

# **Inter-regional South-South Cooperation for Inclusive and Sustainable Development: The Asia-Pacific Perspective**

by

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At the

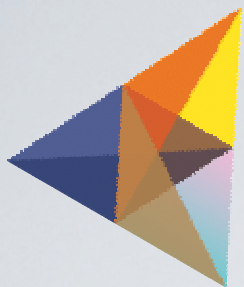
**Executive Secretaries Roundtable  
on Interregional South-South Cooperation**

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# Outline

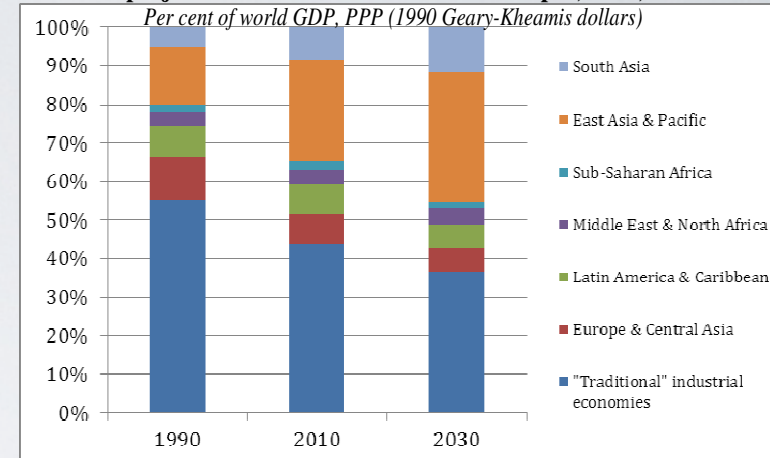
- The Global South has emerged as the source of growth and markets
- South-South trade and investments are rising with growing synergies
- Interregional S-S trade has also expanded rapidly in recent years
- Vibrant South-South Services trade and investment flows
- Rising South-South development assistance and potential for financial cooperation
- Long history of cooperation on global economic governance
- Issues for the future agenda
- Towards a policy framework for equitable inter-regional S-S cooperation



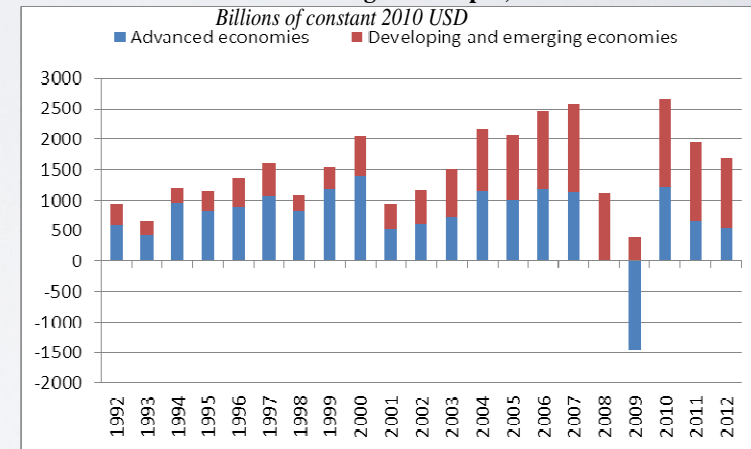
# South's emergence as source of growth and markets

- As a part of the rebalancing of the global economy, developing countries are already accounting for the bulk of global output in PPP; proportion to rise further to nearly two-thirds
  - Even in nominal terms the share of developing countries in global output has doubled since 1990 and is over 40%
- The bulk of the global growth is contributed by developing economies for the past decade, a trend that has become sharper since 2008
- The middle class consumption is rising fast in developing regions
  - In the next decade, Asia-Pacific will become home to the world's largest middle class consuming USD 18 trillion (in ppp) by 2025

