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**Policies for
South-South Regional Cooperation
Experience of Asia-Pacific**

Objective

S-S trade

as a

means to industrialization & development

Not

Trade for the sake of trade

The Questions

Why?

How?

What?

Why?

Economic Rationale for S-S Trade

1:Controversy

- Trade, or **Trade for Development:**
 - Diplomats: lip-service
 - Neo-lib.: **Based on Static CA theory**
 - N-S trade;
 - multilateral trade expansion
 - Defensive approach
 - Limits of trade with N
 - Weakness and asymmetries in the trading system
 - Lop-sided N-S trade agreements
 - Others: diversification for
 - Risk reduction
 - Bargaining power & T.T.
- List & Prebisch: **dynamic approach**

Economic Rationale

2: Alternative Framework

- **Approach: S-S trade as a means to dev. by fuller utilization of human and other resources in order to:**
 - Enhance industrialization
 - Upgrade industrial structure
 1. S-S trade as additional to S-N trade
 2. Dynamic component of trade policy;
 3. pro-active policies (for achieving dynamic comp. advantage)

Here specialization lead to trade, rather than trade to specialization

- **Elements:**
 - “Vent for surplus” theory
 - Scarcity of resources
 - Division of labour and specialization for overcoming scarcity & effective demand by:
 - Industrial collaboration
 - Cooperation on R&D
 - Provision of back-up services
 - Provision of assistance
 - Sharing the market

So need for government intervention



Role of S-S trade in international trade

An.av. Growth rate of international trade (1995-2005): Dynamism of Manuf. & China

	<u>X</u>	<u>M</u>
World	6.6	6.7
South	9.1	7.4
Manufacture	10	
primary	5.8	
ESSEA	8.9	7.7
China	17.5	18.5
South ex. China	7.7	5.8
Memo.South-South trade		
Man.	10.7	
Primary products	7.0	

S-S trade and the role of ESSEA, 2005 (% share)

% of S-S trade in trade of the S

	Total	Non-fuel
X	44.4	51
M	51	54.8

Share of Manufac. in S-S trade

X	68.9	84.5
M	69	83

Share of ESSEA in S-S trade

X	75	67.9
M	72.1	69.3

How?

1: Experience of Asia-Pacific

- Trade Agreements: **limited** ?
- Role of market: **limited**?
- S-S trade function of growth and industrialization:
 - Importance of manufactured goods
 - Concentration among **more industrialized countries**
 - Role of China & India
 - Role of product sharing (**limited products, few countries**)
 - Sluggish growth of regional exports of low-income countries;
 - Dynamic importers
 - Sluggish exporters
 - **How about exceptions: Nepal and Sri-Lanka/India?**
 - **Vulnerability of countries involved.**

Role of trade agreement

% of intra-trade and inter-group trade of SAARC

	SAARC	ASEAN	APTA (China)
1990	3.2	4.4	4.3(0.4)
2005	5.5	8.2	10.9(5.4)
Ratio: 2005/1990	1.7	1.8	2.5(13.5)

An. av. Growth rate of exports of Groups (1990-2005)

Group	Intra-trade Of group	Inter- Group(3)	China
ASEAN	10.4	11.6	19.8
SAARC	13.3	14.1	28.7
APTA	23.6	17.2	36.8
Total:3 group		13.5	24
China		19.3	

An.Av. Growth rates of country trade with ESSEA
Role of supply capacity & growth

	<u>p.c.</u>	Growth rates(95-2005)			MVA/GDP
	<u>income</u>	<u>X to</u>	<u>M from</u>	<u>GDP</u>	2005
					%
China	2037	18.6	28.4	9.8	42
India	759	15	19.2	6	16
Rep. of Korea	18486	10.9	14.4	5.3	28.4
Singapore	30159	8.4	7	6.2	26.8
Vietnam	708	10.5	18.7	7.5	20.7
Lao	597	4.7	-1.8	6.3	20.7
Cambodia	512	-3.3	18.4	3.8	19.1
Bangladesh	416	-0.4	8.2	5.1	17.2
Memo:Indian influence					
Nepal	321	21.3	6.7	4.4	7.7
Sri Lanka	1403	10.4	3.2	4.7	20.8

Production sharing(1)

Share of electronic products (mostly P&C) in imports of China from ASEAN (2005): %

	<u>products</u>	
	<u>7</u>	<u>2*</u>
In Non-fuel Ms	58	50
In Ms of manufactured	66	60
Imports of the 2 product :		
Value in 2005	\$34	
An.Av. G. rate: 95-2005	63%	

*Valves and automatic data processing machines

Production sharing(2)

**Share of 2 products (valves and data processing...)
in exports of Malaysia from China (2005)**

In Xs of Non-fuel 60%

In Xs of Manufactured 69%

India's Policy influence

contrast with Korea: Market or GOV.?

