

Seizing New Opportunities for South-South Cooperation

Some Proposals for the 14th NAM Summit



The Context: Why South-South Cooperation?

In 1990 when the South Commission Report was released, the developing countries were described as existing on the periphery of the North, mostly weak and powerless in the world arena.¹ However, things have changed over time and the South has now emerged as an important player on the world economic stage. In terms of GDP, saving, investment, exports, imports, foreign exchange reserves, financial assets at home and abroad, quality and size of its corporate world, IT sector, and capability in manufacturing, the South is rapidly catching up with the North. Yet within this overall picture, there are major disparities in the South, between regions and within regions. Poverty, inequalities, unemployment, gender gaps, social isolations have created, in many countries in the South, some serious risks of social and political upheavals. Most countries of the South are likely to fail in meeting most of the Millennium Development Goals (MDGs). They face challenges of energy security, environmental degradation and those arising from global warming.

The ongoing multilateral trade negotiations in Doha Round have demonstrated that the North is seeking access to Southern markets, while resisting liberalization of labour markets, markets for labour intensive goods and services and agriculture in which developing countries have an advantage. Global imbalances pose major risks of hard landing of the US economy with devastating consequences for the exports of the South. A number of these challenges cannot be adequately addressed at a country level but have to be faced together as a group.

The capacity and interest of the North in helping the South is declining and increasingly South-South Cooperation (SSC) will have to fill the vacuum. The South has to look increasingly within itself for mutual help. Development patterns of the past decades suggest

that the South is no longer one 'backward' group. Different countries and even sub-regions within the countries are at vastly different 'stages of development'. Thus the complementarities within the group have increased tremendously. The South working as a bloc can help each other in the vital areas such as trade, finance, investment, energy, environment, labour mobility, technology, designing of development strategy, and correcting global imbalances in an orderly fashion.

A number of initiatives have been taken in the past to promote SSC in regional and global contexts. Some of these initiatives need to be expanded in scope and new ones need to be taken. NAM can consider some of the proposals summarized below for seizing these new opportunities for SSC.

A New Vigorous Push to South-South Trade

The emergence of the South with supply capabilities in a wide range of goods and services as well as a growing centre of final demand resulting from the robust growth has made intra-South trade a viable trade strategy. Because of complementarities in capabilities, South-South (SS) trade has grown at 10 per cent during 1990-2001, that is twice as fast as the growth of world trade. During 2000-2003, the annual growth of SS trade further accelerated to 14.2 per cent compared to 5.2 per cent for global trade. As a result of this dynamism, SS trade now constitutes nearly 43 per cent of total trade of developing countries and 11 per cent of global trade. Accelerating this trend is becoming a necessity for reducing global imbalances without creating a global recession: as the US is constrained over time to reduce its net imports from the South to correct its unsustainable trade deficits, the South must find alternative sources of demand, much of which will have to be in the South itself.

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Promoting South-South trade has thus become a global public good, necessary for the North (in particular for the U.S.) as well for the South.

SS trade and economic cooperation in other areas has been promoted in the framework of regional and sub-regional groupings of developing countries. Developing countries in different regions have established their own schemes of regional economic integration, e.g. MERCOSUR, CARICOM, and Central American Common Market, COMESA, SACU, and Greater Arab FTA. In Asia, there is an ASEAN FTA and SAFTA and BIMSTEC FTA are taking shape. The Bangkok Agreement is being revitalized. There are also a few inter-regional initiatives such as India-Brazil-South Africa (IBSA) Trilateral Commission, Team-9 Initiative combining India and 8 West African countries, India-Mercosur, India-GCC and India-SACU Framework Agreements, among others. The Asian-African Conference held in Jakarta in April 2005 established the New Asian African Partnership. There is also a new Asia-Africa Sub-regional Organization Conference (AASROC) linking the regional groupings of developing countries in Asia and Africa.

Global System of Trade Preferences (GSTP) was conceived as a scheme of trade preferences among developing countries in the 1980s within the framework of G-77 and is serviced by UNCTAD. Two Rounds of GSTP have been completed in the past. A third round of GSTP was launched at the UNCTAD XI in 2004. However, progress so far has been very slow partly because of the positive list type approach adopted for exchange of preferences. The lists of products for which tariff preferences have been exchanged have been small and the depth of concessions shallow to make a difference. The preferences exchanged during the second round could not be ratified at all and hence have not been implemented.