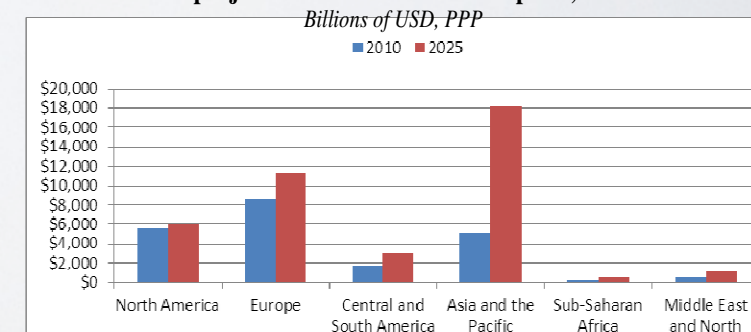
Actual and projected shares of world economic output, 1990, 2010 & 2030



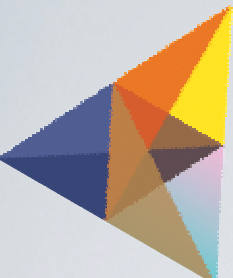
Contribution to incremental global output, 2000-2012



Actual and projected middle class consumption, 2010 & 2025



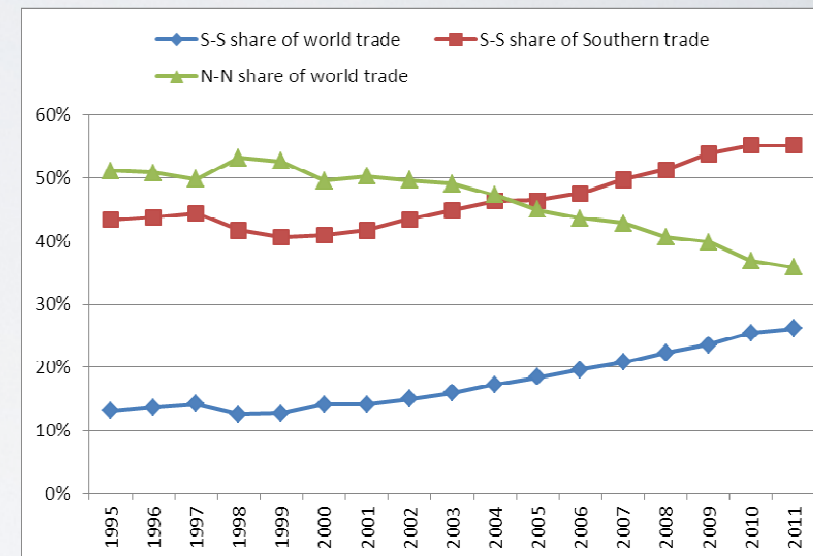


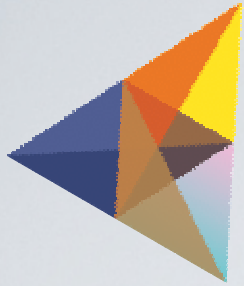


# South-South trade and other exchanges are rising with growing synergies

- As different countries are at diverging levels of development, complementarities or synergies between them have increased in different areas and sectors.
- That explains the rising share of South-South trade in global trade
  - The share of trade among industrialized countries in global trade is declining.
- A growing share of South's trade is with South itself.
- The bulk of the South-South trade is intra-regional promoted by numerous regional and bilateral preferential trading arrangements in different regions
  - e.g. ASEAN FTA, SAFTA, APTA, ECOTA, MERCOSUR, SACU
- It is time to unlock the potential of inter-regional trade and economic cooperation

