Hindus and Muslims, although some of these disturbances also occur between different castes or linguistic groups. Most of these struggles start with neighborhood squabbles of little significance, but rapidly escalate into mob looting and burning, street fighting and violent intervention by the police or paramilitary forces.

Religious ideology has played only a small part in these events. Instead, the pressures of urban life in overcrowded, poorer neighborhoods, combined with competition for limited economic opportunities, create an environment in which ethnic differences become convenient labels for defining enemies, and criminal behavior becomes commonplace. Whether ignited by a street accident or a major political event, passions in these areas may be directed into mob action.

The internal conflict between Hindus and Muslims has received some of its stimulus since 1947 from the international conflict between India and Pakistan. One of the great tragedies of the freedom struggle was the relentless polarization of opinion between the Congress, which came to represent mostly Hindus, and the All-India Muslim League, which eventually stood behind a demand for a separate homeland for a Muslim majority. This division, encouraged under British rule by provisions for separate electorates for Muslims, led to the partition of Pakistan from India and the outbreak of hostilities over Kashmir. Warfare between India and Pakistan occurred in 1947, 1965, and 1971; the last conflict led to the independence of Bangladesh (formerly East Pakistan) and a major strategic victory by India.

Nehru and the early leadership of independent India had envisioned a nation at peace with the rest of the world, in keeping with Gandhian ideals and socialist goals. Under Nehru's guidance, India distanced itself from Cold War politics and played a major part in the Nonaligned Movement. India's strategic position changed after China defeated the Indian army in the border war of 1962 and war with Pakistan occurred in 1965. During this period, the situation became more precarious because India had opponents on two fronts. In addition, Pakistan began to receive substantial amounts of military assistance from the United States. Under these circumstances, India began to move closer to the Soviet Union, purchasing outright large amounts of military hardware or making agreements to produce it indigenously.

The Indian strategic position changed dramatically in the early 1990s. The end of the Cold War, and then the disintegration of the Soviet Union itself, deprived India of a great ally but also put a stop to many of the worldwide tensions that had relentlessly pulled India into global alignments. When the United States cut off military aid to Pakistan in 1990, it defused one of the most intractable barriers to good relations with India. Then, in 1992, the Persian Gulf War against Iraq brought India grudgingly into an alignment with both Pakistan and the United States, a connection strengthened in 1994 when troops from all three nations cooperated in Somalia under the aegis of the United Nations.

India is a complex geographic, historical, religious, social, economic, and political entity. India is one of the oldest human civilizations and yet displays no cultural features common to all its members. It is one of the richest nations in history, but most of its people are among the poorest in the world. Its ideology rests on some of the most sublime concepts of humanism and nonviolence, but deep-seated discrimination and violent responses are daily news. It has one of the world's most stable political structures, but that structure is constantly in crisis. The nation is seeking a type of great power status, but no one is sure what that involves. India, in the end, defies easy analysis.

3. Brazil

HISTORICAL INTRODUCTION

More like a continent than a country, the Federative Republic of Brazil (República Federativa do Brasil) is geographically larger than the conterminous United States. It is the world's fifth largest nation in physical size, exceeded only by Russia, China, the United States, and Canada. By far the largest country in Latin America, Brazil occupies nearly half the land mass of South America and borders every South American country except Chile and Ecuador. With 90 percent of its territory lying between the equator and the Tropic of Capricorn, Brazil is the world's largest tropical country. The Amazon Region has the world's largest river system; the Amazon is the source of 20 percent of the world's fresh water.

Brazil's history prior to becoming an independent country in 1822 is intertwined mainly with that of Portugal. Unlike the other viceroyalties of Latin America, which divided into twenty countries upon attaining independence, the Viceroyalty of Brazil became a single nation, with a single language transcending all diversities and regionalisms. Brazil is the only Portuguese-speaking Latin American country, and its Luso-Brazilian culture differs in subtle ways from the Hispanic heritage of most of its neighbors. During the late nineteenth and early twentieth centuries, millions of Italians, Germans, Arabs, Japanese, and other immigrants entered Brazil and in various ways altered the

dominant social system. Their descendants, however, are nearly all Portuguese-speaking Brazilians.

Except for a small indigenous Indian population, Brazilians are one people, with a single culture. Anthropologist Darcy Ribeiro attributes a "national ethnicity" to Brazil's melting pot, disparate population, which has created a society that "knows itself, feels, and behaves as a single people." Unifying forces that have strengthened Brazilians' sense of national self-identity include the nation's multiracial society and its various religions; Brazilian Portuguese, music, and dance, particularly the samba and, more recently, Brazilian funk, a wildly popular version of the musical genres known in the United States as rap and hip-hop; the national soccer team, which won the World Cup championship for the fourth time in 1994. Brazilian social scientists have used the concept of *homem cordial* (cordial man) to describe the Brazilian archetype. Brazilians are generally a friendly, warm, and spontaneous people.

With an estimated 161 million people in early 1998, Brazil is the world's largest Roman Catholic nation, and its population is the world's sixth largest. By 2000 Brazil will have an estimated 169 million people. Its population is largely urban; the urbanization rate soared from 47 percent in 1960 to 80 percent in 1996. Even the Amazon region is urbanized; 70 percent of its 18 million people live in cities. The Amazonian city of Manaus, which still lacks a sewerage system other than the river, now has a population of 1.5 million and a highway to Venezuela. Greater São Paulo, with 18.8 million people, is the world's third largest metropolitan area, after Tokyo and Mexico City.

The growth of Rio de Janeiro and São Paulo slowed during the 1980s and early 1990s, along with internal migration. Moreover, Brazil's demographic growth rate fell from about 3 percent a year in the 1960s to only an estimated 1.22 percent in 1995, even without the adoption of an official population-control program. During this three-decade period, Brazilian fertility rates decreased from 6.4 to about 2.3 children for each woman. The country's new demographic profile shows a generally young population; nearly 50 percent of Brazilians are younger than age twenty.

Brazil has enormous technological know-how and industrial capabilities. "Our people⁶ are known throughout the world for their creativity, their ability to learn, to adapt to new circumstances, and to incorporate technical innovation on a daily basis." Brazil is the most highly industrialized country in Latin America. Its huge industrial base includes steel, automobiles, military aircraft (including the AMX jet fighter), tanks, hydroelectric power, and a nuclear power program. Its industrial base is so developed that the country exports high-technology aviation components, such as aircraft engines and helicopter landing-gear systems. Brazil's Alberto Santos Dumont after all was the "father of aviation." Brazil will construct a small part of the international space station. Major manufactured products include motor vehicles, aircraft (including the internationally popular EMB-120 Brasília commuter turboprop and EMB-145 regional jetliner), helicopters (Brazil has the world's seventh largest helicopter fleet), electrical and electronic appliances, textiles, garments, and footwear. Since lifting its ban on computer imports in October 1992, Brazil has become the world's fastest-growing computer market and a major producer of computer software. Brazil possesses enormous natural resources, including the world's largest rain forest. The country contains two-thirds of the endangered Amazon rain forest, a region representing 60 percent of the national territory. Sixty-six percent of Brazil's territory is still covered by forest. The Amazon rain forest and Pantanal (Great Wetlands) of Mato Grosso are two of the largest wildlife reserves on earth. The Amazon region is home to half of the earth's species and almost one-third of the world's 250 primates. Researchers in Brazil have identified a new primate species in Brazil six times in six years, including 1996. The Pantanal, the world's largest freshwater wetland (larger than the state of Florida), contains flora and fauna that cannot be found anywhere else in the world, including eighty kinds of mammals, 230 varieties of fish, 650 species of birds, and 1,100 types of butterflies.

The country's vast river systems serve not only as a transportation network but also as an energy source. Brazil's hydroelectric plants provide 94 percent of the

⁶ As President Fernando Henrique Cardoso explained to the *Wall Street Journal* in May 1997.

country's electricity. Brazil is also the world's largest producer of bananas, coffee, and orange juice. It has the world's largest iron mine and vast stores of precious minerals. It is the world's largest exporter of iron and a major exporter of steel.

In 1995 Brazil was ranked third, after China and Mexico, for planned investments by American multinational companies. The second largest United States trading partner in the hemisphere in 1995-97, it is first in foreign direct investment from the United States, with US\$41 billion. According to President Cardoso, foreign direct investment in Brazil in 1996 totaled US\$9.4 billion, as compared with US\$3.9 billion in 1995 and was expected to exceed US\$14 billion in 1997. Multinationals based in Brazil remitted US\$4 billion in dividends to their parent corporations during 1995. The energy, mining, petroleum, and telecommunications sectors expect investments of US\$24 billion by the end of the 1990s.

Amid the chaos of inflation, Brazil's private sector had become the most dynamic in Latin America by 1994, with the automobile industry leading the country's economic upturn. Once the symbol of the "economic miracle" period of 1968-74 but declared all but defunct in the 1980s, the automobile sector--aided by tax breaks, an end to the list of banned imports, and the re-launching of the Volkswagen Beetle--was revived in 1990. Brazil's automobile industry, Latin America's biggest industrial complex, overtook Italy and Mexico in 1993 to become the tenth largest producer of cars in the world. Brazil produced 1.58 million cars in 1994 and 1.65 million in 1995, making it the world's ninth largest automotive manufacturer. Helped by a 70 percent tariff on imports by foreign automobile manufacturers, sales totaled about 1.7 million vehicles in 1996 and were expected to reach 2.5 to 3 million cars and trucks by 2000.

The constitution of October 5, 1988, Brazil's eighth, provides for a presidential system with several vestiges of a mixed parliamentary system. Although the

1988 constitution reestablishes many of the prerogatives of the Congress, the president retains considerable "imperial" powers.

The constitution continues the holding of municipal elections two years after presidential elections. Thus, municipal elections were held in 1988, 1992, 1996, 2000 and 2004, while both state and national elections are scheduled for 1998 and 2002. The number of political parties increased from eleven in 1987 to eighteen in 1996, of which eight are significant. Unlike in the United States, where two main parties are national organizations, Brazilian parties are regionally based.

With its modernistic capital of Brasília and its booming economy, Brazil was poised in the early 1970s during the "economic miracle" period (1967-74) to become "the country of the future." On being inaugurated on April 21, 1960, Brasília was referred to as "the city of the twenty-first century" and a "monument to the future." However, the US\$10 billion needed to build and support the Federal District (Distrito Federal) started an inflationary spiral that was not tamed until late 1994. Far removed from the nation's realities, the sterile capital succeeded only in corrupting the political process by creating an enclave of privilege and self-interest. The 1990 census indicated that the wealthiest 10 percent of Brasília's population of about 500,000 residents earned 75 percent more than the top 10 percent in the rest of the country.

Despite its many superlatives, the image of Brazil as a land of immense rain forest, cordiality, samba, political conciliation, and racial harmony has masked the reality of urban violence, chronic political instability and corruption. Environmental depredation, highly unequal income distribution (the worst in the world, according to the World Bank),

Despite its vast natural resources and economic wealth, Brazil has an overwhelmingly poor population. Relatively few Brazilians have benefited from the economy. In a country with some of the world's widest social differences, grinding poverty and misery coexist with great industrial wealth; 20 percent of the population is extremely poor and 1 percent extremely wealthy.

In the mid-1990s, at least one-fifth of the population, or about 32 million people, lived in extreme poverty), making less than US\$100 a month⁷. However, the anti-inflation policies of the government helped pull 13 million Brazilians out of poverty, according to the Applied Economic Research Institute (Instituto de Pesquisa Econômica Aplicada -IPEA), the number of people living below the poverty level dropped 9 percentage points to 21 percent. Thus, poverty in Brazil today is proportionately less, even though it is more visible and shocking, especially in the cities.

The vast substratum of the population lacks adequate housing, employment, education, health care, or any social security. An estimated 10 million Brazilian families are homeless. The government spends only US\$80 per person annually on public health, less than a third of what Argentina spends. Consequently, the health system is struggling to survive; its employees are often overworked and underpaid, and corruption is endemic. In this context, the new law that took effect January 1, 1998, mandating organ donations for transplants unless the person applies for an exemption, sparked fear and outrage.

Brazil stands out for its sharp regional and social disparities. Of Brazil's 39.1 million poor in 1990. The Brazil's regional and social disparities are also reflected in the great inequalities of its education system. Illiteracy is widespread, particularly in the poor states of the Northeast and North. In 1995, according to Ministry of Education statistics, 18 percent of Brazilians over fifteen years of age could not read or write. Brazil will enter the twenty-first century with an estimated illiteracy rate of 16 percent. (Functional illiteracy in Brazil is as high as 60 percent). Half of students nationwide repeat the first grade through a system of routine flunking. It takes an average of 11.4 years for students to complete the first eight years of education, and only 4.5 percent of all students who start school end up enrolling in a university. In 1994 UNICEF rated Brazil's basic education system as being in last place in world ranking, with large rates of nonattendance in poor states. As much as 68 percent of the

⁷ Baumann Renalo: Brazil in the 1990's an economy in transition, Houndmill; palgrave press 2002, pg. no. 104.

electorate, or 65 million people, never finish primary school. In a hopeful development, however, primary education in Brazil is being radically reformed.

Brazil's official statistics on employment, incomes, consumption, and living standards do not provide an accurate portrayal of the real Brazil. The black market enables millions of Brazilians to get by in a country where household appliances, automobiles, compact disks (CDs), restaurant food, and other consumer items cost more than in France, Germany, or the United States. The country's vast informal economy produces from US\$200 billion to US\$300 billion per year, according to figures from the IBGE. Brazil's informal market, consisting of thousands of small to medium-size businesses that neither abide by government regulations nor pay taxes, is three times larger than the Portuguese economy and equal to that of Sweden. The illegal market provides an income for an estimated 30 million Brazilians. According to an early 1997 estimate by the weekly São Paulo newsmagazine *IstoÉ*, about half of the country's workforce is employed in the black market. In São Paulo only 52 percent of the workforce is employed in the formal economy, according to the Inter union Department for Statistics and Socioeconomic Studies (Departamento Intersindical de Estatística e Estudos Sócio-Econômicos--DIEESE). In Rio de Janeiro, one in every four persons works in informal jobs.