One may argue that multilateral trade negotiations in the framework of WTO take care of promotion of South-South trade between the regions. However, studies find a case for giving greater emphasis to promotion and liberalization of SS trade. An empirical study shows that SS trade can have the effect of lowering the price of intermediate inputs and eventually allow Southern exporters to serve international markets.² An UNCTAD study within the framework of computable general equilibrium (CGE) model using GTAP database suggests that liberalization of SS trade has substantially greater (60 per cent) potential of welfare gains for South than liberalization of North-South trade.³ Another UNCTAD study analyzing seven major south-south RTAs in the framework of a gravity model concludes that most of the South-South RTAs are not only trade-creating but are also trade-expanding, increasing overall trade, even with third countries, sometimes quite significantly.⁴ Another study finds that MERCOSUR

RTA combining Argentina, Brazil, Paraguay, and Uruguay has helped a reshaping of production according to internal comparative advantage.⁵ The preferential arrangements like GSTP, even though of limited scope and coverage so far, have been effective. An empirical study has found that intra-South trade in commodities covered by preferential trade under GSTP has increased remarkably.⁶ Furthermore, it is contended that promotion of South-South trade through mutual trade preferences rather than multilateral approaches would be more beneficial as it could assist them in building their supply capabilities and help them attract investment from developed countries.⁷ The past patterns reveal that the bulk of SS exports have been in manufactured products and medium and high technology products have been most dynamic component of SS trade in contrast to NS trade that tend to be dominated by primary commodities, raw materials and intermediates and labour intensive goods. Therefore, promotion of SS trade could be instrumental in industrialization of Southern economies.

Therefore, NAM could consider giving a new thrust to revitalize the GSTP as an effective and broader framework for SS trade promotion. It will help in obviating the need for concluding multiple bilateral FTAs by developing countries that have been found to be creating a 'spaghetti bowl' syndrome. The recent suspension of the Doha Round of Multilateral Trade negotiations provides a fresh incentive for more developing countries to join the GSTP negotiations and demonstrate their commitment to calibrated trade liberalisation and developing country solidarity. In this direction following proposals may be considered:

- a) **Broader and deeper approach to ongoing trade liberalization:** The ongoing third round of GSTP negotiations could be transformed by adopting a negative list approach where developing countries would offer concession to other developing countries on an across-the-board basis except for a small exclusion list of sensitive products. Also, since agriculture sector in most developing countries sustains livelihood of the bulk of the population, liberalization of agricultural trade could be on a different track. The depth of concessions could be 50 per cent of tariffs with eventual elimination subject to appropriate rules of origin.⁸ The least developed countries could undertake tariff reduction of only 25 per cent.
- b) **Widespread Participation:** A successful outcome of the GSTP negotiations would depend not just on the extent of tariff concessions but also on wide spread participation of members of the G-77 and China. At present, of the 44 countries that have ratified the GSTP Agreement, only about 25 countries have been participating in the third round negotiations, and just 13 countries have notified their products of export interest.

¹ South Commission 1990. *The Challenge of the South*. New York: Oxford University.

² Fugazza, Marco and F. Robert-Nicoud, 2006, "Can South-South Trade Liberalization stimulate North-South Trade?". *Journal of Economic Integration*, 21(2), pp. 62-90.

³ Fugazza, Marco and David Vanzanetti. 2006. *A South-South survival strategy: The potential for trade among developing countries*. UNCTAD, Geneva, UNCTAD/ITCD/TAB/34.

⁴ Cernat, Lucian. 2004. *Assessing South-South regional integration: Same issues many metrics*. UNCTAD, Geneva.

⁵ Sanguinetti, P. I. Traistaru, and C. V. Martincus. 2004. *The impact of South-South preferential trade agreements on industrial development: an empirical test*. Mimeo.

⁶ Endoh, Masahiro. 2005. *The effects of the GSTP on trade flow: mission accomplished?*. *Applied Economics*, 37(5):487-96.

⁷ See B.L. Das. 2004. 'GSTP for enhancing South-South Trade', *Third World Economics*. 16-31 March 2004.

⁸ This proposal was first made in RIS (2004) UNCTAD XI and the Development Dialogue for the 21st Century. *RIS Policy Brief #13*.