**South-South share in total world trade and southern trade, 1995-2011**  
*Per cent of merchandise trade exports*

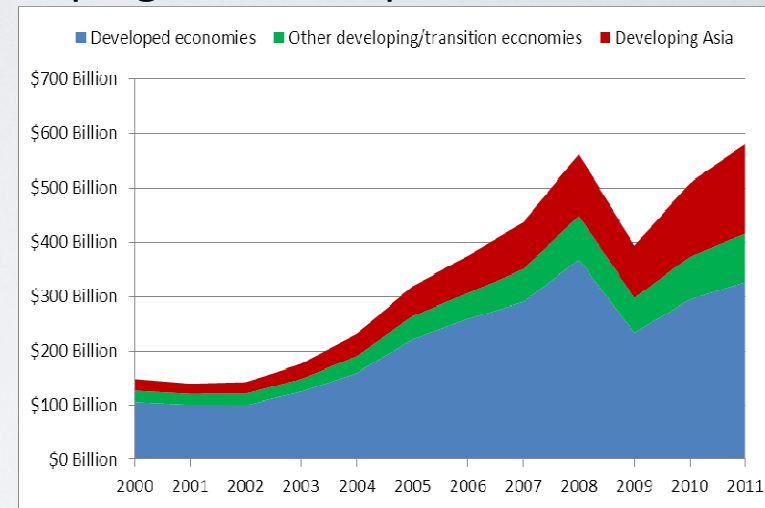




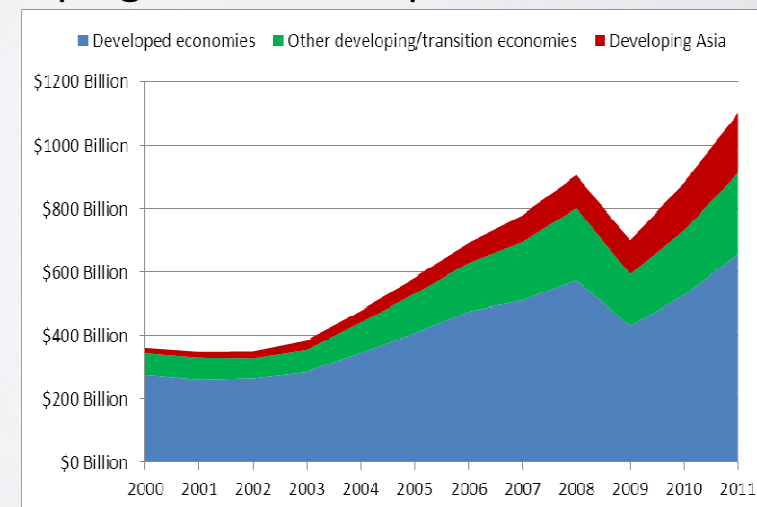
# Inter-regional South-South trade has also expanded rapidly in recent years

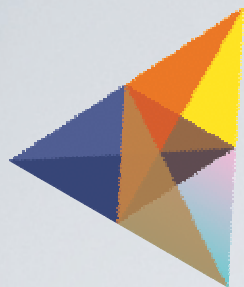
- Growing Asian and other developing economies have provided expanding markets for other developing regions.
- Exports of Africa and Latin America to countries in Asia and the Pacific and other developing regions have expanded rapidly
  - Developing Asia's trade with developing Americas and developing Africa has grown at nearly 20% p.a. compared to growth of world trade of about 10% over the past decade.
  - Interregional trade could possibly grow faster with some promotion
- Share of developing Asia in African countries exports increased from 10% to 28% between 1995-2011. Similarly share of developing Asia in developing Americas' exports increased from 7% to 17% over the same period.
- Similar trends have been experienced by other developing regions and for imports

Developing Africa's exports, 2000-2011



Developing America's exports, 2000-2011





# Vibrant South-South services trade and investment flows

- Developing countries are emerging as important players in trade in services including ICT services, health and education services, tourism and transport

- Initially concentrated within the regions but also beginning to take place across the regions

- Migration of workers between some regions is quite prominent

- For instance, Middle East and North Africa region hosts some 11 million workers originating in South Asia who sent USD 44 billion in remittances back home in 2011

