Deconstructing South-South Cooperation

A Southern Perspective on Experience and Challenges

Southern Voice

2015 On Post-MDG International Development Goals

NCAER

NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

CENTRE FOR POLICY DIALOGUE (CPD)

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Prepared by

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Preface

Developing countries, particularly the low income ones, are currently exploring the potential role that the South South cooperation (SSC) could play in promoting structural transformation of their economies. This quest has been fueled by the dynamism demonstrated by the emerging economies and in the backdrop of multiple crises experienced by the developed world in the recent past. The decline in the flow of foreign assistance from the developed countries following the recent global economic and financial crisis also prompted the low income countries to take further interest in SSC. The promise of reforms unleashed by the adoption of "Paris Principles of aid effectiveness" and with the emphasis on the new found concept of "development effectiveness of aid" have provided a set of reference points to take a fresh look at the modalities and outcomes of SSC. Most recently, SSC is getting increased prominence since it is considered as one of the potential instruments of implementation of the post-2015 development agenda.

Yet the ideas and practices underpinning the SSC paradigm suffer from a lack of clarity and coherence. With the expansion of the role of SSC in the global economy, the process and its manifestations are in need of reconceptualisation so as to develop a theoretical and analytical construct based on a common set of guiding principles. Moreover, it is now being increasingly felt that through a careful scrutiny of the incidence and episodes of SSC, a framework and a tool box have to be put in place to generate assessments of the comparative effectiveness of SSC model. One is also tempted to ask whether in the near future one may see emergence of a universal international development cooperation system where SSC model and the DAC-OECD centered aid regime will leverage each other to create greater development impact.

In view of the above and in preparation of the first High Level Meeting (HLM) in Mexico (April 2014) of the "Global Partnership for Effective Development Cooperation" (GPEDC), *Southern Voice on Post-MDGs* (SV), along with its network members – the *Centre for Policy Dialogue* (CPD), Dhaka and the *National Council of Applied Economic Research* (NCAER), New Delhi – decided to the revisit empirical evidence and experience regarding the process and actors as well as the instruments and outcomes of the SSC. To this end, the present paper has sought to consolidate our knowledge on SSC.

A draft version of the paper was discussed at a South Asian event in Delhi (28 March 2014) and now a revised draft is being offered as an input to the Focus Session on "Locating South-South Cooperation within Emerging Development Cooperation Architecture" which is being organised by SV-CPD-NCAER on 15 April 2014 at the Mexico HLM.

The present paper will, hopefully, provide a critical basis for catalysing an informed dialogue not only as regards the present, but also about the future of South South cooperation.

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and
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The study has been undertaken as part of the preparatory process for the first High Level Meeting of the Global Partnership for Effective Development Cooperation (GPDEC) to be held in Mexico during 15-16 April 2014.

The paper has been prepared by *Dr Fahmida Khatun*, Research Director, Centre for Policy Dialogue (CPD), *Mr Mohammad Afshar Ali*, Research Associate, CPD and *Ms Umme Salma*, Research Associate, CPD under the overall guidance of *Dr Debapriya Bhattacharya*, Distinguished Fellow, CPD and Chair, Southern Voice on Post-MDG International Development Goals and *Professor Mustafizur Rahman*, Executive Director, CPD.

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Abstract

South-South cooperation has been receiving increasing attention in recent times in the backdrop of the emergence of Southern economies as strong drivers of global growth. Notwithstanding the fact that countries of the global South have been pursuing cooperation at various levels and degrees for several decades, there is now a growing realisation about the need for deepening their interdependencies. Increased intra-South connectedness involving developing countries has not only created new avenues of collaboration for developing countries, they are also being confronted with new challenges in pursuing this cooperation. Whether South-South cooperation will be an alternative or a complement to the traditional North-South cooperation and relationship, is an issue which is being hotly debated as traditional development actors are being challenged by the increasing role of South-South cooperation. By deconstructing various dimensions and potential opportunities of South-South cooperation, the paper sheds useful light on the prospects and challenges of this emerging phenomenon that is commanding increasing interest from the perspective of both developmental theory and praxis.

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Acronyms

AAA	Accra Agenda for Action
ABC	Brazilian Cooperation Agency
AEC	African Economic Community
AGCI	Chilean International Cooperation Agency
ASEAN	Association of Southeast Asian Nations
AU	African Union
BITs	Bilateral Investment Treaties
BOI	Board of Investment
BRICS	Brazil, Russia, India, China and South Africa
CARICOM	Caribbean Community
CSSTC	Centre for South-South Technical Cooperation
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
EFTCA	Egyptian Fund for Technical Cooperation with Africa
EM	Emerging Partners
EPB	Export Promotion Bureau
ERD	Economic Relations Division
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GNI	Gross National Income
GSTP	Global System of Trade Preferences among Developing Countries
HLE	High Level Event
IBSA	India, Brazil and South Africa
ICDF	International Cooperation and Development Fund
IMF	International Monetary Fund
IPEA	Institute of Applied Economic Research
ITEC	Indian Technical and Economic Cooperation
JEC	Joint Economic Commission
KOIKA	Korea International Cooperation Agency
LAFTA	Latin America Free Trade Area
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MOFCOM	Ministry of Commerce, China
MoU	Memorandum of Understanding
NAM	Non-Aligned Movement
NAMCSSTC	Non-Aligned Movement Centre for South-South Technical Cooperation
NEPAD	New Partnership for Africa's Development
NGOs	Non-Government Organizations
NIEO	New International Economic Order
NTBs	Non-Tariff Barriers
NYU	New York University

Acronyms

OAU	Organization of African Unity
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OHRLLS	Office of the High Representative for the Least Developed Countries
OIC	Organization of Islamic Countries
OIETAI	Organization for Investment, Economic, and Technical Assistance of Iran
OPEC	Organization of Petroleum Exporting Countries
PGTF	Perez Guerrero Trust Fund
PRC	People's Republic of China
RMG	Readymade Garments
SAARC	South Asian Association for Regional Cooperation
SADCC	Southern African Development Coordination Conference
SCO	Shanghai Cooperation Organization
SDGs	SAARC Development Goals
TCDC	Technical Cooperation among Developing Countries
TICAD	Tokyo International Conference on African Development
TIKA	Turkish International Cooperation and Development Agency
TWAS	Third World Academy of Science
UEMOA	West African Economic and Monetary Union
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFSTD	United Nations Fund for Science and Technology in Development
UNGA	United Nations General Assembly
USD	United States Dollars
WDI	World Development Indicators
WHO	World Health Organization
WTO	World Trade Organization

1. APPROACH TO THE THEME

South-South cooperation has been receiving increasing attention in recent times in the backdrop of the emergence of Southern economies as strong drivers of global growth. Notwithstanding the fact that countries of global South have been pursuing cooperation at various levels and degrees for several decades, there is now a growing realisation about the need for deepening their interdependencies. Deceleration in the pace of growth in developed economies and growing resource constraints have added an urgency to this need. Given the prolonged slowdown in industrial countries of the North following the multiple global economic crises, the challenge to take global growth forward has increasingly fallen on the South. Additionally, developing Asia has been at the forefront in the race to achieve accelerated economic growth, with China and India being its two largest contributors.

With the rise of Southern economies, an increasing trend of South-South cooperation is also becoming more visible. Economic progress of developing countries has not only deepened their integration with the global economy, intra-South connectedness involving developing countries has also been expanding at a fast pace. Whilst this has created new avenues of collaboration for the developing countries, they are also being confronted with new challenges in pursuing this cooperation. Whether this will be an alternative or a complement to the traditional North-South cooperation and relationship, is an issue which is being hotly debated as traditional development actors are being challenged by the increasing role of South-South cooperation. A deconstruction of various dimensions and potential opportunities of South-South cooperation can shed much useful light on the prospects and challenges of this emerging phenomenon that is commanding increasing interest from the perspective of both developmental theory and praxis.

This paper will examine some of the more important dimensions of the rising trend of South-South cooperation and examine a number of key challenges and opportunities in this regard from the particular vantage point of South Asia, more specifically, Bangladesh. The report is organised in the following manner. Following the introduction, Section 2 revisits the historical background and evolution of the concept, the modalities, and the outcome of South-South cooperation. Section 3 reviews the contribution of the Southern economies in the global context in the areas of trade, foreign direct investment (FDI), remittances and foreign aid. The case study of Bangladesh in the context of South-South cooperation is presented in Section 4. Finally Section 5 identifies a number of challenges facing South-South cooperation and puts forward suggestions towards a more effective South-South cooperation.

2. REVISITING SOUTH-SOUTH COOPERATION

2.1 Historical Background and Evolution of the Concept

Southern economies have a long history of solidarity and sympathy, born of common colonial heritage and the ensuing struggle to liberate themselves, and a desire to forge closer relationship in going forward to ensure development of their economies. The concept was formalised as South-South cooperation following the World War II in the backdrop of their efforts to pursue common interests through an institutional framework.

The developing countries, particularly those emerging from the colonial rule, felt that they were better off staying together rather than being allies of either of the superpowers. This spirit and a desire to promote economic cooperation among themselves were given shape through the Bandung Conference held in Indonesia in 1955 which adopted the Declaration on Promotion of World Peace and Cooperation. The establishment of Non-Aligned Movement (NAM) in 1961 and the Group of 77 (G-77) in 1964 gave further momentum to these initiatives. The need for a new international economic order was advanced by both NAM and G-77 which were examples of collective bargaining and cooperative political mobilisation (deSá e Silva 2009).

