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SOUTH-SOUTH COOPERATION: A SELF-SCRUTINY

Introduction

For almost two decades the Third World has been pursuing the path of dialogue and negotiations with the industrial countries to establish a New International Economic Order (NIEO) on the basis of equity and justice. But the goal has remained elusive despite several special sessions of the UN General Assembly, five UNCTAD meetings, successive rounds of talks in GATT and various North-South conferences. Not one substantive issue has been definitely resolved since the NIEO concept was mooted in the mid-60s. The last glimmer was snuffed out at Cancun when the 22 nation Summit failed to endorse the concept of Global Negotiations in the UN. This is so due to what the Brandt Commission identified to be "lack of political will" on the part of the developed North as well as the prevalent international division of labour.

In such a discouraging situation, there has been loud talk about cooperation among the countries in the South. The Technical Cooperation among Developing Countries (TCDC) and the Economic Cooperation among Developing Countries (ECDC) are two UN programmes which underscore serious South-South dialogues.

This paper is an attempt to analyse the problems and challenges facing South-South cooperation. The

first part deals with the conceptual evolution of collective self-reliance; the second part deals with the diverse interests within the 'South'; and the third deals with the tendencies in South-South cooperation, regionally and globally.

Evolution of the Concept

"Collective self-reliance", "South-South Cooperation", "Economic Cooperation among Developing Countries" (ECDC), these are the common phrases increasingly being pronounced among the leaders of the Third World. Some of the differences in interpretation, both of concept and policy, stem from the origins of the idea. "Collective self-reliance" is a term which for many Third World politicians and decision-makers has too radical a sound. Lately, ECDC is the most commonly used term in the Third World.

Originally the concept had to do with the de-linkage of Third World economies from the North. China, since the 1948 revolution, has pulled its vast population from the pre-revolutionary level of semi-starvation to an acceptable, if humble, standard of living. The prescription appeared to be "self-reliance" on indigenous resources to achieve development. If the Chinese could achieve this in their vast country, other parts of the Third World could do the same. Thus the concept of "collective self-reliance" was born.

Coupled with the oil-price boom in 1973 that made possible unilateral collective action by producers, there was a commodity boom in both agricultural and

mineral raw materials prompting the producers to form other commodity cartels with a new militancy in defending their interests.

At the political level, the leadership shifted from Latin America to Africa where more militant leaders like Algeria's late President Boumediene became the new spokesman for the Third World.

At the academic-ideological level, the Egyptian-born economist Samir Amin with his neo-Marxist dependency theory caught the imagination of the radical leaders of the Third World. Amin theorised that any development policy that accepts the framework of integration into the world economy must fail, intensifying dependence on the developed world.¹

Even moderates like Samuel L. Larmer suggest that "Poor nations must work to establish or strengthen domestic structure in order to increase economic justice. If the international climate is unfavourable to more egalitarian patterns in the international economy, the South may have to reduce its participation... Such links with the North have helped to perpetuate change-resisting forces in the developing economies".² The message of those moderates in brief is that self-reliance is the best answer; but, while they favour a basic socialistic structural reformulation within, they seem to insist upon an international isolation rather than appropriate

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1. Samir Amin, *Accumulation on a World Scale, A Critique of the Under development*, New York, Monthly Review Press, 1974, p. 32
 2. Samuel L. Larmer, "Self-reliant Development in an Interdependent World", in Guy F. Erb and Vallerina Kallab (eds), *Beyond Dependency*, NY, Praeger, 1975, p. 25.

integrative policies. But the development policy of China upto 1976 and the subsequent policy changes by the present leadership to "right" its past "wrongs" proved the futility of isolationist theories.

Basically the fact remains that most of the countries of the South, a preponderant majority, seek basic reform of the present order, not its outright rejection. In the view of both Gamani Corea and UNCTAD Director of Money and Finance, G. Arsenis, the issue is not that the "market" should be eliminated, but rather it should be regulated. As Arsenis argued, "Support for the free competition cannot coexist with unqualified support for the transnationals."³

Another important aspect of the development models within the Group of 77 is that they clearly negate ideological parity as well as a strict adherence to revolutionary change. While a sense of unity does dominate the Southern strategy, UNCTAD itself states that "collective self-reliance is not inimical to global cooperation."⁴

In 1976, the Secretary-General of the UNCTAD in his preparatory report for the Nairobi meeting devoted a special chapter to "a strategy of collective self-reliance." But he did so in a special way by qualifying the objectives as an additive rather than a substitutive relationship where two distinct goals were incorporated: increased capacity for Third-World self-help and the

3. "South", Dec. 1981, p. 68.