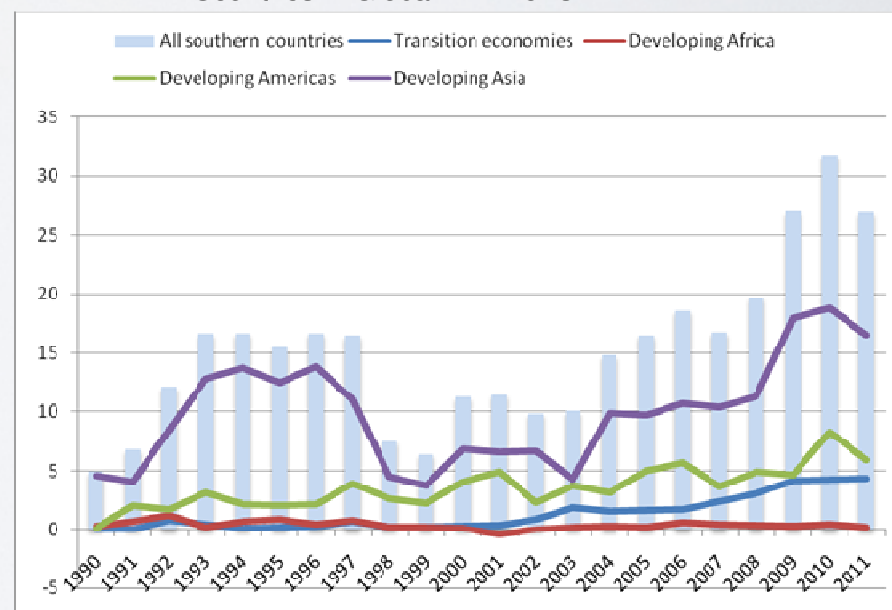
- Developing countries have emerged as important sources of outward FDI contributing about 30% of global flows especially since 2004.

- Developing Asian countries are the most prominent sources of FDI in the South accounting for nearly 20% share of global outflows

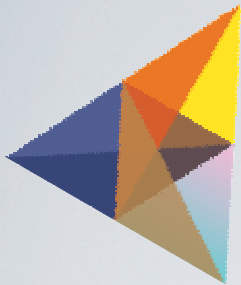
Remittance flows, 2011  
Millions of USD

Origin	Destination						
	East Asia & Pacific	Europe & Central Asia	Industrial	Latin America & Caribbean	Middle East & North Africa	South Asia	Sub-Saharan Africa
East Asia & Pacific	37,734.7	6.9	1,313.9	26.9	7.1	2,796.1	6.3
Europe & Central Asia	165.5	21,678.2	4,312.0	78.1	231.8	63.4	1,324.4
Industrial	69,966.5	25,066.8	80,833.8	56,656.8	21,077.4	29,675.7	20,765.5
Latin America & Caribbean	521.9	878.0	7,679.5	5,688.8	385.7	45.6	21.7
Middle East & North Africa	6,726.9	1,879.2	1,277.2	37.1	20,758.4	43,853.6	1,325.5
South Asia	229.9	0.2	59.9	0.0	7.7	17,477.5	13.3
Sub-Saharan Africa	201.8	1,367.6	1,524.5	6.5	179.1	257.4	7,956.9

Share of Outward FDI Flows from Developing Countries in Global FDI Flows







# Rising South-South development assistance and potential for financial cooperation

A number of developing countries emerged as significant sources of development assistance over the past decade.

- Saudi Arabia is the largest source of development assistance in the developing world with over USD 5 billion of flows p.a.
- China, India, Turkey have more than a billion dollar each p.a. in development assistance to other countries
- Primarily concentrated within the regions but is beginning to go across regions.
  - China and India have their own large programmes for African countries
- Development assistance from developing countries roughly about USD 25 billion p.a. and growing rapidly.
  - DAC development assistance USD 100 billion has been declining for the past few years

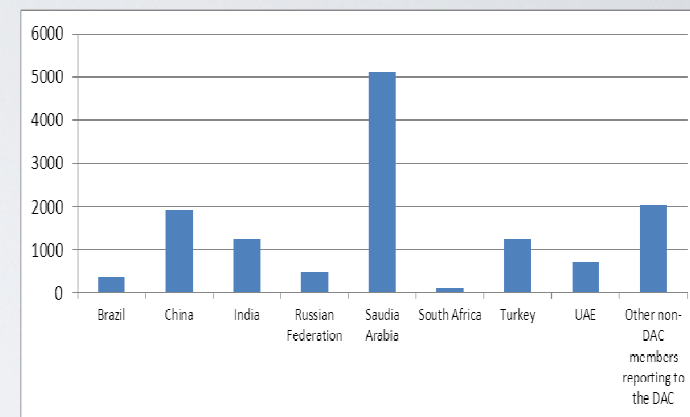
Developing country providers characterize the support as a 'partnership' rather than a donor-recipient relationship.

