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South-South Trade Growth Prospects and Policy Implications

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ABSTRACT

South-South Trade, or more broadly South-South Cooperation, is the collaboration between developing countries of the Global South across various dimensions such as political, economic, and social issues. This paper analyses trends and developments in the trade between developing countries in contrast to other orientations of trade, focusing particularly on China and India. The paper looks at their trade flows, as well as their other activities which fall under the aegis of South-South Cooperation. Lastly, the literature on South-South Trade is reviewed to study the motivation for engaging and encouraging South-South Trade, as well as its overall effectiveness. Policy recommendations for the development of South-South Trade are made based on evidence from the study.

Keywords: South-South Trade, China, India, economic development

JEL Classification: F01, F10, F50

1. Introduction

Throughout history the integration and connectedness of the world has ebbed and flowed; in modern times this connectivity and globalisation has been enhanced by advances in communications technologies that have left a permanent mark on how the world communicates and does business. However, the oldest force which has driven this tide of interconnectedness is the trade between cities, regions and nations. The wealth and exchange of information that international trade brings to nations has determined their success or failure throughout human history.

In economics, the basis for the championing of trade between nations as a way to raise overall welfare in both rests with Ricardo's theory of comparative advantage. Subsequent theories and models have sought to both build and improve this idea, as well as attempting to prove and better understanding the nature of trade empirically. Furthermore, understanding trade also requires understanding the nature of firms as recent developments have seen greater focus on the role of networks, intra-firm trade, and the trade in intermediates.

These theories and models are helpful in analysing North-South trade where major differences exist in factor endowments, or trade between developed countries which have strong 'gravitational' pull towards each other. These theories present motivations for trade which are purely pecuniary, however other incentives for trade may also exist: for example, the European Commission provides a list benefits that developing countries may receive when engaging in trade such as increased investment, knowledge transfers and job creation[1].

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[1] Retrieved from
http://trade.ec.europa.eu/doclib/docs/2012/january/tradoc_148991.pdf

Building on this, South-South Trade, or more broadly South-South Cooperation, is the collaboration between developing countries across various domains including politics, economics, social, cultural, environmental and technical. Congruent to this is the notion of the Global South which is made up of the world's developing countries (and hence South-South). The most concise definition for the term 'developing country' (and the definition this paper will employ) is the World Bank's classification of all countries that are not high income, or below $12,476 income per capita. This encompasses 138 of 217 'economies' as the World Bank defines them[2]. More concretely, what this difference in income and development levels translates into include deficiencies in hard and soft infrastructure like roads, hospitals, and bureaucratic transparency, weak enabling institutions for education, political involvement, and the rule of law, and a poorly developed manufacturing or service sector failing to provide jobs for skilled individuals. The motivation for this paper is to understand how South-South Trade has fitted into the development path of developing countries, and what it may mean for the Global South as whole in the future.

This paper studies the trends and developments, motivations and policies behind South-South Trade through a review of the literature and data. This will then be used to formulate policy recommendations. The paper is structured as a review of the literature which has been written on South-South Trade, and is split into the following parts: first the characteristics of South-South Trade are analysed, followed by a discussion of the influence exerted by two major players in the Global South, China and India, both in Asia and

[2] Retrieved from http://data.worldbank.org/about/country-and-lending-groups

beyond. The paper will then examine the effectiveness of South-South Trade, as well as explore other non-economic motivations for encouraging the growth of South-South Trade. Lastly, the paper ends with a series of policy implications and a conclusion based on the issues which have been discussed.