- c) **Framework Linking Regional Trading Arrangements (RTAs) of Developing Countries:** GSTP could also provide a framework for linking different RTAs of developing countries and exchanging trade concessions to each other on a reciprocal basis. MERCOSUR has already joined the third round of GSTP as a party. Other regional groupings of the South could participate in the process and create a framework for exchange of trade preferences thereby creating a Southern Economic Space.
- d) **Extending the scope to cover trade in services:** Service sector has emerged as the most dynamic sector in a number of the Southern economies. South is becoming an active and emerging player in trade in services. SS trade in services also assists in bridging the capability and skills gap in some areas. Hence, liberalization of trade in services between developing countries would be mutually fruitful. Therefore, the revitalized GSTP should be expanded to cover trade in services.
- e) **Trade Facilitation and NTBs:** To exploit the full potential of GSTP, mutual cooperation would be desirable in trade facilitation and addressing various non-tariff barriers. First of all, there is need for improving flows of trade and business information between developing countries. A web-based information clearing-house could be set up exclusively for developing countries based exporters and importers. Secondly, there could be cooperation between standards and export inspection bodies of developing countries for evolving mutual recognition agreements (MRAs), and aligning their conformity assessment and customs procedures especially for products of mutual trade interest.
- f) **Finance and Banking Links:** There is need for strengthening commercial banking links for facilitating the intra-South trade. Commercial banks of South or their consortia could strengthen their presence in other developing countries. Similarly, export-import banks or export financing agencies of developing countries could get together and develop reciprocal links for export financing.⁹ Cooperation between clearing and payment agencies of developing countries may also be fruitful in evolving a framework for conducting mutual trade in local currencies. Finally, the South Bank proposed here could also have a separate window for financing of intra-South trade in goods and services.

Enhancing Supply Capacities through South-South FDI and Technology Transfers

Promotion of SS investments and technology transfers is important for development of supply capacities in the South, particularly for industrialization of the least

developed and low income countries that are marginalized in the global FDI flows. Development of technological capability and entrepreneurship in a number of emerging and developing countries is now widely recognized. Intra-South flows of FDI and technology have grown over the past decade and accounted for nearly 37 per cent of global FDI inflows received by developing countries in 2003 compared to only 15.5 per cent in 1995.¹⁰ The emergence of developing country enterprises as outward investors is an important development of the past decade. It widens the options of developing countries looking for FDI inflows and technology at least in standardized and matured industries. Emerging MNEs generally provide to their lesser developed host countries access to intermediate and generally more appropriate and cheaper technologies and skills. These intermediate range of technologies could be valuable in development of wage goods sectors and employment generation in dual economies. Developing countries are becoming sources for not only domestic market oriented FDI but also for export-oriented ventures.¹¹ The least developed countries may find it easier to attract FDI originating in developing countries than from industrialized countries.

Developing countries have begun promoting intra-South FDI inflows as is clear from the rising number of bilateral investment promotion and protection treaties (BIPAs) concluded between developing countries. Of the nearly 2400 such treaties signed globally by 2004, 25 per cent have been signed between developing countries and their proportion is constantly growing and they accounted for 39 per cent of such treaties signed in 2004.¹² Yet there appears to be a scope of institutional intermediation at the national, regional or international level for directing these flows to the poorer countries given the constraints of information and financing. NAM may consider following steps for promoting SS investments:

- a) **A South Investment Agreement:** For promoting mutual investment flows, developing countries could evolve a South Investment Treaty providing post-establishment national treatment, MFN and investment protection and dispute settlement. This global arrangement will avoid the need of signing thousands of BIPAs that developing countries are signing between themselves. By limiting the national treatment to post-establishment, the treaty will not reduce the policy space that developing countries might need to protect domestic enterprises. In order to make the treaty a balanced one it could build certain principles of corporate ethics and investor behaviour that the developing country investors will be expected to follow.
- b) **A South Double Taxation Avoidance Treaty:** NAM may also consider evolving a global South Double Taxation Avoidance Treaty (DTAA) to facilitate intra-South FDI flows.

⁹ Asian export import (exim) banks have started a dialogue between them for promoting cooperation. There could also be a global platform for cooperation between exim banks of South.

