



SOUTH-SOUTH COOPERATION: AN ALTERNATIVE FOR THIRD WORLD ECONOMIC DEVELOPMENT

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Abstract:

The years after World War II have held numerous critical global occurrences for the global North and South, striking among them is the North-South dialogue which started as a battle by third world nations for a New International Economic Order (NIEO). Quite a long while down the line, various dialogues existed among countries of the developing South and the developed North. However, increasing inequalities between the North and third world countries have endlessly brought up issues regardless of whether these dialogues have accomplished the reason for which they were built up. The hypothetically alternative model, 'South-South cooperation' has been recognized as an important cooperation modality, but encounters contradictions that are not too different from those of its North-South counterpart. Providers of the South-South cooperation are highly heterogeneous in terms of policies, institutional arrangements, and engagement with international forums and initiatives. This paper seeks to examine the factors that have driven this development as well as the development of South-South cooperation with regards to economic activities and trades among countries of the global South regions of Africa and developing Asia.

Key Words: Global North, Global South, South-South Cooperation & Development

Introduction:

The years after World War II have held numerous critical global occurrences for the global North and South, striking among them is the North-South dialogue which started as a battle by third world nations for a New International Economic Order (NIEO). Quite a long while down the line, various dialogues existed among countries of the developing South and the developed North. However, increasing inequalities between the North and third world countries have endlessly brought up issues regardless of whether these dialogues have accomplished the reason for which they were built up. In recent years, trade among Asian and African nations has increased tremendously. According to the 2014 United Nations (UN) Comtrade insights database, exports from Nigeria with an average of 21% of total sea-5 imports increased between 2005 and 2009 to 42% by 2012. The increase in world trade between 2003 and 2013 has generally been driven by increased trade between developing countries; South-South. By 2013, the estimation of South-South trade had reached about USD 5 trillion.¹ On the flipside, Asia keeps on being the world's top destination for Foreign Direct Investment (FDI), with the larger part of FDI originating from intra-regional sources. With regards to Development in People's Republic of China (PRC) for instance, it depends more on internal requests and less exports, with 57.1% of total exchange being intraregional in Asia. FDI to Africa are expected to reach 57.5 billion United States Dollars (USD) in 2017.² This is fortified by extensive investments from the Far East and Middle East. This paper seeks to establish, based on extensive research and verifiable information;

- The procedure of North-South dialogues and the reasons for its inability to accomplish set targets.
- The factors that have caused the shift from North-South dialogue to South-South cooperation.
- To examine South-South cooperation as an alternative in contrast to North-South dialogues in the economic development of the third world.

What is Global North and Global South?

The context of global North and South suggests a world division along socio-economic lines. These countries in the global South are economies that mostly depend on exports of primary goods which earn low foreign income in a sharp contrast to manufactured goods which are dominant in the global North. A disparity between the global North and South is generally seen in areas of infrastructural advancement, political stability, and social amenities, among others. While, the Global North represent the economically developed societies of Europe, North America, Australia, Israel, South Africa, amongst others, the Global South represents the economically backward countries of Africa, India, China, Brazil, Mexico amongst others. Global North

¹Florencia, Rubiolo. "South East Asia in Africa: Between trade and politics" (2014): pp 5-7. <http://www.web.isanet.org/Conferences/Archive> (accessed on November 23, 2019)

²"Asian Development Bank: Asian economic integration report" (2016) <https://www.adb.org/publications/asian-economic-integration-report-2016>(accessed on November 5, 2019)

countries are wealthy, technologically advanced, politically stable and aging as their societies tend towards zero population growth and the opposite is the case with Global South countries. Besides, whereas Global South countries are agrarian based, dependent economically and politically on the Global North, the Global North has continued to dominate and direct the global south in international trade and politics.

Theoretical Foundations:

International relations, most especially relations between the global North and South have been under-studied on different platforms and by different scholars.