Brazil's regional income disparities have produced massive migration to favelas, particularly in Rio de Janeiro and São Paulo. By 1996 the country's poverty had become predominantly urban. The IPEA estimated that 23 million of the 30 million poor live in cities, with 9 million of them in big cities—half of them in Rio de Janeiro and São Paulo. In Rio de Janeiro, which has the largest concentration of poor migrants, 17 percent of the city's metropolitan population, or 1 million people, live in hillside favelas. Although rampant crime and disease remain entrenched in the favelas, steps have been taken to improve the living conditions. For example, Rio de Janeiro has slowed the growth of its favelas by prohibiting new settlements, and more than 300,000 residents have been moved to new homes. São Paulo's huge Cingapura project has been replacing 243 favelas, containing 500,000 people, with low-rise blocks of apartment buildings offering low-interest mortgages.

Brazilian women, although constituting more than half of the population, traditionally have also been marginalized in politics. Only 868 women out of 12,800 candidates ran in the 1994 general elections. Only six of eighty-one senators and only thirty-four of 513 deputies are women. Only 171 of 4,973 mayors are women, and just 3.5 percent of 55,000 city council members nationwide are women. However, as a result of a 1995 quota law that requires at least 20 percent of the candidates of each political party to be women, an estimated 75,000 women participated in the October 3, 1996, election for mayors and members of city councils. According to Professor Fleischer, for the first time, two state capitals--Maceió and Natal--had exclusively female runoffs, and three other capitals had a woman in the runoff. He also noted that about 100,000 women ran for city council in 1996, as compared with only 869 in 1992.

In the countryside, land concentration, landlessness, homelessness, and joblessness are major issues. At least 500,000 rural jobs have been lost since the government formally ended its traditional protection of Brazilian-made goods in 1990. In the early 1990s, just under 2 percent of farms occupied 54 percent of arable land, while 15 million compensations worked farms with fewer than 10 hectares of land. Of Brazil's 3 million rural properties, only 58,000 account for about half the farmland. Moreover, about 42 percent of all privately owned land in Brazil lies idle.

The huge, widening gap between Brazil's great potential and the reality of the large, poverty-stricken majority of its population has inspired national cynicism about the country's once-vaunted identification of its destiny with *grandeza*. During 1992-94 Brazilians reportedly were beset with self-doubt, disillusionment, and frustration at their country's lack of progress and were concerned that their grand future would never arrive. "Brazil is the country of the future--and always will be" has been a familiar Brazilian aphorism since the early 1960s.

Beginning with the economic crisis of the 1980s, many Brazilians, including scientists, already had given up on the Brazilian dream and moved abroad. In the second half of the 1980s, for the first time in the country's history, more people emigrated from Brazil than immigrated to the country; many moved to Canada and the United States (Brazilian migrants to the latter totaled an estimated 332,000 by 1994). An estimated 1 million Brazilians were living overseas by 1993.

Entering the 1990s with GDP per capita income no higher than it was in 1980 and monthly inflation raging at an unprecedented 30 percent. Brazilians dream to make the country a developed world power through free-market policies that would bring inflation under control, create high economic growth, and attract foreign investment.

The opening of the telecommunications sector to foreign private investment capital actually will not become effective until the next government takes office in 1999. Under the Cardoso government's proposed new regulations, as approved by the Chamber of Deputies in May 1996, foreign private companies would be permitted to purchase up to 49 percent in voting shares of state-owned telecommunications companies. Thus, new international joint ventures are changing the face of Brazil's long-introverted business world. The government receives US\$25 billion to US\$30 billion from the privatization of telecommunications in 1997-99.

The telephone business is one of the largest Brazilian industries to be opened to foreign investors. In April 1997, in a move that was a precursor to the planned privatization in 1998 of the state-controlled telephone holding company, Brazilian Telecommunications, Inc. (Telecomunicações Brasileiras S.A.--Telebrás), which could establish Brazil as a major destination for foreign investment.

With its large and quite diversified economy, Brazil still has the potential to regain its former dynamism, despite the economy's considerable structural and short-term problems. According to some economists, radical fiscal reforms are

crucial to the consolidation of Brazilian economic stability and to lay the groundwork for self-sustained economic growth. The goals of these reforms are to redefine the scope of the Brazilian nation, its functional profile, and the extent of interaction with the private sector. Reducing the unsustainable disparities in income distribution is considered to be an essential component of overdue structural reforms. However, political factors have slowed the Cardoso administration's progress on vital structural reform.

For much of 1997, Brazil continued to enjoy its greatest stability in three decades, with foreign reserves totaling US\$57.5 billion by May. However, the growing trade deficit, which reached US\$10.93 billion in 1997, had become a top concern of the government. In 1997 the current account deficit rose to US\$32.3 billion. Of the main Latin American economies, only Brazil in 1997 had a fiscal deficit as high as 3.4 percent of its GDP.

Forced to choose between lower economic growth (estimated to be 3.2 percent in 1997) and a quick currency devaluation, which might aggravate inflation, Brazil's economic policy makers chose the former. In early November 1997, President Cardoso staved off financial speculators, who tried to force Brazil to devalue the *real*, by quickly raising interest rates and propping up the *real* with billions of dollars in reserves.

Brazil's priority in 1995-97 was to consolidate Mercosul (Common Market of the South) among Argentina, Brazil, Paraguay, and Uruguay. In the four years before Mercosul took effect on January 1, 1995, regional trade almost tripled, reaching US\$10 billion by the end of 1994, as compared with only US\$3.6 billion in trade among the four full member countries in 1990. Exports to Mercosul countries accounted for 15 percent of Brazil's total in 1995, as compared with 13 percent in 1994. Mean tariff rates were cut back from 32.2 percent in 1990 to 14.0 percent in 1994, while at the same time the tariff ceiling was brought down from 105 percent to 40 percent. Trade between Brazil and Argentina in 1995 was US\$10 billion, amounting to 80 percent of all trade within Mercosul and making Argentina Brazil's second largest trading partner, after the United States.

In the first half of the 1990s, Brazil's national security interests were reshaped not only by the new, post-regime civil-military relationship, but also by Brazil's greatly improved integration with Argentina and other South American countries through various security accords and a regional trade agreement, Mercosul. One of the Collor administration's most important national security actions aimed at the Brazilian Armed Forces (Forças Armadas Brasileiras) was to expose the military's secret nuclear bomb program, the so-called Parallel Program (Programa Paralelo), and bring it under civilian oversight and international monitoring. On December 13, 1991, Brazil reached a nuclear cooperation accord with Argentina, thereby accepting International Atomic Energy Agency (IAEA) safeguards.

In the second half of the 1990s, Brazil, strengthened by Mercosul, is evolving into a major intermediate regional power. Under Cardoso, Brazil has sought a more active international role, both in the UN and in bilateral relations. Traditionally, Brazil has played a leading role in collective security efforts and economic cooperation in the Western Hemisphere. For example, in early 1995 Brazil negotiated a cessation of border fighting between Ecuador and Peru. Cardoso believes that Brazil's international influence will be shaped by the extent to which regional cooperation in Latin America and the Caribbean, particularly the South Atlantic is strengthened.

In other national security areas, the Brazilian Armed Forces have been seeking a new role in the 1990s in the absence of any external threat to national security. They no longer have their two traditional "enemies": Argentina and communism. Since ending their regime in March 1985, the armed forces have continued to assert themselves politically under civilian rule. Their political influence, however, has diminished under the 1988 constitution, which places them under presidential authority, while the policy-making influence of the presidency, Congress, and civilian ministries has grown. In the absence of a defined security policy and a common project, the armed forces have been mired in bureaucratic rivalry.

Brazil's defense budget in 1997 totaled US\$12 billion. The IBGE reported that investment in the armed forces as a percentage of the government budget declined sharply from 9.03 percent in 1985 to 1.70 percent in 1995. Not only is Brazil spending proportionately little on the military, some critics have argued, but the money is being spent badly and is being used to maintain an archaic and top-heavy bureaucracy. In the early 1990s, the army proportionately had more generals (164, of whom 141 were on active duty) than the United States Army. Critics have also singled out as "wasteful" the funds spent for the construction of a nuclear submarine, scheduled to be launched by 2007 at a cost of US\$2.2 billion.

Brazil's 160 million inhabitants and rich resources make it a country of tremendous potential. Realization of Brazil's potential, however, will depend on implementation of the needed administrative, social, and tax reforms. According to a 1997 study by the University of São Paulo, their passage would result in annual GDP growth of 7 percent. By late 1997, little real progress had been made in the areas of health, education, homelessness, land squatting by rural peasants, transportation, and so forth. Nevertheless, Cardoso's *Plano Real* has aided the poor more than any other social class, raising their standards of living and their spirits by giving them greater purchasing power (as well as debts) and a sense of upward mobility. Although Brazil, with annual inflation of 7.2 percent in 1997, is clearly on a steadier course than it was in the first half of the 1990s, the country still has a long way to go in reversing the ever-widening socioeconomic inequities between rich and poor. Many regard Cardoso as the last, best hope for Brazil (at least in this century) to take the actions needed to get the country to realize its enormous potential and its destiny in the twenty-first century.

2.2 POLITICAL ASPECT

1. South Africa's Political Relations with India

The enduring historical linkages between India and the African continent is witnessed in the deep economic, social, cultural and sporting ties that exist between India and African countries. India has been a trusted and reliable partner of Africa and continues to be so.

Mahatma Gandhi who forged a special link between India and South Africa, having suffered the indignity of colonial oppression and racism on South African soil, he evolved the liberation philosophy of Ahimsa and Satyagraha. Which became cornerstones in the freedom struggles of both India and South Africa. In so doing the Mahatma brought the dream of freedom and gift of hope to so many millions of the poor, the colonised and the oppressed⁸. As looking back with pride to the decades of creative partnership between India and countries born of struggles. The past decade of a special relationship born of freedom, we must commit ourselves to journey together, as the Mahatma did, along that path that leads to a better life for all our people. His philosophy of non-violence and its application to conflict resolution in Africa and elsewhere in the global community is still as relevant today as it has been in the life of Gandhiji – one could even say it is becoming even more relevant today.

It is in this spirit that India's welcome commitment to NEPAD and the aspirations of the African Renaissance, as demonstrated through the Focus Africa programme of India's Ministry of Commerce.

Relations between South Africa and India have been historically solid. Since the establishment of diplomatic relations, former President Nelson Mandela has twice visited India on State Visits. Whilst former Indian Prime Minister Gujral (March 1997) and Vajpayee have also visited South Africa (the latter to attend the NAM Summit in Durban in August 1998 and the Commonwealth Heads of Government Summit in November 1999).

⁸ Reference Ankudh B. Sawant: *India and South Africa, "a fresh start"* Edited in year 1995.

President Thabo Mbeki visited India as Deputy President in 1996 and undertook a successful State Visit in October 2003. The number of South African Ministers paid official visits to India. Which resulted in three important agreements serve as the basis for the relationship between South Africa and India.

- The first was the Agreement on the Inter-Governmental Joint Commission for Political, Trade, Economic, Cultural, Scientific and Technical Co-operation signed by former President Nelson Mandela and former Prime Minister Narasima Rao in January 1995.
- The second important foundation of the bilateral relationship between India and South Africa is the historic Red Fort Declaration on bilateral partnership, which was signed during former President Nelson Mandela's State Visit to India in March 1997. The partnership is based on a common commitment to economic development, social justice and co-operation for a global order that is marked by peace, security and equity.
- The third is the Delhi Declaration signed during the 2003 State Visit of President Thabo Mbeki, which reaffirms the strategic partnership between the two countries.

Joint Ministerial Commission: South Africa and India have growing bilateral relations under the aegis of the Joint Ministerial Commission (JMC) in the political, communications, economic, education, defence, health, science and technology, housing, arts, culture, agricultural spheres. The last meeting of the JMC took place on 3 and 4 July 2003 in Pretoria. The two sides discussed a wide range of global issues including the future of multilateralism, international economic relations, and the way ahead for the Non-Aligned Movement and South-South Co-operation. India reconfirmed its support for NEPAD and announced the earmarking of a sum of US\$200 million in a combination of grants credits and loans for projects under NEPAD.

India has been in the forefront of the international community in supporting the anti-apartheid struggle in South Africa ever since Mahatma Gandhi started his Satyagraha movement in this country a century ago. India was the first country to sever trade relations with the apartheid Government in 1946, and imposed a complete-diplomatic, commercial, cultural and sports- sanction on South Africa.

India's relations with South Africa were restored after a gap of over four decades, with the opening of a Cultural Centre in Johannesburg in May 1993. Formal diplomatic and consular relations with South Africa were restored in November 1993 during the visit to India of the then South African FM, Pik Botha⁹. A Consulate General was thereafter established in Johannesburg. The Indian High Commission in Pretoria was opened in May 1994, followed by the opening of the Consulate General in Durban in the same month. Since Parliament in South Africa meets in Cape Town, a permanent office of the High Commission was opened there in 1996.

Development of political relations since 1994: Against this background, India-South Africa relations in the post-Apartheid era have developed smoothly. A number of bilateral agreements have been concluded between India and South Africa since the assumption of diplomatic relations in 1993 in diverse areas ranging from defence, culture, science and economic cooperation. The India-South Africa Joint Commission at the level of Foreign Ministers was set up in 1994 to identify areas of mutually beneficial cooperation.

Pact of the high level visit: Five major agreements were signed Since 1994¹⁰

- Extradition Treaty
- Agreement on Mutual Legal Assistance in Criminal Matters
- Cultural Exchange Programme for the years 2004-2006
- Agreement on cooperation in the field of power
- Agreement on cooperation in the field of hydrocarbons

⁹ Reference Ramamurthi, T.G. (ed.): South Africa-India: Partnership in Freedom and Development, New Delhi, Indian Council of Cultural Relations, 1995

NEPAD: India has strongly supported the objectives of New Partnership for Africa's Development. US\$ 200 million have been committed for this purpose for the current year, to be utilized through credit lines, grants etc.

