

## **Importance of South-South Cooperation in Strengthening Global South Trade, Investment and Regional Integration**

### **Background**

South-South Cooperation has been recognized as a veritable platform for collaboration among countries in the Global South in the areas of politics, economics, social relations, culture, environment and technology. The similarity in the experiences of these countries and their locations within the structure of global capitalist order make such cooperation to be imperative. In the past four decades, there have been a mixed result in the patterns and forms of growth of trade and investment within and between countries of the Global South. In this respect, there has been a dramatic increase in trade and investment among some countries in the Global South, with emerging Southern states, such as China and India leading the pack on both scores. The structure of exports has also changed with value-adding manufacturing growing within countries in the Global South. The differences in the levels of development of the countries of the Global South and the interlinkages in their economies necessitate higher level of cooperation. This can be introduced through the encouragement of increased regional integration that produces successful and sustainable economic development. With proper consideration, integration agreements have the ability to address infrastructural barriers to trade in a strategic manner that encourages regional cooperation. Once strengthened, the linear process of integration often reflected in many regions in of the Global South, can result in sustainable growth that tackles the underlying structural barriers that developing economies face.

The changes in the global structure of accumulation, the return to mercantilist economic system in which protectionism is becoming a new normal in industrialized economies, the retreat of globalization and the continued widening inequality gap and poverty in many countries in the Global South further make South-South Cooperation (SSC) a compelling imperative. The realization of the United Nations Sustainable Development Goals and Agenda 2030 for Sustainable Development in Southern countries is contingent on South-South Cooperation. An increased flow of trade and investment between countries of the Global South will lead to increased economic growth, job creation and poverty reduction.

The proposed *Idea Papers* aim to examine challenges and future prospects given the changing global realities. SSC can operate within various provisions of the World Trade Organization and other regional and bilateral agreements and other forms of trading arrangements. Article XXIV of the World Trade Organization makes provision for Special and Differential Treatment, which provides opportunity for cooperation for countries in the Global South.

### **Goals and Objectives**

Under its current Strategic Framework 2018-2021, the United Nations Office for South-South Cooperation (UNOSSC) aims to support member states' efforts to eliminate poverty in all its forms through the promotion and strengthening of SSC at national, regional and international levels. As part of its mandate,

UNOSSC strives to promote, coordinate and support South-South and triangular cooperation globally and within the United Nations system. In doing so, it aims to provide research direction and support for this proposed special edition of its *Idea Paper* Series on the subject of South-South Cooperation in strengthening Global South trade, investment and regional integration. UNOSSC invites eligible contributors from the Global Thinkers Network to submit expressions of interest responding to the papers' outlines and accompanying guiding questions prepared for the special edition. Interested contributors are asked to submit applications for only one of the *Idea Papers*. Following the publication of the *Idea Papers*, UNOSSC aims to help disseminate their findings through its global networks. The policy relevant papers will draw on independent research, analysis and perspectives of commissioned authors. Their findings and views will not necessarily represent those of UNOSSC or partners institutions.

### **Idea Papers Layout**

*Foreword* by UNOSSC Director and Special Envoy of the UN Secretary General on South-South Cooperation

Executive Summary

*Acknowledgements*

*Abbreviations*

**Paper 1:** *The Importance of SSC in Strengthening Global South Trade, Investment and Regional Integration: A Contextual Overview*

In the aftermath of rising nationalism, trade protectionism, increased political and economic isolationism in the North and the importance of rising powers in the eventual restructuring of global power relations, a new global order is quickly emerging. The Global South is increasingly becoming an important driver of the world's economy. South-South and intra-regional trade are growing rapidly; supply chains are changing; and opportunities exist in an environment where technological innovations and business flows in every direction. South-South Cooperation (SSC) provides a broad framework for collaboration among countries of the Global South in the political, economic, social, cultural, environmental, and technical domain. Consequently, the significance of increased regional integration becomes key to tackling the underlying inconsistencies in regional trade. To better facilitate the cohesion between growing economies in the Global South, a development of cross-country networks encouraging competitive business environments can be key. While trade, investment, and financial flows have increased within the countries of the Global South, growth remains uneven and incomplete, resulting in a widening inequality gap and poverty within countries. However, SSC has been recognized as one of the means of achieving the 2030 Agenda for Sustainable Development, and structural transformation, which requires targeted and proactive government policies in trade and investment in particular. As such, the paper will focus on highlighting the important role global trade and investment play in the context of South-South Cooperation and the implementation of the 2030 Agenda for Sustainable Development. In this regard the following questions become pertinent.