As indicated by modernization theorists, the underdevelopment gaps amongst North and South must be conquered on an imitative premise. According to Hirschman, development from the North will stream down toward the South through the exchange of capital, innovation, value frameworks and so on. At the end of the day, the South would develop through trades with the North. Modernization scholars contended that advanced, industrialized states were wealthier and delighted in higher expectations for everyday comforts, both financially and socially, and that conventional societies would develop if they implemented 'modern practices'. It clarified advancement as a progress among backwardness and modernity.³

Dependency theorists posit that, the global North and South are characterized by unfair exchanges which go way back to colonialism establishing a center-periphery relationship.

In his proposition, 'the development of underdevelopment', Andre Gunder Frank perceives development and underdevelopment as inverse sides of a similar coin which suggests that the development of one region frequently requires the underdevelopment of another. The colonies or dependent countries were made to create essential items at negligible expense while serving as an expanding market for modern items.⁴ As indicated by Frank, the weaker the ties amongst the core and periphery; North and South, the more prominent the door opens for the development of the periphery (South). In this way change for the developing third world could come to fruition by delinking from the North.⁵

North-South Dialogue Explained:

Until World War II, the terms Global North and Global South was a non-existent phenomenon. Rather, the world was characterized into West and East, with the West being the US and its allies and the East signifying the Soviet Union and China. After the war, based on socio-economic and political factors, there was a redistribution of countries into first and third world which eventually led to a reclassification of what is now known as North and South. The North and South dialogue dates back to this era of reclassification.⁶

North-South dialogue was a set of discussions between developed and developing countries that focused on restructuring the then existing economic order which the third world believed favored the North at the expense of the South. The dialogues focused largely on trade between the two regions but were not exclusive to relocating wealth from the world's rich to the world's poor. The NIEO was a mix of series of proposals geared towards restructuring the global economy in issues of trade, finance, technology, multi and transnational corporations, State sovereignty among others. It was an endeavor to destabilize or rather put an end to existing Western hegemony.⁷ The North-South Dialogue can also be referred to as the process through which the developing and newly independent nations of the "third world," predominantly in Asia, Africa, and Latin America, engaged the industrialized countries of North America and Western Europe in negotiations over changes to the international economic system during the 1970s.⁸ The North-South Dialogue addressed concerns relating to international finance, trade and tariffs, foreign aid, and the governance of multinational companies and institutions. During the era of détente in the 1970s, when East-West tensions were more relaxed, there was a willingness among industrialized nations to cooperate. Even as détente began to falter in the mid-1970s, the parties to the North-South Dialogue continued their discussions.⁹

Why the Dialogue Failed:

Numerous reasons attributed to the failure of North-South dialogue. Some scholars attribute the failures of the North-South dialogue to two main causes; the strategies employed by both sides and the weaknesses of the negotiation mechanisms. With respect to the North, there was general lack of engagement and little anticipation in numerous countries to take part in the dialogue. Rather a quest for their foreign interests was

³Alacevich, Michele, Albert O. Hirschman and the Rise and Decline of Development Economics, in Luca Fiorito, Scott Scheall, Carlos Eduardo Suprinyak (ed.) Including a Symposium on Albert O. Hirschman (Research in the History of Economic Thought and Methodology, Volume 34B) Emerald Group Publishing Limited, 2016, pp.13 – 39.

⁴Andrew, Igwemma and Uwazie-Inechi, "Contributions of Andre Gunder Frank to the Theory of Development and Underdevelopment: Implications on Nigeria's Development Situation". Journal of Economics and Sustainable Development 2015, 29-30 <https://www.iiste.org/journals/index.php/jeds/article/viewfile/25824/26671> (accessed on November 21, 2019).

⁵ibid

⁶Helen ES, Nesadurai. "Bandung and the political economy of north-south relations: sowing the seeds for revisioning international society." (2005). p 3 <https://www.rsis.edu.sg/wp-content/uploads/rsis-pubs/WP95.pdf> (accessed on December 2, 2019).

⁷Andy, Afinotan. "North-South dialogue revisited: Problems and prospects for a new international economic order". International Journal of Research in Social Sciences, 4(7) (2014), 64-70.