4. UNCTAD, *New Directions and New Structures for trade and development*, TD/183, April 1976, p. 68,

use of enhanced Southern unity for more effective bargaining with the North.⁵

What is South Composed Of

“Developing country” is a term that has lost its meaning. It embraces the oil baronies of the Persian Gulf. It includes Singapore and non-independent Hongkong, both on the threshold of full industrial status with a financial infrastructure as sophisticated as in the advanced countries. Among the developing countries are ranked slow-moving, old semi-industrial countries like Argentina, Brazil and Portugal and dynamic Mexico, India, Taiwan and South Korea. Then there are a number of poor countries like Nigeria and Indonesia whose oil exports give them balance-of-payments surpluses to go shopping in the North. In a special place is agricultural, energy-poor Thailand or Ivory Coast which has managed to sustain one of the highest and most consistent records of economic growth in the entire world despite all odds. In no sense can the term be meaningfully applied to Mozambique, Uganda or Bangladesh, none of which has seen any real growth over the past 20 years. Angola, according to the World Bank, has declined in GNP by 2% a year since 1960; Niger by 1.5%; Bangladesh by 0.1%. These countries have few similarities with others regarding development problems; the direction of growth and distribution of expanding wealth being the major concerns, along with such developed-country problems as inflation, high

5. See UNCTAD, *Ibid.*, p. 72.

interest rates and tight credit. Some 31 countries have been officially designated "Least Developed", a euphemism for economic stagnancy or even retrogressing economy.

Diversity of Interests

OPEC's victory in 1973-74 provided the first real weapon. What had been achieved for oil held out promise for the producers of rubber, cocoa, sugar, tin and even jute. But those expectations soon ended in frustration. The practical adjustment to nearly a decade of external shocks forced the increasingly economically diverse Third World to realign into economic blocs with even contradictory interests.

So the South faces some of the toughest problems in view of the wide diversity of interests among them. The poorest countries desire increased official development assistance; the middle-income countries want balance-of-payments support and improved conditions for commodity trade; the wealthier developing countries are most concerned about access to markets for their manufactures, to private capital markets and to technology; the oil-importing countries want stable oil prices and help to pay for the oil; and the oil-exporting countries worry about inflation in developed countries and security of their financial assets.

Tendencies in South-South Cooperation

There are two broad tendencies to which reference of South-South cooperation may be made: the efforts

to build regional communities in the South and the efforts to promote global forms of Southern cooperation.

Regional Communities

With regard to regional communities much progress could not be achieved. The experience of regional trade groupings suggests that economic heterogeneity in the Third World (unlike the EEC) has lessened their success, thus making it difficult to sustain political unity directed to common external objectives.

But the Association of South-East Asian Nations (ASEAN) is seen as a successful regional cooperation. Japanese Prime Minister Suzuki, in his speech at Cancun referred to ASEAN as the model of self-reliance and self-development.⁶ Other regional groupings, until now less cohesive, are looking to that model and planning to emulate its achievement. A genuine spirit of collective identity is ASEAN's outstanding feature so far. Even though the barricades to free intra-regional trade have only partly been breached, the commitment is real and the accruing benefits are already reinforcing ASEAN resolve.

It may be mentioned that in South Asia intensive discussions are underway to form a forum comprising of 7 nations in the region, and the initiator of such moot was Ziaur Rahman, the late President of Bangladesh. Five sectoral study-groups were formed and Bangladesh was given the task of coordinating the Agricultural study

6. *Asia week*, Nov. 6, 1981, p. 30.

group to conduct in-depth study and submit recommendations to the Foreign Secretary level meeting. In the near future, a meeting of Foreign Ministers of the 7 countries can be expected. However, the dynamics of the Forum even in its embryonic stage is encouraging.

One point that should be clear in regional groupings is that they may succumb to Northern pressures to serve the short-term, dispensable and often erratic interests of the North, particularly in regard to the latter's view of world security, the balance of East-West power, the NIEO and the operation of transnational corporations.

Global Forms of South-South Cooperation

However, global forms of cooperation in the South hold the greatest potential threat to the North as was demonstrated in the action the South took in regard to oil, not only the OPEC action, but the coherence displayed by the South as a whole. To discern more clearly the tendencies in regard to global Southern cooperation we may look at three things:

- the experience of the Non-aligned Movement;
- the experience of the Group of 77 in the North-South economic issues; and
- the experience in trade relations among developing countries.

