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# Competing Imperatives of Global Governance and National Interests within BRICS: An Indian Perspective

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## Abstract

This paper revisits India's contribution to institution building efforts in BRICS to suggest India's keen interest in leveraging BRICS for fulfilling its national objectives on domestic economic growth and global governance. However, we note that multiple competing imperatives of global governance and national interests within BRICS lead to asymmetric gains among members. BRICS suffers from weak cooperation in global trade, technology and environmental regimes. This paper explores positions of BRICS members on selected trade issues in the WTO in areas like agriculture and NAMA to identify divergent national interests. We elaborate that the ITA, a plurilateral agreement under the WTO, has allegedly brought differential gains to India and China (with China gaining many times more than India in export performance). Faced with differential gains in sector specific economic performance and intra-BRICS competition, BRICS seeks greater coordination in its economic policies and global governance approaches.

## Keywords

BRICS, WTO, Global Governance, Information Technology Agreement, New Development Bank, BRICS Credit Rating Agency

## Introduction

India along with four large emerging economies Brazil, Russia, China and South Africa represent the shifting centre of gravity of the world economy (O'Neill 2001 and 2011; NDB ,2017; Baracuhy, 2012). At the turn of the century, these economies triggered awe for their rapid pace of expansion of their economies led

by China. The economic recession of the last years of the previous decade slowed global growth, but BRICS showed substantial resilience. India has become the fastest growing large economy globally. While growth in China seems to be stabilising and Brazil, Russia and South Africa facing contraction due to falling commodity prices globally, India, is slated to maintain its average high economic growth rate.

In this decade, BRICS increasingly institutionalised its cooperation platforms at the level of ministers and officials (in the form of annual dialogue processes and committees) across a comprehensive array of issues, culminating into Annual Summits of BRICS Heads of Governments. BRICS has also encouraged deeper track two academic engagements and people to people linkages through annual forums for civil society organisations, youth forums and forums in diverse areas of culture and sports. BRICS institution building efforts and formalised mechanisms of cooperation have played important role in strengthening BRICS partnership so far. Apart from the creation of the New Development Bank (NDB) and the introduction of the Contingent Reserve Arrangement (CRA), BRICS has also adopted the Strategy for BRICS Economic Partnership. India has played an important role in proposing and in working with other members towards creating alternate institutions of global finance and for better coordination of macroeconomic management globally to prevent and respond to future crisis. BRICS has successfully launched the New Development Bank and has proposed creation of a BRICS Credit Rating Agency. To cater to future needs in development and sustainability BRICS has established an Agriculture Research Platform. We observe that, India offered ideas and support for the creation of such institutions in BRICS to fulfil the following objectives: 1) collectively influence global financial architecture; 2) create alternate financial institutions based on principles of equality; 3) create sector specific collaboration platforms on development and security; and 4) to use such platforms to leverage the BRICS advantage for domestic economic growth. In this regard, we would discuss three specific institution building efforts in BRICS.

However, unlike in the case of institution building and institutional approaches in sector specific cooperation, BRICS countries are confronting challenges in context of their approach to global governance, which has so far focused primarily on global financial architecture with much less coordination and coherence in approaches on global trade, technology and environmental regimes.<sup>1</sup> The Strategy for BRICS Economic Partnership statement pays less substantive attention to

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<sup>1</sup> In Summit Declarations, however, the BRICS have repeatedly expressed their collective aspiration to help build a more open, cooperative, equitable and efficient world order (NDB, 2017). The Strategy for BRICS Economic Partnership statement pays less substantive attention to outstanding issues under the multilateral trade negotiations or other specific themes of global economic governance that have multilateral significance.