The increased activism of the NAM and the G-77 in the 1970s contributed significantly to the adoption of resolutions on the New International Economic Order and on new forms for technology transfer between countries by the United Nations (UN) General Assembly. To assist the South in the area of trade policy and promotion, the United Nations Conference on Trade and Development (UNCTAD) was established by the UN in 1964. In a similar vein, the Commission for Science and Technology and the UN Fund for Science and Technology in Development (UNFSTD) were established. A working group to examine ways of intensifying technical cooperation among developing countries (TCDC) was set up by the UN General Assembly in 1972, which eventually led to the establishment of a Special Unit within the UN to promote TCDC (SU/TCDC) in 1974 (Partners in Population and Development 2009).

The UN General Assembly adopted a number of resolutions calling upon the international community in general, and the UN system in particular, to assist the developing countries to facilitate technical exchanges among themselves during 1973-1977. In 1975 the Governing Council of the United Nations Development Programme (UNDP) adopted a decision which called for enhanced emphasis to be placed on government execution and TCDC in the implementation of technical cooperation programmes. Within the UN system, the South-South cooperation was first discussed in 1978 with the incorporation of the Buenos Aires Action Plan for Promoting and Implementing Technical Cooperation among Developing Countries which also laid out the objectives of cooperation among developing countries. The document included 38 recommendations to promote TCDC at the national, regional and global scale. South-South cooperation was also discussed at the High-Level United Nations Conference on South-South Cooperation which took place in Nairobi in December 2009. The outcome document of the conference delineated the basic principles of South-South cooperation (UN 2009).

In 1989, the Group for South-South Consultation and Coordination was established by the NAM which promotes bilateral South-South cooperation. In April 2000, the G-77 held its first South Summit in Havana. The groundwork for the 2003 Marrakech Declaration and Marrakech Framework was carried out at this Summit. Technology transfer and skill development, literacy, eliminating trade barriers, and direct investment, particularly in infrastructure and information systems were given priority in the Marrakech documents. A second summit of the G-77 was held in Doha in 2005 where further efforts at deepening and revitalising the South-South cooperation were promised by leaders of the developing countries to exploit the new geography of international economic relations (Partners in Population and Development 2009).

To facilitate exchange of views on successful strategies and practices among developing countries, an international conference on financing for development was organised in Monterrey, Mexico in March 2002. The target of providing 0.7 per cent of gross national income (GNI) for achieving the Millennium Development Goals (MDGs) was confirmed through the Monterrey Consensus (UN 2003). In August 2002, the World Summit on Sustainable Development was held in Johannesburg, South Africa which adopted a declaration and an implementation plan that endorsed South-South cooperation. The UN General Assembly adopted a resolution in

December 2003 by which 19th December was declared as the annual United Nations Day for South-South Cooperation. The objective was to emphasise the importance of, and focus attention on, South-South cooperation. The General Assembly called upon UN agencies and other multilateral organisations to support and mainstream South-South cooperation by increasing resource allocation. The significance of South-South cooperation in capacity building and in the fields of health, education, training, environment, science and technology, trade, investment, and transit transport cooperation were emphasised by the Third United Nations Conference on the Least Developed Countries (UN LDC III) held in Brussels, Belgium in May 2001. This was also reemphasised at UN LDC IV in Istanbul, Turkey in May 2011.

At present South-South cooperation is being discussed globally through a number of channels and in a variety of platforms. Accra Agenda for Action (AAA) that was adopted in 2008 in Accra, Ghana as a follow up of the Paris Declaration (2005)[1] on aid effectiveness urged to broaden support for South-South cooperation.[2] The High Level Event (HLE) on South-South Cooperation and Capacity Development held in Bogotá, Colombia in March 2010 emphasised the need for improving development partnership and advancing the debate on South-South cooperation.[3] The Fourth High-level Forum on Aid Effectiveness held in Busan, South Korea in 2011 underscored South-South cooperation taking cognisance of the challenges arising from the shifting global economic and political contexts. The High-Level Panel on Post-2015 Development Agenda has highlighted measures to strengthen South-South cooperation as an issue which figured prominently in the thematic consultations. In the recent past, a number of initiatives including Global South-South Development Expo held in Nairobi, Kenya in 2013 demonstrated how global collective response facilitates South-South cooperation. The first High-Level Meeting of the Global Partnership for Effective Development Cooperation is going to be held in Mexico in April 2014. It aims at building voluntary adherence to the common but differentiated commitments which will promote inclusive and sustainable development worldwide (GPEDC 2014). Table 1 summarises major milestones of South-South cooperation.

Table 1: Major Milestones of South-South Cooperation

Year	Events
1945	The Arab League is established in March. To draw up the United Nations Charter, representatives of 50 countries met in San Francisco at the United Nations Conference on International Organization in June.
1947	Establishment of the General Agreement on Tariffs and Trade (GATT) in order to deal with the trade side of international economic cooperation.
1955	Afro-Asian developing countries met at Bandung Conference in Bandung, Indonesia.
1960	Establishment of the Latin America Free Trade Area (LAFTA) in February. Organization of Petroleum Exporting Countries (OPEC) was set up in September.
1961	Establishment of Non-Aligned Movement (NAM) at the Belgrade Summit, Yugoslavia.
1963	Organization of African Unity (OAU) is established which became African Union (AU) in 2002.
1964	G-77 is established at the first conference of UNCTAD.
1967	Association of Southeast Asian Nations (ASEAN) is established. The First Ministerial Meeting of the G-77 adopts the New International Economic Order (NIEO) package.
1969	The Organization of Islamic Countries (OIC) is established in September. Creation of the Andean Community by the Treaty of Cartagena.

(Table 1 contd.)

(Table 1 contd.)

Year	Events
1973	The Caribbean Community (CARICOM) is established under the Treaty of Chaguaramas in July.
1974	Declaration for the Establishment of a New International Economic Order adopted by UN General Assembly.
1975	Establishment of the Economic Community of West African States (ECOWAS)
1978	Conference on TCDC in Buenos Aires.
1980	Southern African Development Coordination Conference (SADCC) is founded in April.
1981	In May, the Gulf Cooperation Council (GCC) is set up. The Caracas Programme of Action on Economic Cooperation among Developing Countries is adopted at the High-Level Conference of the G-77 in Caracas.
1983	Third World Academy of Science (TWAS) an autonomous international organisation is created in Trieste in November. The Perez Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries (PGTF) is established in December.
1985	Establishment of the South Asian Association for Regional Cooperation (SAARC).
1987	The South Commission is set up.
1989	Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) become effective through Ministerial Meetings of the G-77 in April. Creation of G-15 in September.
1991	Creation of the Common Market of South Cone (Mercosur) in March. Establishment of the African Economic Community (AEC).
1993	Support has been offered by Japan (as first developed country) for South-South Cooperation at the TICAD International Conference.
1994	Establishment of the West African Economic and Monetary Union (UEMOA) in January. Partners in Population and Development is established in April.
1995	Non-Aligned Movement Centre for South-South Technical Cooperation (NAMCSSTC).
1997	Developing 8 founded through the Istanbul Declaration.
1998	The Centre for South-South Technical Cooperation (CSSTC) is created by NAM.
2000	The Havana Plan of Action is adopted, calling members to improve South-South Cooperation in April. The UN General Assembly Millennium Summit sets the Millennium Development Goals (MDGs) in September.
2001	Shanghai Cooperation Organization (SCO), a permanent intergovernmental International organization is set up in June.
2002	The New Partnership for Africa's Development (NEPAD) strategic framework document is adopted at the 37th Summit of the OAU. The Organization of African Unity (OAU) is replaced by the African Union (AU).
2003	IBSA Forum established in June. Establishment of G-20 in August. The G-90 is established at the WTO Conference in Cancún in September. Resolution 58/220 of 23 December 2003, the UN General Assembly declares 19th December as the United Nations Day for South-South Cooperation. G-77 Marrakesh Declaration adopted in December.
2005	Paris Declaration for Aid Effectiveness in March. Second South Summit is held in Doha in June. Adoption of Declaration on the New Asian-African Strategic Partnership at 50th anniversary of Bandung Conference in September. Hong Kong Ministerial Meeting of the WTO Joint Declaration of the G-20, the G-33, the ACP, the LDCs, the African Group and the Small Economies is held in December.

(Table 1 contd.)

(Table 1 contd.)

Year	Events
2006	14th Summit of the Non Aligned Movement (NAM) held in Havana in September. Ministerial Conference of the Forum on China-Africa Cooperation is held in Beijing in November.
2007	At a meeting of seven South American Leaders in Buenos Aires, Bank of the South is established.
2008	Africa-India Summit held in New Delhi in April. The South-South Fund for Development and Humanitarian Assistance is formally launched at a signing ceremony during the annual high-level ministerial meeting of the G-77 in September. The Third High-Level Forum on Aid Effectiveness held in Accra, Ghana in September, is known as the Accra Agenda for Action (AAA).
2009	UN High Level Conference on South-South Cooperation is held in Nairobi.
2011	The Fourth High-Level Forum on Aid Effectiveness held in Busan, South Korea in November.
2014	The First High-Level Meeting of the Global Partnership for Effective Development Cooperation will be held in Mexico in April.

Source: Compiled by authors from Partners in Population and Development (2009).