2. Literature Review

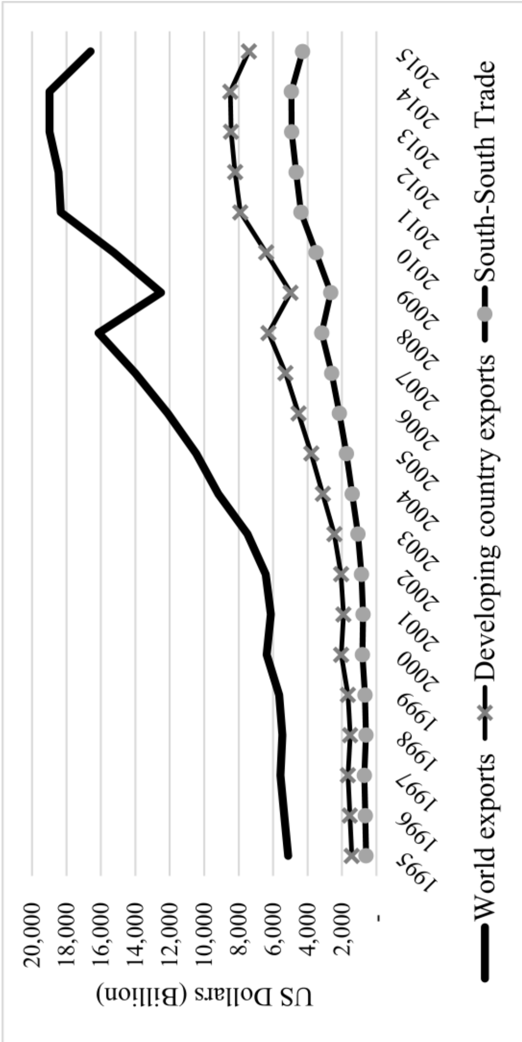
This main body of the paper explores in the detail the literature which has been written on South-South Trade and its characteristics, as well as the importance of certain key players in world trade and the Global South. Lastly, this section explores the effectiveness of South-South Trade and discusses some of the other potential motivations for developing South-South Trade.

2.1. Characteristics of South-South Trade

To begin the discussion, it is important to paint a broad-strokes picture of South-South Trade compared to world trade. Figure 1 shows how exports by developing countries has changed over time, against the back drop of world trade.

Since 1995, total exports by developing countries has grown modestly, mirroring overall global trends. Total exports by developing countries, however, has grown faster than South-South Trade indicating strong growth in exports by developing countries to developed countries.

Figure 1. **Exports by developing countries, 1995-2015**



Source: United Nations Conference on Trade and Development/UNCTADstat (2016)

Table 1 breaks down exports of merchandise by region, with the two major regions being Europe and Asia. Furthermore, China is also the world's largest exporter of merchandise accounting for 12.7 per cent of the world's total merchandise exports in 2014.

Table 1. World merchandise exports by region/country in 2014

	Percentage of world merchandise exports
North America	**13.5**
South and Central America	**3.8**
Europe	**36.8**
Commonwealth of Independent States	**4.0**
Africa	**3.0**
Middle-East	**7.0**
Asia	**32.0**
China	*12.7*
India	*1.7*
Six East Asian traders	*9.6*

Source: World Trade Organisation (2015)

Breaking exports down further, at the individual country level the second largest exporter is the United States, followed closely by Germany. The largest exporter in terms of dollar value in the Global South, aside from China, is Mexico followed by Russia; India is the fourth largest exporter in terms of developing countries and was globally ranked 18th in 2015 (United Nations Statistics Division/Comtrade, 2010). However, the outsized growth of China and its influence on South-South Trade statistics has led to some researchers crediting almost all the growth and development in South-South Trade as being due to China (Aksoy & Ng, 2014).

Table 2 below highlights the discrepancies between developed and developing regions. Total manufacturing exports in the world amount to 66.2 percent of the goods trade (the remaining is divided between the trade in agriculture, and fuels and mining), and the split between regions is as previously described. What Table 3 shows, however, is that as a share of their exports or imports, developing regions (aside from Asia, and of course this picture is distorted by wide differences in the region) depend more on imports of manufactures while their exports are mainly in other sectors.

Table 2. Share of manufactures in total merchandise trade by region in 2014

	Exports	**Imports**
World	66.2	66.2
North America	67.6	75.0
South and Central America	25.5	65.3
Europe	74.8	68.5
Commonwealth of Independent States	22.4	75.6
Africa	20.7	72.1
Middle East	20.7	72.1
Asia	80.0	59.9

Source: World Trade Organisation (2015)

While it is easy to discuss international trade from a macro perspective, it is also important to remember the ways and means in which trade is conveyed around the world. In the developed world, the network of logistics that can provide consumers with next day (or even same day) delivery is taken for granted, and it is only remarked upon when it fails. The picture in the developing world is the complete opposite. The

World Bank's 2014 Logistics Performance Index (LPI) paints a stark picture of the compounding effect that poor infrastructure and/or poor logistics service providers has on developing countries. Furthermore, the border control agencies in developing countries are often poorly equipped and are unable to provide efficient clearing services, much less delivering consistent timely outcomes.