Author(s) should seek to address the gaps in information and lessons to be learnt as an economically empowered Global South seeks to drive the revitalization of global partnerships towards sustainable development; as well as how South-South/triangular cooperation can serve as the pathway toward a more inclusive and sustainable economic development landscape – one where all stakeholders and beneficiaries are meaningfully engaged.

**Paper 2: *South-South Trade & Financial Governance for the Implementation of the 2030 Agenda for Sustainable Development***

Despite the fact that SSC has been identified as an avenue for achieving the 2030 Agenda, developing countries still face an annual gap of trillions of dollars in meeting the Sustainable Development Goals (UNCTAD 2019). This paper will explore how trade, investment, and changes to financial governance policies can help countries in the Global South with the implementation of the 2030 Agenda and achievement of the SDGs. It will focus specifically on SDG17 (strengthen the means of implementation and revitalize the global partnership for sustainable development) discussing key indicators related to policy and institutional coherence, and financial governance, offering policy recommendations and featuring brief case study examples of successful examples of policy implementation. The paper will also consider the increasing importance of remittances, as well as South-South foreign direct investment (FDI), rise of fintech, and bridging platforms which have been beneficial as a potential source of capital, technology and management skills, as well as a greater likelihood of beneficial linkages and technology absorption. However, in some countries a lack of an adequate regulatory framework for FDI means that there is potential for crowding-out, market dominance issues, as well as lower labor and environmental standards.

Author(s) will use the paper to address how the 4th Industrial Revolution and rise in digitization/disruptive innovations redefine South-South trade & financial governance landscape. Relatedly, the paper will interrogate/highlight the Belt and Road Initiative's (BRI) impact on SSC and efforts at achieving SDG 17. Key questions that the author(s) may need to consider are – what are the appropriate financial governance architectures required to facilitate higher flows of trade and investments in the Global South? How can global partnerships for sustainable development be revitalized and implemented to enhance the achievement of the 2030 Agenda for Sustainable Development?

**Paper 3: *South-South Cooperation and Digitalization***

An important aspect of inclusive economic development is ensuring that countries in the Global South are not left behind as information and communications technology (ICT) and digitization of services increasingly plays central role in the global (digital) economy. This paper will explore the new opportunities and challenges offered by the digital technologies and services. The paper should highlight the 4IR, sharing- and gig economies potential both to disrupt existing established systems while generating jobs, and wealth across the board. As states upgrade to global value chains by using digital technologies and services, they increase the value of their exports, but these gains are not automatic, they risk polarization and widening of income inequalities as digital divides come into play. SSC can play an important role in assisting countries in structural transformation through knowledge sharing on the development of policies on data ownership, technical knowledge exchange on digital infrastructure, helping countries digitally industrialize and build capacity so they are able to benefit from the digital revolution. The underpinning principle in creating strong political and economic ties amongst countries of the Global south is the removal of regional barriers that strengthen the infrastructure around digital communication systems. For this reason, a push to deepen regional integration provides the bridge that merges the gap between regional barriers that can prevent intercontinental cooperation in the Global South.

Key questions that the author(s) will need to consider are – how digitization and disruptive innovations will shape SSC going forward; and what global imperatives are required to ensure the revised landscape resulting from the 4IR/Digitization/rise in disruptive innovations enhances rather than disrupts SSC.

**Paper 4: *Trade and Investment Capacity Building through South-South and Triangular Cooperation***

The 2019 Buenos Aires (BAPA+40) outcome document acknowledges that developing countries continue to face new and emerging challenges in the implementation of the 2030 Agenda, such as inequality, climate change, and food security, and thus need to enhance capacity by building local capabilities, institutions, and expertise to contribute to national priorities. Both SSC and triangular cooperation take on many forms, including technical cooperation, knowledge sharing, training, technology transfer, and the promotion of economic cooperation, through trade, investment, and infrastructure development. With effective implementation, integration strategies could advance trade capacity-building and address barriers to balanced development in the Global South. With the intensification of SS trade and investment in recent year, this paper will also focus specifically on examining the innovative development projects Global South partners are engaged in (such as the IBSA [India-Brazil-South Africa] Fund), offering guidance for Global South and lessons learned for Northern countries involved in triangular cooperation. The paper will also address the ongoing challenges Global South countries face in building capacity for trade and investment, including methodological and data issues, due contestation, lack of monitoring, and reporting. These challenges are directly connected to institutional limitations and tie back to policy coherence (SDG17). Here the potential impact of big data would need to be considered - as it will impact how data is collected, analyzed, utilized, interpreted and assesses to address development changes.

One key question that the author(s) will need to consider is – to what extent can South-South and Triangular cooperation assist in the strengthening of institutions and managing data for achieving developmental outcomes?