Despite increased interest, there is yet to be a universally accepted definition of South-South cooperation. At present, 'South' within the framework of South-South cooperation loosely represents the developing countries, otherwise known as countries of the global South (UN and OHRLLS 2011). Given the steering role of the G-77 and their action-oriented agendas which are geared to implementing a number of high priority South-South initiatives, 160 non-OCED countries including 131 member states of the G-77 have been brought within the ambit of this category (Annex 1) (South Summit 2000). According to the UN, the term 'South-South cooperation' refers to the exchange of funds, resources, technology and knowledge among two or more developing countries. This may take place among governments, private sector companies, non-government organisations (NGOs) and civil society organisations across various states, regions or countries. On a cautionary note, it may be pointed out that there remains conceptual ambiguity and lack of focus in South-South cooperation.

2.2 Modality

South-South cooperation takes different forms which may include the sharing of knowledge and experiences, training, transfer of technology, monetary and financial cooperation. South-South cooperation constitutes a multi-stakeholder approach which includes NGOs, private sector, academia, civil society and other actors which contribute to attaining objectives consistent with national development plans (UNGA 2009). South-South cooperation has been referred to as a result of economic cooperation (e.g. trade and investment) and deliberate effort emanating from conscious political strategy (Bilal 2012). It should be based on the principles of equality, solidarity, non-interference in domestic affairs, mutual benefits and complementarity. At least 25 countries have robust South-South cooperation agendas which encompass a wide range of economic and technical engagements. Mechanisms for promoting South-South cooperation should include funding, learning, innovating modalities and coordinating actors (OECD 2010a).

The comparative advantages emanating from South-South cooperation has been underscored by UNDP (2009). The development experience and technical capacity, cost-effectiveness, availability of practical know-how, the use of same languages, and similar social and cultural background often impart comparative advantage in the context of South-South cooperation. However, similar social and cultural background and the use of same language have been given relatively less importance in this regard. The experience of South-South cooperation supports this hypothesis. For example, the major driving forces for China's contemporary relations with Africa have been scarcity of resources, need for new investment opportunities and markets, development assistance and strategic partnership (Alden 2005). Bilateral investment treaties (BITs) have also been promoting South-South cooperation in investment since they protect FDI. Out of total BITs of the world, South-South BITs account for 25 per cent, and BITs between developed and developing countries constitute another 40 per cent of the BITs (UN 2005).

2.3 Outcome

By any measure, the growth of South-South economic cooperation has been significant in the recent past. Since 1995, South-South trade has grown by an average 13 per cent per annum which accounted for 20 per cent of world trade in 2007 (Puri 2010). The share of South-South exchanges in overall development cooperation has risen to about 10 per cent at the end of 2009. According to Development Cooperation Forum (2010) between 2006 and 2008 South-South resource flows registered an increase of 63 per cent.

By reviewing several dimensions of South-South cooperation, Bilal (2012) points out that developing countries accounted 30 per cent of world gross domestic product (GDP) in 1990 which is expected to reach more than half of the world economy by 2017. From 1980 to 2008 North-South trade has multiplied by six times, while South-South trade has risen by ten-folds. This promising trend has been supported by a progressive integration of Southern economies. From the standpoint of investment, in recent years developing countries are not only increasingly emerging as major destinations for FDI, but also gaining increasing visibility as promising sources of such flows. Developing countries accounted for 52 per cent of world inward FDI flows in 2010.

However, there are discrepancies within the South in terms of the level and pace of development. Therefore, resource flow differs among various countries and regions. Asia's economic progress has been far better than that of Latin America and Africa region. Asian economies accounted for about a quarter of world economy in 2011. On the contrary, countries in Latin America and Africa has struggled to keep pace with the world average economic growth. These countries also lagged behind with respect to terms of trade. These two regions accounted for less than 4 per cent and about 3 per cent of world trade respectively while Asian developing countries accounted for almost 25 per cent in 2012. Investment situation also paralleled this scenario (Bilal 2012).

There are also some fiscal and other benefits associated with South-South FDI, such as loans on preferential terms, tax rebates and investment insurance which are provided by developing country governments. For instance, China and Malaysia provide such facilities to promote outward FDI flows (UNCTAD 2010a).

Advantages of South-South trade are multiple. For example, Møen (1994) argues that South-South trade reduces the dependency of Southern countries on Northern markets; the advantage of proximity to neighbouring countries, protection from negative cultural influence which may emanate from North-South trade, etc. are among the most notable advantages of South-South trade and cooperation.

Several studies explored the role of Brazil, Russia, India, China and South Africa (BRICS) in South-South cooperation. Bilal (2012) reported that in 2010, BRICS accounted more than 25 per cent of world GDP, about 15 per cent of global trade and 17.8 per cent of FDI inflows. Through trade, BRICS have played a significant role in the development of poorer countries. Diversification of trade destinations and innovative production system can help developing countries to benefit from trade with BRICS. According to the International Monetary Fund ((IMF) 2011), low-income countries' FDI inflow from BRICS amounted to USD 2.2 billion in 2009, of which 40 per cent was destined for Sub-Saharan Africa. Increased demand and productivity in BRICS may also lend to increased output of low income countries. Trade is the most significant transmission channel of South-South cooperation. Several other studies have explored the contribution of emerging economies in South-South cooperation. For example, Freemantle and Stevens (2012) argued that Africa's trade with Emerging Partners 10 (EM 10), which include BRICS plus Indonesia, Nigeria, Saudi Arab, Thailand and Turkey would be multiplied by 8.3 times in 2011 when compared with 2001.

Udeala (2013) investigated the Nigeria-China economic relationship under the South-South cooperation. Though Nigeria may benefit by learning from socio-economic transformation of China, Chinese economic engagement in Nigeria could be criticised on several grounds. It is claimed that China is far more interested in accessing resources than contributing to development of the economy of the host country. And that, Nigeria is being used as import destination of Chinese cheap and sub-standard products.

The synergy between trade and development goals in countries of the South Asian Association for Regional Cooperation (SAARC) under the framework of South-South cooperation has been explored by Bhattacharya and Das (2009). They argued that to achieve the SAARC Development Goals (SDGs), SAARC countries should liberalise the flow of investment, promote cooperation in the field of technology, education, health and infrastructure.

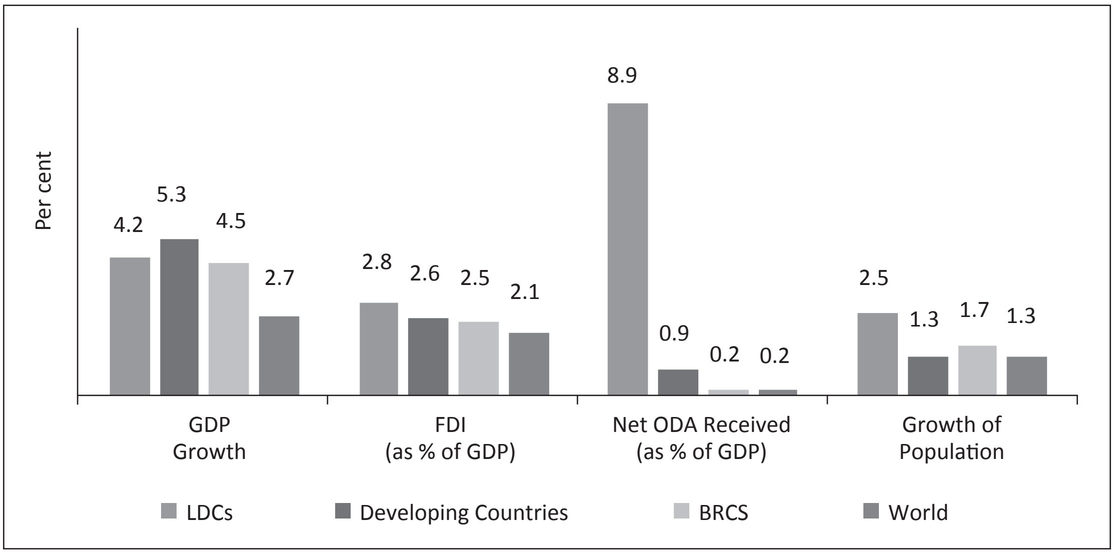
The upshot of the above discussion is that, whilst geographical proximity, familiarity with markets and cultures, and common heritage could provide a foundation for South-South cooperation, it is through concerted efforts and conscious policies that the potentialities of South-South cooperation will be fully realised.

3. THE IMPORTANCE OF SOUTHERN ECONOMIES IN THE GLOBAL CONTEXT

Southern economies have emerged as important players in the international economic landscape in recent period. During 1990-2012 GDP of various sub-groups belonging to the South such as least developed countries (LDCs), developing countries' and BRICS rose at a higher pace when compared to that of the world. Though the average GDP per capita during the same period has been lower for these regions (of LDCs USD 800, developing countries USD 2,133 and BRICS USD 3,345) than that of the world (USD 6,669), the linear growth of per capita GDP for these was higher (of LDCs 3.1 per cent, developing countries 1.9 per cent and BRICS 1.8 per cent) than that of the world (1.3 per cent) (World Development Indicators (WDI) database). Figure 1 presents a comparative scenario of key indicators in LDCs, developing countries, BRICS and the world.