Arvis, Duval, Shepherd and Utoktham (2013) use data from trade data from manufacturing and agriculture sectors in 178 countries over the period 1995-2010 to quantify this effect: trade costs are sharply decreasing in income per capita. Furthermore, while trade costs all over the world are falling, they are falling slowest in the lowest income groups. This has possibly dire consequences for their development, and poses a significant barrier to their integration into global trade. De (2006) investigates countries in Northern Asia and demonstrates the direct effects that trade costs have on trade volume, and how integration into the world economy is a direct result of improving trade-related infrastructure and services.

There is a myriad of reasons for this failure in closing the logistics gap. Cadot and de Melo (2014) discuss the experiences learned in the Aid for Trade programme and provide an excellent insight into the problems that developing countries face. Issues include the many non-tariff barriers that developing countries run up against, for example the inability to meet sanitary and phytosanitary (SBS) regulations that developed countries impose on agricultural products, while another issue analysed in the book is the poor implementation of the programme due to fragmented government and unclear lines of authority between ministries in many developing countries.

One other issue that Cadot and de Melo bring up that has direct relation to South-South trade is the failure in realisation of the gains from unilateral liberalisation. In this situation, a country undergoes liberalisation of its trade policies, while neighbouring countries do not. This disconnect in policy and lack of regional coordination presents particular problems for the least developed and land-locked developing countries which are highly dependent on their neighbours as intermediaries for trade into and out of the country. This lack of regional-level projects is where the push for South-South Cooperation has a policy space, and where an intra-regional push for greater cooperation between neighbouring developing countries may yield benefits.

On the topic of regional cooperation, the failure of the World Trade Organisation (WTO) in concluding the Doha Round and the stop-go progress in negotiations since the Ninth WTO Ministerial in Bali where signs of life seemingly appeared over the issue of Trade Facilitation has cast doubt on changes to the multilateral trading regime. Furthermore, vulnerabilities and alarming weaknesses in global trade growth and potential increases in protectionist policies (Evenett & Fritz, 2016) have not been helped by the latest crisis in the form of Brexit and the relationship between members of the European Union. It is not surprising that major exporters like China may be seeking to cultivate long-term alternatives or simply diversify its pattern of trade.

2.2. Focus: *China and India*

China and India are two most populous countries in the world, together comprising nearly 40% of the world's population. China, by some measures, is now the world's largest economy[3] while India is perennially described as the

[3] Retrieved from http://www.economist.com/news/finance-and-economics/21623758-chinas-back

next economic power. Both countries are also undertaking policy changes designed to address what have been seen as long term issues: India's Prime Minister, Narendra Modi, was elected on a platform of business-friendly policies (though this has yet to yield significant changes), while President Xi Jinping of China has been actively rooting out corruption in the Chinese economic system.

While China and India are two of the leading countries in the Global South (both are members of the eponymous BRICS group of nations), relations have not always been smooth: the Sino-Indian Border Conflict of 1962 still has effects today with respect to the disputed Kashmir region. Unrest in the region and border tensions with neighbouring Pakistan has cemented this as an intractable problem of sovereignty. Of course, it would be remiss to not mention the increasingly tenuous and rapidly building issue that is the South China Sea. How China handles these issues, and its relationships with regional neighbours and partners, will set the path for China on the world stage.

Having said the above, there are signs that economic ties between China and India are improving, and if there is any bilateral relationship that is likely to shape the course of South-South Cooperation in the world, it will be the relations between these two countries. China and India dominate the economic and political landscape in the Asia-Pacific region. Furthermore, their push for a South-driven development process through initiatives such as the New Development Bank and Asian Infrastructure Investment Bank in the face of continued economic woes both at home and abroad is an attempt to find an answer from the South to the global economic malaise.

At present, however, both China and India are still highly dependent on the developed world as trade partners. Table 3 and Table 4 show China and India's major trading partners by share of trade flow. It is interesting to note that China's major partners on both the import and export side are firmly in the North, and that while China registers as one of India's major partners for exports and imports, India is but one of China's minor partners.