The Non-aligned Movement

In its core and at its very beginning non-alignment perceived a whole new world order based on

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decolonisation, disarmament and egalitarian economic order. The generic linkage between the process of decolonisation, evolution of non-alignment and the World's acceptance of the NIEO through the UN resolution is patent. It is the culmination of the struggle launched by the non-aligned, beginning with the process of decolonisation leading to the UN Declaration of December 1960 on the Granting of Independence to Colonial Countries and Peoples, which reiterated that economic emancipation was an essential ingredient of political decolonisation. Close on the heels of this Declaration came the Belgrade Summit of the Non-aligned which played a crucial role in the establishment of the UNCTAD in 1964.⁷ This may be regarded as the first major step by the World Community towards NIEO.

Even before the oil-crisis, the emphasis of non-alignment on NIEO was clear and persistent. The first economic programme of action for the non-aligned adopted at Cairo laid the ground for NIEO. Continuing from Belgrade and Cairo, the Lusaka and Algiers Summits in 1970 and 1973 respectively urged the world community to restructure the economic order to establish lasting peace and security. The Algiers Summit, in fact, issued the appeal for NIEO, which was subsequently endorsed by the UN in the Declaration and Programme of Action for the establishment of NIEO in 1974. The oil-crisis added to the urgency and provided teeth to the struggle.

7. See William M. Leo grande, "Evolution of the Non-aligned Movement," *Problems of Communism*, Jan-Feb 1980, p-39.

But the Movement originating in the concern of Southern countries about the threat to world peace by East-West rivalry in a nuclear age has spilled over into alignment and ideological conflicts among its member states, regrettably to the detriment of the fundamental purposes and unifying potential of the initiative.⁸

The G77 in North-South Economic Issues

The course of events in regard to virtually all of the North-South issues relating to the establishment of the NIEO illustrates the responsibility which the South itself must bear for the paltry outcome and prospects of these negotiations. There can be little doubt that in all of these issues individual Southern countries and groups of them have found it possible to accommodate, and in some cases actively sought, bilateral relations with the North of the kind which have made nonsense of negotiations on a North-South basis. This is so, for example, in regard to the debt problem and the establishment of worthwhile international commodity agreements. In fact, the fast-growing differentiation among developing countries with diverse interests tends to turn the common set of issues for a NIEO into conflicting interests among different groups in the Third World.

The newly industrialising countries (NICs) with substantial export manufacturing capacity based on imported raw materials have no or little interest in

8. See Fouad Ajami, "The Fate of Nonalignment," *Foreign Affairs*, Winter 1980/81.

seeing a negotiated change in prices of commodities, when those prices now are falling.

There is much less agreement among the Southern countries on the NIEO demand for negotiations towards the generalised debt relief. When 20 years ago 60% of the total capital flow to the developing countries was concessional aid arranged between governments or multilaterally, the opposition to debt-rescheduling came almost totally from donor countries. Now that over two-thirds of that flow comes from private sources, middle-income countries with large commercial borrowings are wary that the proposed UN negotiations on debt relief will shatter the confidence of the Euro-markets where they have assiduously cultivated good credit records over the past decade.

Likewise, the real pressures exerted by the South in regard to the reform of the monetary and financial system have remained conspicuously underutilised. The outcome of the Common Fund negotiations best illustrates the point, for this has been described as the centre-piece of the North-South issues. The only strategy by which a satisfactory result to this matter could have been secured would have been through OPEC taking the lead in financing the venture, together with other Southern countries, as a southern enterprise.

The proposal was financially feasible, involved relatively small sums of money, could have offered a more than satisfactory return to their investment, would have been a natural extension to the actions taken by OPEC itself, would have been the most unifying action

ever undertaken by the South as a whole and would have set the tone for other parts of the North-South dialogue.

Evidently the reason why this opportunity was missed was OPEC's unwillingness to use its power to openly confront and challenge the North in a wider arena for a cause in which the benefits to them, in their own estimation, seemed to be outweighed by the dangers and the possible consequences.

The developing countries with deficits are highly critical of the deflationary policies and onerous conditionality imposed by the IMF for higher tranche drawings. Now that Saudi Arabia has become a major creditor to the IMF with an SDR 8 billion (US\$ 9.4 billion) loan—likely to be followed by other loans by oil-rich nations—Riyadh is not expected to become a prime mover of attempts to soften conditionality to the borrowings.