Within South, trade performance of BRICS has improved significantly over the past 22 years. The share of export as a percentage of GDP has increased significantly from 13.5 per cent in 1990 to 24.9 per cent in 2012. This is, however, lower than that of the world for the corresponding period. The reason for lower share of exports in BRICS' GDP can be attributed to the pattern and the product combination of BRICS' exports. China's exports are usually priced lower than the same products exported by developed countries (Xu 2007). Contribution of China in export was

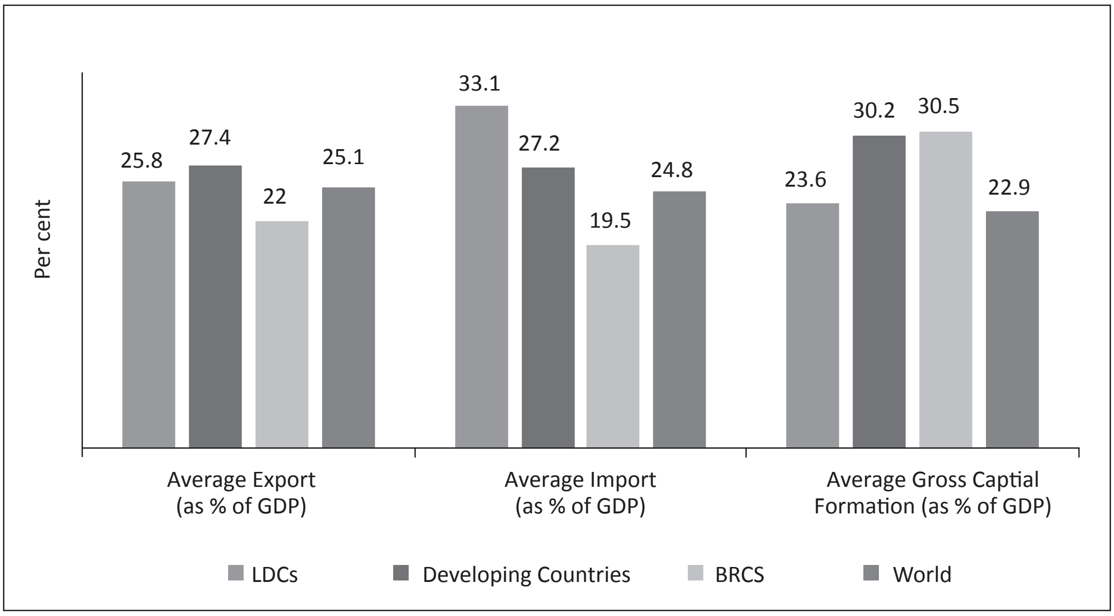
Figure 1: Key Indicators of LDCs, Developing Countries, BRICS and the World: 1990-2012 (Average)



Source: Authors' calculation based on the World Development Indicators (WDI) database.
Note: ODA: official development assistance.

highest among the BRICS. India's export basket is still narrow as its export presence is limited to selected goods and services. The latest UN Comtrade data show that India has only six items with a share of mere 5 per cent in the top 100 imports of the world. Russia's export basket has also been squeezed since the mid-1990s (EBRD 2012). Similarly, Brazilian exports demonstrated lower diversification of products in recent years. South Africa's export performance is also constrained by lack of diversification (OECD 2008). On the other hand, imports by BRICS, though have increased significantly during 1990-2012, their share in GDP is lower than that of the world. Thus, BRICS' average import as percentage of GDP was 19.6 per cent as opposed to 24.8 per cent in case of the world during the above mentioned period (Figure 2).

Figure 2: Trade and Capital Formation of LDCs, Developing Countries, BRICS and the World: 1990-2012 (Average)



Source: Authors' calculation based on the World Development Indicators (WDI) database.

Investment in BRICS is also promising. Gross capital formation in BRICS stood at USD 3.24 trillion in 2012 which was about 25.6 per cent of total gross capital formation around the globe. The average gross capital formation as percentage of GDP during 1990-2012 was 30.5 per cent in BRICS which was far above that of the world (22.9 per cent). Inflow of FDI to BRICS surged from USD 46 billion in 1995 to USD 408 billion in 2012. Since 1992, FDI inflow as percentage of GDP has been larger in BRICS than that of the world. Average FDI inflow as percentage of GDP during 1990-2012 was 2.5 per cent for BRICS and 2.1 per cent for the world. This indicates that BRICS has emerged as an attractive destination for FDI. Since 2000 net official development assistance (ODA) flow to BRICS as percentage of their GDP declined gradually, indicating their economic prosperity. BRICS is the home of 3 billon people, which accounts for 43 per cent of world population. Since 2001, the growth of population witnessed a steady fall in BRICS with an exception in 2010. However, the average growth rate of population from 1990 to 2012 in BRICS was higher than that of the world.

3.1 South-South Trade

South-South trade has experienced dramatic changes since the 1990s onwards. Till 2009 South-South merchandise exports have increased more than four-fold since 1995 (UN and OHRLLS 2011). On average, South-South trade rose at a rate of 12 per cent per year between 1996 and 2009 which is 50 per cent faster than North-South trade. Such trade accounts for more than 20 per cent of global trade (UNCTAD 2010b). Table 2 presents South-South exports to various groups of countries.

Table 2: South-South Export to Selected Country Groups: 1995-2012 (% of World Export)

Year	Export Destination of Developing Countries		
	Developing Countries	Transition Countries	Developed Countries
1995	11.9	0.3	16.1
2000	13.1	0.2	18.8
2005	16.7	0.5	19.1
2008	19.8	0.8	18.3
2010	23.2	0.7	18.4
2012	25.3	0.8	18.5

Source: Authors' calculation based on the UNCTAD data.

In recent years developing countries have been moving towards export-led growth, and South-South trade is turning as the main driving force for such growth (Canuto *et al*. 2010). Indeed, South-South trade has gained importance, as its share in total developing country exports rose from less than 30 per cent during the second half of the 1990s to almost 45 per cent in 2012.[4] Developed countries have been the largest destination of exports from developing countries. However, the export scenario has changed since 2008 as developing countries themselves emerged as the most important export destinations in the global South.

On the other hand, LDCs' export to the South as percentage of their total export soared from 35.1 per cent in 1995 to 58 per cent in 2012.[5] BRICS is also one of the promising destinations of export and an important source of import for developing countries (Table 3). However, China is the biggest player within BRICS whose share in both exports from and to developing countries is very high (Table 3). In case of imports, developed countries dominated as the prime source of import for developing countries till 2000. In recent years, specifically since 2005 developing countries are the major sources of import for themselves (Table 4).

Table 3: Developing Countries' Trade with BRICS (% of World)

	2002	2005	2010	2011	2012
Developing countries' export to BRICS (as % of total)	10.5	13.2	16.2	16.4	17.7
Developing countries' export to BRICS excluding China (as % of total)	2.9	3.7	4.9	4.9	3.4
Developing countries' import from BRICS (as % of total)	15.2	18.4	21.2	21.5	22.1
Developing countries' import from BRICS excluding China (as % of total)	4.8	6.2	6.2	6.7	5.1

Source: Authors' calculation based on the Trade Map database.

Table 4: South-South Import by Selected Country Groups: 1995-2012 (% of World Import)

Year	Developing Countries' Import from		
	Developing Countries	Transition Countries	Developed Countries
1995	37.9	1.5	59.5
2000	43.6	1.6	54.1
2005	52.3	2.3	44.8
2008	56.1	2.7	40.6
2010	57.1	2.4	39.9
2012	58.9	2.7	37.7

Source: Authors' calculation based on the United Nations Conference on Trade and Development (UNCTAD) data.

3.2 Foreign Direct Investment

FDI plays a crucial role in the development of the South. Though there are limited data on South-South FDI, there is an extensive body of literature highlighting the contribution of FDI in developing countries. OECD (2002) reported that FDI raises the productivity of labour and efficiency of resources in host country, and its influence to growth is positive. Bosworth and Collins (1999) conducted a study on the effect of capital inflow (FDI, portfolio investment and other financial flows) on domestic investment for 58 developing countries covering the period between 1978 and 1995. They found that an increase of a dollar in capital inflow results in an increase in domestic investment for about 50 cents. Loungani and Razin (2001) argued that, of the three sources of capital flow to developing countries (FDI, portfolio investment and bank loans), FDI was found to be most resilient during the global financial crises from 1997-1998 and during the Latin American financial crises in the 1980s. In a cross-county study, Borensztein *et al*. (1998) found a strong positive impact of FDI on domestic capital formation.

Zhang (1999) has studied the long-term relationship between FDI and growth, and argued that FDI is the engine of Chinese economic growth. Graham and Wada (2001) claimed that FDI was one of the drivers of high per capita income growth in China thanks to an acceleration of total factor productivity growth. Similarly FDI contributed more to GDP than was the case for local investment in three African countries, namely Kenya, Tanzania and Uganda (Moss *et al*. 2005). FDI was found to be contributing to the expansion of output, productivity and export at the sectoral level of Indian economy (Suresh and Ramakrishna 2013; Jain *et al.* 2013; Chakraborty and Nunnenkamp 2008).

However, FDI can positively contribute to economic growth only if the host country has the requisite absorptive capacity, such as higher level of education of the labour force. For example, Borensztein *et al.* (1998) found that FDI augments economic growth when the level of education is high in the host country. Several studies also reported that FDI has no significant effects on growth (Carkovic and Levin 2002; Mwlima 2003).