Given the evidence, it is possible to see that, despite the rhetoric coming from both countries on South-South Cooperation, the two countries are still mostly dependent on developed countries as export markets and import sources for their production processes (for the time being). This can be seen at the 2-digit SITC Rev.4 level; China is a major importer of electrical machinery and parts, as well as raw materials in the form of petroleum and its related products, as well as metal ores and scrap. On the export side, China's major exports are telecommunications and related equipment, electrical parts, and computer related products. Clothing and apparel also remains a major export of China (United Nations Statistics Division/Comtrade, 2016).

Table 3: China's Major Trade Partners in 2015

Export Destinations	Share (%)	Import Sources	Share (%)
USA	18.0	South Korea	10.4
Hong Kong	14.6	USA	9.0
Japan	6.0	Taiwan	8.6
South Korea	4.4	Japan	8.5
Germany	3.0	Germany	5.2
Vietnam	2.9	Australia	4.4

Source: United Nations Statistics Division/Comtrade (2016)

There is, however, an important caveat when discussing China's trade. China's position as the leading manufacturer and exporter of merchandise is due to its positioning in the global value chain as the central assembly centre. This poses an issue when analysing trade statistics as it is difficult to determine China's actual value added in the production process, with the actual amount likely to be lower than reported values in trade statistics, thereby flattering to deceive China's actual technological capabilities in manufacturing (Xing, 2014). Having said that, Chinese firms are unlikely to remain idle, a good example being the smartphone industry. Though the Apple iPhone may be China's most famous smartphone 'export', domestic manufacturers such as Huawei, OPPO, and Xiaomi are fast growing in both sales and reputation (Kastrenakes, 2016).

Table 4: India's Major Trade Partners in 2015

Export Destinations	Share (%)	Import Sources	Share (%)
USA	15.2	China	15.8
UAE	11.3	Saudi Arabia	5.5
Hong Kong	4.6	Switzerland	5.4
China	3.6	USA	5.2
United Kingdom	3.4	UAE	5.2
Singapore	3.0	Indonesia	3.6

Source: United Nations Statistics Division/Comtrade (2016)

On the other hand, India's trade profile is suggestive of a country at a lower level of manufacturing development. Their major export is refined petroleum and related products which has arisen because of their strategic location linking the Middle-East (the source of India's unrefined oil) with the rest of Asia (India's other major exports include non-metallic minerals, clothing and apparel, and textile yarns and fabrics). Of note on the import side is the country's voracious appetite for gold which is both used as jewellery and a safeguard against an ill-perceived financial system[4]. Given China's role

[4] Retrieved from http://www.economist.com/blogs/economist-explains/2013/11/economist-explains-11

as the largest producer of gold in the world, and given the recent establishment of the Shanghai Gold Exchange (Songwanich, 2016), there is a potential for issues to arise in the future over the gold trade.

These trade profiles highlight the possible differing priorities for China and India, and it remains to be seen if the differences will bring them closer to engage in trade for their mutual benefit, or if it will drive them apart.

2.3. South-South Cooperation: *looking beyond trade*

Trade, though important, is but one consideration for countries in the Global South. China views South-South trade as but one facet of its aid strategy along with technical assistance and capacity building, investment in infrastructure, and preferential trade agreements to name a few (OECD, 2012a). India, too, views South-South trade as part of a wider cooperation strategy between developing countries designed to enhance capabilities for self-development. Both China and India have had a long history as donors; both China and India were part of the Bandung Conference in 1955 which laid the ground work for the Non-Aligned Movement, a part of which lives on in the non-interference nature of aid rendered as part of the South-South Cooperation framework (OECD, 2012b).

Initially, China focused its aid on neighbouring countries sharing, at the time, similar political views such as North Korea and Vietnam. After the Bandung Conference however, China gradually expanded its aid programme eventually stretching to include Western Asia, Africa, and Latin America. Indeed, since 2009 China has been Africa’s largest trading partner, and China’s aid to Africa can even overwhelm domestic conditions; in 2008 China signed a deal to provide a 6 billion US dollar loan to the Democratic

Republic of the Congo which had a GDP of 11.2 billion US dollars in the same year (Sun, 2014).