All the oil-importing developing countries are at odds with OPEC on the price of oil. The second oil shock in 1979-80 (first price-hike in 1973-74 was supported by the South) has more than taken the bloom off the NIEO, and the fact that huge surplus petrodollars continue to be invested in the relatively secure institutions of the North rather than in attaining self-sufficiency of the South, has disenchanted the leaders of those poor countries which no longer can afford to dismiss the oil-bills as a necessary tithe to enter the new Jerusalem. Some leaders, such as the late President Ziaur Rahman of Bangladesh broke rank's

openly and criticised OPEC's pricing and aid policies.⁹ The OPEC as a whole could take a unified action in providing oil, at least to the LDCs at concessional rates, the facility already provided by Venezuela and Mexico towards its Caribbean poor neighbours. In Africa, discussion is already underway to evolve something in the line. But up to date, the OPEC is against any policy of subsidizing oil supplies to oil-importing developing countries faced with acute balance-of-payments deficits, for they argue that 70% of their total oil bill is paid by only 8 countries (the NICs) who are better developed than the OPEC members.¹⁰

There is therefore, a core problem for the establishment of NIEO, since policies which might help one group of developing countries are of limited value or even detrimental to others. As a result, what evolves is a list of demands based on a maximum common denominator, which satisfies their collective political needs, but limits their political effectiveness in bargaining with the industrial countries and greatly complicates the overall dialogue.

Despite the differences mentioned above, the Third World has preserved its unity to a great extent that goes beyond economic interests. The South is united on the demand for the industrial countries to meet the UN target of providing 0.7% of their GNP as Official Development Assistance (ODA). This is one

9. See Text of Speech of President Ziaur Rahman at the 11th Special Session of the UNGA on Aug. 26, 1980, *Bangladesh Observer*, 6th July, 1981.

10. See Interview of Rene Ortiz, OPEC Secretary-General, taken by Altaf Gauhar, Editor-in Chief, *South*, 15 Feb-March, 1981, pp. 9-11.

of the key planks in the NIEO's platform on aid and debt. But for the middle-income countries they are not very important.

The 1973-74 moves of OPEC price-hike was supported by other Southern nations. In the Washington conference of oil-importing nations in February 1974, Henry Kissinger, the then US Secretary of State failed to drive a wedge between OPEC and the rest of the Third World.

Trade Relations Among Developing Countries:

There has long been much talk at the UNCTAD and other forums about the importance of increased trade between developing countries, but it has been seen mostly in terms of the bureaucratic modes and government-to-government negotiations to which UN agencies are addicted.

At the Caracas conference on ECDC in May 1981 and at the preparatory meetings, the G77 members attempted to tackle the issues regarding increased South-South cooperation. Some committees at the operational and sectoral levels were envisaged. But its programme¹¹, grandiose enough, is yet to be materialised.

A system of generalised preferences (GSP) for developing country trade has been in existence since 1973. At Caracas, an agreement was reached on the need to increase efforts to materialise the GSP. But

11. See *Caracas Programme on Finance*, document prepared and distributed by Dragoslav Avramovic, ex-officio member of the Brandt Commission in the Bangladesh Institute of Law and International Affairs (BILIA) Seminar, Dacca, Dec, 7-9, 1981.

few have heard of it and no one regards it as of much significance. As Philip Bowring rightly points out "It may have diverted a small amount of trade to developing from developed countries, but seems unlikely to have created trade".¹²

From Tables I and II, we can have an idea of the extent of trade among developing nations.

Table I DEVELOPING COUNTRY TRADE¹³

	1955	1965	1970	1975	1977
Intra-regional:					
Food	25.7	29.4	19.5	14.5	13.7
Other agric.	24.2	13.4	13.2	2.0	2.4
Non-fuel minerals and metals	2.2	3.5	6.2	2.7	2.4
Fuel	24.7	30.9	34.9	67.8	66.6
Manufactures	23.2	22.8	26.2	13.0	14.9
Intra-Asia:					
Food	28.0	28.8	21.7	14.2	12.9
Other agric.	20.2	11.7	10.6	6.8	7.4
Non-fuel minerals and metals	2.1	2.4	2.9	0.8	0.8
Fuel	27.4	28.8	29.4	49.1	47.2
Manufactures	22.3	28.3	35.4	20.1	31.7

12. Philip Bowring, "The quick and the dead in international trade," *Far Eastern Economic Review*, Nov. 6, 1981, p-106.

13. Source: *Unctad Handbook of International Trade and Development statistics, 1976*, UN Monthly Bulletin of Statistics, May, 1979.

**Table II INTER-DEVELOPING COUNTRY
TRADE**

(% of total)	1955	1960	1970	1977
Inter-regional	23.5	26.6	29.6	51.5
Intra-regional:				
Latin America	31.4	27.5	28.4	16.9
Africa	5.4	5.7	5.9	3.4
Middle East	16.0	5.8	7.0	7.9
Other Asia	23.7	34.4	29.0	20.2
Oceania	—	—	—	0.1

Source : *Ibid.*

Table I shows that in intra-regional trade, there was a decline in all the items except for fuel, where there was a sharp increase after 1970 onward, mainly due to high costs of energy.