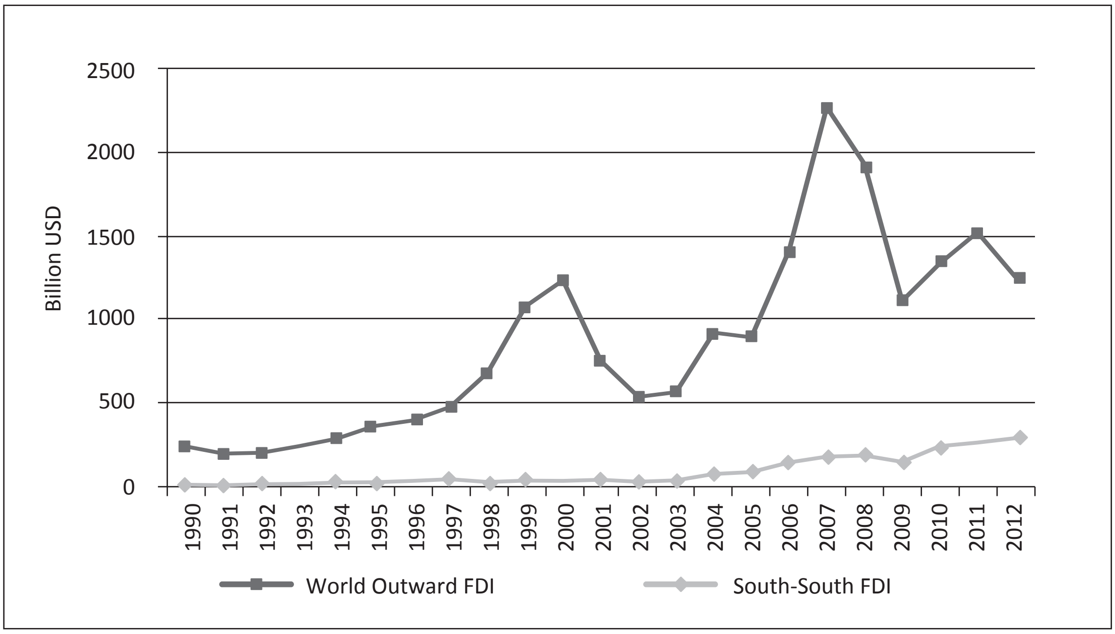
South-South FDI has been growing very rapidly. Between 1996 and 2012 it has grown at a rate close to 20 per cent on an average, though it starts from a very low level.[6] South-South FDI accounts for 23 per cent of total global FDI flow. Table 5 presents data on the evolution of FDI in the South. Figure 3 shows the trend of world outward FDI and South-South FDI.

Table 5: South-South FDI during 1990-2012

Year	World Outward FDI (USD billion)	South-South FDI (USD billion)	South-South FDI as % of World Total	Growth Rate (%) of South-South FDI
1990	241	12	5	-14
1991	198	9	5	-25
1992	203	16	8	78
1993	243	17	7	6
1994	287	25	9	47
1995	363	27	7	8
1996	396	35	9	30
1997	476	45	9	29
1998	682	29	4	-36
1999	1077	37	3	28
2000	1233	35	3	-5
2001	753	41	5	17
2002	537	30	6	-27
2003	566	39	7	30
2004	920	77	8	97
2005	893	88	10	14
2006	1411	145	10	65
2007	2267	180	8	24
2008	1928	187	10	4
2009	1110	149	14	-20
2010	1334	242	18	63
2011	1520	265	17	9
2012	1255	290	23	10

Source: Authors' calculation based on the United Nations Conference on Trade and Development (UNCTAD) database.

Figure 3: World Outward FDI vs South-South FDI (Billion USD)



Source: United Nations Conference on Trade and Development (UNCTAD) 2013.

3.3 Development Assistance

The share of disbursed aid in Southern countries as percentage of total disbursement by all donors increased steadily from 0.5 per cent in 2004 to 2.6 per cent in 2011. If the contribution of Arab countries is added, the share of disbursement of aid as percentage of total aid by all donors goes up to 6.3 per cent in 2011 from only 3 per cent in 2004 (Table 6).

Table 6: Disbursement of Aid by Southern Countries and Arab Donors (Million USD)

Donor	2004	2005	2006	2007	2008	2009	2010	2011
Brazil	n/a	n/a	n/a	291.9	336.8	362.2	499.7	n/a
China	n/a	n/a	n/a	1466.2	1807.0	1946.5	2011.2	2470.0
Chinese Taipei	421.3	483.0	513.0	514.0	435.2	411.4	380.9	381.2
India	n/a	414.5	381.4	392.6	609.5	488.0	639.1	730.7
Russia	n/a	n/a	n/a	n/a	n/a	n/a	472.4	479.0
South Africa	n/a	n/a	n/a	108.0	108.5	99.6	106.0	146.6
Thailand	n/a	n/a	73.7	67.0	178.5	40.2	9.6	31.5
Total SSC	**421.0**	**897.5**	**968.1**	**2839.7**	**3475.5**	**3347.9**	**4118.9**	**4239.0**
Kuwait	160.9	218.5	157.9	110.1	283.2	221.1	210.6	144.5
Saudi Arab	1734.1	1004.8	2094.7	2078.7	5564.1	3133.7	3479.6	5094.9
United Arab Emirates	484.8	509.8	782.7	2425.6	1265.8	833.7	412.1	737.4
Total (Arab)	**2379.8**	**1733.1**	**3035.3**	**4614.4**	**7113.0**	**4188.5**	**4102.2**	**5976.8**
Total (SSC +Arab)	**2800.8**	**2630.6**	**4003.4**	**7454.1**	**10588.5**	**7536.4**	**8221.2**	**10215.8**
All Donors	**92149.41**	**120771.28**	**120243.47**	**122168.02**	**144423.14**	**140041.00**	**148322.07**	**160943.90**
SSC (as % of Total)	**0.5**	**0.7**	**0.8**	**2.3**	**2.4**	**2.4**	**2.8**	**2.6**
SSC+ Arab (as % of Total)	**3.0**	**2.2**	**3.3**	**6.1**	**7.3**	**5.4**	**5.5**	**6.3**

Source: Authors' calculation based on OECD statistics and OECD Development Cooperation Report 2013.
Note: Figures for India and South Africa are based on their fiscal years, i.e. data for 2011 correspond to FY2011-12.

It has been observed by some that geographical proximity influences the destination of foreign aid of some countries, such as India (Fuchs and Vadlamannati 2012). This is also true for some other emerging donors whose aid went mostly to neighbouring countries as is evident from Table 7. This however is not the case with China which provides highest aid to Africa (discussed later).

Table 7: Major Recipients of South-South Aid Flows

Donor	Top Three Recipients (% of Bilateral Aid) in 2011		
	1	**2**	**3**
India	Bhutan (59.3)	Afghanistan (8.5)	Nepal (4.4)
Brazil	Haiti	Cape Verde	East Timor
Chile	Cuba	Guatemala	El Salvador
Russia	Nicaragua (37.0)	Korea, Dem. Rep. (4.7)	Kyrgyz Republic (2.6)
Thailand	Laos (54.5)	Cambodia (5.8)	Bermuda (1.2)
Turkey	Pakistan (7.6)	Afghanistan (12.3)	Syria (8.9)
Kuwait	Egypt (65.5)	Lebanon (11.6)	Jordan (11.5)
UAE	Jordan (16.3)	Yemen (9.2)	Pakistan (9.2)

Source: For India, Russia, Thailand, Turkey, Kuwait and UAE: OECD database; For Brazil and Chile: adopted from Sharan and Kumar (2013).
Note: For Brazil and Chile data on aid flow correspond to 2006.

India has been providing significant development assistance to South Asian LDCs which are mainly used for capacity building, and institutional and technical expertise development to create long-term sustainability in the recipient countries. Till FY2009-10, India provided over USD 7.5 billion worth of Line of Credit to developing countries including LDCs. This has yielded a significant impact on promotion of trade and investment and implementation of large-scale projects (UN and OHRLLS 2011). According to ITEC (2011), South-South cooperation effort is

Table 8: Principal Destination of India's Aid and Loan Programmes (Million USD)

Country/Region	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Average per Year
Bhutan	250.1	131.5	168.4	277.9	284.6	444.7	251.4	258.4
Bangladesh	11.5	4.9	13.8	116.3	0.8	1.8	60.1	29.9
Nepal	14.6	51.0	23.0	96.5	32.8	32.9	6.4	36.7
Sri Lanka	5.5	6.8	6.5	49.7	17.5	29.1	62.3	25.3
Myanmar	4.9	9.7	4.6	26.0	12.0	27.2	26.8	15.9
Maldives	2.9	1.5	4.5	21.9	0.8	24.5	6.4	8.9
African Countries	13.5	4.9	11.5	8.1	27.3	27.2	51.0	20.5
Mongolia	n/a	n/a	n/a	n/a	27.3	0.4	0.0	9.3
Afghanistan	n/a	n/a	100.0	6.9	62.7	63.5	105.4	67.7
Central Asia	n/a	n/a	4.6	4.3	4.4	0.1	5.9	3.9
Latin American Countries	n/a	n/a	0.4	1.4	0.4	0.1	0.2	0.5
Other Countries	111.5	108.1	55.3	0.5	44.9	59.3	60.2	62.8
Total	414.5	381.4	392.6	609.5	515.5	749.8	642.8	529.4

Source: Ministry of Foreign Affairs, India, various issues of Annual Reports.
Note: Converted from Rupees into USD using the Average Annual Exchange Rates published by the United States Federal Reserve for 2006 (45.2 rupees to USD), 2007 (41.2 rupees to USD) and 2008 (43.4 rupees to USD), 2009 (45.75 rupees to USD), 2010 (45.6 rupees to USD) and 2011 (46.5 rupees to USD).

considered as one of the traditional pillars of Indian foreign policy and diplomacy. Banarjee (1982) claimed that since India has been providing technology and managerial experience to other developing countries, its aid allocation mainly responds to the needs of developing countries. A closer look at the principal destination of India's aid and loan programmes for the period between FY2005-06 and FY2011-12 reveals that South Asian countries received the lion's share of Indian aid with Bhutan being on the top of the list. Afghanistan is the second highest beneficiary of Indian aid, followed by Nepal (Table 8).