India's aid flows have mostly been targeted towards countries in its vicinity such as Bhutan, Afghanistan, Maldives, Nepal, and Sri Lanka. Like China, India has also directed a significant portion of its aid to the African continent. The majority India's aid is focused around training civil servants, engineers, and public sector managers, with smaller amounts being directed towards concessional export credits for purchasing Indian goods and services (OECD, 2012b). This aid focus towards generating business opportunities for home country firms is also reflected in Chinese aid which is designed to provide business opportunities for Chinese state-owned firms. While recipients of aid obviously benefit from these development projects and assistance, it is also important to question the long-term viability of an aid strategy where the focus is on providing opportunities for home country firms rather than developing the recipient country (Sun, 2014).

2.4. The effectiveness of South-South Trade: *empirical evidence*

The focus of this literature review has revolved around the significance of South-South trade. While the strong empirical basis which links trade and economic growth is acknowledged (indeed the push for South-South trade would otherwise not make sense), as well as the success of export-oriented policies that so benefited the Asian tigers from the early 1960s to the 1990s, the literature on those topics will not be restated here.

The narrative thus far has been one of North-North and North-South flows driving world trade. Page (2004) highlights the relative unimportance, thus far, of South-South trade. She notes that the major markets for developing countries all over the world are still in the North, and of the South only India, and potentially China, are major trading partners for most developing countries. Page does note, however, that liberalising India's high tariff rates could be beneficial for other developing countries, but the chances of this given India's own status as a developing country are low.

There is also an empirical and theoretical basis for the benefits that arise from increasing South-South trade; Ratna (2009) documents the rise of South-South trade from 1990 to 2006, and highlights the channels through which South-South trade can be a driving force for growth. Ratna makes these claims by asserting that given the higher level of barriers in the South, liberalising South-South trade has the potential to generate more welfare compared to further liberalisation of North-South trade. Secondly, developing countries provide many of the intermediary goods used in final production, and thus reducing trade barriers between countries in the South will allow their goods to become more competitive price-wise.

The trend of late in Official Development Assistance (ODA) has also bolstered this: Aid for Trade now accounts for roughly a third of all ODA (Cadot & de Melo, 2014). Hühne, Meyer and Nunnenkamp (2014) show that Aid for Trade has been beneficial for promoting South-South trade. While their focus on South-South trade was to alleviate endogeneity concerns in measuring North-South exchanges, their conclusions show the benefit that developing countries would gain from increased Aid for Trade flows.

Having said that, even though South-South trade was envisioned to promote a more symmetrical exchange, things have not always turned out that way. Udeala (2010) explores the trade between Nigeria and China, and shows that trade outcomes have been tilted in China's favour, thereby resembling the interaction between countries engaged in North-South trade.

Furthermore, given the present small size of South-South trade relative to other trade flows, the possible impacts are hardly significant: Behar and Cirera (2010) employ gravity models to show the positive impacts that trade liberalisation in the form of the effect of free trade agreements on bilateral trade. While they show that developing countries unequivocally benefit from more liberalised trading regimes, they are unable to come to a conclusion on whether engaging in more South-South agreements would be beneficial to developing countries. They come to this conclusion due to their model's inability to capture the perceived technological benefits of engaging in North-South trade, compared to the deeper economic and political ties engendered by South-South trade.

2.5. Other motivations for South-South Trade

Beyond the reasons explored in the previous section, there are other, non-economic, reasons for why countries are promoting South-South Cooperation. China has ramped up its efforts to be recognised on the world stage, through economic, diplomatic, and military means. Examples of these efforts include the promotion of the Renminbi and the establishment of the Shanghai Gold Exchange, their rapprochement with India and Russia, and on a somewhat different note, the nexus of security, military, and power issues that is the South China Sea. They are not, however, the only players in the Global South trying to make their voice heard: Putin's Russia is again making a resurgence in global politics, if not always for peaceful reasons. An agenda pushing South-South Cooperation would certainly suit these two countries who have recently reached an agreement for increased natural gas imports. This deepening in Sino-Russian ties is a potential worry for developed countries such as Australia (which exports gas and coal to China) or countries in the EU which depend on Russian gas imports (Paton & Guo, 2014).