outstanding issues under multilateral trade negotiations or other specific themes of global economic governance that have multilateral significance. This, we presume, would result in partial gains for its members. We see BRICS as incomplete, or even faltering on issues that relate to wider and comprehensive dimensions of cooperation on global economic governance at a time when such a strategy is imminently required to fortify the space for economic growth in BRICS and in the South. Further, questions have been raised in academic forums on the willingness and maturity of BRICS to deliver on the foundational idea of multipolarity and enhanced commitment for creating mutual space for leadership and role in the world order. The fact that BRICS could emerge is also attributed to gradual integration with the world economy, favourable structural transformation and productivity growth, and the ability to meaningfully leverage the opportunities of internationalisation keeping in mind issues of sectoral competitiveness.<sup>2</sup> Overtime, BRICS countries have demonstrated significant leadership on trade multilateralism, managing capital flows etc. to the extent that these countries see opportunities in globalisation. Member countries in BRICS, nevertheless, have to create space for manoeuvrability to overcome situations when their economic interests are not aligned. For example, India faces challenge of leading a coordinated approach on market access, excess capacity, technology transfer, industrial development and other sector specific issues as actions by China are adversely affecting its own national policy making space.

BRICS experience with the WTO offers deep understanding of the diversity of national interests prevalent in BRICS. To begin with, we note, while IBSA (India, Brazil, South Africa) were original signatories of the GATT-WTO, both China and Russia are more recent entrants suggesting difference in timelines, readiness, perception and preference for globalisation in BRICS. At the same time, despite late entry in the WTO, it is evident that China could leverage opportunities in external sector engagements much more than the other BRICS members because of reasons ranging from comparative advantages to domestic capacities. In this paper we elaborate issues of negotiations within WTO that capture convergence and divergence of economic interests in BRICS. In addition, we specifically highlight the Information Technology Agreement (1997), a plurilateral agreement under the WTO which has allegedly brought differential gains to India and China (with China gaining many times more than India in export performance). China, India and Russia are signatories to this agreement among BRICS members. Faced with differential gains in sector specific economic performance and intra-BRICS competition, BRICS seeks greater coordination in its economic policies and global governance approaches. It is in this light that we wish to present India's engagement with the BRICS and possible directions

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<sup>2</sup> For elaborate discussion see de Vries et al (2012); McMillan and Rodrik (2011); Jacobs and Rossem (2013)

of future cooperation.

In this paper, we discuss issues pertaining to BRICS institution building efforts on finance and formal mechanisms of sectoral cooperation vis-a-vis its approach on global governance on international trade to suggest that the impact of, so far impressive dialogue and cooperation process among the largest emerging economies can only be felt if these translate into deeper alliances on negotiating platforms governing trade, technology and environment globally. This would positively influence economic growth in member states including that of India and would prevent weakening of the BRICS partnership. The priorities set by the dominant economies on several fronts do not overlap with those of fellow economies within BRICS. India is facing this challenge at this point be that in the realm of excess capacity, non-tariff barriers or even in the sectoral agreements like the information technology agreement (ITA). While China has outperformed the developing world in manufacturing, other BRICS countries continue to remain selectively competitive across some sectors within the manufacturing industry. As high technology constitutes the major share of manufacturing exports, China based on its large ICT exports has generated maximum value added in manufacturing in BRICS.

While sectoral competitiveness in high technology industry in BRICS across fields remain intact or improving, BRICS countries await more meaningful engagement and coordinated approach on multilateral agreements governing international trade with implication for industrial development, technology transfers and environmental sustainability. Forging BRICS alliance on these fronts would significantly shape international environment that could facilitate economic growth in BRICS. It may be interesting to note that India, Brazil and South Africa have often aligned at the WTO as part of broader alliances to influence the ongoing Doha Round and there are opportunities of future cooperation. However, the fact that China followed by Russia are more recent players in the WTO one may speculate on the strength and history of collaboration among BRICS as a group at the WTO.

After the Introductory Section I, in Section II we present three BRICS institutional initiatives that reflect the multifaceted nature of the partnership and indicate the interests and contributions of India. In Section III we present BRICS approach on multilateralism and the possibilities of divergences based on national interests. We refer to the history of collaborations among BRICS countries at the WTO to draw necessary insights. In Section IV, we highlight the prevailing differences in the level of industrial development across BRICS, particularly in high value sectors like electronics that may be to a large extent attributable to the information technology agreement (ITA) of the WTO. We discuss BRICS response to the ITA to draw lessons on how global governance and national inter-

ests counteract leading to weakening of BRICS partnership. In the Concluding Section V, we summarize on why collective partnerships in BRICS should deliver in confronting challenges of global governance as well as protect national interests of its members.