India's development assistance to Bhutan, Afghanistan and Nepal is mainly devoted to infrastructure and project assistance. African countries have also received a significant share of Indian aid over the last few years. From FY2005-06 to FY2011-12 African countries received aid worth USD 20.5 million per annum. Indian development assistance is directed towards infrastructure, health, and education in South Asia. However, for African countries Indian aid is mainly utilised for technical training of civil servants and managers working in state-owned enterprises and government-run institutions (Agarwal 2007).

According to the People's Republic of China (PRC) White Paper (2011), China had provided USD 40 billion as aid to foreign countries since 1950 which included USD 16.3 billion in grants, USD 11.7 billion in interest-free loans, and USD 11.3 billion in concessional loans. In total, 161 countries have received Chinese aid, of which 51 were from Africa, 30 from Asia, 18 from Latin America and the Caribbean, 12 from the Western Europe, and 12 from the Oceania. About 80 per cent of Chinese aid goes to the African and Asian countries. In 2009, Africa and Asia received 45.7 per cent and 32.8 per cent of China's foreign aid fund respectively. It has also been reported that LDCs received the largest share (39.7 per cent) of total aid provided by China (White Paper: China's Foreign Aid, Ministry of Commerce 2011).

China's aid is mainly driven by the need for natural resources (NYU Wagner School Study 2008). Diplomatic objectives also served as reasons behind China's aid disbursement policy. The study reported that China's aid to three regions, namely Africa, Latin America and Southeast Asia, rose from USD 1.5 billion in 2003 to USD 25 billion in 2007. Of the total loans and aid provided by China to three regions during 2002-2007, 44 per cent was allocated to Africa, 20 per cent to Southeast Asia and 36 per cent to Latin America. As a region Africa received the largest year-on-year increase in aid. The average annual aid received by Africa during the 2002-2007 period is USD 6.6 billion. China provided assistance to Africa primarily in the form of infrastructure projects and public works. For the Southeast Asia region, China has become an important source of infrastructure financing. A number of reports have noted that China was one of the largest sources of economic assistance in Southeast Asia. During 2002-2007, 44.5 per cent of Chinese aid was directed at natural resources and agriculture sectors while the rest 43 per cent supported development of infrastructure (NYU Wagner School 2008). China also provided significant support to multilateral assistance efforts directed at African countries (Weston 2011). For example, China has contributed to the African Development Bank, the IMF sponsored African Capacity Building Foundation and the West African Development Bank. China also allocated USD 8 million to the World Health Organization (WHO) for use in Africa.

As for Brazil, development assistance by the country was about USD 1 billion per year (ODI 2010). Technical cooperation accounts for about USD 480 million, of which USD 30 million was provided by Brazilian Cooperation Agency (ABC) in 2010; many Brazilian institutions provided USD 450 million for in-kind expertise (Cabral and Weinstock 2010). Brazil also contributes USD 350 million to the Peacekeeping Mission in Haiti and USD 300 million in-kind contribution to the World Food Programme in 2010 (ODI 2010). Main recipients of Brazil's South-South cooperation are the Lusophone countries. Between 2005 and 2010 Mozambique, Timor-Leste and Guinea Bissau topped the list of beneficiaries of South African aid. Other important recipients included countries in Latin America and the Caribbean, particularly Haiti, Paraguay and Guatemala. According to Brazilian Cooperation for International Development Report (2011), during the period 2005-2009, Brazilian cooperation for international development almost doubled, from USD 15.8 million in 2005 to USD 36.2 million in 2009. A large part of this support is provided as contribution to international organisations which almost doubled in one year.

Development assistance of South Africa almost doubled during 2008-2009, from USD 62.6 million in FY2007-08 to USD 109.4 million in FY2008-09. This includes assistance from the African Renaissance and International Co-operation Fund, and eligible contributions to multilateral organisations. Development assistance of South Africa mainly focused on fostering infrastructure and sustainable industrial activities in areas with the highest rates of poverty and unemployment (UN and OHRLLS 2011). Apart from individual countries, there are a number of Southern development agencies that provide financial and technical support to developing countries. Saudi Fund for Development has the highest budget followed by Korean and Turkish development agencies. Table 9 presents a list of such aid agencies and their respective annual budget.

Table 9: List of Southern Development Aid Agencies and their Annual Budget

Agency	Country	Year of Inception	Annual Budget (USD)
Brazilian Cooperation Agency (ABC)	Brazil	1987	1 billion
Chilean Agency for International Cooperation (AGCI)	Chile	1990	3.8 million
Department of Foreign Aid, Ministry of Commerce, China (MOFCOM)	China	1982	n/a
Egyptian Fund for Technical Cooperation with Africa (EFTCA)	Egypt	1980	10 million
Egyptian Fund For Technical Cooperation with the Commonwealth	Egypt	1980	n/a
Indian Technical and Economic Cooperation (ITEC) Programme	India	1964	11 million
Organization for Investment, Economic, and Technical Assistance of Iran (OIETAI)	Iran	1975	n/a
Korea International Cooperation Agency (KOIKA)	Republic of Korea	1991	1.4 billion
Kuwait Fund for Arab Economic Development	Kuwait	1961	145 million
International Cooperation and Development Fund (ICDF)	Taiwan	1996	310 million
Saudi Fund for Development	Saudi Arab	1974	5 billion
Turkish International Cooperation and Development Agency (TIKA)	Turkey	1992	1.3 billion

Source: Compiled from various sources.[7]

3.4 Migration and Remittance Flows

As the major focus of South-South cooperation is on trade, FDI and ODA, the issue of remittance remains outside the ambit of discussions on South-South cooperation. However, remittance has emerged as an important source of foreign exchange income and resource flow in several LDCs and developing countries that contributes to their economies immensely. These countries have a large number of active population who work abroad as temporary migrants and send remittances to their respective countries. Given its increasing role in LDCs and developing countries this paper considers that remittance is too important an issue to be ignored by South-South cooperation.

There have been considerable changes in the flow of remittances since the mid-1990s. Till 1991, developed countries had the largest share in total remittances received. Developing countries outpaced developed countries over the period from 1995 to 2012 in terms of their share in total remittances received (Table 10).

Table 10: Flow of Remittance to Developing Countries

Year	World (Billion USD)	Developed Countries		Developed Countries	
		(Billion USD)	Share (%) of Total Remittance Received	(Billion USD)	Share (%) of Total Remittance Received
1990	81	34	42.8	36.8	45.6
1995	106	56	53.3	44.8	42.4
2000	139	83	59.7	49.6	35.8
2005	289	189	65.3	87.9	30.4
2010	464	318	68.6	117.7	25.3
2011	515	355	68.9	127.8	24.8
2012	528	375	71.1	120.6	22.9

Source: Authors' calculation based on the United Nations Conference on Trade and Development (UNCTAD) database.

Increased flow of remittances to the developing world is due to the rise of migration from this region. According to the International Migration Report 2013, from 1990 to 2013, the number of international migrants worldwide rose by over 77 million or by 50 per cent. During this period developed regions received 69 per cent, whereas developing regions added 31 per cent of the migrant population. Though the North attracted the largest share of migration stock, the average growth of international migration in the South (2.5 per cent per annum) outperformed that of the North (2.3 per cent per annum) during 2000-2010. However, from 2010 to 2013, the average growth rate of migration slowed down in both the regions (Table 11).

Table 11: International Migration Stock by Development Level of Countries

Region	International Migrant Stock (Million)				Average Annual Growth Rate of Migrant Stock (%)		
	1990	2000	2010	2013	1990-2000	2000-2010	2010-2013
Developed Regions	82.3	103.4	129.7	135.6	2.3	2.3	1.5
Developing Regions	71.9	71.1	91.0	95.9	-0.1	2.5	1.8
World	154.2	174.5	220.7	231.5	1.2	2.3	1.6

Source: United Nations (UN) 2013a.

Fifty-three million international migrants went to the North between 1990 and 2013, of which 42 million or 78 per cent originated from the South. Migrant population in developing countries also originated mainly from the South. During the abovementioned period, the migrant population originating from the South and living in the South rose by 41 per cent. Out of the 24 million foreign-born persons who went to the South during the period, only 1 per cent originated from the North; the bulk of 99 per cent was from the South (UN 2013a). Table 12 presents the origin and destination of migration in developed and developing regions.

Table 12: Trends in Migration

Destination	In Million							
	Origin							
	1990		2000		2010		2013	
	Developed regions	Developing regions	Developed regions	Developing regions	Developed regions	Developing regions	Developed regions	Developing regions
Developed regions	42	40	45	58	49	77	54	82
Developing regions	12	59	10	59	12	79	14	82
In Percentage								
Developed regions	78	40	82	50	54	49	79	50
Developing regions	22	60	18	50	46	51	21	50

Source: United Nations (UN) 2013a.