Defence: Defence is a key area of cooperation. A Defence Cooperation Agreement was signed in September 2000 during Raksha Mantri's visit. It has provided the framework for further strengthening cooperation in this sector. The intention is to act beyond simply buying and selling, transcending to joint ventures and R&D and joint marketing in 3rd countries. The third Defence Committee meeting took place in South Africa in December 2003.

Culture: With over a million people of Indian origin in South Africa, one of the largest Indian diaspora abroad, cultural exchanges and cultural diplomacy assume great importance, not just in terms of interaction with this community, but with South Africans across the whole spectrum of population. With the help of ICCR, an intensive programme of cultural exchanges is being promoted throughout South Africa. A major exhibition of Indian Modern Art is being planned for early 2005.

2. South Africa's Political Relations with Brazil

"South Africa and Brazil have more in common than less in common: colonisation, our cultural diversity. and the rich warmth of our peoples" says Themba Sibeko of the Gauteng Film Office. The business relationship between South Africa and Brazil has been warming rapidly since 1995, and since 2000 there have been earnest attempts to create a free trade agreement (FTA) encompassing SACU and Mercosur. Unfortunately the negotiations for the FTA have come to a complete stop. The reasons for this deadlock are varied

The success of the IBSA exchange between South Africa, Brazil and India had a positive impact on diverse sectors such as motoring and mining, but there is also a need to develop investments in the film industry. Joel Zito Araujo, director of

¹⁰ Reference India-Brazil-South Africa (IBSA) Dialogue Forum Trilateral Commission Meeting, New Delhi Agenda for Cooperation and Plan of Action, 05/03/2004, A review Report Published by FICCI

Daughters of the Wind, cautions that the current mindset amongst Brazilian producers is that they should produce mostly with Europe. "We are a very promising cultural industry, al-though it is just starting it will take off in the next ten years"

One of the reasons is that South Africa approached Brazil as very much a similar market to Europe and North America. South attempts to sell goods and services have followed the same approach as they did with Europe, namely by stressing the fact that we have a comparatively cheap labour force and that production costs are substantially lower here than overseas. That failed to move the Brazilians, as their labour and production costs are even lower than South Africa's and they are able to produce the same products we do at much lower costs. In some cases they can produce the same goods at up to 50% less than South Africa. The one big example is the vehicle and vehicle components market, in which Brazil is one of the top 10 manufacturer's world wide. South Africa simply cannot compete against Brazil in the areas where we have traditionally had a competitive advantage, and it has become very clear that South Africa and Brazil are actually competitors in the global market, with the odds very much in favour of Brazil.

However, according to Myburgh, that is no reason not to do business in Brazil, or even to be frightened by it. Brazil imports a lot of high technology and manufactured goods from all over the world, and this is the one area where there are a lot of opportunities for South Africans. In the first 7 months of this year (1997), 18 new South African products have appeared on the list of 100 most exported products to Brazil. These are mainly high technology goods like electronic fuel injectors, heavy duty machinery, integrated circuits and the like, as well as agricultural products like herbicides and fungicides. While it would be ludicrous to try and compete in the vehicle sector, Brazil has a need for these high technology products to improve their productivity and South Africa can supply these at competitive prices.

Other areas where South Africa can market itself effectively in Brazil include tourism and value added services. With the Brazilian currency being so

undervalued at the moment, South Africa can be an attractive holiday destination for Brazilians, who traditionally go to Europe and North America. Also, South Africa should market itself as a country where young Brazilians can come to learn English. Usually affluent young Brazilians go to the United States or England to learn English, but they may just as well come to South Africa. This would be a valuable investment because these young Brazilians are the future champions for South Africa in Brazil.

Cooperation strategies in various economic and political sectors like minerals and energy, environmental affairs, health, agriculture, transport and defence were having lower base than the existing potential. Brazil is South Africa's biggest trading partner in Latin America and exports mostly animal and vegetable oils, tobacco, mineral fuels, organic chemicals, raw hides and skins and leather, ceramic products, machinery and mechanical appliances, electrical machinery and equipment vehicles and parts.

South Africa also exports to Brazil precious stones and metal, anthracite and coal, iron and steel, miscellaneous chemical products, organic chemicals, machinery and mechanical appliances, paper and paperboard in a multimillion rand trade exchange.

South Africa, Brazil and India, under the IBSA Dialogue Forum, are part of a strong lobby calling for reforms in these key global organisations, arguing that the UN as currently structured "is not representative of present-day realities".

3. Political Relations between India and Brazil

India and Brazil established diplomatic relations in April 1948, a few months after the Indian independence. The two biggest developing countries in the tropical area, they have characteristics and challenges that induce the shared perception of the obstacles imposed on them by the international political and economic system. Because both are relevant actors in their respective geographic regions and have global projection, Brazil and India have developed

close positions in multilateral fora on various relevant issues of the international agenda.

Until recently, the strengthening of bilateral relations between the countries had been inhibited by several factors, such as geographical distance and the adoption of an economic model centred on self-reliance, among others. The visit of Prime Minister Indira Gandhi to Brazil in 1968 and reciprocal ministerial visits, including two Brazilian Foreign Ministers, in the following years tried to make relations more dynamic¹¹. However important from the symbolic point of view, they did not yield the co-operative results to match the potential of both countries.

The widening and strengthening of bilateral co-operation only became possible in the last decade thanks to the advancements in communications and the almost simultaneous adoption of economic reforms by both Brazil and India. From the perception of the new possibilities, derives the signature, in 1992, of a memorandum of understanding that creates of a forum to discuss issues of common interest at the bilateral and multilateral levels.

In the last three years, bilateral ties were created in the various areas, on the basis of new synergies. At the same time, the co-ordination in economic multilateral fora, so important in the past to promote the interests of developing countries, has become ever more important, as shown in the IV Ministerial Conference of the World Trade Organisation, held in Doha in 2002. At that occasion, India's support of the Brazilian proposal was instrumental for the approval of the Declaration on Intellectual Property and Public Health.

The relationship with India has been made one of the priorities of the foreign policy of the new Government, inaugurated on January 1st, 2003. The first element in the newly found dynamism is the remarkable growth in the bilateral trade. Less than four years ago (1998), Brazil exported US\$ 144,9 million to India and imported US\$ 211,7, totaling US\$ 356,6 million. In 2002, Brazil

exported US\$ 653,6 million to India and imported US\$ 573 million, totaling US\$ 1,226 billion. Moreover, there has been a much greater diversification in the items exchanged between both countries.

In great measure, the increase in the Indian sales to Brazil is an example of the synergy between the demand of the Brazilian National Health Programme. Which provides free treatment for HIV and other diseases, and the capacity of the Indian pharmaceutical sector to provide high quality drugs at a moderate price. In 2000, Brazil began to export crude oil to India and to import fuel oil from Indian refineries, an exchange that has been widely responsible for the increase in bilateral trade.

The export of services and advanced technology is present in the bilateral exchanges. Brazilian companies are operating in the electronic and IT sectors in India, while Indian companies have established joint ventures in Brazil with local counterparts. On the financial side, a credit line has been established in 2002 between the EXIMBANK of India and a leading Brazilian private bank.

The results reaped in trade were made the efforts of both Governments and the response of the private sector of both countries. The Ministry of Commerce and Industry of India has been implementing the programme "Focus Latin America" to provide support to exhibitions and trade missions to that region; a good number of them goes to Brazil. Likewise, the Government of Brazil has enabled the Embassy to participate in trade fairs held in India such as the India Information Trade Fair. In April 2002, the largest Brazilian trade mission ever to visit India was headed by the Brazilian Minister of Development, Industry and Commerce, Sérgio Amaral. Under the co-sponsorship of the Embassy of Brazil and the Confederation of Indian Industry, the first comprehensive seminar, with the participation of a great number of businessmen from both sides, was held to present an in-depth analysis of the Brazilian and Indian economies.

¹¹ Reference Julian M. Chacel, Pamela S. Folk, and David V. Fleischer: "*Brazil's Economic and Political Future*", Edited in 1988 by Boulder L., Westveiw Press, 1988

The potential for co-operation in many sectors was underlined with an emphasis on information technology, pharmaceutical, sugar and ethanol, telecom, automobile, food, public transportation, footwear, marketing and banking and financial services. Statistics on the bilateral trade already show the results of this event. Also during Minister Amaral's visit, the "Indo-Brazilian Commercial Council" held its first meeting to discuss new possibilities in trade and joint ventures. There is an increasing flow of business people from one country to the other either on the initiative of their own corporation, or by invitation of entities such as SEBRAE, and India's National Association of Software and Service Companies (NASSCOM).

In mid June the partners in MERCOSUL, the customs union integrated by Brazil, Argentina, Paraguay and Uruguay signed a Framework Agreement on Trade with India. This instrument sets the principles to govern the Agreement on Fixed Preferential Tariffs between those parties, under negotiation. This initiative will greatly enhance the business ties and cooperation between India and the MERCOSUL countries.

In Science and Technology, the relationship became more solid in sectors that may have an impact on the economic and social spheres. Working group between them was created for the setting up of a co-operation programme on e-banking, e-governance, electronic certification systems training, among other areas. The working group met twice, both in Brazil and India.

In October 2002, the President of the Brazilian Council for the Development of Science and Technology headed a mission on biotechnology. A working programme for biotechnology was then signed which will generate joint research in areas such as medicine, agriculture and bio-informatics. On the basis of a careful identification of the subject matters of common interest undertaken at a bilateral seminar, biotechnology programmes of both countries were analysed. There are additional joint working programmes in the areas of marine sciences, renewable energy sources and new materials.

Areas such as space and atmospheric sciences are not alien to the co-operation, having been covered by a memorandum of understanding signed by the space agencies of the two countries in March 2002.

Cultural relations are an integral part of our activities by means of several initiatives both in Brazil and India. In our case, the Brazilian presence for two consecutive years in the Calcutta's Book Fair has always attracted large crowds. Brazilian books have also been displayed in the New Delhi Book Fair. Brazilian participation in film festivals in India has been deserving of awards and praise.

The importance of the strengthening of bilateral relations was recognised by President Luiz Inácio Lula da Silva in his inaugural speech, as he cited the country as one of the priorities of Brazilian foreign policy. In June 2003, Mr. Yashwant Sinha paid an official visit to Brazil. In spite of the considerable progress made bilaterally, there is still a lot more to achieve in view of the economic, scientific, technological and cultural levels of both countries.

In June, the Foreign Minister of South Africa paid a visit to Brasilia to meet with her counterparts from Brazil and India. A dialogue forum between the three countries was then created (IBSA) that will enhance cooperation in multilateral fora and also provide the basis for trilateral cooperation. Ours are countries of big territorial dimensions, political weight in their respective regions and similar advances in economy, science and technology.

The Indo-Brazilian relations are expanding in great speed. The political will from both governments in this direction have been able to get good response from a number of actors, including the private sector of both countries to establish long lasting partnership. Countries that are so different in many aspects while so similar in many others can now stress complementary factors that will multiply their capacity to better face the challenges of globalisation and competitiveness, to the benefit of their population.

2.3 ECONOMIC ASPECTS¹²

The principal aim of South Africa's trade and industries policy has been to make the economy, manufacturing in particular, more competitive in international market. At first import-substituting growth was maintained and even intensified as a reaction to increasing international isolation, simultaneously, effort were made to neutralize the cost-raising impact of the protection on export producer s through direct and indirect export subsidies. The demise of apartheid and WTO membership has brought about a change in approach. Circumstances have changed significantly with a new government in place and with enhance access to the regional and global market. But a question was there in the minds of many whether this regime changes will introduced a wisdom in economic governance that can do better in selecting the right composition of the strategic partners, selecting winning industries, profitable joint ventures and perfect market decision.

The success of regional co-operation and integration in Southern Africa will largely be determined by the ability to deal with the problem of polarised development and the imbalance in regional trade. The emphasis has been on the evolution of South African trade and industrial policy and the impact their changes in the dominant economy have on the region. The current economic status of the three nations is mention below in brief.

1. South Africa's Economic Profile

Economy—overview: South Africa is a middle-income, developing country with an abundant supply of resources, well-developed financial, legal, communications, energy, and transport sectors, a stock exchange that ranks among the 10 largest in the world. A modern infrastructure supporting an efficient distribution of goods to major urban centers throughout the region. However, growth has not been strong enough to cut into the 30% unemployment, and daunting economic problems remain from the apartheid era,

¹² Data used in the this section of Study is compiled from the various volumes of Europa Year Book as well as some of the data is also taken from the interne websites mention in the Bibliography.

especially the problems of poverty and lack of economic empowerment among the disadvantaged groups. Other problems are crime and corruption. The new government demonstrated its commitment to open markets, privatization, and a favorable investment climate with the release of its macroeconomic strategy in June 1996. Called "Growth, Employment and Redistribution". This policy framework includes the introduction of tax incentives to stimulate new investment in labor-intensive projects, expansion of basic infrastructure services, the restructuring and partial privatization of state assets, continued reduction of tariffs, subsidies to promote economic efficiency, improved services to the disadvantaged, and integration into the global economy. Serious structural rigidities remain including a complicated and relatively protectionist trade regime, and concentration of wealth and economic control.

The **GDP** of South Africa in terms of purchasing power parity is \$456.7 billion in year 2004. However the GDP real growth rate of the country is recorded 1.9% in 2004. The national **GDP per capita** in terms purchasing power parity is \$10,700 (2004) similar to the other IBSA countries service contributes maximum in the **GDP - composition by sector** whereas agriculture contributes only 3.8% and industry 31% (2004). About 50% of the population living **below poverty line in South Africa**. There is 16.35 million economically active populations¹³ in South Africa. As services contributes most in the South African economy that is also reflected in number of **Labour force** involve in services i.e. 45 % as there occupation whereas only 30% involve in agriculture 25% involve in industry (1999). **Unemployment rate** in South Africa is as high as 31% (includes workers no longer looking for employment) (2004) As far as the revenue receipt is concerned \$37.48 billion expenditures: \$41.46 billion (2004). The in **Industries** are mostly related to mining (world's largest producer of platinum, gold, chromium), automobile assembly, metalworking, machinery, textile, iron and steel, chemicals, fertilizer, foodstuffs. The industrial **production growth rate** of the country is 5% (2004).