⁸Office of the historian. The North-South Dialogue and Economic Diplomacy, <https://history.state.gov/milestones/1977-1980/north-south-dialogue>

⁹ibid

significant.¹⁰ Then again, the South, with an attitude of recovering their misfortunes for the impacts of colonialism on their societies were requesting for a tall rundown of concessions from the North. Many contend that the requests made by the NIEO were far-fetched and generally unattainable.

The North's reluctance to rebuild the current International economic order lies in its syndication over such foundations that relinquishing such rights would mean giving up capacity toward the South and engaging rivalry from the south. The international capitalist system works in such a way that demonstrates a center-periphery model where the South, gives raw materials and cheap labor for the improvement of the North. A transfer of technology and funding toward the South will suggest a contortion of this framework as this will diminish the South's reliance on the North for manufactured products.¹¹

Rather, the North structured a few methodologies as approaches to help the South in its development process. These came in the form of structural adjustment policies, economic recovery programs and debt relief. This drove the South to fall back on its demands. These projects adopted by the World Bank and International Monetary Fund (IMF) were intended to help revive the economies of the third world which were confronting serious economic issues because of lower trade profit. However, the structural adjustment policies and programs were unable to address the widening gap of imbalance amongst developed and developing nations. Evidence suggests that improvements in the macro economy under structural adjustments were to the detriment of environmental sustainability during the 1990s. For instance, Ghana's forest area was reduced to 25% of its original size by late 1980s.¹²

What Necessitated the Shift From North-South Dialogue to South-South Cooperation?

By the end of the cold war, the global South was steered to a new phase of focus. The non-aligned movement refocused its attention from simply preventing alignment with superpowers and ensuring national sovereignty and security to improving economic conditions in member states and reducing the wide gaps of inequality that existed between the North and the South.¹³

South-South relations as noted earlier, started well before the 21st century. However in recent years, such relations have gained momentum which is worth recommending. As opposed to North-South relations that to a great extent dominate the international relations platform, South-South relations are steadily pursuing solutions to the inadequacies of North-South cooperation.

The IMF and the World Bank's failure of the neoliberal policies to restructure third world economies encouraged the search for alternatives to development different from those proposed by these international organizations. For some third world economies, there was the need to recognize options that served their very own advantages and not those of the superpowers. That lessened their reliance on conventional trade partners and for the most part, to enhance better conditions in the third world.¹⁴

Several third world countries under IMF and World Bank's structural and economic adjustment policies have contributed to the failure of economies instead of promoting their development. The 1997 Asian economic crises for instance which started in Thailand is associated to these adjustment programs largely because of the devaluing of the Thai bhat, which eventually led to the floating of the currency. This economic crisis affected a number of Asian countries, encouraging these economies to diversify their economic activities. Again, the global financial crisis of 2008 stressed the need for economic diversification in the third world. The global crisis highlighted the vulnerability that, dependency on few partners generated into a situation of instability and also showed that South-South trade can be more resistant than other trades during crisis. This made the search for partner variation an appealing and anticipated target.¹⁵

Due to some conditionality of trade prevailing between the global North and South, diversification has been encouraged in the South. In the third world, a lot of countries faced severe trade restrictions on their abundant primary products in the global North which in the long run left them to earn very little foreign exchange for their exports. Protectionist policies in the global North has for long been a barrier to trade benefits for the South and this dates several years, even to the 1980s when some of these countries remained adamant to pleas by world leaders and institutional organizations to remove protective measures in their markets¹⁶. High tariffs are a means of protecting internal markets so for countries in the North, reducing tariffs will encourage competition and this will affect their internal markets.

¹⁰ Hans, Mayrzedt, and Mario Ernst. "The Perspectives of the North-South Dialogue." *Intereconomics* 16, no. 5 (1981): 214-220. <http://dx.doi.org/10.1007/BF02924775> (accessed on December 12, 2018).