## **Institution Building in BRICS and India's Objectives**

### ***The New Development Bank as the Flag Bearer of the BRICS Promise***

The first thoughts on the possibility of creation of an alternate multilateral financing institution in BRICS emerged at the 4th BRICS Summit in New Delhi in 2012. The idea was mooted by India to pursue a BRICS led South-South Development Bank mainly funded and managed by BRICS countries to recycle surpluses into investment in developing countries for infrastructure and sustainable development projects (Agarwal, 2015). Following the report of the finance ministers it was agreed to establish a New Development Bank by BRICS at the 5th Summit in Durban (South Africa) in 2013 and the institution was formally established at the 6th Summit in Fortaleza (Brazil) in 2014. This institution, beyond its objective and mandate has become symbolic of the BRICS partnership itself. This institutionalises the first step towards the original BRICS ambition of alternate financial architecture and brilliantly reflects in its design a unique but operational model of multi-polarity promoting meaningful multilateral cooperation. The institution, it is hoped, would follow alternate institutional framework and non-conditional financing norms in contrast to practices at Bretton Woods Institutions.

The Fortaleza declaration suggests the following: “the Bank shall have an initial authorized capital of US\$ 100 billion. The initial subscribed capital shall be US\$ 50 billion, equally shared among founding members. The first chair of the Board of Governors shall be from Russia. The first chair of the Board of Directors shall be from Brazil. The first President of the Bank shall be from India. The headquarters of the Bank shall be located in Shanghai. The New Development Bank Africa Regional Centre shall be established in South Africa concurrently with the headquarters.” The NDB has mainstreamed sustainability and infrastructure in its agenda which reflects political commitment from BRICS on rigorously pursuing sustainable development globally. As some of the leading world powers have reversed their contributions on sustainability and the developed world as a group is increasingly noncommittal on sharing resources for global public goods (based on principles of common but differentiated responsibility) the utility of BRICS cooperation on sustainability and development is undeniable.

## **BRICS Credit Rating Agency and India's Genuine Interests**

A prominent development on institution building in BRICS, following earlier

successes like the creation of the NDB, and emanating from the Indian presidency of BRICS in 2016 (Goa Declaration) was the proposal to set up an independent BRICS Credit Rating Agency. India has been keen on making BRICS more receptive to alternative ideas in pursuit of evidence based policy making. This initiative is probably unique in terms of its genesis compared to initiatives under several other regional groupings and global alliances. As explained, BRICS has a foremost ambition of creating alternate institutions that could restore balance in global governance. Global Credit Rating Agencies, a few in number and hugely influential, are West dominated private organisations with clear methodological biases against emerging countries.<sup>3</sup> Emerging macroeconomic strengths and longer term outlook of emerging nations are systematically discounted in such assessments. This has adversely affected resource flows to emerging countries including BRICS.

We note that the importance of Credit Rating Agencies is twofold: one, they assess the credit quality of individuals, companies and banks and second, international accords emerging from the Basel process recognise and instruct banks to follow assessments by these agencies on credit risks. Lower credit ratings would therefore increase the cost of institutionalised borrowing. For BRICS in particular, many a time sovereign ratings have lacked consistency both in terms of the criteria and assessments. India's relative low score on such ratings despite political and economic stability and ever improving macroeconomic fundamentals have been a cause of concern. India's keen efforts to formalise a BRICS credit rating process, as we observe, is also possibly inspired by the fact that bond markets offer alternative sources of finance and have been an effective tool in some developing countries. The BRICS countries with mature capital markets have the potential to leverage local currency bond markets aided by informed, balanced and neutral credit ratings.<sup>4</sup> The ability of the NDB to utilize bond markets in BRICS would be severely compromised with downgraded sovereign credit ratings of these countries. During its presidency, India hosted a meeting of BRICS officials to deliberate on strengthening bond markets in BRICS, wherein the possibility of a common BRICS bond market was also explored.