¹³ For more details of the population involve in the various other activities and unemployment in comparison to the other nation See Annexure II.

The major **Agriculture products** in South Africa are corn, wheat, sugarcane, fruits, vegetables; beef, poultry, mutton, wool and dairy products. The total value **Exports** of the country is \$36.77 billion f.o.b. (2004) whereas the **Imports** consists of \$33.89 billion f.o.b. (2003). The major **Exports commodities** are gold, diamonds, platinum, other metals and minerals, machinery and equipment (1998 est.) and the **Exporting partners** are UK 12.6%, US 12.4%, Japan 9.2%, Germany 8.1%, China 4.7% and Italy 4.4% (2003). The major **Import commodities** in South Africa are machinery and equipment, chemicals, petroleum products, scientific instruments and foodstuffs (2000). The major **Imports partners** are Germany 16.6%, UK 8.5%, US 8.2%, Japan 5.9%, China 5.9%, Saudi Arabia 5.2% and France 5% (2003). The **Debt external** south Africa is \$25.9 billion (2004). The Exchange rate of rand per US dollar is 7.5648 (2003), 10.5407 (2002), 8.6092 (2001), 6.9398 (2000), 6.1095 (1999). The **Fiscal year** in South Africa is started from 1 April to 31 March.

2. Indian Economic Profile

Economy—overview: India's economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of support services. More than a third of the population is too poor to be able to afford an adequate diet. India's international payments position remained strong in 2000 with adequate foreign exchange reserves, moderately depreciating nominal exchange rates, and booming exports of software services. Growth in manufacturing output slowed, and electricity shortages continue in many regions.

The **GDP** of the India in terms of purchasing power parity is \$3.033 trillion (2004). The **GDP real growth rate** of the nation is 8.3% (2004). However the **GDP per capita** in terms of purchasing power parity is \$2,900 (2004.). Services in India contribute 48% in the GDP of nation whereas the other sector like agriculture contributes 23.6% and industry contributes 28.4% in the GDP. The **Population below poverty line** in India is 26% of the total population of the country. (2002). The total **Labour force** in India is 472 million (2004). As per **Labour force by occupation** agriculture contributes maximum of 60%,

industry 17%, and services 23% (1999) in India. The **Unemployment rate** is slowly come down to 9.5% (2004).

The total **Budget** revenue of the nation is \$86.69 billion and expenditures: \$114.6 billion, including capital expenditures of \$13.5 billion (2004). The major **Industries** are textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery and Fastest emerging software sector industries. The major **Agriculture products** are rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes; cattle, water buffalo, sheep, goats, poultry and fish.

The **Exports** of the nation is \$57.24 billion f.o.b. (2004), whereas, the **Imports** are \$74.15 billion f.o.b. (2003). The major **Exports commodities** are textile goods, gems and jewellery, engineering goods, chemicals, leather manufactures. The major **Exports partners** are US 20.6%, China 6.4%, UK 5.3%, Hong Kong 4.8% and Germany 4.4% (2003) whereas the major **Imports partners** are US 6.4%, Belgium 5.6%, UK 4.8%, China 4.3% and Singapore 4% (2003). The most common **Imports commodities** of the nation are crude oil, machinery, gems, fertilizer and chemicals. The national **Debt external** were \$101.7 billion (2004). The **Exchange rates** of the Indian rupees per US dollar is 46.5806 (2003), 48.6103 (2002), 47.1864 (2001), 44.9416 (2000) and 43.0554 (1999). The **Fiscal year** in India commenced from 1 April to 31 March.

3. Brazil Economic Profile

Economy—overview: Possessing large and well-developed agricultural, mining, manufacturing, and service sectors, Brazil's economy outweighs that of all other South American countries and is expanding its presence in world markets. Prior to the institution of a stabilization plan—the Plano Real (Real Plan) in mid-1994, stratospheric inflation rates had disrupted economic activity and discouraged foreign investment. Since then, tight monetary policy has brought inflation under control—consumer prices increased by 2% in 1998 compared to more than 1,000% in 1994. At the same time, GDP growth slowed from 5.7% in 1994 to about 3.0% in 1997 due to tighter credit. The Real Plan

faced its strongest challenge in 1998, as the world financial crisis caused investors to more closely examine the country's structural weaknesses. The most severe spillover for Brazil—after Russia's debt default in August 1998—created unrelenting pressure on the currency, which forced the country to hike annual interest rates to 50%. Approximately \$30 billion in capital left the country in August and September. After crafting a fiscal adjustment program and pledging progress on structural reform, Brazil received a \$41.5 billion IMF-led international support program in November 1998. Capital continued to leach out of the country, and investors, concerned about the rising mountain of debt and currency widely-viewed as overvalued, stayed on the sidelines.

In January 1999, Brazil made an abrupt shift of course in exchange rate policy, abandoning the strong currency anti-inflation anchor of the Real Plan. On 13 January 1999, Central Bank officials announced a one-time 8% devaluation of the real, and on 15 January 1999, the currency was declared to be freely floating. President Cardoso remains committed to limiting inflation and weathering the financial crisis through austerity and sacrifice as the country rides out a deep recession. He hopes the country will resume economic growth in the second half of 1999, so that he can once again focus on his longer-term goal of reducing poverty and income inequality. Cardoso hopes to address mandated revenue sharing with the states and cumbersome procedures to amend the constitution before the end of his second term.

The **GDP** of the Brazil in terms of purchasing power parity is \$1.375 trillion (2004) the **GDP real growth rate** of the Brazil is -0.2% (2004) which is lower to the other IBSA nations. The **GDP per capita** in terms of the purchasing power parity is \$7,600 (2004). Services sector in the Brazil also contributes maximum of 51.2 in its **GDP**. **However the composition of** agriculture is 10.2% and industry 38.7% in the GDP (2004). The **Population living below poverty line** in Brazil is 22% (1998). The total **Labor force** in Brazil is 82.59 million (2004) the maximum **Labor force** is occupied by the services sector **with 53%** where as the agriculture contributes 23% and industry 24%. The prevailing **Unemployment rate** in Brazil found quite high at 12.3% (2004).

The major **Industries** in Brazil are mostly related to textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles and parts, other machinery and equipment. However the **Industrial production growth rate** is quite low 0.4% (2004)

The major **Agriculture products** are coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus; and beef. The total **Exports** of Brazil are \$73.28 billion f.o.b. (2004) whereas the **Imports** are \$48.25 billion f.o.b. (2003). The major **Exports commodities** are transport equipment, iron ore, soybeans, footwear, coffee and autos spheres and the **Imports commodities** are machinery, electrical and transport equipment and chemical products. The **Exports partners** of Brazil are US 23%, Argentina 6.1%, China 6%, Netherlands 5.8% and Germany 4.2% (2003) on the other hand major **Imports partners** consists of US 20%, Argentina 9.8%, Germany 8.7%, Japan 5.2%, China 4.4% (2003).

The total external **Debt** of Brazil is \$214.9 billion (2004) **Exchange rates** in reals per US dollar is 3.0771 (2003), 2.9208 (2002), 2.3577 (2001), 1.8301 (2000), 1.8147 (1999). (*Note: from October 1994 through 14 January 1999, the official rate was determined by a managed float; since 15 January 1999) the official rate floats independently with respect to the US dollar.* **Fiscal year** of the Brazil is unlike India and South Africa as it follows the calendar year.

4. THE TRADE (EXPORT AND IMPORT) AND INVESTMENT AMONG IBSA NATION'S (1994-2004).

This section of the chapter is segregated in to the four-sub heading to provide the elaborated picture of the trading and the investment relationship. The reasons that attracted the attention of South Africa, to develop relationship with India and Brazil are followed by the explanation other economic component for the comparative analysis is discussed basis.

Indian and Brazil's economy is the 12th \$ 22nd largest economy in the world today by conventional methods of calculations. In terms purchasing power

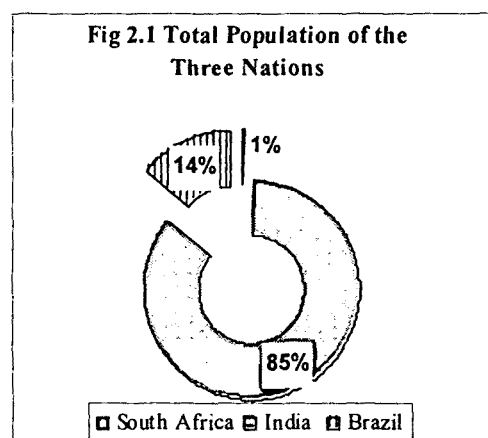
parity (PPP) method the economy is of the size of on the Indian economy is more than US\$ 3 trillion, however the size of the Brazilian economy is about 1.5 trillion. The economy India and Brazil over the last 10 years has consistently grown at the rate of about 6% & 3.5 % respectively. India is the second fastest growing economy as of now. Growth in 2003-04, 2004-05 was of the order of 8.5% & 6.9% respectively. However Brazil grows at the rate 4% in 2004-05.

Table: 2.1 Demographic details of IBSA

DEMOGRAPHY	SOUTH AFRICA	INDIA	BRAZIL
Area (Sq. Km)	1219090	3166414	8547404
Population		(Year 2001)	(Year -2000)
Male	21434033	531277078	83576015
Female	23385737	495738169	86223155
Total	4481977	1027015247	169799170
Birth Rate			
1985-90 -	30.4	1999- 26.0	2000- 24.1
1990-95 -	28.4	2000- 25.8	2001- 21.7
1995-2000 -	24.6	2001- 25.4	2002- 22.1
Death Rate			
1985-90	8.6	1999- 8.7	2000- 5.6
1990-95	8.1	2000- 8.5	2001- 5.5
1995-2000	10.0	2001- 8.4	2002- 5.7

Sources: Europa Year Book, Vol. I, and II, of Year 2004.

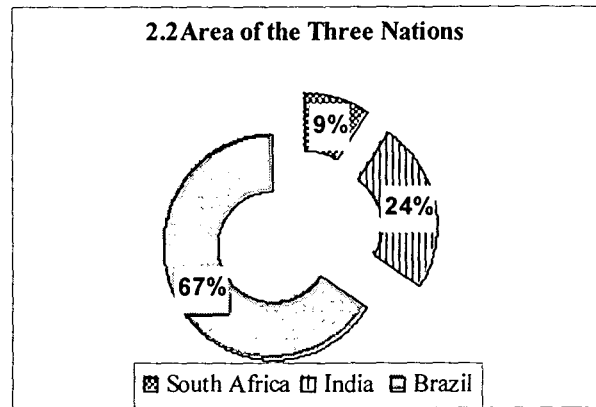
The demographic details¹⁴ of the IBSA nation is very much contrasting however the socio-economic condition of the people living thereof is very much similar. The table 2.1 mention the area, population along with the birth and the death rate prevailing in the IBSA countries. Form the data it is revealed that the India provide shelter for more than billion which is more than the five times the total of both South Africa and Brazil which is also mention in the figure 2.1. Birth rate and the death rate of all the three nation is noticed and declining trend but the they all have to travel long



¹⁴ See annexure I for more demographic details.

way in order to attain the replacement level. Controlling the population is of utmost important as most of the socio- economic problems are attributed to it.

As far as the land of the three nations is concerned Brazil is the fifth largest country of the world closely followed by the seventh largest India in size. But the Arable land available in India is much larger than the Brazil which is an added advantage to India. However the size of the South Africa is much smaller than the India and Brazil



thus is has advantage of importing the food grains¹⁵ from these countries as well as the agricultural know-how for improving the production.

Balance of payment

The balance of payment is an essentially a record of all economic transaction between the “resident” of the country and the rest of the world carried out in a specific period of time¹⁶. India, Brazil and South Africa are considering establishing an ambitious South-South economic trade bloc with a market of 1.3 billion people and potential foreign trade worth US\$300-billion.

Export & Import of goods & services

The trading relationship between South Africa, India and Brazil is improving continuously since the independence of South Africa in 1994. The value of bilateral trade with India rise from the merge US\$ 201 million in 1994 to massive 925 million Dollars. In case of relationship with Brazil the story is not different as the trade volume rise from US\$182 million to US\$ 842 in the year 2004. See table 2.2 mention below for more detail of the South Africa trading relationship with India and Brazil.

¹⁵ See annexure III and IV for more details.

¹⁶ Reference: Mishra, S.K. and Puri, V.K. “2003 – Indian Economic” Published in year 2003 by Himalaya Publishing House.

Table 2.2 : South African Trade with India & Brazil Since 1994
(Value in US\$ Million)

YEARS	INDIA			BRAZIL		
	EXPORT	IMPORT	TOTAL TRADE	EXPORT	IMPORT	TOTAL TRADE
1994	96	105	201	86	96	182
1995	109	122	233	78	113	191
1996	123	141	264	102	128	230
1997	134	154	288	122	147	269
1998	163	163	326	141	133	274
1999	236	151	386	112	128	240
2000	221	369	589	166	199	365
2001	264	413	677	232	287	459
2002	368	505	876	275	395	670
2003	448	479	925	319	424	743
2004	4547(R)	3713	8260(R)	414	468	842

Note: Value rounded of to the nearest integer

Source: Source: Europa Year Book, Vol. I, II, - Year 2003 & Year 2004. (Compiled by the researcher) and internet data form the website mention in the bibliography

According to the market perception it is believed that the trade among these countries could doubled if proper market initiative is taken into consideration.

As the current trade between these nation is far below the potential level.