¹⁰ See World Bank (2006) *Global Development Finance 2006*, Washington, DC. (Chapter 4). Also see for the trends and patterns in SS FDI, *Globalization, Foreign Direct Investment and Technology Transfers: Impacts on and Prospects for Developing Countries*, by Nagesh Kumar et al. (1998), Routledge: London and New York, ch. 7; Akyut, Dilek and Dilip Ratha (2004) 'South-South FDI Flows: How big are they?' *Transnational Corporations*, 13(1): 149-176.

¹¹ For a discussion and evidence on the distinguishing features of SS investments see Kumar (*ibid.*), World Bank (*ibid.*). An empirical study by Athukorala et al. (1995), 'Multinational firms and export performance in developing countries: Some analytical issues and new empirical evidence', *Journal of Development Economics*, 46:109-22, have found that affiliates of developing country investors in Sri Lanka performed significantly better in terms of export performance compared to either domestic or developed country MNE affiliates.

¹² UNCTAD (2005) *Recent Developments in International Investment Agreements*. UNCTAD/WEB/ITE/IIT/2005/1.

- c) *Information Flows on Business Opportunities:* The potential of SS investments may not be exploited fully for want of information on business opportunities and investment climate in different developing countries. Unlike western MNEs, Southern enterprises are generally small enterprises having operations in a few countries and are not equipped with captive information networks to track opportunities globally. This information gap is to be bridged by creating more opportunities for the South business and industry to interact regularly within the framework of an apex body. Here the G-77 Chamber of Commerce and Industry and the NAM Business Forum set up recently should play an effective role by organizing South trade fairs and interaction meetings regularly besides web-based information portals on opportunities for South-South trade and investments.
- d) *Financing and Guarantees for South-South Investments:* The proposed South Bank could have a window reserved for supporting SS investments by providing term lending and venture capital support to these ventures. The Multilateral Investment Guarantee Agency (MIGA) of the World Bank could be asked to create a special window for covering intra-South FDI for non-commercial risks. For making it effective, more developing countries should join MIGA.

New Opportunities for Monetary and Financial Cooperation: A South Bank

In the field of monetary and financial cooperation, there have been many initiatives in the South over the last three decades. The Asian Clearing Union, which began operations in 1975, allows Governments of its member countries to side step the need for hard currency in clearing payments for regional trades. The Chiang-Mai Initiative of ASEAN+3 countries launched in 2002 has put together pledges of funds of over \$20 billion, which can be mobilized to help countries in the group to address balance of payments crisis. Asian Development Bank's Asian Bond Markets Initiative (ABMI) is intended to help develop mature bond markets in the region to tap the region's surplus savings. Kim Hak-Su, Executive Secretary of UNESCAP, has proposed creation of Asian Investment Bank (AIB), which could provide infrastructure loans and collaborate with the banking community in both raising and investing resources amply available in Asia. In a similar vein, Datuk Seri Abdullah Ahmad Badawi, Prime Minister of Malaysia, has suggested that Asian countries could use "a fraction" of their massive foreign exchange reserves as capital for the fund, which would invest in basic economic infrastructure including super highways and super railways linking and binding the East Asian community. The Latin American Reserve

Fund, created in 1991 to replace the Andean Reserve Fund, has continued to help to correct payments imbalances with loans and loan guarantees, co-ordinate monetary, exchange, and financial policies of members and promote trade liberalization and payments. Venezuela, in a bold initiative, is using part of its foreign exchange reserves to help some of the countries in the region to reduce their external debt. The Arab Monetary Fund, established in 1976, seeks to stabilize exchange rates, facilitate mutual convertibility among Arab currencies and co-ordinate national monetary policies and promote investment flows and trade by easing payments arrangements and dealing with imbalances. In the wake of recent increase in reserves due to oil price rise, many Arab countries are looking for opportunities to diversify their reserve portfolio away from excessive dependence on the US. In West Africa 15 member states of ECOWAS agreed in 2000 to create a common currency for the region and eventually move toward a monetary union of the member states.

These scattered efforts at monetary cooperation in the South have produced only modest results in the past, largely because of inadequate financial capacity of the South. Now in the first five years of the 21st Century, an altogether new situation has arisen which creates the possibility of a breakthrough in this important area. Since 2000, the South has experienced a current account surplus in every year, with the figure for 2005 (estimate) amounting to \$245.6 billion (2.6 per cent of GDP). And these surpluses now obtain not only in East Asia, but also in Europe and Central Asia, Latin America and Middle East. Foreign exchange reserves of the South have increased at an annual average rate of \$269 billion over the last five years and in 2005 they exceeded \$2 trillion. With creative institutional innovations, this newfound power of the South can be utilized not only to facilitate trade and investment in the South but also to capture the seigniorage from intra-South financial flows which can go a long way to meeting the resource needs of development.