The continued failure of WTO members to bring a close to the Doha Development Round has not improved the situation. Instead, it has contributed to a proliferation of Regional Trade Agreements (RTAs). These are free trade agreements that are usually centred on a particular geographical location, for example the Trans-Pacific Partnership (TPP) which is part of the United States' 'pivot to Asia', as well as the Regional Comprehensive Economic Partnership (RCEP) which covers the ASEAN group plus its major economic partners minus the USA. While progress with the TPP may be seen as a set-back for China, the pursuit of increasing South-South Cooperation would help to mitigate potential diversionary flows that arise from the TPP. Newfarmer (2006) counts over 200 RTAs that are in force, with the vast majority of RTAs being South-South, however despite this proliferation in agreements, the magnitude of South-South trade flows means that of the 30 percent of world trade which happens between reciprocal RTA members, most still involve the US or EU. However, given the political uncertainties across the globe, with each region experiencing its share of instability it is difficult to see what path future developments may take. The extent to which these uncertainties are affecting developed countries, however, may help to push more developing countries to further strengthen South-South ties in the near future.

There are two divergent views on what this increase in regionalism means for world trade, coined as 'stumbling blocks' or 'building blocks' by Jagdish Bhagwati (Frankel, 1997). The 'stumbling block' view imagines the formation of a few major trading blocs with highly liberalised internal trade, and relatively less liberalised external trade thereby creating a cycle where trade occurs mostly between members of the same trading bloc. The 'building block' view, on the other hand, postulates that over time market pressures will lead to an equalisation of prices and barriers, thereby reaching an end-game of a fully open multilateral system through plurilateralisation. This is of course under the assumption that there aren't political barriers to prevent this, such as special interest groups within or between countries that deliberately hinder efforts at integration.

Looking at South-South Cooperation through this political lens, it is not difficult to see why major developing countries such as China would seek to develop closer ties to other countries part of the Global South. While China has a history of foreign aid which goes back some 60 years, the volume of aid has increased significantly in the last decade (OECD, 2012a). Sun (2014) explores some of the reasons for China's expansion of aid in Africa: Sun states that while the primary factor driving China's investment in Africa is probably due to the continent's natural resources, China is also seeking to bolster its security, political, and ideological interests. One possible reason is the support that the African voting bloc of 54 members in the United Nations General Assembly brings (this is roughly a quarter of the votes in the UN GA).

Not everyone views these developments in a positive light however. Hanauer and Morris (2014) highlight some of the negative impacts that China's investment has had on Africa, particularly stemming from China's 'hands-off, no-interference' approach to foreign policy. They characterise this as having potential destabilising effects in the region, through supporting corrupt practices and oppressive regimes. It should be noted that the report is told from the perspective of the United States' security interests. Furthermore, the authors envision China's involvement as potentially freezing out the United States' opportunities on the region.

These geo-political considerations should thus be kept in mind whenever evaluating the increased push for South-South Cooperation.

3. Policy Implications for South-South Trade

The central question to answer here is, of course, should developing countries push the agenda to deepen South-South trade? The empirical evidence backs the view that South-South trade can help promote economic growth and development, though is this more effective than broad trade liberalisation?

In 1993 Daniel Trefler used a Hecksher-Ohlin-Vanek (HOV) model augmented with productivity differences to show that the HOV theorem does, in fact, work empirically on a general basis (Trefler, 1993). Before that however, the HOV theorem was able to explain much of the trade flows between North and South countries. This is both straight forward and intuitive: developed countries in the North would export their abundance in capital, while developing countries would export based on their abundance in labour. With this in mind, it is clear to see why most trade still occurs along North-South lines.

On the other hand, the increased unbundling of the production process may be a boon for the South-South Cooperation agenda. Baldwin (2014) summarises the effects on industrialisation of what he terms the second unbundling in rather unflattering terms. While industrialisation is now easier for developing countries, it is less meaningful as they become a part of the production line. This reduces the chances of knowledge transfers and spillovers as the technologically demanding tasks remain in the North. Thus, the benefits from engaging in North-South trade are reduced, putting it on more even footing with benefits which may be accrued from South-South trade flows.