The reason for the improve in the trading relation with India and South Africa is the initiatives such as The India-South Africa Commercial Alliance (ISACA), which groups government and private sector on both sides, had become somewhat moribund but has now been successfully revived. This really help in expanding trade and joint venture between them

Commercial interaction, visits of businessmen, between the countries, and trade promotion measures including participation in trade fairs, etc. have been and continue to be intensive. CII – which has an office in Johannesburg – organised ‘Enterprise India’ and ‘Made in India’ shows in 2001 and 2003-04 this provide impetus to concern economy to grow. Such initiative must be taken regularly to prome and boost the trade between IBSA.

Gross Domestic Product growth rate of IBSA

The GDP growth rate of the IBSA nation is not very similar to the each other. The performance of the India in term of attaining the Growth rate is very productive. However some of the economist believes that it is not right to compare the economic growth performance of a nation to change in the overall growth in terms of the other socio-economic factors. This because of the fact that high annual GDP growth rate of a country does not put direct impact on the standard of living of the common men. However modern economist believes that the high growth rate of the nation is related to every common man prospective. Because high growth rate have affirmative effect on the income of the person thus resulted in the high per capita income therefore high standard of living then marginalization of the common men.

The GDP growth rate of South Africa has shown a slow progress over the year that can be ascertain from the Table 2.3. The GDP growth rate of the Brazil had shown a mixed trend as we can observe from the table. This is mainly due to the regime change in the county and followed by the improper planning and implementation.

Table 2.3 : GDP growth rate of IBSA Since 1993-94

GDP GROWTH RATE	SOUTH AFRICA	INDIA	BRAZIL
1993-1994	1.1	5.9	1994 – 6.0
1994-1995	3.2	6.3	1995 – 4.2
1995-1996	3.1	7.5	1996 – 2.9
1996-1997	4.3	8.2	1997 – 3.9
1997-1998	2.6	4.8	1998 - 2.0
1998-1999	0.8	6.5	1999 – 0.8
1999-2000	2	6.1	2000 – 4.3
2000-2001	3.5	4.0	2001 - 1.4
2001-2002	2.8	5.6	2002 – 1.5
2002-2003	3	4.2	2003 – 2.8
2003-2004	3.6	8.1	2004 – 5.1
2004-2005	4 (targeted)	6.9	2005 - 6.0

Note: The financial year of India and South Africa is 1st April to 31st March whereas the financial year of Brazil is calendar year.

Source: Hand Book of Statistics on Indian Economy, 2001and 2003, Reserve Bank of India, Europa Year Book, Vol. I, II, - Year 2003 & Year 2004 as well as the data obtain from the internet

Decadal GDP Growth rate of IBSA

The performance of the IBSA nation Show many ups and down as due to lack of business information, experience, technology, skilled manpower, resources

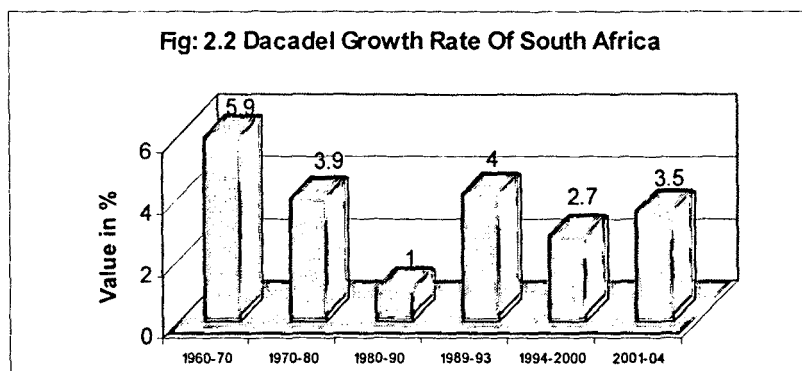
Table2.4: Decadal GDP Growth rate of IBSA (%)

SOUTH AFRICA	INDIA	BRAZIL
1960-1970- 5.9	1951-1956- 3.6	1950- 1955 – 6.5
1970-1980- 3.9	1956-1961- 4.3	1956- 1962 – 8.0
1980-1990- 1.0	1961-1966- 2.8	1963- 1967 – 3.2
1989-1993- 4.0	1969-1974- 3.4	1968- 1973 – 11.0
1994-2000- 2.7	1974-1978- 4.9	1974- 1979 – 6.5
2001-2004- 3.5	1980-1985- 3.7	1980- 1992 – 1.8
	1985-1990- 6.0	1993- 1996 – 4.0
	1992-1997- 6.8	1997- 2000 – 2.8
	1997-2002- 5.4	2001- 2005 – 3.4
	2002-2005- 6.5	

Source : Hand Book of Statistics on Indian Economy, 2001 and 2003, Reserve Bank of India, www.southafrica.info/doing_business/sa_trade/agreements/saindiabrazil-130404.htm and Europa Year Book , Vol. I, II, - Year 2003 & Year 2004.

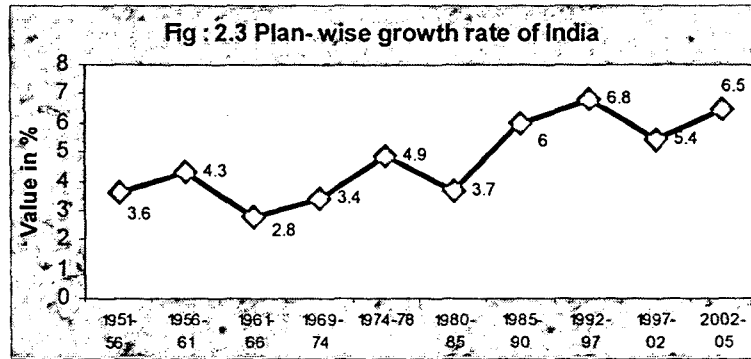
and various other factors such as Drought, famine, flood, earthquake and other natural calamities related to the performance of the any developing country . But over the years the situation in these countries were stated changing towards prosperity. The decadal growth rate of south Africa is mention in the Table 2.4.

The decadal growth rate of South Africa since 1960 has shown a varied pattern of growth over the



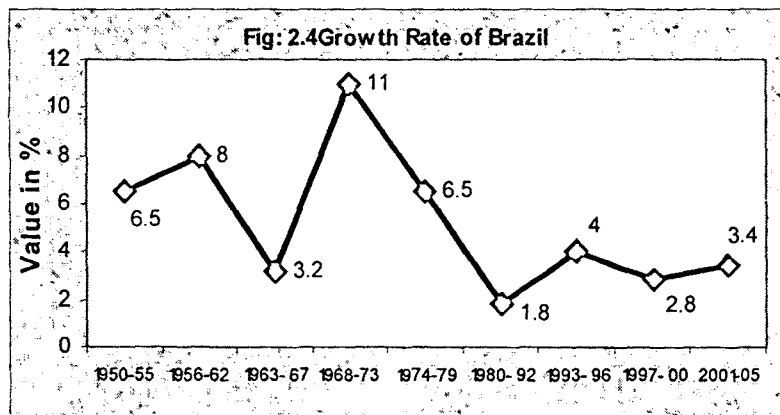
years this is mainly due to the lack of consensus among the political leaders and the economic issue. This affected the sustainable economic growth of the nation. The decadal economic growth rate of South Africa mention in the figure 2.2.

The plan wise growth rate of the Indian economy is most favorable amongst the IBSA countries India is having only few years in which country faces low or dismissal growth rate. The reason for the dismissal growth rate is mostly attributed to the natural calamities mostly drought and floods. In its plan wise growth rate India started off slow but picked up well after the liberalization of the Indian economy. This can be observed from the Figure 2.3.



The reason for robust growth rate is not one but many some of them are the liberalization and deregulation of some industries for foreign investment. Excellent performance of manufacturing and the service sector in terms of contributing to the GDP.

The GDP growth rates of Brazil shown a fragile tend in terms of the growth of the economy. Brazil impressively performed soon after its independence but due to the economic crises and the change in the regime scattered the performance of the economy. The GDP growth of Brazil since independence



is mention in the Figure 2.4. During the 1990 country only manages to attain the growth rate of 3 to 4 percent. The required the immediate and urgent attention better performance in the future thus it is looking toward more profitable partnerships.

Investment level

For the growth of the any nation investment plays a crucial role for the development of the country. The flow of both domestic and the foreign

investment is of utmost important. But here we only talk about the foreign investment in the IBSA countries. Between 1994 and 2004, FDI into South Africa averaged about R10.7-billion a year, or 1.2% of annual gross domestic product (GDP). Between 1999 and 2004, total FDI amounted to R121-billion.

However the growth rate of the investment flow in India show more favourable trend and in is also involve in the huge investment abroad specially in the African countries currently South Africa is one of the major investment recipient of Indian investment in South Africa currently Tata Motors, India's second-largest car manufacturer, invested some R40-million in a bus assembly factory in Johannesburg. (2004).The potentially huge FDI inflow could also boost the country's GDP growth

Table 2.5: South Africa's FDI Overview
(Million of US\$)

YEARS	INWARD	OUTWARD
1991-96	450	1204
1997	3817	2351
1998	561	1779
1999	1502	1580
2000	888	271
2001	6789	3810
2002	754	401

Source: World Investment Report-2002
UNCTAD

The total inward and the outward investment in the South Africa is mention in the Table 2.5. South Africa is an economy which is expected to expand rapidly and consistently this is also reflected in the amount of FDI it is receiving for the outside world. Rise in the FDI will creates opportunities for South African business in terms of trade, both South African exports to India as well as imports which would make perhaps South African industries more competitive and advanced. (See Table 2.6 for FDI inflows in idia and South Africa) The incoming of FDI also improve the bilateral economic relation of South Africa and Brazil

Table 2.6: FDI Inflows in India and South Africa
(US \$ bn)

YEARS	SOUTH AFRICA	INDIA
1989-94	60	394
1995	1241	2144
1996	818	2536
1997	3817	2614
1998	561	2154
1999	1502	2315

Source: UNCTAD, World Investment Report, 2001

CHAPTER THREE

PROSPECTS AND CHALLENGES

3.1 INTRODUCTION

3.2 THE KEY AREAS FOR NEGOTIATION & PROSPECTS FOR PROMOTING SOUTH- SOUTH COOPERATION

3.3 ACHIEVEMENTS OF SOUTH AFRICA SINCE 1994

3.4 CHALLENGES FOR IBSA COOPERATION

PROSPECTS AND CHALLENGES

3.1 INTRODUCTION

South Africa, India and Brazil share similar socio-economic and developmental challenges. While these challenges have long been realized as essential to the social, political and economic stability of countries, therefore this must be addressed in the context of a globalising world economy. Collective capacity and co-operation in bargaining and voicing concerns that affect economies in international forums has been highly effective for mutual benefits.

The three countries shared a common experience in the struggle against poverty and underdevelopment, as well as other complementary levels of development. There was therefore much to gain from sharing information and best practices in dealing with common challenges and in identifying areas of common concern, need and benefit.

This chapter also dealt with the brief performance of the South Africa since she win the independence in 1994 to the year 2004. In this section got the main focus is on the various socio- economic indicators. However the steps to tackle the cracks were mention in the very next section of the chapter in form of challenges to IBSA.

Numerous opportunities existed in the promotion of trade, investment, science and technology exchanges, and in the fields of energy, IT, agriculture, bio-technology, health, tourism and education etc. In this regard the government looking forward to explore opportunities for more extensive trilateral cooperation. If we talk about the challenges those are various policies, agreement, and negotiations, as well as the other challenges related to the social, political and the economic aspect. Which shall be discussed in the later part of this chapter, which are faced by India, Brazil and South Africa in enhancing the mutual benefits.

3.2 THE KEY AREAS FOR NEGOTIATION & PROSPECTS FOR PROMOTING SOUTH- SOUTH COOPERATION

The IBSA Dialogue Forum serves as a mechanism for political consultation and co-ordination as well as for strengthening co-operation in sectoral areas and to improve economic relations between India, Brazil and South Africa. A new paradigm for South-South dialogue and cooperation, and seek to promote a better understanding among IBSA members of their national policies and strategies in order to encourage economic and social co-operation.

They confirmed their support for a strong multilateral system as a means towards addressing issues of global concern, in particular the pre-eminent role of the United Nations in the maintenance of international peace and security and the promotion of sustainable development in respective nations.

To utilize every aspect of international co-operation, as considerably more international progress was needed, therefore, in areas such as *improved market access* for developing countries, increased Official Development Assistance (ODA) and more extensive debt relief as well as additional resources and new approaches were needed to be adopted development financing.

South-South co-operation was an essential and fundamental component of international co-operation for development, especially in terms of global, regional and country-level efforts to achieve the Millennium Development Goals (MDGs) and reaffirmed cooperation under IBSA to promote and strengthening trading and economic relations. To work together to strengthen & commitments in the areas of development and poverty eradication, which is more, or less is of same extent.

PEACE AND SECURITY

- **Weapons of Mass Destruction** Intensify their cooperation at for non proliferation of nuclear weapon with a view to ensuring the unimpeded growth and development of the peaceful use of atomic energy through the supply of technology, equipment and material under appropriate safeguards.
- **Terrorism** The international terrorism continued to constitute one of the most serious threats to peace and security and that acts of terrorism were criminal and unjustifiable and not good for the sustainable progress.

PROSPECTS FOR IBSA SECTORAL CO-OPERATION

Following are the key or potential areas for enlarging the purview of IBSA in future mutual cooperation for economic growth and development.

- To initiate extensive trilateral cooperation in two sectors, namely **Agriculture and Culture**. As all these nations primarily were agricultural economies. And the maximum population of these nation were involve in agriculture or agricultural related activities thus extension of the exchange of know how can benefit them in big way.
- As regards **Science and Technology**, the Ministers agreed on areas of co-operation for research and development and decided that each country would champion research areas through a system of coordinators.
- In the **Information Society sector**, the countries had national e-government and Information Society Development Plans that had many similarities and decided to share information, best practices and identify projects for cooperation.
- **Sports** - The hosting by South Africa of the FIFA Football World Cup in 2010 and India common wealth game in 2010 created a good opportunity to provide business and tourism to each other.
- To promote co-ordination and co-operation in several areas including on the convergence of **Preferential Trade Agreements** and/or Free Trade Agreements, in the G-20 and on WTO-related issues.