The low rate of return currently earned by the South from its high level of foreign exchange reserves has attracted international attention. Larry Summers, former Secretary of Treasury of the US has estimated¹³ that the opportunity cost of excess reserves of emerging countries could be as high as \$100 billion per year. He goes on to suggest globalizing (i.e. handing over to an international facility managed by the IMF/World Bank) \$500 billion at a fee of 100 basis points which would produce \$5 billion a year that could go towards global public goods, multilateral grant assistance or debt relief. His suggestion is based on the perception that the Southern institutions do not have the technical and political capital to make such large financial investments, and that perhaps is based on an underestimation of the progress made by the South in developing its capabilities of financial management.

¹³ "Reflections on Global Account Imbalances and Emerging Markets Reserve Accumulation". L.K. Jha Memorial Lecture, Lawrence H. Summers, Reserve Bank of India, Mumbai, India. March 24, 2006

South Bank: a financial institution of the South, by the South and for the South

An alternative, utilizing the capabilities of the South, would be to seize this opportunity to create a South Bank, which can use part of these reserves to help meet the financial needs of the South and for funding the institutions for SSC. The proposed Bank will have several distinguishing features. It will be of substantial size, with authorized capital at least equal to that of the World Bank (about \$200 billion). It will combine the functions of the World Bank and IMF by providing funds for investment and balance of payments support and provide the Southern equivalent of SDRs. An integral part of the Bank will be a think tank, which will assist the member countries in learning from each other's development experience and promote SSC. In contrast with the present IFIs (including the regional development banks) but in tune with European Investment Bank, the proposed Bank will be of the South, by the South and for the South.

Backed by deposits from the surplus countries in the South, the Bank¹⁴ will issue a fully convertible "Southern SDR" (SSDR), which will act as a parallel currency for trade, investment and reserves in the South. The issues of weights in formation of SSDR, its allocation procedures, interest on deposits and borrowings can be decided in the light of experience with SDR with the difference that SSDR will be an actual currency available for circulation and deposit. If only half of the current foreign exchange reserves of the South (\$1 trillion) are deposited in this Bank and SSDR worth \$2 trillion are issued over a five year period, the seigniorage earned could easily amount to about \$40 billion year. Such seigniorage, though only a fraction of the seigniorage currently appropriated by the US, will be sufficient to double the level of ODA currently received by the South. From a global perspective too, this will be a win-win solution of the problem of global imbalances. While the South will gain from the supply side benefits of additional investment facilitated by the Bank, the world economy would benefit from additional demand generation thus reducing the risk of recession as the US inevitably moves to reduce its net imports from the rest of the world.

Although a proposal of the South Bank has been discussed intermittently at the NAM Summits and the G-77 meetings since the early 1980s, the time seems to have come for giving effect to it as the South now has the resources to make it happen.

Building Capabilities for Harnessing Fruits of Modern Technologies

Mobilizing ICTs for Empowering the Poor and for Development: Notwithstanding the concern about the digital divide which prevents developing countries from exploiting the fruits of information and communication technologies (ICTs) for their development, many promising experiences of their pro-

poor deployment from across the world have been documented – for instance, use of ICT by rural communities facilitated by community owned computers with visual or graphic interface, use of public fixed line and mobile telephone bureaus in India and Bangladesh as sources of rural employment as well as for increasing the virtual teledensity, use of mobile phones by fisherfolks, use of internet for e-governance such as computerization of land records, among many other applications. NAM can formulate strategies for promoting cooperation in the area of ICTs for exploiting their potential for the development of member states. In particular, the South-South Cooperation could cover the following areas:¹⁵