¹¹ Alexander Nnaemeka, Agbaenyi. "North-South Dialogue and Global Inequality: Meaning, Challenges and Prospects." (2012).

¹² Francis Kwame Afriyie, "Deforestation in Ghana, The Role of Incentives." PhD diss., University of Ghana, 1995. <http://ugspace.ug.edu.gh/handle/123456789/7809>. (Accessed on November 9, 2019)

¹³ Florencia, Rubiolo. "Emergents in the African Scenario, p 8-33.

¹⁴ *ibid*

¹⁵ Florencia, Rubiolo. "Emergents in the African Scenario: a South-South approach to Southeast Asia diplomatic and trade initiatives in the continent." *Brazilian Journal of International Relations* 5, no. 1 (2016): 8-33.

¹⁶ Willy, Brandt. "Common crisis North-South: cooperation for world recovery." (1983).

A New Development Model?

The South-South Cooperation has improved mainly from maintaining peaceful existence with superpowers, to more complex socio-economic relationships among the nations in the global South. After several years of insistent economic reforms and the global North conspicuously denying the South's demand, the need of an alternative became predictable.

The commencing of the 21st century saw renewed interests from both regions towards a political rapproach. This renewed interest in the last decades led to the second Asian African Summit in 2005 in Jakarta. This event which was meant to revive the banding Spirits, brought together 106 Asian and African countries away from the 29 that participated in 1955. In 2005, the Commemoration of the Golden Jubilee of the 1955 Bandung Conference was held in Indonesia.¹⁷

In 2005, total investment in Ghana from Chinese companies increased by nearly 500%, from approximately USD 3 million in 2004 to about USD 18 million in 2005, constituting roughly 8% of total investment in the country.¹⁸ In the last ten years, Moroccan investment in the African continent have seen expansion in the sub Saharan region, with Moroccan banks now present in more than 20 African countries. In 2015-16, South Africa was responsible for a capital investment of USD 3.6 billion, funding about 60 projects.¹⁹

With regards to the African continent, Mauritius is a destination for increasing African and Asian investments along with the DTAs the country signed with several Asian and African countries. United Nations Conference on Trade and Development (UNCTAD) 2014 reports that Mauritius has become one of the top three destinations of Malaysian FDI, with investments stock going from USD 3.3 billion in 2008 to USD 6.9 billion in 2012.²⁰ Indonesia on the other hand has investment in Nigeria; businesses have flourished between Indonesia and Nigeria and other neighboring African countries. Indonesian Company Indofood for instance has investments in Nigeria producing instant noodles that is not only popular in Nigeria but also in Ghana and other neighboring African countries. Asian FDI in Africa is rising in contrast to Europe and North America which were the continent's traditional Investment Partners. Chinese Capital investments in Africa from January to November 2016 increased 400% compared to 2015.²¹

To many African countries Asia has become a viable destination for export goods as well as manufactured imports. Most outstanding is China and India's growing industrial economy which constantly demands raw materials. In 2006 for instance, China abolished tariffs on 190 Commodities from 25 African countries. Apart from increases in African-Asian trade, South-South Cooperation has also taken from within the individual regions. The United States-Association of Southeast Asian Nations (US-ASEAN) trade on the other hand has remained relatively stagnant at about 149 billion since 2005.²² The 2016 Asian Economic Integration Report suggests that, intra-Asia trade share increased in 2015 because of an even sharper drop in Asia's trade with non-Asian economies.²³

Challenges for South -South Cooperation:

In spite of South-South cooperation's advancement in the third world, it faced and still faces countless issues that destabilize its potential to create better benefits for the South. These challenges are largely related to institutional and technical expertise, resource, and capacities. Also, major implementation challenges and weak institutions in the two continents are some peculiar problems encountered. In spite of the incredible heights attained in inter and intraregional trades across the global South region in recent years, financial flows remain stronger between North and South as opposed to those within the region.