- The launches of the IBSA Business Council for establishing small and medium term **industries**. As these industries are worked as the pillar or the feeder for heavy industries of the nation thus exchanging information in promoting micro industries are essential for growth of the nation.
- The **issues of higher education** distance education and basic education. Also put on the priority among these nations for transfer and sharing of knowledge¹.
- Mutual cooperation in the area of defences such as the exchange of personnel, training opportunities, the exchange of experiences in peacekeeping operations and **Defence Industry co-operation**.
- Enhancing co-operation in the **tourism sector** was vital in order to foster people-to-people contact as well as to contribute to economic development. The statistics of tourism among the IBSA member countries showed an encouraging upward trend.
- The importance of the **transport sector** in promoting trade and tourism and welcomed the progress made towards the finalisation of a trilateral agreement on Civil Aviation.
- To coordinate their positions within UNESCO, amongst others, on issues such as the contribution of culture to a country's economy, the protection of **intellectual property rights** keeping in view the development dimension, and the potential of creative industries to alleviate poverty and generate income.
- The need for co-operation in the **Energy Sector** arises with expansion of the economy. Thus, the areas of non-conventional energy, bio-diesel energy, hydrogen energy and fuel cells, exchange of experience in generation, transmission and distribution of power as well as energy conservation and reforms had been identified for co-operation.

¹ India had recently agreed to purchase the five executive class aero plane with the other defence good worth more than million US \$. , THE HINDU, dated, 5, April, 2004.

3.3 ACHIEVEMENTS OF SOUTH AFRICA SINCE 1994

Ample of changes were undertaken since 1994, in line with the Reconstruction and Development Programme (RDP), the South African government has set out to dismantle apartheid social relations and create a democratic society based on equity, non-racialism and non-sexism to create a healthy environment for the country. New policies and programmes have been put in place to bring about dramatic improvement in the quality of life in the nation.

The core of all post-1994 policies had its objectives:

- To meeting basic needs
- To building the economy
- To democratising the state and society
- To developing human resources, and
- Promote nation building in every aspect.

1. What the Democratic State Inherited

Blacks were denied the franchise, society was divided along racial lines and the social exclusion and neglect of the majority was a matter of state policy.

Economically the country was isolated and economy was in crisis. Growth declined to below 1% per annum in the decade before 1994 and by the early 1990's² had come to a standstill. Public sector debt was ballooning out of control.

The police and justice system violated most human and civil rights and was mainly used to defend apartheid. The Defence Force was fighting a low-intensity war against the liberation movement. Until after the 1994 elections, parts of the country lived under a state of war, and assassinations and bombings of political opponents were rife.

² Reference Routledge Curzon, Gwyn Campbell: *"The Indian Ocean Regime: South Africa and Regional Cooperation"*. Edited in year 2003

Governance was largely defined by a national security doctrine with little respect for the rule of law. The state became more isolated, more corrupt and more dependent on extra-judicial measures to sustain itself. By the late 1980's, the country had become ungovernable, the social fabric torn apart by apartheid and social conflict.

2. Governance

The state has become a people-centred state.

New Constitution and Laws

- The constitution and over 780 pieces of legislation have created a framework for reshaping South Africa.

Transforming the Public Service

- Bantustan and central government civil services have been integrated into a single public service. Representative targets are nearly met - Africans are 72% of the public service but there should be more women in senior positions and more people with disabilities.
- The Public Finance Management Act and a medium term budget cycle have improved accountability, budgeting and financial management.
- Access to services is being improved by Multi Purpose Community Centres (43 so far, one per District by the end of 2004 and expanding to each municipality in the next decade); the introduction Community Development Workers and the e-Government Batho Pele (People First) Gateway.

Better Service Delivery

- Policy and implementation are more integrated thanks to government's cluster approach, provincial co-ordination, Integrated Development Plans in local government and the recently introduced National Planning Framework in the country.

Fighting Corruption

- A Code of Conduct for the Public Service becomes a part of the regulations for every public servant. The 1999 National Anti-Corruption Summit created a powerful platform for the National Campaign against Corruption

and helped establish whistle-blowing mechanisms; special corruption courts; and the National Anti-Corruption Forum. New laws to fight corruption include the Promotion of Access to Information Act and the recent Prevention of Corruption Bill.

- The National Directorate of Public Prosecutions and SAPS have acted against corrupt officials and white-collar crime. Government discovers about 80% of corruption cases in government, reported in the media.

3. Social

Programmes to alleviate poverty have brought improvement in the lives of millions. In South Africa since 1994. Social grants, formerly allocated on a racial basis, have been equalised and extended to all who are in need and eligible. Beneficiaries have increased from 2.6 million in 1994 to 5.1 million in 2003. The poorest 20% of households receive the largest amount from grants. But the full impact will only come when all who are eligible are registered. Programmes to broaden access to services have improved the lives of millions.

- *Electricity, water and sanitation* – As the table shows, many more people have access to these basic services. Have also shown an improvement since 1994.
- *Education* - Adult literacy is up from 83% in 1996 to 89% in 2001, and for 15-24 year olds from 83% to 96%. The matric pass rate rose from 54% in 1996 to 69% in 2002.
- *Health* - Primary health care has expanded with free health care for women and children under six. Upgrading and new clinic building has brought 701 additional clinics. The integrated nutrition programme which reached 89% of the targeted learners in 1994 now reaches 94% or 4.58 million children. Government's comprehensive response to HIV and AIDS has expanded rapidly.

4. Economy

South Africa's economic policies have turned around in economy from the lost decade of 1980's some respectable growth since 1994 as the jobs were created,

but still not enough to keep up with the increased number of people looking for employment in the nation.

Performance of the Economy³

- *Stability* – Government policies have freed resources for social expenditure by reducing the interest we have to pay on debt. The budget deficit fell from 9.5% in 1993 to 1% in 2002/3, and public sector debt from 60% to 50%
- *Investment* - Investment has been low (16-17% of GDP) compared with successful developing countries.
- *Growth* - Negative per capita growth in the decade before 1994 has changed to average growth of 2.8% a year since then. Real growth per person in South Africa has increased just over 1% per year since 1994.
- *Employment* - Between 1995 and 2002 the number of people employed grew by 1,6 million from 9,6 million to 11,2 million. But the unemployed also grew by 2,4 million because many more people were seeking work. While many unskilled workers are unemployed, there are shortages of skilled workers in many sectors.
- *Trade reform and industrial restructuring* - Government's industrial policy and efforts to promote an international trade environment that favours development have improved the balance of trade and brought a shift to higher valued-added exports.
- *Labour legislation* - Great progress in labour relations laws has given employers and employees more certainty and security in their relationship. This is reflected in a huge fall in person-strike-days per year.

State Enterprise Restructuring

- Restructuring has focused mainly on Telecommunications, Energy, Defence and Transport. The aim has been to broaden access to services; reduce costs and raise revenue to reduce public debt, at the same time minimising the impact on employment and promoting black economic empowerment.

³ Data in the description is taken from the www.southafrica.info/doing_business/sa_trade/agreements/saindiabrazil-130404.htm

Lowering costs and improving service quality will require further improvement in the regulatory environment in the nation.

Expanding Economic Opportunities

- *Small business development* – Number of initiatives had been taken in country but not enough to make some remarkable impact on nation thus they are looking forward for revised action for growth.
- *Skills development* - Government has directed resources towards education and skills training and set up Sector Education and Training Authorities for each sector of the economy, financed by a skills levy on the pay roll.
- *Empowerment* - Empowerment in the workplace is continuing, but slowly. Black people in top management grew from 12% to 13% between 2000 and 2001; and in senior management from 15% to 16%. Black ownership of public companies was 9.4% in 2002 compared with 3.9% in 1997 (and virtually non-existent before 1994). The figures for women in the workplace are not much different in the south Africa.

5. International Relations

South Africa's post 1994 success in defining its place in the world is remarkable specially in the context of the South- South cooperation. International relations as well as transforming institutions to align with new partners is the key thrust for confidence building in the international fora.

Diplomatic Normalisation

- SA has normalised its relations with the world and is actively promoting its won interests and those of the South in all significant regional, continental and multilateral institutions.
- The country has hosted many international conferences and events since 1994. These include: the Non-Aligned Movement Summit (1998), Commonwealth Heads of Government Meeting (1999), UN AIDS Conference (2000), UN World Conference Against Racism (2001), World Summit on Sustainable Development (2002), and the African Union Summit (2002).

Marketing and Branding South Africa

- The government has since the late 1990s been actively imaging, branding and marketing South Africa, both directly and by supporting initiatives like 'Proudly South African'; hosting hallmark events; and creating the International Investment Council, International Marketing Council and International Task Force on Information Society and Development.
- Tourism has surged – from 5,7 million international tourist arrivals in South Africa in 1998 to 6,4 million in 2002.

International Relations for Growth and Development

- *Trade* – Trading networks and markets have been expanded and diversified, including through bilateral and multilateral negotiations and expanding relations with South America, Asia, Latin America and Africa.
- *Regional integration in Southern Africa* – Democratic SA has promoted regional integration in the context of SADC and NEPAD. The restructuring of SADC will provide member states with a comprehensive development agenda.
- *Continental Affairs* - SA played an active role in reconstituting the OAU into the AU as a more effective continental body and developing NEPAD as the AU's socio-economic programme. The African Peer Review Mechanism has been established as a voluntary mechanism to ensure that policies and practices of participating states conform to the *Declaration on Democracy, Political, Economic and Corporate Governance*.
- *Global Affairs* - Since 2001 South Africa has worked to keep Africa and the South on the G8 agenda and engaged with the International Financial Institutions to promote a global financial system more favourable to developing countries.
- *Science and technology (S&T)* - Some 30 bilateral agreements have been signed for science and technology in the past nine years. There are several major S&T initiatives in South Africa with strong international participation, including the HIV/AIDS Vaccine Initiative.

Promoting Human Rights, Peace, Security and Stability

- South Africa works with other African states and multilateral organisations like the UN, OAU/AU and SADC to promote international respect for human rights, democracy, and good governance. We have been part of regional and continental initiatives to assist the Zimbabwean people resolve their problems and have assisted with peacekeeping in Ethiopia/Eritrea, DRC, and Burundi.

Strengthening Multi-lateralism and Co-operation

- In order to advance the interests of developing countries, South Africa has worked to promote a rules-bound international political and economic order; to transform North-South relations through dialogue while consolidating South-South collaboration by participation in groupings like the NAM, UNCTAD, SADC, AU and IBSA is also part of that.

3.4 CHALLENGES FOR IBSA CO-OPERATION

Change in the global economic environment over the Years pose major challenges as well as create new opportunities for south development. Opportunities had already been discussed previously in this chapter. To make continued progress towards the fundamental objective of any country to meet state policy - a united, non-racial, non-sexist and democratic society. Therefore major intervention to reinforce the consolidation of democracy with measures aimed at integrating all of society into a growing economy from which they can benefit. This requires:

- A framework defining a shared destiny, as a basis for social partnership;
- Better performance by the state in respective nation.
- Addressing consequences of the social and cultural transition.
- Improving the environment and implementing economic policy for development.
- Enhancing economic and trading ties.

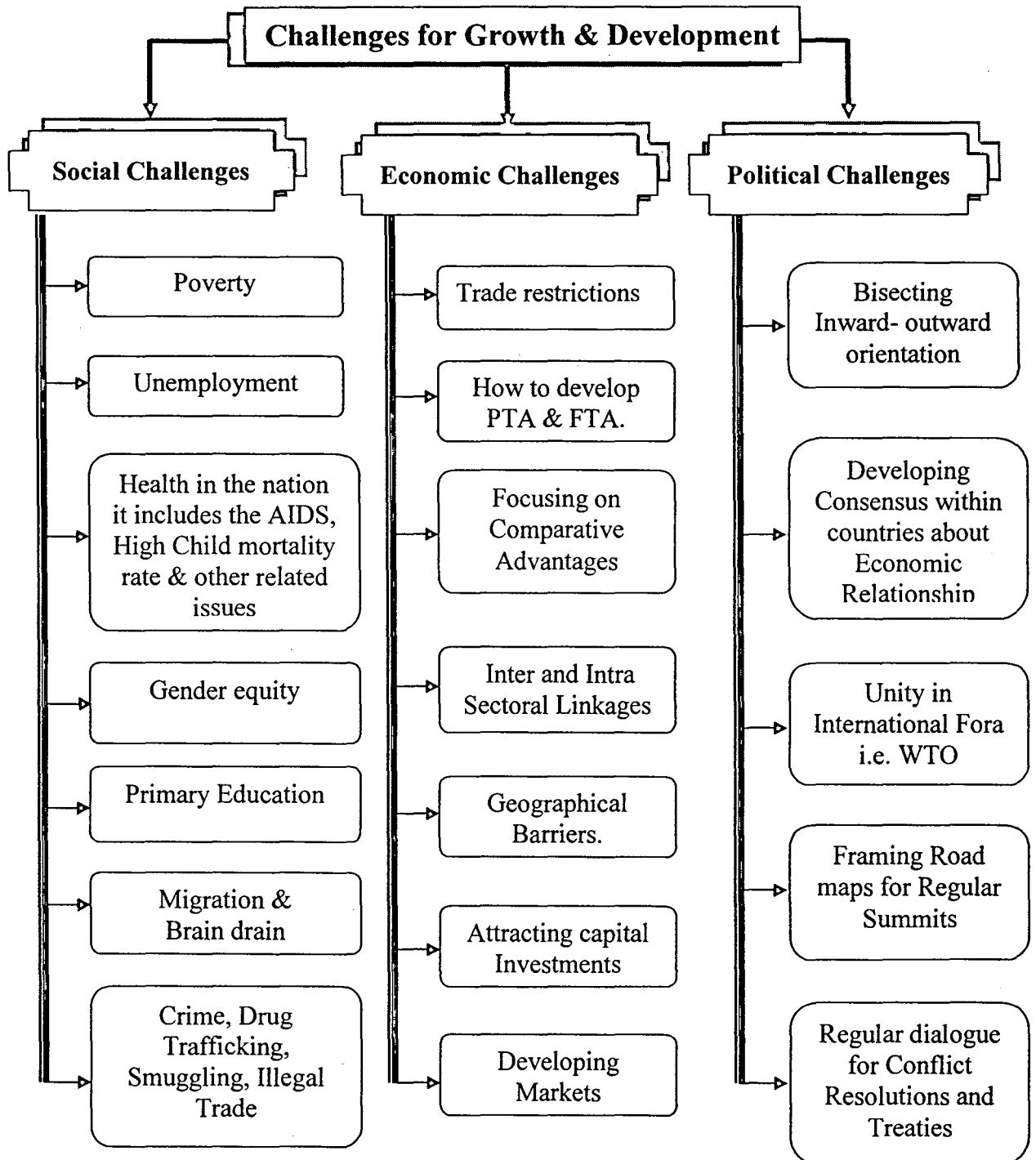
The Socio-Cultural challenges, Economic Challenges, Political & Diplomatic challenges were mention below. Here we consider the various challenges at par with the barriers in extending the relationship.