There has been a considerable shift in bilateral migration over the period from 1990 to 2013. Though during 1990-2000, seven of the top ten bilateral migration corridors were designated to a country in the North, during 2000-2010 period, it was countries in the South that emerged as five of the top ten bilateral migration corridors. During 2010-2013, migration patterns changed dramatically as seven of the top ten bilateral migration corridors was associated with a country in the South (UN 2013a).

4. EXPLORING SOUTH-SOUTH RELATIONSHIP IN SOUTH ASIA: THE CASE OF BANGLADESH

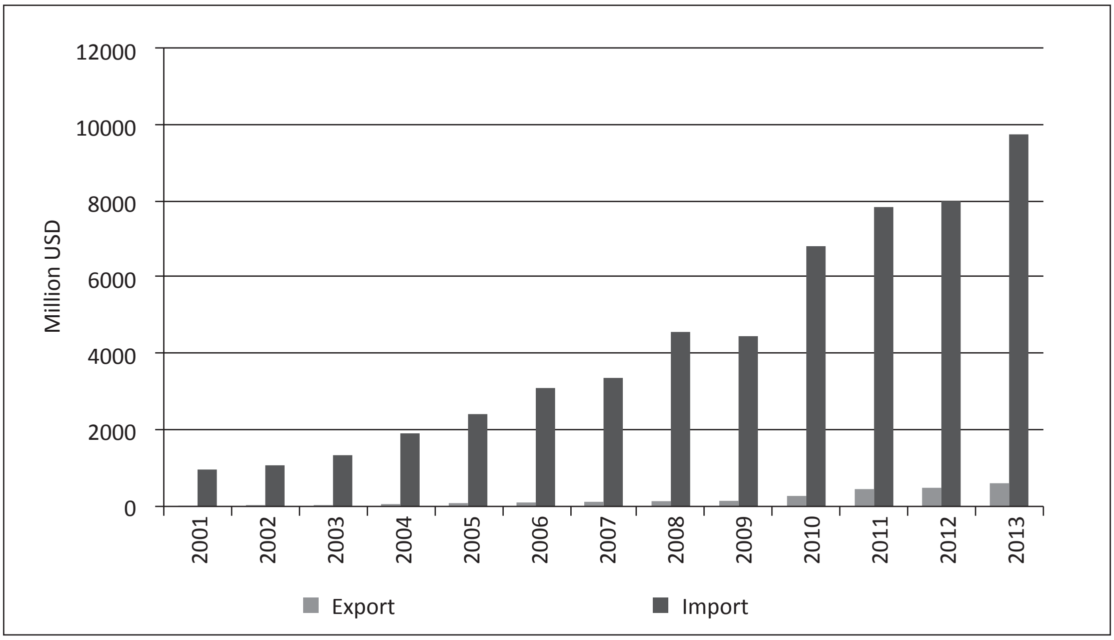
The impressive economic growth of China and India, two of Bangladesh's large Southern neighbours has important implications for Bangladesh, not the least for her economic development. As has been discussed in the previous sections of this paper, China's prominence across the globe through higher trade, investment and development assistance has been on the rise over the recent past. Compared to China, India lags far behind in terms of its presence in developing countries. This section will examine the economic partnership of Bangladesh with China and India.

4.1 Bilateral Cooperation between Bangladesh and China

In recent decades both China and Bangladesh witnessed a notable increase in trade. China's trade-to-GDP ratio has exceeded by 55 per cent, while that of Bangladesh approached about 50 per cent following entry of these countries into the World Trade Organization (WTO). China is Bangladesh's largest trading partner. Bangladesh's total trade with China was over USD 7 billion in 2010. However, China remains a minor export destination for Bangladesh. In 2010, Bangladesh's export to China was less than USD 400 million which was equivalent to only 2 per cent of Bangladesh's total exports. This is due to non-diversified export basket and conventional trade pattern of Bangladesh. To address the growing trade imbalance, Beijing has offered duty-free access to 4,721 Bangladeshi products (Islam 2012). According to United Nations Statistics Division (2013), China's share of export from Bangladesh, as a percentage of total export, increased from less than 0.5 per cent in 2003 to 1.7 per cent in 2011.

Bangladesh's export to China rose from USD 17 million in 2001 to USD 599 million in 2013. In a similar vein Bangladesh's import from China has multiplied by more than ten-folds over the period between 2001-2013. Bilateral trade deficit between Bangladesh and China stood at USD 9,112 million in 2013 (Figure 4).

Figure 4: Bangladesh's Trade with China (Million USD)



Source: UN Comtrade database.

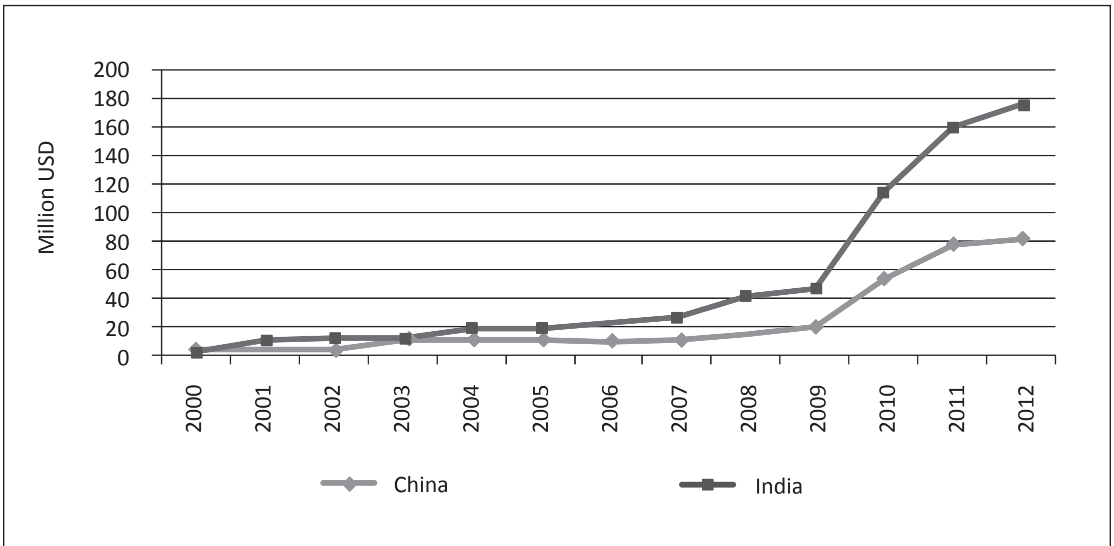
Historically, India has been Bangladesh's major trading partner. This relationship dates back to 1971. Until FY2005-2006, India's share in Bangladesh's import was larger than that of China. Since then and onwards, China surpassed India in terms of imports from Bangladesh and has been occupying the first position as Bangladesh's most prominent import source. In other words, India is losing ground to China as a trading partner of Bangladesh. Indian exports to Bangladesh have registered a continuing decline in prominence when compared to China. In 1991 India's export as a percentage of China's export to Bangladesh was more than 150 per cent; however, by the end of 2010 this has come down to 30 per cent (Sahoo 2011). In recent years, Chinese exports appear to be replacing some of the Indian exports to Bangladesh.

There are a number of contributing factors which favoured China's trade with Bangladesh (Sahoo 2011). *Firstly*, China has captured Bangladesh's market for a number of industrial products such as textiles, footwear and head wear, and machinery and mechanical appliances through highly competitive prices. *Secondly*, non-tariff barriers (NTBs) such as delays, bureaucratic hassles, limited transport routes, customs harassment and visa problems stand in the way while trading with India. These no doubt increase the cost of doing business with India. *Thirdly*, infrastructure connectivity in terms of sea trade with China is more efficient and takes less time than importing from India. *Fourthly*, China has been very proactive in the Bangladeshi market. Welcoming attitude of Chinese traders and officials at customs is encouraging for Bangladeshi traders. Most importantly, obtaining Chinese visa is easy unlike the Indian visa. China also invites Bangladeshi enterprises to participate in exhibitions so that Bangladeshi entrepreneur can have greater orientation about Chinese products.

Chinese investment in Bangladesh is not particularly noteworthy. Until 2010, Bangladesh did not get much priority to China for investment in Bangladesh. Between 1977 and 2010, China invested only USD 250 million. However in 2011 alone, China invested some USD 200 million (Islam 2013). China has significantly increased her FDI outflow to Bangladesh from 2010 and onwards. FDI inflow to Bangladesh from China rose approximately by four-folds between 2008 and 2012. During this period, India's FDI outflow to Bangladesh had risen by three-folds indicating that China's contribution to Bangladesh's FDI profile has been growing faster than that of India over the last couple of years. A comparative analysis of both FDI stock and flow from China and India during the period 2000-2012 indicates India's prominence in case of FDI (Figures 5 and 6).