- *Education and training:* Diffusion of ICT is constrained by lack of trained manpower. Some developing countries have expertise to assist other countries in education and training. NAM may promote such exchanges of training enterprises and institutions between the Member States by facilitating information exchange and FDI policy reforms wherever necessary.
- *Joint Development of Hardware and Software for IT Diffusion:* One of the reasons for underperformance of the South in terms of levels of diffusion of ICT is high cost of equipment and lack of software in local languages. Developing countries could pool resources to develop low cost computers and other equipment. They could also pool resources for joint development of local language software exploiting the opportunities thrown up by availability of open source platforms like LINUX. A number of NAM countries have developed substantial expertise in computer hardware and software. These capabilities could be exploited fully for promoting the diffusion of ICT in the Member States.
- *Exchange of Experiences in Innovative Pro-poor Applications of ICT:* There is need of learning from each other by documenting and sharing experiences in innovative applications in different parts of NAM. It could also be organized through the NAM Information Clearinghouse proposed here.

Exploiting the Potential of Biotechnologies for Pro-poor Growth: Biotechnologies can assist developing countries in achieving food security and rural development by breaking the yield barriers, by helping development of plant varieties tolerant to salinity and alkalinity, development of low-input agriculture that is of special significance for developing countries with large populations of small and marginal farmers among other ways. They can also help in fostering rural industrialization by integrating agriculture with production of food, animal feeds, energy, fertilizer, and a number of industrial products. A number of encouraging experiences from countries like Brazil, China and India with the food-energy integrated

¹⁴ An outline of such a Bank in the context of Asia, has been presented in "Towards a Multipolar World of International Finance" by Ramgopal Agarwala and Gauri Modwel, *RIS Discussion Paper No. 46*, 2003.

¹⁵ This section draws upon RIS (2003), *Globalization and the Non-aligned Movement: An Economic Agenda for Action*, New Delhi: RIS.

systems are now available and could be replicated to other countries. NAM could promote mutual cooperation among the Member States for exploiting the potential of biotechnologies for their development. The SSC in this area could also cover education and training, joint R&D for common problems, exchange of experiences and technologies, cooperation in biodiversity conservation, protection and evolution of biosafety norms.

Cooperation in Medicines and Public Health: Development of more effective remedies and vaccines for dealing with common and pressing diseases of developing countries continues to be neglected by the global pharma industry despite the strengthening of international IPRs regime under the WTO's Agreement on TRIPs. These include tropical diseases like malaria, TB, HIV-AIDS, among others, that affect millions of people in the South. R&D institutions in developing countries need to network and organize themselves to undertake R&D on such diseases following a consortia approach. It has been estimated that research on dealing with these diseases would require an additional funding of US\$ 3 billion per annum. WHO is seeking an allocation of additional resources of this magnitude from developed countries. NAM should press that these resources are passed on to eligible institutions and enterprises in developing countries for R&D relevant for their needs besides helping them strengthen their capabilities. A number of developing countries such as Cuba have developed capabilities in tropical medicine. Some others like India, Brazil, China have accumulated capability for development and production of life-saving medicines at affordable prices. A NAM initiative in promoting fuller exploitation of these capabilities for improving the public health systems in the Member States would be fruitful.

South-South Cooperation for Energy Security

South is the major producer of energy and with its rapidly growing economies; soon it is likely to become the major consumer of energy. Yet the South depends critically on intermediation by the Northern MNEs for managing supply as well as marketing of the energy products. As a result, the South often ends up paying a premium price on the supply it receives and faces the risk of supply shortfall in case of disruption in energy supply. Looking forward, the major countries in the South (such as China and India) are linking up with suppliers in the South to enhance their energy security and trying to develop marketing facilities in the South. They are understandably facing resistance from MNEs in reducing their oligopolistic power over prospecting, development, transportation and marketing of energy. There is an urgent need for enhancing South-South cooperation which can overcome the resistance of Northern MNEs and provide a level playing field to the newly emerging companies of the South by giving them market-oriented opportunities in obtaining

prospecting, development, transportation and marketing rights and thus enhance energy security of the South.