### ***BRICS Agriculture Research Platform and India's Credible Leadership on Development***

While BRICS efforts on cooperation in financial coordination is acknowledged, the group is often criticized for being selective on development challenges and having failed to exploit opportunities of cooperation across broad areas of sustainable development to meet future needs. India's own development challenges and experience coupled with its consistent posture at various global fora on such issues

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<sup>3</sup> "Financing the SDGs" by Rathin Roy; Business Standard, 6 October 2017

<sup>4</sup> Dash (2017) and Government of India (2009)

prompted it to mainstream development issues in BRICS and also offer futuristic ideas on cooperation. The Prime Minister of India Mr Narendra Modi proposed the creation of a BRICS Agricultural Research Centre at the 7th BRICS Summit at Ufa, Russia in 2015. Acknowledging strengths with individual BRICS countries in the field of agriculture and agriculture research, he had put forward this vision of BRICS collaboration not only to support future needs in BRICS but also in the developing world. This may also be seen in the light of the fact that BRICS countries are leading producers, consumers and exporters of agricultural products including in horticulture, fisheries and other animal products. Accordingly, all BRICS countries at the 8th Summit in Goa, India agreed to the establishment of the BRICS Agricultural Research Platform. We note that the Goa declaration emphasised substantially on issues around agriculture, food security, and malnutrition; and has highlighted the importance of agricultural productivity, sustainable management and trade. However, BRICS focus on cooperation in science, technology and innovation has been discernible all through. The establishment of BRICS Agriculture Research Platform falls at the intersection of BRICS approach on agriculture and its efforts to build collaborations in Science and Technology. Subsequently, the coordination centre of the BRICS Agricultural Research Platform has been located in New Delhi, India at the National Agricultural Science Complex. Through this India is expected to make meaningful contribution to this initiative.

### **BRICS at the WTO Possibilities beyond National Interests?**

At the WTO, free trade is primarily understood in terms of reduction in tariff barriers. Distortions and inefficiencies in world trade due to policy regimes in countries (in areas like subsidies and IPR) remained contentious, with developed countries seriously hurting interests of developing countries in areas of significant concern to them like agriculture exports, food security, livelihood and public health. Such divergences brought down confidence among members and the developing countries demanded a course correction. The developing countries faced dual challenges in the form of adverse posturing of the developed countries as well as biased technical specifications that went into determining the level of distortions. To address these issues a new round of negotiations was launched in 2001 that came to be known as the Doha Development Round, which remains inconclusive till date.

However, what remained outside the mainstream thinking, even for review, let alone renegotiations is the impact of WTO on trade and production capabilities of developing countries for deepening industrialisation as the world transits from the so called third to the fourth industrial revolution. The early industrialised countries adopted suitable strategies to aid their industrialisation process. Independent strategies on these counts are much less feasible under the WTO regime

(Lall 2000; Rodrik, 2004; Chang, 2009; Singh, 2016). The narrow window of special and differential treatment, which is in any case challenged by developed countries in negotiations and the ad-hoc approach under non-agricultural market access (NAMA) negotiations, is clearly insufficient to serve the purpose. While, industry led to value creation in the early industrialised economies, the negative influence of global trade regimes on industrial capabilities of some developing and emerging countries would seriously hamper their long term growth prospects. BRICS cannot be an exception.

The WTO regime remains complex. There are attempts to widen the scope and coverage, ignoring the long term concerns of developing countries. The WTO has been successful to pull through negotiations on issues beyond the Doha Round in areas like Trade Facilitation, however, to the satisfaction of large segments of the developing world as they see new opportunities of integration. In the run up to the 11th WTO Ministerial Conference in Buenos Aires in December 2017, BRICS members are split on some of the new issues, taking offensive or defensive postures depending on their national interest and sector specific competitiveness. India seeks greater cooperation in BRICS in influencing the outcomes. BRICS has time and again called for early completion of the Doha Round, but coordination has been waning. The challenges have multiplied with rising regionalism. BRICS countries competing in such arrangements has led to further weakening of BRICS cooperation in upholding multilateralism and taking common positions on trade issues that affect industrial development in their countries. As some major economies of the world recede to trade protectionism, beyond rhetoric, BRICS is well positioned to champion trade multilateralism on their own terms that would foster competitiveness across sectors including in agriculture and industry. However, this requires intent and credible action on part of the BRICS.

