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Summary of interactive thematic round table 4

Emergence of a new South and South–South trade as a vehicle for regional and interregional integration for development

1. The round table 4 on the “Emergence of a new South and South–South trade as a vehicle for regional and interregional integration for development” addressed opportunities and challenges linked to the dynamic expansion of South–South trade and explored ways of strengthening economic cooperation among developing countries in order to maximize its positive impact on development.
2. The round table was chaired by H.E. Mr. Joe Baidoo-Ansah, Minister for Trade and Industry of Ghana, and moderated by H.E. Mr. Christopher Sinckler, Minister of Foreign Affairs, Foreign Trade and International Business of Barbados.
3. Panellists included H.E. Dr. Rahul Khullar, Additional Secretary, Ministry of Commerce and Industry, India, H.E. Ambassador Ramzy Ezzeldin Ramzy, Deputy Foreign Minister for Economic Affairs and International Cooperation, Egypt; H.E. Mr. Alhaji Mohammed B. Daramy, Commissioner of Trade, Customs, Tourism, Industry, Mining and Free Movement, the Economic Community of West African States (ECOWAS), H.E. Mr. Robert Davies, Deputy Minister of Trade and Industry, South Africa, as well as the Secretary-General of UNCTAD, Dr. Supachai Panitchpakdi.
4. There were also the following lead discussants: H.E. Mr. Noppadon Pattama, Minister of Foreign Affairs, Thailand; H.E. Mr. Zainul Abidin Rasheed, Senior Minister of State for Foreign Affairs, Singapore; H.E. Mr. Keitaro Sato, Ambassador in Charge of Africa, TICAD IV, Japan; H.E. Mr. Ahmed Bin Hassan Al Dheeb, Under-Secretary for Commerce and Industry, Oman; H.E. Mr. Marcin Korolec, Under-Secretary of State at the Ministry of Economy, Poland; Mr. Osvaldo Rosales, Director, International Trade Division, ECLAC (on behalf of all United Nations Regional Commissions); Mr. Sok Siphana, Director, International Trade Centre UNCTAD/WTO; and Ms. Hilda Sanchez, Confederación Sindical de Trabajadores y Trabajadoras de las Américas (CSA), on behalf of civil society organizations.

South–South trade as a contributor to the sustainable economic development of all countries

The new South

5. The engine of economic growth had shifted to the South. Economic growth in the South and the resulting import increase from developing countries had cushioned the negative impact of recent global economic turmoil.

6. The new South was more vibrant, both economically and politically. Developing countries were increasingly investing in other countries of the South, and transnational corporations (TNCs) from the South were rapidly expanding their activities. Sovereign wealth funds of developing countries could provide new opportunities for South–South economic cooperation. Also, several groups of the new South had increased their political weight in the multilateral trading system.

South–South trade

7. South–South intraregional trade, particularly in Asia, was growing much faster than world trade in general. South–South interregional trade was largely driven by imports from the major Asian developing economies, such as China and India. Prevailing production and industrialization patterns suggested that South–South trade would likely continue to grow, not only in goods but also in services.

Intraregional and interregional integration

8. A larger and integrated market was crucial to attracting investment and creating the critical mass for competitive supply capacity. With regard to intraregional integration, developing countries were gradually moving towards deeper economic integration through more comprehensive regional trade agreements. Such regional integration processes should go beyond trade matters and cover common policies on public goods such as water resources, energy (including renewable energy), infrastructure development and food security, as well as trade facilitation, development of information and communication technologies, cultural exchanges and cooperation among civil society actors.

9. South–South interregional integration was also on the rise. Examples included the India–Brazil–South Africa Cooperation Initiative and trade agreements between Asian and Latin American countries, as well as bilateral accords between Asian and African developing countries.

Opportunities

Underlining complementarities among the countries of the South

10. Similarities in the level of development among the countries of the South enhanced mutual learning and knowledge sharing. South–South trade could help diversify exports of developing countries in terms of both products and destination. The agreement on the Third Round of the negotiations on the Global System of Trade Preferences marked a quantum leap in overall South–South cooperation and would bring down the high tariff barriers that were imposed on trade among developing countries.

Investment

11. South–South investment was increasing in infrastructure, telecommunications, other services sectors, extractive industries and agriculture. A key area of investment was road and rail infrastructure, which had the additional positive effect of enhancing intraregional South–South trade.

12. Triangular cooperation, i.e. cooperation among developing countries with the participation of developed countries, was particularly promising when technology transfers were involved.

Challenges

Different levels of development

13. The South was not a monolithic mass. Not all developing countries were part of the new South. Least developed countries and many African nations would continue to require support and solidarity from other developing countries. In spite of the recent surge in demand for commodities and the resulting higher prices, the benefits of that growth had not always reached producers in developing countries. The ongoing second generation of globalization should ensure more equitable distribution of gains from trade among countries and within a society.

Supply constraints

14. Gains from South–South trade liberalization could only be realized when countries had sufficient supply capacity. The main obstacles to sustainable expansion of South–South trade were supply constraints, inadequate transport infrastructure and lack of trade-facilitating measures.

Trading environment

15. Non-tariff barriers posed challenges to the future of South–South trade and thus needed to be addressed.

16. Some North–South regional trade agreements included provisions that prevented developing countries from granting more favourable market access to other developing countries. North–South and South–South trade agreements should be complementary and development-oriented.

The way forward and the role of UNCTAD

17. The ultimate goal of the promotion of South–South trade and integration was to enhance development, inclusive globalization and poverty reduction.

18. The key player in South–South trade and investment was the private sector. Multidimensional partnerships among governments, international organizations and the private sector were crucial. UNCTAD played a pivotal role in that connection by promoting sustainable South–South trade and economic cooperation.

19. Intraregional South–South trade could be sustained through deeper integration processes in areas such as investment, regulatory harmonization, competition policy, transport, trade facilitation and macroeconomic policies. As a knowledge hub, UNCTAD could assist with those integration processes.