1. Social Challenges

The major social challenges were mention below along with the diagrammatical representation of the other political and the economic challenges were mention later in this section.

- **Poverty:** The very basic challenge for and developing country is the prevalence of poverty. Elimination of poverty through expansion of the of the employment opportunity and argumentation of productivity and income level of both underemployed and unemployed poor were the principle instrument for achieving this goal.
- **Unemployment:** In is always debatable in economic that whether “Unemployment is the cause of poverty or the poverty in the cause of unemployment”. Lets not involve in the debate here because both are the different side of same coin i.e. the social lacunas or the problems of the developing and third world countries. The entire three nation were the in the grip of this problem there must be taken care with the implementation of the various employment generation schemes in there respective nations. And by way of taking lesson form each other to search the proper and most feasible way of resolving this predicament.
- **Health Issues:** The world is in the grip of most vulnerable diseases of AIDS/HIV. However the situation is in grim South Africa and India. South Africa home of more than four million people such patient. AIDS is not only the disease with prevalent in these nation however there are many curable diseases which work as a hurdle for overall economic growth of the nation like tuberculoses, malaria and others. Therefore country like India, which is having advantage in producing pharmaceuticals goods⁴ thus it must support with low price medicine for South Africa.

⁴ Example: India will take lead on HIV prevention and management as India has developed a kit for diagnosis of typhoid that costs only a dollar and an important heart piece, which has been implanted in several thousand patients with blocked arteries at the cost of rupees four thousand compared to an international cost of Rupees seven lakhs.

Diagram 1: Challenges for the Growth and Development

- **Gender equity:** Gender inequalities in these countries are to large extent result of the social/ cultural distinction between what women and men can or cannot do, and what they may or may not have. The real question in gender related poverty is how to integrate men into production and social

reproduction activities at the household hold level, and in subsistence and economics. There are certain reasons why women deserve special focus in these developing countries. Firstly, women should not be treated worse than men and secondly women play an important role in the production and thus their involvement in the production is essential for the development of the economy and reduction of poverty and unemployment while increasing the standard of living.

- **Primary Education:** Investment in education promotes economic growth while contributing to the countries in the following ways. Firstly it helps in creating more productive labour force and endowing it with increased knowledge and skills. Secondly it helps in providing the widespread employment and income –earning opportunity for teacher, school and construction worker, textbook and paper printer, school uniform manufacturing, etc. Thirdly it helps in providing basic skills and encourages modern attitude in the diverse segments of the population⁵.
- Education can contribute significantly to rural development in a variety of ways. By widening the horizon of knowledge of the rural people, it can enable them to overcome ignorance and superstitions. Adoption of new agricultural techniques and new method of production is rendered easier if farmer are educated. Education can be oriented as to impart skills and attitudes useful improving the quality of life (For example through education on subjects such as health and nutrition, home repairs and improvements, family planning and childcare, etc.
- **Migration & Brain drain: Any:** Developing nation just can't effort to lose the valuable human resources just because of better infrastructure abroad. Youth are the future growth engines for any developing county, therefore these nations must create and provide every possible infrastructure like roads, water, power, etc. Apart from that the country must provide the proper health & education facilities with proper law and order in the state.

⁵ Reference Mishra, S.K. and Puri, V.K. "2003 – Indian Economic" Published in year 2003 by Himalaya Publishing House pp.159- 172.

- **Crime, Drug Trafficking, Smuggling, And Illegal Trade:** The presence of crime in any forms i.e. Drug trafficking, child abuse, rape, murder, etc were the prime concern of any country. Because rise in violence and crime in any manner will sent the wrong message abroad. This not only directly hampers the interest of the investors abroad but also affects the growth of the nation within. Smuggling or the Illegal trade on the other hand also affect in loses of valuable foreign currency. Thus more liberalisation of the economy will consider as the probable solution to some extent.

2. Economic Challenges

- **Trade restrictions:** In order to improve the import and export they need to remove tariff wall. Because three of them are developing countries, it is pertinent that they can't do away with trade restriction; at least in some of the sector, but the potential of free trade that they have is equally is promising for the growth these countries. With poverty unemployment and other challenges being equally problematic for these countries strategy of export led growth must be explored
- **How to develop PTA & FTA:** the increase in pace with which regional trading agreement are spurning up has belittled the potential of global free trade regime but a global free trade regime where all benefit is still a myth. No doubt a free trade agreement between these countries will be oppose by some already existing trading blocks but the massiveness and the potential of trading block if formed by these countries is also is equally undutiful. Moreover if such a trading block is formed the commitment that each is of them are required to give will surely affect some of the vitals sector of these poverty stricken economies and thus affecting the distributional aspects.
- **Focusing on Comparative Advantages:** These countries need to look at the comparative advantages they are possessing in order to benefit each other from trade. If India can supply cheep drug and efficient cyber-space technology, Brazil can supply agriculture, minerals and defense goods and

other manufacturing. While South Africa can concentrate on supplying raw diamond and other precious metal, what more a complementing block can be achieved outside the realm of these three countries when all need each other's help? Thus **inter and Intra Sectoral Linkages** is important.

- **Geographical Barriers:** Distance between the markets is also a major challenge in the expansion of the trading relation because it raises the cost of the good due to transportation. This can be controlled by expansion of trade between them so that the economies of large-scale trade come curtailing the cost on goods
- **Attracting capital Investments:** Even though three of them are capital constrained countries but they should find ways to invest in each other to increase inter-Sectoral linkages promoting capital investment among them and helping in technology development and R&D.
- **Developing Markets:** They need to facilitate goods in each other market by slashing down duties and tariff wall. Apart from forming a trading block and promotion of investments while exploring the comparative advantages that each of them possess facilitating the market access and reduction and customs duties will go a long way in expansion of market.

3. Political Challenges

- **Bisecting Inward- outward orientation (Export – import substitution):** Countries should move towards the export oriented regime in order to increase the share of trade in the over all GDP. They should down away with all forms of trade restriction in the country.
- **Developing Consensus within countries about Economic Relationship:** These countries should come together in the international arena for collective bargain in the WTO. As we have seen in the last Cancun meet, held in Mexico, September 2003.

- **Unity in International Fora i.e. WTO:** They should keep united in the all-international forum. They should not be a party to any treaty, which can be conflicting for the interest of the IBSA country.
- **Framing Road maps for Regular Summits:** They should carried out regular meeting and summits as we have in the case of ASEAN and SAARC in India and SADC in South Africa. IBSA should follow the foot set of these trading block.
- **Regular dialogue for Conflict Resolutions and Treaties:** They should indulge in regular dialogue and conflict resolution; they should have indulged in regular meeting of sectary level and minister level.

Therefore developing the economic relationship or meeting the potential lying unexplored in each of the nation required these challenges to meet. Thus these social, economic and political challenges to be sought out though framing and implementing the strategic policy and agreement between them.

COMPARATIVE PERFORMANCE OF THE THREE NATIONS

Since the independence of South Africa in 1994 the expansion of the economy took place at the great pace in the all the fields of Growth and development. To elaborate the comparative performance of the three nations since 1994 we had taken certain indicators ⁶to see the changes over the years. The indicators were related to various socio- economics aspects of the country see table mention below presenting the change over the years. The indicators also provide the substantial information regarding testing of the hypothesis undertook during the study. The various socio-economic indicator that had mention in the hypothesis were include poverty, unemployment, literacy and trade of the three nation along with other key indicators on the merit of there importance in performance of any nation were taken in to consideration.

Table 3.1: Comparative Performance of the Three Nations

Parameters	SOUTH AFRICA		INDIA		BRAZIL	
	1994	2004	1994	2004	1994	2004
Population	40,583,61 1	44819778	964524835	1,065,070,607	14527 3680	169799170
Poverty	60%	50%	34%	26 %	32%	22 %
Unemploy- ment rate	36%	31%	15.3%	9.5 %	17.8 %	12.3%
Mortality Rate	47	60	113	96 (67 tar.)	41	33
Literacy	65%	86.4%	52%	65.3 %	72%	86.6 %
GDP PPP (In US \$)	356. 2 bn	\$456.7 billion	2.12 trillion	\$3.033 trillion		\$1.375 trillion
GDP - per capita	\$7200	\$10,700	\$1800	\$2,900	\$5120	\$7,600
Export	\$17.67 bn	\$36.77 billion f.o.b.	\$37 bn.	\$57.24 billion f.o.b.	\$59.4 3 bn	\$73.28 billion f.o.b
Import	\$21.13 bn	\$33.89 billion f.o.b	\$570.12 bn	\$74.15 billion f.o.b.	\$34.2 8 bn	\$48.25 billion f.o.b
External Debt	\$18.5 bn	\$25.9 billion	\$64 bn	\$101.7 billion	\$93.7 bn	\$214.9 billion
Agricultural production % of GDP	4.9%	3.8%	35.5%	23.6%	16.2 %	10.2%
Industrial Production % of GDP	24%	31%	21.3%	28.4%	31.8 %	38.7%
Services Production % of GDP	45%	65.2%	32%	48%	39%	51.2%

*Sources: Compiled by the researcher. (See bibliography for details)
Europa Year book 2004, Unctad Investment report 2004 as well as the some
from some websites.*

⁶ The detailed Figures of the various other parameters were mention in the chapter two in the economic aspect of the various sample countries.

The Table 3.1 mention clearly suggested the there is a favorable shift in the performance of the economy in various socio- economic indicator taken in to consideration in the hypothesis. The population growth rate of the IBSA nation has comedown with the reduction in the poverty and increased job opportunities. However the employment opportunities in South Africa are still not very favorable. The child mortality rate has also come down sharply. The export and import of the IBSA countries has gone up with rise in the import. in the second chapter we had already discussed about the rise in the trade between the IBSA countries. The share of agriculture in all the IBSA nation has show an declining trend which show about the rise of manufacturing and the service sector in the GDP. Thus more or less the hypothesis which we adopted were proved hope to see the more vibrant and tangible outcome of the IBSA initiatives in future for which it is meant.

CHAPTER FOUR

SUMMARY

AND

CONCLUSIONS

SUMMARY & CONCLUSION

A study on South Africa's economic relationship for potential economic partnership between India, Brazil and South Africa (IBSA) reflected many aspect of development. As a part of the study, in order to brainstorm on the potential of the IBSA partnership, I had already discussed many potential of trilateral agreement along with the challenges to attain them in the third chapter.

In the very **first chapter** of the study I had talked about how IBSA is an attempt by three major emerging economies to push forward the idea of South-south cooperation. To improve the low synergies in the past to the potential limits as India, Brazil and South Africa together combine a population of 1.3 billion, a GDP of \$ 1.2 trillion and \$ 300 billion of global trade. The three have developed immense synergies in their capabilities. South Africa has developed significant mining and synthetic fuel industries. Brazil has emerged as a very strong player in the aerospace industry. India is also emerging significantly in specific spheres such as IT, pharmaceuticals and automobile. The coming together of the three countries would have a tremendous economic and strategic importance. The three countries are already leading the developing world in the G-20, which has emerged, as a developing countries' platform for pulling together their negotiating capital in multi lateral trade negotiations. In number of occasion three countries come together to discuss the future of trade and cooperation amongst the group.

There are a number of areas that have been identified as areas of cooperation among the IBSA countries. The areas that have showed significant potential are S&T, defence, trade and investment and energy. For each of these areas there is a well-defined programme of action.

The **second chapter** of the study dealt in the explanation of the various historical, political, and diplomatic relationships afterwards followed by the explanation of the economic relationship between the three nations namely South Africa, India and Brazil. As to have good economic relationship with and

country the counterpart must have the good political and democratic relationship for thriving trade.

Third chapter of the study dealt with the various aspect of the discussion pertaining to the the key areas for negotiation and prospects for promoting the South-South cooperation and the achievements of Souht Africa since independence in 1994.

Since the 1960s through 1980s developing countries had been pursuing the idea of South-South cooperation. However, over the last decade, owing to the sermons of the developed countries, the countries of South experimented with multilateralism, the returns of which have varied across the developing world. Brazil and South Africa did not seem to gain anything significant from liberalisation. This led to a search for new development paradigms. Political leaders began to look for new trade geographies and the context of the IBSA developed in this scenario. Though separated by thousands of kilometres, India, Brazil and South Africa are not strangers to each other and have conducted vibrant trade in the past.