**Paper 5: *South-South Cooperation Modalities and Instruments for Accelerating Regional Trade Integration and for Creating a More Balanced International Trade Regime***

SSC is one of the most dynamic platforms for economic development and thus, works with a diverse and flexible set of modalities and instruments, including knowledge exchanges, technology transfers, financing, peer support, neighborhood initiatives, and countries forming common development agendas to seek collective solutions to common problems. Yet despite the success of the various modalities in accelerating trade between Southern partners, there continue to be significant bottlenecks which hinder the full potential of SSC in supporting the creation of a more balanced international trade regime. A particular reason for the lack of success in efforts of regional integration in the Global South has previously been linked to the ambitious push for political union prior to developing successful economic policies. The establishment of such hindrances has disallowed adequate production strategies for developing economies. Therefore, a key factor to sustainable growth in the Global South is the advancement of structural regional integration that promotes effective and complementary trade regimes. Creating the basic conditions necessary to encourage regional integration and SSC is politically and economically critical. This paper will interrogate the various SSC modalities and instruments used, examining their advantages and disadvantages. It will address the issue of heterogeneity and contrast it with the need for a more coherent, predictable policy environment and balanced international trade regime.

Author(s) will need to tease-out why SSC has not managed to drive regional trade integration as expected; and, what role institutional capacity development, and its sequencing at the national level can potentially play in realizing an equitable global trade regime? Key questions that the author(s) will need to consider are – what are the modalities for fostering regional integration and creating a more balanced international trade within the context of South-South cooperation? How can South-South Cooperation contribute to achieving a more coherent and predictable policy environment for balanced international trade regime and the creation of regional value chains?

**Paper 6: *South-South and Triangular Cooperation in an Evolving International Investment Arrangements and Practices***

As South-South trade and investment are increasing, so is the use of international investment agreements (IIAs) such as bilateral investment treaties (BITs), double taxation treaties (DTTs), bilateral and regional preferential trade and investment agreements (PTIAs), and other multilateral agreements. In addition, over the past two decades their geographical scope has widened, and new and innovative partnerships are undertaken as developing countries seek to expand their opportunities. As a result, both South-South FDI flows and South-South investment agreements are experiencing increases, which might be mutually reinforcing. This paper will focus on the advantages of South-South IIAs, looking at both bilateral treaties, as well as multilateral arrangements as part of triangular cooperation to identify good practices as well as policy-relevant and actionable data, as well as potential gaps.

Author(s) will seek to educate the reader on the essence of integrated policy approach to investment, technological capacity building and enterprise development; as well as. provide solutions to the conundrum of rapid integration of markets, mobility of capital and significant increases in investment flows globally amid an uneven beneficiation and cost of globalization. A key question that the author(s) will need to consider is – what the challenges and prospects of international investment agreements that are shaping the economic relations between countries in the Global South?

**Paper 7: *South-South Cooperation and Financial Technology in a Globally Inclusive Economic Architecture***

Financial technology (FinTech) is making a huge impact in terms of raising loans to both banked and unbanked customers and has attracted venture capitals for its start-ups worth over 13 billion USD annually. The industry is making waves especially in Southern countries like China and across the African continent where it is used to make mobile transfers and digital payments. FinTech has significant potential for developing countries and could reduce the cost of cash transactions which over 90 percent of emerging economies still practice. It could bridge the financial inclusion gap for the population sector which has previously not banked. This paper will explore the regulatory environment in which financial technology operates in emerging economies especially where there are limited resources for tech-driven innovation. It will discuss the potential of SSC in providing capacity-building support to developing countries to construct digital facilities to build cloud networks, apps, and other tech development, as well as give guidance on how to regulate them in a way that maximizes their potential and minimizes risk. It should also look into how the proliferation of fintechs is transforming the formal banking landscape pushing them to expand into what was previously considered ‘informal’ and unbankable sector.

Author(s) will need to address if fintechs by driving evolution in financial services via setting new standards and changing customer expectations are the future of global finance; and how should regional trade agreements approach fintechs given their proliferation and popularity in the face of banking reforms?

**Paper 8: *South-South Contribution to the Emergence of a Financial Governance Mechanism with the Mobilization of the Local Private Sector***

As Southern countries converge, they set up financial governance mechanism either individually, as a group of countries, or a regional bloc to address their development needs mostly in the areas of infrastructure, investment, and poverty reduction. The essence of this new financial order from the Southern pole is to own and control their finances countering the pro-Western bias and control of traditional financing institutions. Examples of these South-South financial governance mechanisms include, the African Development Bank which serves as a multilateral financial institution, the Asian Infrastructure and Investment Bank initiated by the Chinese Government and launched in 2014 with Beijing as its headquarters, and the New Development Bank (NDB) established by Brazil, Russia, India, China and South Africa (BRICS) with its headquarters in Shanghai. This paper will explore these and other emerging South-South financial governance mechanisms, and how they have mobilized and contributed to the development of local private sectors. Furthermore, it will discuss the need to strengthen within

country industrial policies, the promotion of regional value chains, and investment policies, as well as how countries can leverage these to meet their development goals.