Increasing South's Bargaining Power in Multilateral Trade Negotiations *Coalitions for Making Doha Really a Development Round*

The process of decision-making in the multilateral trade negotiations has been highly asymmetric. Although the decision-making should be by consensus, conventionally the leading trading nations such as US and EU exercise a disproportionate weight in agenda setting and decision making process. The process of negotiations under the Doha Round that was supposed to address developmental concerns of developing countries, does not give any high hopes. Developed countries have been resistant to deliver the promises made in the Doha Declaration. However, developing countries have been able to articulate their position in a much more effective manner than ever in the past due to issue based coalitions set up on different key issues on the agenda. G-20, led by Brazil, India, South Africa, and China, has proved to be an effective coalition, which submitted a counter proposal to the US-EU proposals on agriculture negotiations at the Fifth Ministerial. It is to the credit of the leadership of the G-20 that it has held together despite the attempt by the developed countries to break their ranks by offering to phase out of export subsidies for select products of interest to some leading countries. Later on in the negotiation of the July framework, India and Brazil represented G-20 in the Five Interested Parties (FIPs) that hammered out the agreement. There is another coalition of South countries called G-33 on Special Products and Special Safeguard Mechanism (SP and SSM). This grouping is led by Indonesia and actively participates in the negotiations on AoA negotiations in the ongoing Doha Round. There is G-90 bringing together ACP countries and LDCs. The G-90 and G-20 had made a grand alliance of G-110 at the Hong Kong Ministerial.

That issue-based coalitions of developing countries have been highly effective in shaping the course of negotiations is evident by the ability of developing countries to have three of the four new issues, the so-called Singapore Issues, viz. investment, competition policy and government procurement off the agenda of the Doha Round. Longer-term sustainability of these coalitions, however, will need some constructive proactive agenda. The other aspect of South-South Cooperation could cover mutual cooperation in implementation of commitments, technical assistance for compliance of emerging standards, etc. NAM could facilitate such cooperation among the member countries by creating a Working Group on WTO issues to shape the agenda of WTO negotiations proactively.¹⁶

NAM needs to raise concerns about the asymmetries in the emerging world trading system,

and contribute to evolving a system that is more responsive to the development needs of its membership and playing field is more leveled. Following initiatives may be considered in this regard:

- **Consultative Group on Reform of Decision-making in Multilateral Trading System:** The process of decision-making in the multilateral trade negotiations is highly asymmetric, non-inclusive and non-transparent and needs reform for its sustainability. NAM could establish a **Consultative Group** to come up with a set of comprehensive proposals for reform of the trading system and bringing greater equity and transparency in the process of decision-making. These proposals can then be taken up proactively by the Group in the WTO negotiations on behalf of its members. Formation of such a group would also foster linkages between the trade policy think-tanks of the member countries. The G-20 could also extend its **coordination to international financial issues** now that WTO has a working group on trade, debt and finance.
- **Proactively Setting the Agenda of Trade Negotiations:** To level the playing field in the negotiations, coalitions of developing countries should begin to set agenda of the trade talks by bringing issues of their concern on the negotiating table. For instance, protection and benefit sharing from traditional knowledge and genetic resources is one such issue that they are trying to put on the table. Against the background of commercial exploitation and patenting of rich genetic heritage and indigenous knowledge of developing countries and tribal communities by MNCs, there is need for *sui generis* regimes for protection of indigenous knowledge at the national level and an international regime for recognition of the indigenous knowledge of originating in other countries and providing for a framework for prior informed consent and benefit sharing for the benefit for the communities owning the knowledge. It should be made mandatory for the patent applications to disclose the geographical source of the traditional knowledge or genetic resources from which the invention is derived. NAM could also proactively seek to build such a framework in coordination with the WTO TRIPs, WIPO, CBD, FAO, UNESCO and UNCTAD. NAM could set up a Task Force on Indigenous Knowledge to work out proposals for action in this regard.
- **NAM/G-77 Watchdog on Implementation Issues in WTO:** A brief review of the disputes that are taken up in the WTO framework indicates that the developed countries are well organized and quick in scrutinizing the implementation of commitments by developing countries and bring any cases of deficiency in implementation to the dispute settlement board (DSB) of WTO. On

the other hand, the cases of under-implementation of commitments made by developed countries to developing countries remain unnoticed owing to the inability of developing countries to scrutinize the policies of industrialized countries and to seek a redressal under the WTO framework. Furthermore, developed countries have used their dominant position in the world economy to take unilateral initiatives (e.g. under S. 301 by the US) that militate with the multilateral framework. The US Anti-Dumping Act of 1916, which has been found violative of the WTO Agreement by its trading partners, has not been repealed as yet. Developing countries, individually, lack the capacity – physical, analytical and financial – to identify and pursue the cases of non-implementation of commitments and autonomous or unilateral policy decisions concerning trade policy on the part of developed countries and seek their redressal under the existing framework. The recent case of the trade distorting export subsidy valued at \$ 4 billion under Foreign Sales Corporations (FSC) Act by the US government which was successfully brought by the EU to the DSB is a case in point. There is a need for setting up a Watchdog by NAM jointly with G-77. This body should be equipped with the necessary professional, analytical, legal and financial expertise to scrutinize the implementation of WTO commitments by developed countries and, where appropriate, to bring them to the DSB on behalf of developing countries.