- India's imports from the low-income countries is larger than those of total ASEAN from Low-income countries

- It is also diversified

24 items account for 75 % of its M of man. From these countries

Shares in imports of India from Low-income countries.

- **Nepal** **31**
- **Sri-Lanka** **20**

e.g: Share of India in X of Nepal

- 1991/2 **10**

-2004/5 **60**

Korea imports little from these countries

Development of intra-trade of regional groupings in Africa

Regional groups	Value (US\$ millions)			Share in exports (per cent)			Average annual growth rate by value	
	1980	2000	2006	1980	2000	2006	1980 2000	2000-06
CEMAC	75	96	245	1.6	1	0.9	2.4	16.9
COMESA	569	1,443	3,489	1.8	4.6	4.2	9.7	15.8
CEPGL	2	10	24	0.1	0.8	1.3	17.4	15.7
UMA	109	1,094	2,400	0.3	2.3	2.0	25.9	14
ECOWAS	661	2,715	5,957	9.6	7.6	8.3	15.1	13.9
UEMEOA	460	741	1,545	9.6	13.1	13.1	4.8	13
SADC	106	4,383	8,571	0.4	9.4	9.1	45.1	11.8
ECCAS	89	191	334	1.4	1.1	0.6	7.9	9.7
MRU	7	5	8	0.8	0.4	0.3	-3	8.1

How?

2: Experience in Asia-Pacific (Market or Gov.)

- **Flying geese? Or Flying Kite?**
 - **Role of Japanese TNCs and governments**
 - **Japan**
 - **East Asia**
 - **Experience of India-Nepal/Sri-Lanka**
 - **Dynamic**
 - **Diversified**
 - **Role of FDI**
 - **Pro-active policies of India**
- **Vulnerability and Risks of interdependence**
- **Divergence of interests**
- **Need for proactive policies**

What?

Proactive Policies

- **Typology of countries; their needs**
 - A: Upgraders; technology
 - B: Low-income countries; supply expansion
 - C: Market seekers
- **A: Cooperation on technology development**
- **B: Industrial collaboration**
- **C and A: Adjustment assistance to low-income countries**
 - **Supply capacity dev.**
 - **Skill dev. & training**
 - **Infrastructure**
 - **Back-up services**

Other fields of cooperation

- **Financial Cooperation: A Reg. South Bank**
- **Energy cooperation**
- **Cooperation in services**

Policy framework

- **Modalities of adjustment assistance**
- **Feasibility & modalities of industrial collaboration; identification of areas**
 - **Among low-income countries**
 - **Processing of RM: China/India-low-income countries**
- **Areas of cooperation on R&D between 2nd-tier NICs, India and China; modalities**
- **Areas and modalities in cooperation on services**

Concluding remarks

- **S-S trade is a dynamic source of international trade;**
- **But it is a function of growth and industrial supply capacity (supply and demand dynamism)**
- **Low-income countries have not benefited much for exporting; but they were imports**
- **Limited role of**
 - **Market**
 - **Trade agreement s**
- **Importance of policies for regional co-operation**
 - **Industrial collaboration**
 - **R&D**
 - **Other policies**

Areas for consideration for Research

- **Role of South Africa in the expansion of Regional trade for development**
- **Interrelation between FDI and trade cooperation in Africa**
- **Cooperation on energy: strategic reserves**
- **Finance:**
 - **Feasibility & modalities of a regional Bank**
 - **Possibilities, modalities of capital control**

**Thank you very much for
Listening**

**It is your turn now!
Your comments
Are valuable**

In particular:

**What role for South Africa
in
regional trade expansion for
development ?**

Any idea?