Asia's cross-border portfolio investment and bank claims, primarily go to a few large economies outside the region, with main destinations being the United States (US) and European Union.²⁴ Inasmuch as trade within sub regions continues to grow, the same cannot be said for inter-sub regional trade. The opposite appears to be the case for trade among sub regions. In several cases, trade across regions has led to the collapse of local industries. In a number of African countries, imports from Asian countries, especially those from China have crippled businesses of local producers. This is especially true for some of Africa's leading exports to these countries, including cocoa beans, coffee, cotton and manufactured leather.

Also, absence of the measures to maintain transparency and answerability time and again generate misperception around this mode of understanding is a challenge. Current deliberations on south-south

¹⁷Florencia, Rubiolo. "Emergents in the African Scenario", 8-33.

¹⁸Dela, Tsikata, Ama Pokuaa Fenny, and Ernest Aryeetey. China-Africa relations: a case study of Ghana. AERC Scoping Studies on China-Africa Economic Relations, (2008). p 9

¹⁹ African Economic Outlook Report, (2017), p 277 https://www.afdb.org/fileadmin/uploads/afdb/documents/publications/aeo_2017_report_full_english.pdf(accessed on December 24, 2019)

²⁰Florencia, Rubiolo. "Emergents in the African Scenario", 8-33.

²¹ibid

²²Harry G, Broadman. Africa's Silk Road: China and India's new economic frontier. The World Bank, 2006.

²³Asian Economic Integration Report 2015, How Can Special Economic Zones Catalyze Economic Development?<https://www.adb.org/sites/default/files/publication/177205/asian-economic-integration-report-2015.pdf>(accessed on December 20, 2019)

²⁴ Asian Economic Integration Report 2016: What Drives Foreign Direct Investment in Asia and the Pacific? <https://www.adb.org/sites/default/files/publication/214136/aeir-2016.pdf>(accessed on December 24, 2019)

cooperation are usually inclined towards policy matters instead of genuine and practicable tactics to execution. The actual dissemination of knowledge and skills at a large scale, which is key to advancement in the mutual learning process, is yet to occur.²⁵

In addition, South-South cooperation has also been generally criticized as a principally inspired policy endorsement. A major point for conflict also criticized for not taking the conflicting interests among the developing countries into account. This demands a more pragmatic procedural tactic which will address the distinctive magnitudes of local agendas and fit them into broader south-south priority objectives, keeping the conflicting interests in mind.²⁶

The Way Forward:

The progress of the South lies in finding a balance between challenges faced by the region in its cooperative initiatives and the development it envisages for its populace. Elimination of tariffs will enhance trade and reduce revenue loss, while promoting development across the region. Spain's Top six trading partners include France, Germany, Italy, the United Kingdom (UK), Portugal and the US. In the North American region, trade is predominantly with Canada and a number of European countries with Canada being the most important trading partner both in import and exports. Canada's major trading partners are countries in the global North such as the US and the UK with the exception of China which is gradually becoming a major trading partner to both the US and EU. The reverse is the case for many Asian and African countries, with the majority of African and Asian trading partners being generally countries from the global North, especially the US, UK and Germany. For development to progress, countries in the global South need to refocus and strengthen trade amongst them. Sharing similar histories of colonialism and general underdevelopment and a struggle for state sovereignty and economic development, South-South Cooperation is better suited to address mutual needs.

Conclusion:

The international system functions in a way that, some countries would develop to the detriment of others. Indeed, even where there is an assurance to developmental advancement, national interests destabilize procedures of collective improvement. In this way, dependency on one country for development would only slow down development process. If the global South wants to accomplish for itself the development it conceives, then the time is ready to make more strong strides towards accomplishing those targets. Redesigning and reconstructing policies and structures that have failed to yield desired outcomes is an absolute necessity. Countries in the global South need to understand that there is no single course to development. Where one alternative fails, there is the need to examine another choice. South-South cooperation remains a reasonable alternative, given the present situation.

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²⁵Shailly, Nigam. "The challenges faced across South-South cooperation." *J World Econ Res* 4, no. 5 (2015): 27.

²⁶ ibid

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