As the result of a general disenchantment with liberalisation there has been an increase in the growth of bilateralism along with multilateralism. While Brazil is a part of the MERCOSUR and South Africa of the SACU, India is still to participate in any major regional grouping or a customs union, although a framework agreement has been signed between MERCOSUR and India; and there is work going on at a feverish pace to develop vistas of cooperation between India and SACU. Merchandise trade among IBSA countries has been significant and accounted for 2 per cent of the total trade in the year 2002. The objective as set by the political leaders is to double the present volume of trade. However, a number of things will have to be taken into consideration to achieve it. Essentially, while the three countries cannot think in terms of an FTA, there are possibilities for Preferential Trading Arrangements (PTA). An IBSA special trading arrangement could be looked at to address the question of trade facilitation or in other words eliminating barriers to trade.

While certain barriers (non-tariff) to trade are specific to Brazil and South Africa, there are a few common ones as well. Brazil has been reforming its financial sector over the last decade. Yet, there are significant payment problems in dealing with Brazilian businesses. Secondly, the costs of insurance and transport are very high in Brazil. According to the Brazilian law any trade undertaken via air or sea has to be insured and the current rate of insurance premium in Brazil is 1.25 per cent, which is much higher than the global average of 0.3 per cent. While the above can be easily tackled, the real problem lay in perception gaps. There seems to be a general perception in Brazil as well as South Africa that the quality goods come from the US while those coming from countries such as India are inferior. Also, there is lack of business information.

In South Africa, firstly, there is a huge problem with regard to anti dumping duties levied in the country. Also, there is a no response to the number of complaints made by Indian businessmen to the South African government, which works as a de-motivating factor.

The problem, common to all the countries, lies in the lack of standardisation in custom procedures, harmonisation and conformity assessment standards etc. Harmonising of these standards is a must for promotion of any kind of trade.

To overcome such problems, the study proposes the formation of an IBSA Business Forum. Also, there could be sub forums working for specialised sectors such as IT, Chemical or transport industry forums where in each country's forums or associations could coordinate with each other.

Synergies between the IBSA countries would have to be explored while keeping in mind all the challenges that the Brazilian economy currently faces. Brazil is considered to be strong in defence manufacturing. However, there is only one company that seems to be the reason behind such a perception. It is doubtful that defence could be an area where Brazil would significantly contribute. Also, Defence does not involve a huge section of Brazilian population unlike the agribusinesses, where Brazil might also have some thing to offer in terms of

agricultural research. However, that too is doubtful since India itself has a very strong agricultural research base. In the health sector India helps Brazil considerably. Brazil, on the other hand, has a very effective programme for combating AIDS and a good system of logistics for its vaccination programme. Brazil could offer help in both these areas. India, Brazil and South Africa should cooperate during international negotiations. The three countries could consult and put common foot forward, which would be of enormous help. India, with its larger specialised staff could lead the process. However, any beneficial cooperation in the area of trade in goods appears to be doubtful.

The share of trade in services as a total of world trade has been constantly increasing. While it has correspondingly increased in IBSA countries as well, the share of services in Brazil and South African still remains less than 3 per cent of their total trade as compared to 6 per cent in India. Growing external debt and lack of sufficient growth has prevented a sufficient increase in the trade of services in both South Africa as well as Brazil.

With the possible exception of IT services in India and travel services in South Africa, services is a sector where IBSA is relatively weak. While most cooperation agreements tend to only focus on stronger aspects, IBSA countries, keeping in mind the trends in global trade, should in fact work together to overcome the weaknesses such as those in the services sector. The collective weakness of the IBSA in the services sector can be construed for charting trilateral cooperation between India, South Africa and Brazil. There will be barriers to over come in the course of this process. In the case of Brazil these barriers include: overt restriction to foreign participation in certain sectors, case-by-case restriction in others, pervasive explicit barriers and finally, costs such as insurance. In South Africa, the major problem pertains to immigration laws, which make it extremely difficult for foreign nationals to gain work permit.

IBSA countries could cooperate in the IT and software sector. India is already recognised as an IT power. India exports 80 per cent of its IT and software products to the developed world. India also exports its IT products to the developing world. This will not only increase the IT trade but also help address

certain develop dilemmas that are currently being faced by the developing world. IBSA countries can make an excellent start in this sector.

India also provides excellent tourism opportunities. There is also a possibility of cooperating in the traditional medicine sector for promoting affordable health care. South Africa is already promoting Yunani and Ayurveda medicine, both ancient Indian forms of medicine.

Another area of cooperation could be in films and animation. India has a vibrant film industry and has excellent skills base in software and animation, which could be resourcefully tapped.

In the financial sector, India can proudly boast of a well-established stock exchange and capital markets. Even South Africa possesses expertise in capital markets and both the countries could work together with Brazil to develop its capital markets.

Increased media coverage of three countries enhanced knowledge among the people of each country about the other two IBSA countries. Also suggested is the creation of an IBSA network of think tanks for increasing the interaction among the academicians of three nations.

Brazil has done exceedingly well in attracting foreign investment. Brazil is only second to China in its FDI rankings. India has also done well in attracting FDI. FDI outflows from IBSA countries are also increasingly on the up. Looking at the sectoral composition of FDI outflows from IBSA, it is visible the three nations have built up significant technological capabilities over the last two to three decades. All the three countries are increasingly investing abroad in those areas where they have themselves developed a niche.

Indian investment in Brazil is close to negligible. It is much higher, though, in South Africa, perhaps due to historical roots and geographic proximity. However, recently, an Indian company (TATA) has won the bid for second national operation in South Africa. The number of joint ventures between India

and South Africa has also increased in South Africa. However, India is yet to fully exploit the opportunities present in the emerging economies of South Africa and Brazil and vice versa. The total approved FDI outflow from Brazil and South Africa has been up to the tune of \$ 487 million. However, what has actually come in is only \$ 26 Million. This calls for seriously addressing of the issues of investment and trade facilitation.

Auto components, a market worth rupees billion in Brazil, are largely serviced by the US. India has developed immense expertise in this sector and could look forward to work with Brazil in this sector. India is also doing very well in pharmaceuticals research and is in a position to deliver a number of drugs at prices that could be easily afforded by a large proportion of population in Brazil and South Africa.

Both India and Brazil excelled in the electronics hardware market during the seventies and the eighties. However, in the nineties these were completely overtaken by the US. The two countries should look at the possible option of rejuvenating the sector.

Other areas of cooperation are energy, gems and jewellery, food processing. IBSA countries should not give away the value addition processes to the developed countries but increasingly acquire value addition capabilities themselves so as to retain the profits arising out the process with in their own countries.

There is a need to work together for promoting investments, R&D alliances, small and medium enterprises. The IBSA countries should also build up transport networks. South Africa could function as the pivotal mid point where the warehousing facilities could be developed. India can be of assistance in the field of maritime training.

Finally, the three countries should also work together for the improvement of the international financial architecture.

The developing countries, such as the IBSA members, should work together to provide some alternative to the current model of globalisation. Another observation highlighted the need to remove the information gap in India, particularly with regard to Brazil, as it is less wide in the case of South Africa because of the presence of a strong India Diaspora. A meaningful exchange of economic experience by the three countries was also required for the evolution of effective regulatory frameworks. For example, India has had a tremendous growth in its telecom sector, which perhaps could serve as a regulatory model for South Africa and Brazil. India and Brazil could also share their experiences with regard to regional disparities and class inequalities in income.

Problem with regard to trade: The trade concentration in such initiatives is only made for industries, which already have a strong market share or lobby such as IT in India or tea in Brazil. However, there are certain areas such as wine in Brazil that do not have a strong lobby or market share but have extremely good prospects, such as wine in Brazil. Initiatives such as IBSA should also focus on trade in such products.

The need to back economic cooperation with studies on political economy, politics, and history for a better understanding of each other's society is required. Increase in cultural exchange between IBSA countries to increase the knowledge among the people of each country about the other two.

To integrate businesses in these nation at least 15-20 sectors those have been identified for cooperation in the trilateral projects. Understanding bilateral cooperation between India-Brazil, India-South Africa and South Africa-Brazil it could then be extended to exploring similar opportunities for trilateral cooperation.

The performance of the economic relationship with in IBSA shows a favorable shift in the trading relationship and other socio-economic relationship among them. The political, economic as well as cultural agendas making it a mammoth exercise in extending the relationship between IBSA further for mutual benefits.

The three governments have identified various sectors for cooperation and the agenda must move from general to the specific. Through IBSA the three governments are trying to project that South-South Cooperation is valid, tenable and pertinent. The attempt is to look for solutions from within solutions that have worked in developing societies and then replicate them in other developing countries. The challenges lie in deciding: how to take it forward; how to best implement it; and how to include everyone in this process.

To get anything more meaningful what they had in the past, out of this partnership there is a need to work on very specific points involving the think tanks, businesses, industry and the capital markets in the process.



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AND

ANNEXURE

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ANNEXURE I

ECONOMICALLY ACTIVE POPULATION	SOUTH AFRICA			INDIA			BRAZIL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
a. Agriculture, hunting, forestry and Fishing.	727	324	1051	139362	51979	191341	9176	2595	11771
b. Mining and Quarrying	470	17	487	1537	214	1751	319	29	348
c. Manufacturing	1004	602	1605	23969	4702	28671	218	17	235
d. Electricity and Gas	80	15	95	-	-	-	6001	2756	328
e. Trade (including hotels)	1186	1212	2397	19863	1434	21296	1629	1444	3071
f. Construction	534	60	594	7810	208	8018	4397	171	4568
g. Transportation, storage and communication	448	94	543	5122	421	5543	2918	400	3319
h. Community, social and personal service	878	110	1988	-	-	-	1703	2821	4544 (Health)
i. Private households	150	905	1055	-	-	-	533	302	836
j. Other services	-	-	-	23995	5316	29312	12845	12456	25301
Total (Including others)	6049	4783	10833	221659	64274	285932	40860	24770	65630
Unemployed / Marginal worker	2139	2386	4525	2705	25494	28199	5596	6151	11838
Total labour force	8188	7169	15358	224364	89768	314131	46546	30921	77467

Note: Figures are for year 2001, value in thousand.

Source: Europa Year Book, Vol. I, II, - Year 2003 & Year 2004. (Compiled by the researcher)

ANNEXURE II

BALANCE OF PAYMENT (US \$ 1 MILLION)	SOUTH AFRICA			INDIA			BRAZIL		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
Export of goods f.o.b	31636	30716	31085	45636	45399	52743	55087	58223	60362
Import of goods f.o.b	-27320	-25856	-26856	-60268	-58232	-65159	-55783	-55572	-47219
Trade balance	4316	4860	4372	-14632	-12833	-12416	-696	2650	13143
Export of services	4895	4520	4486	19175	20886	24859	9382	9322	9606
Import of services	-5719	-5190	-5321	-16654	-16253	-18691	-16956	-17081	-14644
Balance of good & services	3492	4191	3537	-12111	-8200	-6248	-8270	-5109	8105
Other income received	2260	2260	1816	2405	2777	-10134	3620	3280	3295
Other income paid	-5401	-6008	-4507	-6290	-5461	15156	-21504	-23023	-21485
Balance of goods, services and income paid	351	443	846	-15996	-10833	-366	-26154	-24852	-10086
Current balance	-575	-296	290	-2640	1761	4656	-24632	-23215	-7696
Overall balance	400	296	1609	5979	11897	16868	7980	-3418	-11266

Source: Europa Year Book, Vol. I, II, - Year 2003 & Year 2004. (Compiled by the researcher)

ANNEXURE III

EXTERNAL TRADE - EXPORT (US \$ 1 MILLION)	SOUTH AFRICA			INDIA			BRAZIL		
	1998	1999	2000	2000/ 01	2001/ 02	2002/ 03	2000	2001	2002
• Food and live animal	1947	1900	1780	96852	104275	145001	10385	9231	11647
• Crude material	2291	2378	2605	-	-	-	7153	8651	8798
• Minerals fuel lubricant, etc	1501	2282	2667	88216	104109	131018			
• Chemical and related products	1754	1853	2035	79023	76739	101899	2980	3503	3150
• Basic manufacturing	4777	9044	7569	-	-	-	9880	3503	10351
• Machinery, transport equipment, nuclear reactor, boiler, etc.	3331	4052	4552	65251	74910	83175	11366	15485	1356
• Natural or cultured pearls, precious and semi precious stones, precious metals and articles and parts thereof.	-	-	-	339321	350056	440023	-	-	-
• Iron and steel	-	-	-	51745	44832	92541	-	-	-
• Beverages and tobacco	-	-	-	-	-	-	1979	1753	1945
• Cotton	-	-	-	110019	95100	106585			
• Miscellaneous & Manufactured articles	1002	1085	1098	-	-	-	2852	34430	3490
Total (including others)	1958.1	23187	26075	2035710	2090180	2551373	48011	55285	58223

Source: Europa Year Book, Vol. I, II, - Year 2003 & Year 2004. (Compiled by the researcher)

ANNEXURE IV

EXTERNAL TRADE - IMPORT	SOUTH AFRICA (US \$ 1 million)			INDIA (RS MILLION)			BRAZIL (US \$ 1 MILLION)		
	1998	1999	2000	2000/01	2001/02	2002/03	1999	2000	2001
• Food and live animal	948	860	910	64671	70800	90524	5171	5105	4463
• Crude material	841	710	869	-	-	-	1680	1979	1532
• Minerals fuel lubricant, etc	2245	2452	3840	801539	752185	952449	16250	24973	23122
• Chemical and related products	2864	2950	3055	73080	87951	106946	15824	16942	16125
• Basic manufacturing	3188	3179	3293	-	-	-	5168	6017	5919
• Machinery, transport equipment, nuclear reactor, boiler, etc.	10319	9200	9824	193557	202652	248294	22197	24212	25136
• Natural or cultured pearls, precious and semi precious stones, precious metals and articles and parts thereof.	-	-	-	443476	445992	506957	-	-	-
• Miscellaneous & Manufactured articles	2265	2235	2348	122326	151747	245231	3295	3533	3594
Total (including others)	26624	24093	26607	2308728	2451997	2972059	51747	58931	58510

Source: Europa Year Book, Vol. I, II, - Year 2003 & Year 2004. (Compiled by the researcher)