Key questions that the author(s) will need to consider are – what are the emerging financial mechanisms, including private sector led initiatives designed to foster resource mobilization in the Global South? How can South-South Cooperation facilitate the use of the new financial institutions to promote sustainable broad-based development in the Global South?

**Paper 9: SSC in Strengthening Global South Trade, Investment and Regional Integration: Future Trends, Emerging Issues, Challenges and Prospects**

There is a consensus in international discourse that South-South Cooperation is quickly taking center stage in the global economic and financial architecture with the hope that a new global order will be introduced. As such, there is a shift in wealth with global share of South-South trade and FDI flows significantly increasing. With a variety of SSC commitments, and innovative modalities, and instruments, structural transformation is taking place. However, there are emerging issues of climate change; there is a huge infrastructure gap in terms of power supply, and infrastructure, especially on the African continent; fossil fuels are still being used by many developing and least developed countries of the South. There are issues of financial exclusion as many remain unbanked. Gender inequality in terms of political decision making still exists in many Southern countries. Many developing countries have not transited to an industrial economy like China and India, thus, high youth unemployment rate and poverty in some regions remain an important concern.

As such, the paper aims to examine the essence of education in this era of digitalization. Technological uptake rests on access to technology and skills to transform economies and create decent jobs while addressing a myriad of development challenges. The paper will also provide an overview of emerging issues, challenges and opportunities in SSC and trade and investment, bringing together the themes from the report to respond to the gaps and issues identified above. From knowledge and technology to financial support for capacity building, opportunities for inter-trade and FDI within the South, the paper will look ahead to future trends and policies in trade and investment and the fulfillment of the 2030 Agenda.

**Publication Timeline**

| <b>Deadlines</b>  | <b>Activities</b>   |
|-------------------|---|
| December 9, 2019  | Finalization of concept note  |
| December 12, 2019 | Concept note/expression of interest circulated on the SSC Global Thinkers Network   |
| December 23, 2019 | Submission of expression of interest/brief paper outlines by prospective contributors   |
| December 30, 2019 | Decisions made on selected choice of contributors   |
| February 28, 2020 | Submission of 1 <sup>st</sup> drafts for comments and review (drafts with comments/feedback will be returned within 1 month of submission to authors) |
| April 1, 2020     | Submission of 2 <sup>nd</sup> drafts  |
| May 4, 2020       | External blind peer review & Fact-Checking of papers. Final set of comments/feedback sent back to contributors  |
| June 1, 2020      | Submission of 3 <sup>rd</sup> drafts. Papers sent for professional copy editing and layout  |
| July 6, 2020      | Finalization and publication of Idea Papers   |

### **Guidelines for the Authors**

- South-South Cooperation scope – Individual contributions would need to examine South-South avenues, examples, good practices, case studies, policy prescriptions aimed at promoting and strengthening South-South trade and investments. In addition, authors would need to explore challenges, opportunities and pathways for new partnerships to strengthen Global South trade and investments. For additional information, authors are encouraged to visit: <https://www.unsouthsouth.org/about/about-sstc> for more information on South-South Cooperation.
- Contributors are encouraged to refer to the Framework of Operational Guidelines on United Nations support to South-South and Triangular Cooperation for future guidance on operation definitions, SSC guiding principles and frameworks. Information could be found by accessing the following link: <https://drive.google.com/file/d/0B-buqyoV0jpSUC1PZ25xekFQaVk/view>
- Individual contributions should be approximately 8000-9000 words, including all references.
- Contributors are required to follow the Harvard style guide in preparing their papers, including references.
- Interested contributors are required to submit expressions of interest and brief paper outlines (500 words in length) together with CVs and list of relevant publications to UNOSSC by **December 23, 2019** for further consideration.
- First drafts are to be submitted by **February 28, 2020** while 2<sup>nd</sup> drafts to be shared with UNOSSC by **April 1, 2020** and 3<sup>rd</sup> drafts are required by **June 1, 2020**.
- All submitted papers must be the original work of the contributor(s). At the time of submission, submitted papers should not have been previously presented, submitted or accepted for publication or published. All papers will undergo double blind peer review prior to publication.