Individual members of BRICS have greatly influenced trade multilateralism in the WTO in the last decade, and there is a chance that these countries can start from where they left. Of course, in terms of export interests and domestic priorities BRICS may substantially differ on some counts, but as already explained opportunities of industrial development, value chains, innovations and wealth creation could be very similar. The axis of cooperation among BICS (Russia joined the WTO as recently as 2011) can be traced to the initial years of the Doha Round, with agriculture as the pivot on most instances.

At the WTO, Brazil, India, South Africa and to some extent China started working together as part of the broad G20 alliance to hammer out issues in agriculture. While the uncertainty continued through the Hong Kong Ministerial in 2005, in 2006 India and Brazil were exclusively selected to be part of G4 along with the US and the EU to renegotiate and salvage the Doha Round, before the talks failed in 2007 (Ray and Saha, 2009). The fact that Brazil and India were selected sepa-



rately is attributable to the fact that India's and Brazil's interests in agriculture are divergent based on the fact that Brazil is an aggressive player as a major exporter in agriculture. This is also the reason that India has collaborated more closely with the G33 group of developing countries in agriculture which included China, while Brazil with the Cairns group led by Australia. While some coordination among BICS was visible, China's position on agriculture negotiations as part of recently acceded members (RAMs) group in seeking longer timelines of implementation and other flexibilities suggests its defensive posture not too different in spirit from that of India. In an encouraging development, in July 2017, India and China jointly submitted a proposal to the WTO calling for the elimination, by developed countries, of the most trade-distorting form of farm subsidies, known in WTO parlance as Aggregate Measurement of Support (AMS) or 'Amber Box' support as a prerequisite for consideration of other reforms in domestic support negotiations.<sup>5</sup> On NAMA, the IBSA (India-Brazil-South Africa) partnership has remained strong with significant convergence with China on specific issues like non-tariff barriers (NTBs). It may be important to note that the NAMA 11 group for tariff negotiations in the Doha Round has been led by South Africa. China, driven by its manufacturing prowess and related competitiveness has been offensive in its offers on tariff liberalisation. The advanced industrialised countries introduced what is known as the Swiss Formula that would set uniform rules on tariff reduction. Argentina, Brazil and India proposed an alternative formula, known as the Argentina-Brazil-India (ABI) Formula. The ABI formula adjusted for country specific average tariffs unlike fixed coefficients used in the case of the Swiss Formula in the spirit of less than full reciprocity. China while agreeing to the ABI concept proposed its own formula (Thorstensen and Oliveira, 2014). This leads us to believe that on industrial tariffs and market access the BICS posture at the WTO has never been aligned with that of the early industrialised countries led by the US, EU and Japan.

Ever increasing bilateralism/regionalism within the global trading order has made way for plurilateralism that have much wider scale and scope; and may be seen as efforts to expand buy-ins to bring on board tariff and non-tariff issues that are extremely difficult to negotiate under the framework of the WTO.<sup>6</sup> The projects of Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and Regional Comprehensive Economic Partnership (RCEP) are plurilateral or mega-regional trade negotiations that have confronted diverse fortunes in recent times. While TPP having failed in its previous form and

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<sup>5</sup> Press Information Bureau, Government of India  
<http://pib.nic.in/newsite/PrintRelease.aspx?relid=170392>

<sup>6</sup> Refer RIS World Trade and Development Report 2015 on paradigm shifts in world trading arrangements.

TTIP held up, it is only RCEP that carries some promise of reaching the desired goal. However, given firm postures of the BRICS at the WTO, TPP led by the US and TTIP (between the EU and the US) were specifically designed to keep BRICS out of the purview of such trade deals. The RCEP, however, sees China and India fighting each other not only for influence but also for maximising gains. The structure and export competitiveness of sectors including services varies greatly between the two countries and chances of cooperation are minimal.