Among the regions, Asia has consistently had the highest level of trade in manufactures between developing nations. And this is mainly done by ASEAN, even if it's a latecomer as regional trade grouping in comparison with trade groupings in Latin America.

Trade among developing nations mainly took place in primary commodities, mostly non-food items, between middle-income nations and in manufactures (mostly intermediate goods) between NICs. Intra-regional trade, linked to regional preferential arrangements between developing countries remains small in relation to their global trade. It has grown less rapidly

than their trade with the developed nations. Manufactured goods, share of developing country exports to developed nations rose 50% from 17% between 1963-77, but their share of trade between developing nations rose only marginally, from 41% to 54%.

In fact, the fundamental problem for expanding trade between developing countries is that they have in common excess labour and shortage of capital, and therefore their natural trading partner for manufactured goods is the labour-short, capital-rich developed world.

Intra-Third World trade faces the combined constraints of lack of finance and market fragmentation. Markets in the North are more attractive, because with higher per capita income there, they allow for better sales figures. A further advantage of the northern markets is that the customs regulations are generally better organised. Although this means more barriers for Third World exporters, it also means that the privileged few who are able to get in find it easier to operate.

Diverting trade to developing countries has merit in itself only if it adds to wealth through industrial complementation. This is part of the rationale behind ASEAN's preferential tariff-cutting and industrial projects. However, in Latin America, most arrangements of this sort have fallen into disarray, because of overambitions and large size of those projects.

The crux of the problem is that, as mentioned above (in chapter II), the levels of development in the Third World vary widely. So such different levels make agreement on industrial projects and complementation

schemes very difficult. Yet the differences themselves ought to foster trade on a complementary basis. But without genuinely liberal policies, preferential arrangements will not do. Freedom of trade remains the exception, not the rule, among developing nations.¹⁴

In future, demand for industrial raw materials and finished products will be higher much more in the NICs or the middle-income countries than in the developed world, because these nations are likely to be the major future source of growth. The rate will depend on the willingness of potential importers to abandon their siege mentality and accept that the benefits of comparative advantage apply to primary goods as well as manufactures.

Another obstacle to South-South cooperation is an instinctive mistrust of multilateralism. Many Third World governments feel that entering into multilateral agreements will greatly reduce their scope for political manoeuvring. So the commitment of Third World countries to multilateral processes is still far weaker than their involvement in bilateral negotiations, as Mr. Gamani Korea, Secretary-General of UNCTAD recalled "Multilateral processes, whether they be international negotiations, or ECDC, don't receive the same attention and priority as bilateral relationships."¹⁵

Conclusion

From the above discussion it is clear that there

14. See Philip Bowring, *op. cit.*, p. 107.

15. 'South', August 1981, p. 39.

is and should be concern about cooperation in the South because of its failure so far to exploit more substantially and rapidly its enormous economic potential through forms of cooperation which should already be showing signs of producing some sense of community in the South and of developing more advanced forms of collective decision-making such as there is in the North.

With all its bleak prospects in North-South dialogue, Third World governments can either remain satisfied with gratefully accepting whatever charitable assistance is doled out from time to time, or proceed to convert the principle of collective self-reliance into a positive and concrete programme of action. The South as a whole has the resources and the skills to develop their own financial and monetary institutions. They can generate a much larger volume of trade among themselves. There is a strong feeling among the leaders of the South, the prominent among them being Gamani Korea of UNCTAD and Manuel Perez Guerrero, the ex-chairman of G77, that unless parallel monetary, financial and investment institutions are developed in the Third World, it will have no economic or political leverage to compel the North to change the present order in mutual interest.¹⁶ Now the main task of the South is to give concrete shape to this common perception. And in this effort, as Ziaur Rahman, the late President of Bangladesh forcefully put, "We must succeed because we can not afford to fail."¹⁷

16. See *South*, 15 April-May 1981, pp. 53-55 and August 1981, pp. 38-39.

17. See Text of Address of President Ziaur Rahman to the Group of 77 in New York on Aug 26, 1980, *Bangladesh Observer*, July 6, 1981.

At the recently held Delhi conference (February 22-25, 1982) of 44 developing nations, the Committee on South-South cooperation called for 'commitment' at the political level for promotion of economic cooperation among developing nations through realisation of the agreed programmes and decisions, such as the Havana Non-aligned Declaration and the Caracas Programme. Whether this 'commitment' goes beyond just diplomatic solidarity among developing nations remains to be seen.