- **Trilateral Cooperation/NAM Trust Fund for Assisting the Member-States in Implementation of WTO Requirements:** Developing countries have undertaken substantial commitments under different WTO Agreements. They lack capacity and resources for their implementation. In addition, proliferation of NTBs in the form of enhanced environmental and health-safety requirements in the developed countries is affecting a substantial proportion of developing country exports. The technical assistance promised under the SPS and TBT Agreements of WTO for building capacity in developing countries for compliance with the standards is often inadequate or not timely. Most of the budgets for capacity building and technical assistance provided by developed countries and multilateral agencies is actually spent on workshops or seminars rather than actually assisting the affected exporters in compliance of the new requirements. It is observed that in many cases the relevant expertise for technical assistance may not be available in developed world (such as for treatment of food stuffs in tropical climate). Some of the developing countries may have the relevant expertise but lack

¹⁶ See *RIS Policy Brief # 20 Making Doha Really a Development Round*, December 2005, for more details.

financial resources for delivering the technical assistance. NAM could set up a Trust Fund for assisting the member countries in their compliance with the requirements with the help of experts from developing countries. The NAM Trust Fund could be augmented by contributions from developed countries and multilateral bodies in the interest of fair world trading system.

Exchanging Development Experiences

Different developing countries have accumulated a large body of experiences in fostering equitable development and pro-poor growth and moderating adverse effects of the process of globalization over the past decades. These experiences could be fruitfully shared by other developing countries. However, these experiments and experiences remain confined to the regions where they evolved for want of diffusion of information on them. For facilitating exchange of these experiences and cooperation among the think-tanks for providing analytical support for policy making, the following proposals may be considered:

- **NAM Information Clearinghouse:** NAM could facilitate the exchange of such experiences by creating an information clearinghouse on the internet. The NAM Information Clearinghouse could be interactive in that Member States and organizations based in them are able to post information on these experiments for dissemination among other countries. The information would also contain the contact details of the experts or resource persons that could be contacted for further information or assistance.
- **NAM Network of Think-Tanks on International Economic Issues:** Strengthening the analytical capacity in the South on international economic issues by setting up a NAM Network of Think-

Tanks on International Economic Issues is crucial. The Network could become a source of ideas for consideration of the policy-making bodies of the Movement on a regular basis. This Network could further set up three Special Task Forces:

- Task Force on Reform of International Financial Architecture,
- Task Force on the Making the World Trading System more Responsive to Development, and
- Task Force on South- South Cooperation.

These Task-Forces would pool the existing capability available in the Member States to evolve policy responses for the consideration by the Movement. Furthermore, the Network should regularly monitor the trends in the world economy from the perspective of developing world and prepare Reports on World Economic Trends for the NAM Summits and Ministerial Meetings. These Reports could provide an independent assessment and viewpoints on the emerging trends and patterns and their implications for NAM Member-States and hence complement the reports emanating from the Bretton-Woods Institutions that are sometimes unable to capture developing country perspective adequately. Given the scarcity of resources among the low-income countries for such activities, a Trust Fund, created with the voluntary contributions of countries and international agencies out of their budgets for technical assistance, could be established to facilitate the activities of the Network and keep it active for facilitating the work of the Task-Forces. RIS for Developing Countries, an institution created by India within the framework of NAM after the Seventh NAM Summit, could be asked to coordinate the Network and provide secretariat to the Task-Forces.

South has emerged as a more confident participant in the international division of labour in the 21st Century. It has accumulated resources, experiences and capacity to shape its destiny more decisively than in the past. We believe that SSC can help in exploiting their synergies for mutual benefit and assist the South in meeting the many challenges it is facing. As a global forum of the South, NAM has a major role in fostering the SSC. It is in this context that an agenda has been outlined above for the XIV NAM Summit.

— Policy research to shape the international development agenda

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