### **Global Trade Architecture and Unequal Gains: India vis-à-vis China in the context of ITA**

The Ministerial Declaration on Trade in Information Technology Products (ITA) was concluded by 29 participants at the Singapore Ministerial Conference of the WTO in December 1996 (the number of ratifying countries currently stands at 82 representing 97 percent of world trade in such products). In doing so, ITA proactively sought enhanced market access for information and communication technology (ICT) products by eliminating tariffs for such products (with commitments of MFN nature). The applied rates in most cases were much lower than the bound rates. ITA is credited for expanding trade in ICT products phenomenally. Exports in the products covered by the ITA tripled from US\$ 549 billion in 1996 to approximately US\$ 1.7 trillion in 2015 (WTO 2017). China remains the world's top exporter of all main categories of ICT goods. China is also the top importer of ICT goods, accounting for 18 per cent of world imports and 34 per cent of all electronic component imports, including re-imports from Hong Kong (China) (UNCTAD, 2014).

While, India joined ITA in 1997 itself, China did so in 2003 after its accession into the WTO in 2001. The other two prominent BRICS members Brazil and South Africa are yet to join ITA. Russia joined ITA as part of its accession to the WTO. China's export of IT products was way behind countries like the US, the UK, Germany, Japan, and South Korea in 1996 (Table 1). However, China overtook the United States to become the world's leading exporter of ICT goods such as mobile phones, laptop computers and digital cameras. China's import of ICT products was very low when compared with US, UK, Germany, South Korea and Japan till 2005. China's import of ICT products have risen after 2005 and stands higher than that of US and other developed countries like Germany, Japan, and UK. Economies in East and South East Asia remain among the only net exporters of ICT goods. The growth of China's export of information technology goods was fastest during 2005-10. On the other hand growth of US exports of ICT products has slowed down compared to 1996-2000. India's performance has somewhat picked up from very low levels. Also, export of ICT products has seen a relative decline in UK, Germany and Japan in recent years.

**Table 1: Exports of Information Technology Products of Selected Countries (USD Billion)**

Selected Countries	X=Exports M=Imports	1996	2000	2005	2010	2015	2016
China	X	14.46	40.29	213.64	450.86	639.63	585.14
	M	20.42	52.65	199.01	355.46	479.28	461.32
Germany	X	50.80	67.02	115.02	116.09	118.50	121.10
	M	50.68	70.70	107.53	114.18	114.10	115.81
India	X	0.76	0.88	1.97	6.52	4.68	4.89
	M	1.67	3.50	12.99	26.03	39.29	39.44
Japan	X	104.50	141.68	144.76	145.51	105.12	112.10
	M	49.13	70.76	79.80	88.32	96.70	94.63
Republic of Korea	X	28.37	55.14	87.95	113.48	141.10	134.95
	M	37.39	43.65	59.22	79.51	89.38	88.24
United Kingdom	X	43.94	59.15	60.53	32.57	30.57	29.06
	M	47.66	76.04	69.98	57.96	58.71	54.16
United States	X	134.20	201.41	170.12	184.42	200.99	198.78
	M	148.94	234.86	237.43	278.18	351.63	351.69

*Source: Authors' calculations based on ITA Product List (Attachment A, Sections 1 and 2) in HS 1996 from WITS Online*

However, the US has been one of the biggest beneficiaries of the ITA. Not only did US exports in particular product categories like semiconductor increase (US presently holds 50 percent market share in semiconductors globally) after ITA was adopted by the signatories, ITA also provided a big push to the expansion of Global Production Networks (GPNs) of US ICT companies (Ernst, 2014). US Multinational Companies (MNCs) were increasingly investing in manufacturing in low cost countries like China. EU and Japan have been ahead in manufacturing and innovations of ICT products and are aggressive players in the ITA.