Is there a policy space for South-South Cooperation in this unbundling? The issue still is that countries in the South, for the most part, lack the technological know-how and capital stock of developed countries. It is unclear how pushing for increased South-South Cooperation would alleviate this problem. Instead the policy implication here would still be the same message of developing local human capital capabilities, thereby improving the capacity for knowledge absorption and moving up the value chain.

If the reason for the South-South Co-operation agenda is not economic, then we must refer back to the 'Other' motivations explored earlier. Indeed, the Financial Times, in response to Krugman's assertion that the TPP is insignificant, claims that the economist is missing the point entirely. For the United States, the deal is much more about fostering tighter economic cooperation and enhancing their security than it is about the economic gains from trade[5]. For now, however, it still remains to be seen if the TPP will survive to the point of ratification and enforcement by all member states given the increasingly tenuous political situation in the United States.

One aspect in which the TPP can be seen as revolutionary is the inclusion of 'FTA-plus' or 'Singapore Issues'[6]. The successful completion and establishment of an

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[5] Retrieved from http://blogs.ft.com/the-world/2014/02/tanks-or-cars-why-krugman-is-missing-the-point-on-trade-deals/

[6] Introduced at the First WTO Ministerial in Singapore, these issues are trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation.

RTA incorporating these issues could potentially act as a model for similar agreements to be reached elsewhere. However, many in the South (including China) view that they are not sufficiently prepared to address these issues, not to mention enforcing stringent laws on intellectual property rights and domestically unpopular investor-state dispute settlement mechanisms. Thus, viewing South-South Cooperation as a collective bargaining block to slow down these developments is another plausible consideration.

The discussion thus far has mostly focused around major developing countries in the South, namely China and India. The implications of increased South-South Cooperation are very different for them compared to the vast majority of developing countries who lack the economic and political leverage to tilt proceedings in their favour. It should thus then be hoped that the spectre of South-South Cooperation is not used to drive a wedge between North-South trade.

What policy implications can be drawn from this? One would argue that for the majority of developing countries, the answer is not very different from standard export-oriented economic development policies. However, as stated earlier trade costs in the developing world are still the highest, leaving a lot of room for improvement in this area. Focusing on the issues that surround that first (for example improving hard and soft infrastructure to lower trade costs, cutting bureaucratic red tape) is a difficult enough challenge for many developing countries. To take full advantage of the possibilities that South-South Cooperation could bring, however, means having products to sell. This involves domestic development of industries and small businesses, as well as the development of rural areas. An example of this would be One Village One Product (OVOP)-style policies run in countries such as Thailand and Malawi which are based on the original (now defunct) rural development programme in Oita, Japan (Kurokawa, Tembo & te Velde, 2010).

4. Conclusion

The development of South-South Cooperation will not be the be-all end-all for economic growth, development and the shape of world trade. While more of the share of manufacturing and production may shift to the developing world in the coming years, and indeed may even be accelerated by continued weaknesses and instabilities in the developed world, a lot of that will still be due to China (ADB-ADBI, 2014). Having said that, even China is immune from potential threats to its economy as its growth slows down (Einhorn, 2016). This may present itself as an opportunity for other developing countries (such as those in South-East Asia) already part of global value chain, though obviously, any economic troubles in China will have large knock-on effects for global economy.

For the remaining developing countries, however, the long and arduous road to economic development is still a process that requires a multi-faceted and all-inclusive approach. South-South Cooperation should be pushed for what it can achieve, and that is increased freer trade among developing countries, but the industrialisation and development process will still require inputs and engagement with developed countries. While South-South Cooperation thrives through non-interference, developing countries will need to understand that continued development, growth, and stability will depend on reducing inefficiencies in the domestic economy.

Furthermore, for countries dependent on aid from China and India, a long and hard look is required to look at the long-run demands for growth in the country. While infrastructure developments and outside assistance provides short-term opportunities for improvement, it must be backed up by improving domestic conditions for job seekers and local businesses. However, for developing countries dependent on North-South trade, weaknesses in the global economy engendered by domestic instabilities in many developed countries should be a clear warning sign. Fostering greater South-South ties, and improving domestic capabilities to move up the value chain should be a priority for these countries.

To conclude, South-South Cooperation presents many potential benefits and pitfalls, and requires each individual country to be aware of their own situation and what the best way to make use of South-South Cooperation to better their growth prospects may be.

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