- Focus of the development assistance is on capacity-building, technical assistance, infrastructural development, sharing development experiences

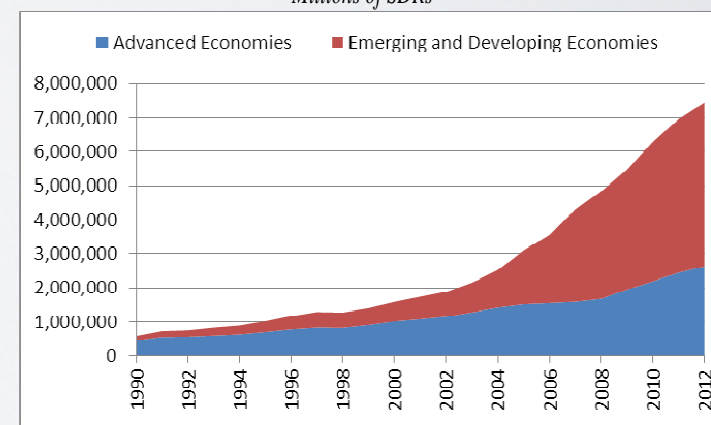
Another important development is that developing countries now account for the bulk of global foreign exchange reserves.

- These reserves create possibilities of their redeployment for investment and Balance of Payments support
  - Chiang-Mai Initiative Multilateralization represents a pool of USD 240 billion by ASEAN+3 countries
  - BRICS countries setting up a BRICS Development Bank for financing infrastructure development in the South
  - The scale of reserves provides opportunities for more institutional building

Development assistance flows from non-DAC donors  
*Millions of current USD*



Total international reserve assets, 1990-2012  
*Millions of SDRs*



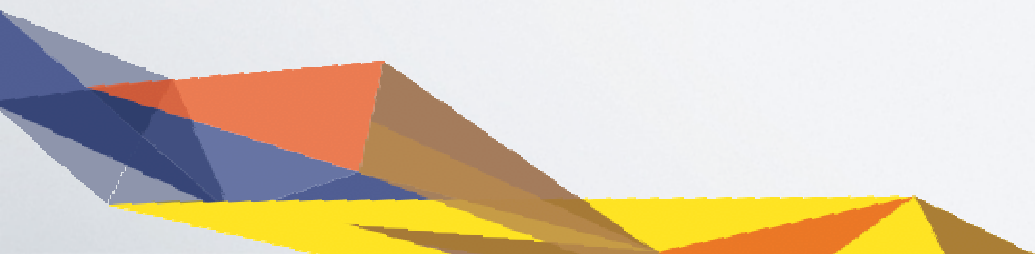


# Long history of coordination in global economic forums

Developing countries began to coordinate their positions in global forums since the Bandung Conference in the mid-1950s and establishment of the Non-aligned Movement in the early 1960s. Since then a number of forums and coalitions have come up, including:

- G-77+China for coordination in the United Nations
- A number of issue-based coalitions in the WTO: G-20 and G-33 on agriculture, NAMA-11, among others
- G-24 in Brettonwoods Institutions
- BASIC in climate change negotiations

Recently new groupings have been formed by emerging countries to promote cooperation and exploit synergies:

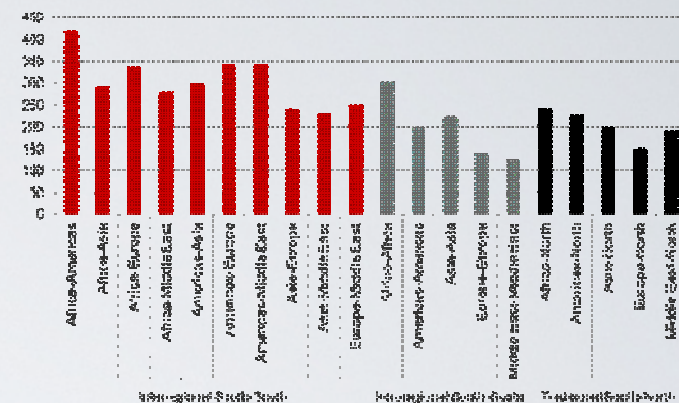
- IBSA (India-Brazil-South Africa) Trilateral Commission
    - promoting South-South Cooperation
  - BRICS grouping
    - Voicing concerns on global issues
    - Setting up the BRICS Development Bank to finance infrastructure development in developing countries
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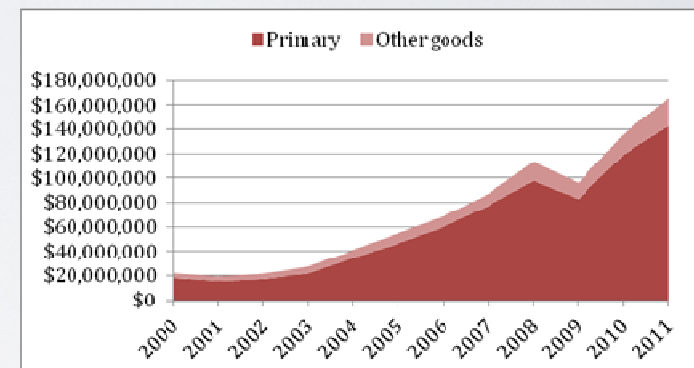


- High trade costs of inter-regional trade because of geographical distance, tariff and non-tariff barriers.
  - Few preferential arrangements to promote them unlike for regional trade
- Need to devise means for exploiting full potential of South-South Cooperation
- Developing country exports to Asia are dominated by primary commodities and imports dominated by manufactured goods
  - A concern about the possible replication of *centre-periphery* type of economic relations as in the North-South context in the past

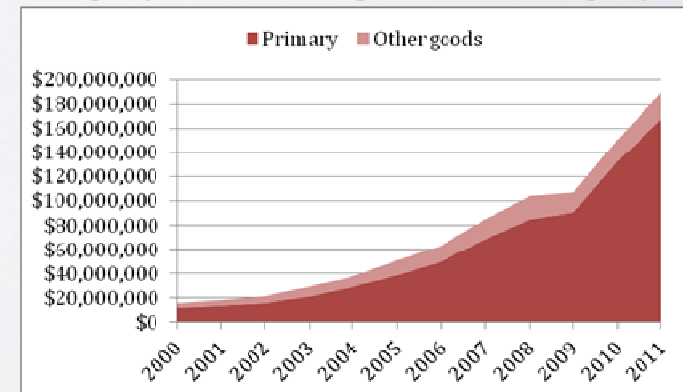
**Average South-South and South-North trade costs, 2007-2010**  
*Per cent ad valorem equivalent (international relative to domestic trade costs)*



## Developing Africa's exports to Developing Asia



## Developing America's exports to Developing Asia





# Towards a policy framework for equitable inter-regional S-S cooperation

Need for a policy framework to guide South-South economic relations to exploit their full potential and follow a more equitable and sustainable path

- Institutional promotion of inter-regional trade and investments among developing countries
  - Implementing GSTP Sao Paulo Round;
  - extending the coverage and scope to more countries and more products
  - Extending the scope of GSTP to trade in services
- South-South Investment Promotion and Protection and Double Taxation Avoidance Agreements to facilitate FDI flows
- Special promotion of greenfield South-South FDI flows in LDCs that help to build productive capacity to enable them to trade value-added products
- Adoption of Duty-Free-Quota-Free schemes by more developing countries, *a la* India, China for LDCs to enable them to export value added manufactured products
- Highlighting and exchanging good practices in South-South cooperation
- Major emerging countries such as BRICS leading by example in terms of good practices
- Developing a set of voluntary guidelines to shape South-South investments and economic relations in a more equitable and sustainable manner

Thank you!