Portugal-Perez et al. (2009) suggests that discussions on extension of the ITA, which included coverage of more electronic products, to non-tariff measures — including standards, began shortly after the ITA was signed in 1996. In 2000, the Committee of Participants on the Expansion of Trade in Information Technology Products (ITA Committee) agreed on its “Non-Tariff Measures Work Programme”. In September 2008 the EU submitted a proposal to review and initiate negotiations to update the ITA. On non-tariff barriers it proposed, “... agreement on substantive provisions concerning the recognition of internationally agreed standards and of methods of conformity assessment, in order to avoid multiple

testing and enable greater economies of scale without compromising on product safety”. Deliberations and workshops on NTMs were conducted on a regular basis. The negotiation was strongly focused on “for each area of certification: one global product, one global standard, one global test and one global certificate.”<sup>7</sup>

In June 2012, six ITA participants (United States, European Union, Japan, the Republic of Korea, Chinese Taipei and Costa Rica) initiated an informal process towards launching negotiations for the expansion of the product coverage of the ITA. This process led to the establishment of a technical working group which met informally in Geneva, outside of the formal framework of the WTO ITA Committee.<sup>8</sup> The US stressed that ITA 2 is a top priority and EU announced consensus on product coverage. Japan has been keen on extending such provisions to regional trade deals. Norway, Switzerland, Canada, Chinese Taipei, Montenegro, Singapore, Colombia, Australia and Hong Kong, China also supported the early conclusion of ITA 2. While Korea was close to ratifying such changes, China was firm on its stand of protecting domestic interests even as it saw merit in ITA 2. ITA 2 has been much less appealing to BRICS other than China leading to their non-participation in ITA 2. This clearly flows from the fact that for these four countries exports of ITA products (with expansion) as a share of global exports in this category is negligible (0.1-0.4 percent). While these countries have increasing import bills on ITA products, India tops the list. Among the ITA members who are not party to ITA expansion India ranks second after Jordan in having a relatively high MFN applied tariff on ITA expansion products. Brazil and South Africa, on average maintains less than 10 percent MFN applied tariff on original ITA products (which is much lower for South Africa).<sup>9</sup>

At the WTO’s Tenth Ministerial Conference, in Nairobi (16 December 2015), 53 members representing major exporters of information technology products, endorsed the timetable for implementing the landmark deal to eliminate tariffs on the 201 IT products. The declaration established that the first set of tariff cuts (65 percent of tariff lines) were to be implemented on 1 July 2016 and the second set no later than 1 July 2017, with successive reductions taking place on 1 July 2018 and effective elimination no later than 1 July 2019.<sup>10</sup> On 1 November 2016, WTO’s ITA Committee announced majority of participants (18 of the 24, who originally represented the 53 countries under ITA 2) have implemented their tariff commitments, and others were on track to do so.

We have already highlighted, of the BRICS only China, India and the Russian Federation are party to ITA, specifically ITA 1. The fact that Brazil and South Af-

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<sup>7</sup> [https://www.wto.org/english/news\\_e/news15\\_e/ita\\_08may15\\_e.htm](https://www.wto.org/english/news_e/news15_e/ita_08may15_e.htm)

<sup>8</sup> [https://www.wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/brief\\_ita\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/mc9_e/brief_ita_e.htm)

<sup>9</sup> Refer WTO (2017)

<sup>10</sup> [https://www.wto.org/english/news\\_e/news16\\_e/ita\\_20apr16\\_e.htm](https://www.wto.org/english/news_e/news16_e/ita_20apr16_e.htm)

rica have not been participating in such negotiations suggests perceived discrepancies between domestic priorities and external sector gains. Such considerations have to be noted in order to understand, convergences and divergences in BRICS in the context of industrial strategy as well as the broader developmental context that links industrial development not only with value addition but also with economic opportunities of the domestic industry (and livelihoods). In BRICS, China has outperformed the rest in ICT trade. Policymakers in countries that are part of ITA yet with a limited manufacturing base in electronics and equipments blame it on the ITA. Cheaper imports have contributed to the decline of the domestic electronics and equipments industry. This has been the case with India (Joseph 2013; Ernst 2014). The experience with regard to ITA 1, definitely has led India to take very cautious stance on ITA 2, despite being one of the first participants in ITA 1. Strategy to promote domestic manufacturing in this segment is being sought in countries like India and Brazil, however with perceptible differences in approach.

The ITA 2 negotiations suggest adjustments on ITA 1 product list specifically to address issues of multiple uses on one hand and technology convergence on the other. While new classification has been adopted, obsolete products have been dropped. China, has thus far been able to integrate with the value chain of global production of ICT goods and gain in terms of value of manufacturing and exports. However, often the Chinese value addition in such products have been low due to overspecialisation in downstream activities and highly fragmented production networks. One possible indication has been China's lagging performance in technologically advanced subcategory like semiconductors. China has adopted sectoral strategies to develop its semiconductor manufacturing sector. ITA 2 was hence viewed with suspicion in terms of its product coverage and there were demands of sensitive lists. While, the work on non-tariff measures (NTMs) is ongoing at the WTO with regard to issues like regulation, standards, conformity, e-labelling, transparency etc. country positions are not in the public domain. The Geneva based international think-tank the South Centre in one of the publications in 2013 highlighted that NTBs – in the form of national standards and regulations or international standards – have been the most significant barriers that developing country products face in accessing the ITA markets, whether or not these countries are part of the ITA. Consensus building in BRICS on such intricate issues on industrial strategy concerning policy space and market access is far from reality.<sup>11</sup>

### **Concluding Remarks**

India has played an increasingly important role in contributing to a new narrative

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<sup>11</sup> Chaturvedi (2015)

led by the BRICS in creating new institutional mechanisms that reflect the 21st Century reality of emergence of the South. BRICS has strengthened avenues and governance architecture on global finance, capital and investment. Moreover, while promoting collective economic interests, BRICS has gone beyond the narrow focus of intra-BRICS trade. In doing so it has also avoided rhetorically supporting multilateralism and has not gone into the specifics in terms of forming coalitions on negotiations. However, with collective partnerships, BRICS may clearly be delivering in terms of consensus on economic, trade and investment issues that may foster growth across economies.

The new institutional mechanisms that India actively sought namely, New Development Bank, BRICS Rating Agency and BRICS Agriculture Research platform are some efforts which bring forward an extremely important message. The message is of BRICS contribution to a new responsible and responsive global order with due prominence to inclusive multilateralism. It would be important to see how far the current disposition should be viewed as a building block for wider global governance. Till the time, when multilateralism remained pivot to global trade, there was still scope for multifaceted partnerships and coalitions and we have elaborated how BICS often collaborated on issues of mutual interest and in reigning skewed gains favouring other dominant economies.

However, under present realities possibilities about fading away of such partnerships have multiplied significantly. We see very divergent interests in terms of countries forming regional agreements and with some countries collaborating on mega-regional trade arrangements driving wedge into the consensus arrived under the multilateral fora. Efforts to take advantage of legal options to push for numerous sectoral trade and other agreements and seal deals on non-trade issues impacting trade are on. Needless to mention, such agreements are meant to favour the dominant economies in the balance. It would be a testing time for BRICS to demonstrate willingness to work on such issues in the spirit of cooperation and consensus. Would BRICS members be able to overcome their narrow national interests and continue to contribute through alternate institutions, is an issue that would determine wider relevance of BRICS in the days to come. The experience of working together and striking coalitions on specific issues at the WTO provides important lessons and ready reference to each other's domestic interests and external outlook.

Moving forward would not be easy. Capabilities and institutions are often highlighted as major strengths of BRICS countries. However, domestic capabilities are rendered inadequate in the face of major discriminations and overriding harmonisations in the world economy. While intra-BRICS trade is dominated by trade flows from China (we have shown the case of ICT goods), and is often perceived to be a challenge by other members, market access in third countries re-

mains an important consideration. It remains a difficult question on how BRICS can address such issues and work towards meaningful partnerships and coalitions. As pointed out in the beginning, in the absence of concrete actions in this direction, BRICS as a group might seriously fall short of fulfilling its own expectations. It would also be a disappointment for countries like India, whose own national interests would also be adversely affected if BRICS as a group does not respond to wider global governance expectations.

## **Bio**

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