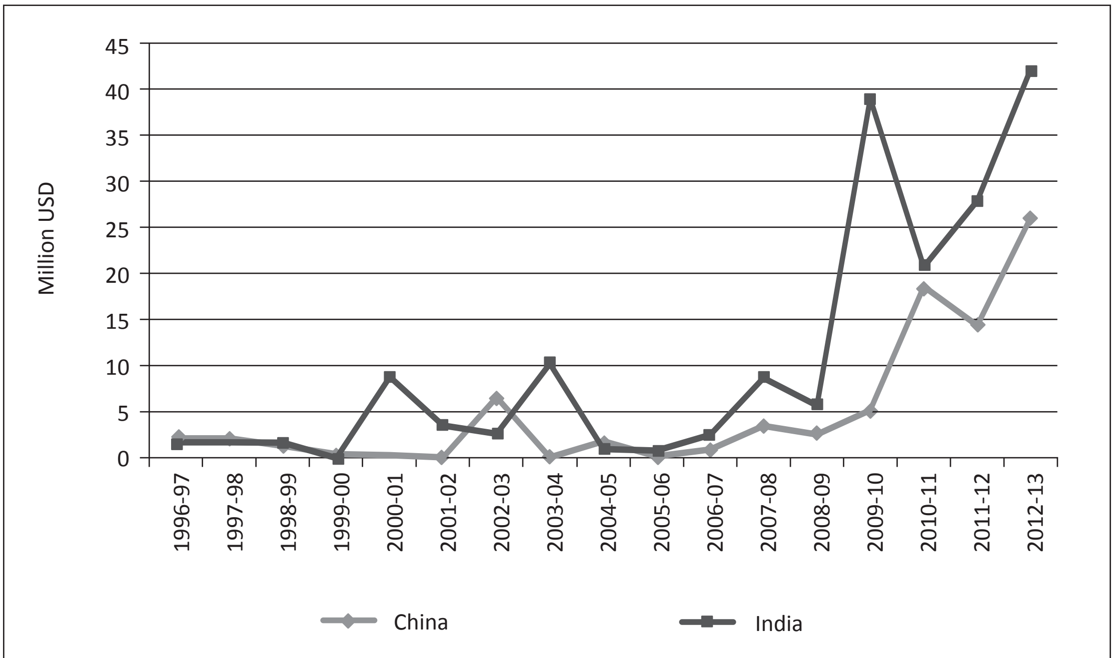
China was the third largest investor in Bangladesh, followed by Saudi Arab and South Korea in FY2009-10 (BOI 2011). In FY2009-10, China signed 12 investment projects with Bangladesh

Figure 5: FDI Stock from China and India



Source: Bangladesh Bank (2013).

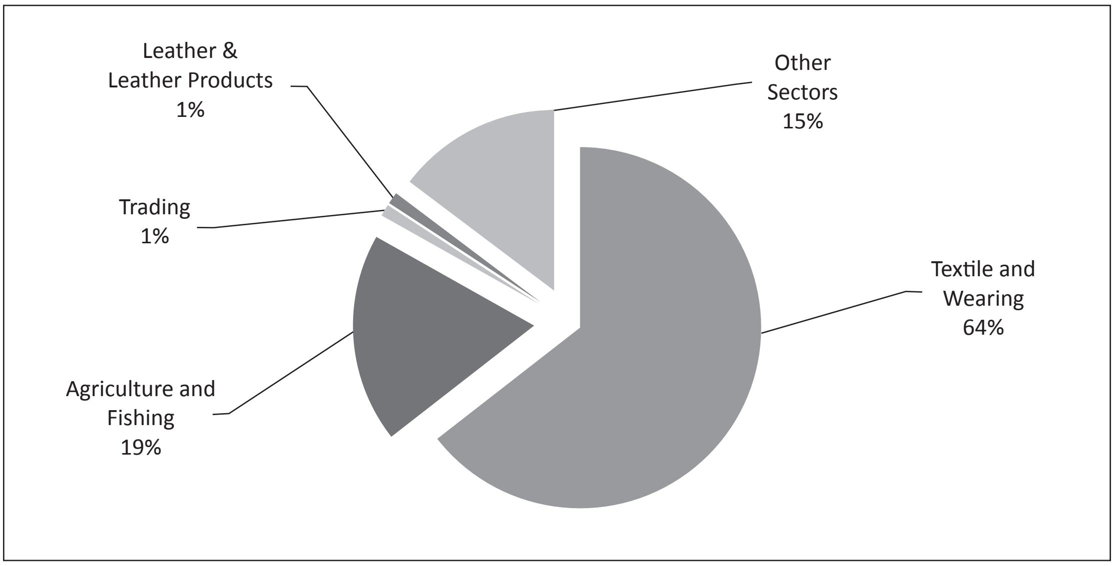
Figure 6: Trends in FDI Inflow to Bangladesh from China and India



Source: Bangladesh Bank (2013).

worth of USD 21 million. Most of these projects involved infrastructure and service sectors. However, in recent times, the focus of Chinese investment in Bangladesh has been shifted towards manufacturing sector, specifically to the readymade garments (RMG) sector (Islam 2013). Sector-wise FDI inflow from China reveals that textile and wearing exports attract the lion's share of Chinese FDI over the period 2009-2012 (Figure 7).

Figure 7: Sector-wise Share of FDI Inflow from China in 2012

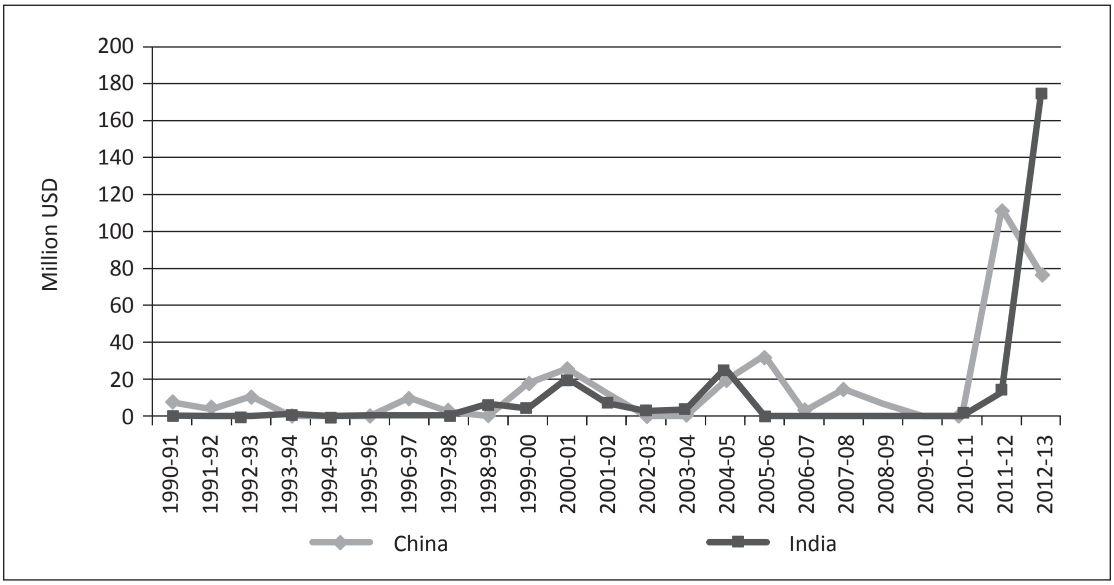


Source: Bangladesh Bank (2013).

The sudden jump in Chinese investment in Bangladesh can be attributed to a number of factors. First is China's "String of Pearls"[8] strategy to secure the ports of South Asia. China and India, two Asian giants, are locked in a struggle for regional domination. Recently, Chinese presence has become obvious in areas that were previously considered as India's exclusive domain. For example, China's focus on strategic sectors such as of transportation in Bangladesh, Nepal, Bhutan, Myanmar, Sri Lanka and Pakistan is clearly discernible. Chinese investment is geared towards improving maritime transport infrastructures in South Asia. The second reason of high Chinese investment is China's large trade surplus which China has been investing in building US treasury bills for a long time. The USA, which used to be a safe haven for foreign funds is now cutting its public sector borrowing requirements. Consequently, surplus countries such as China are looking for alternative ways for investing funds that will yield profit with low risks. Bangladesh appears to be a candidate for long-term funds in projects that can contribute to her economic progress. Third is China's 'Go Global Policy' that may have pushed higher amount of Chinese FDI to Bangladesh. The emerging trends in Chinese investment in Bangladesh need to be analysed in the context of Chinese FDI in its entirety (Islam 2013). Initially, outward investment of China was dominated by its state-owned enterprises. Gradually, China has opened up its economy through welcoming foreign capital, technology and expertise. China also encourages its own enterprises to invest abroad. Bangladesh's FDI-friendly policies have also encouraged Chinese investment to the country.

China was not a major player in terms of providing aid to Bangladesh. Indeed, until very recently, Chinese contribution, as development assistance to Bangladesh, was negligible. Chinese assistance is mainly for infrastructure development. China helped the construction of China-Bangladesh Centre in Dhaka with a loan of USD 25 million. As per China White Paper on Foreign Aid (2011), one of the basic policies of Chinese foreign aid is not to impose any political conditionalities along with aid. Figure 8 presents a comparative trend of foreign aid from China and India.

Figure 8: Disbursement in Foreign Aid by China and India



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

There is also a plethora of bilateral agreements between Bangladesh and China. These agreements include establishment of Joint Economic Commission (JEC), agreement on economic and technical cooperation, Memorandum of Understanding (MoU) on cooperation in the field of agriculture, natural gas and water. Special military relations also exist between these two countries. In this connection, it may be recalled that a Defence Cooperation Agreement was signed between Bangladesh and China in 2002.

4.2 Bilateral Cooperation between Bangladesh and India

Between FY2003-2004 and FY2008-2009, Bangladesh's export to India rose from USD 89.3 million to USD 276.6 million. However, in recent years a widening of the trade deficit has been witnessed by Bangladesh with India which stood at USD 2.6 billion in 2009. Bangladesh's export to India as a share of Bangladesh's global export was a mere 1.78 per cent in 2009, while its import to India as a share of Bangladesh's global import stood at 12.62 per cent. India's import from Bangladesh helps local consumers to consume final goods at a competitive price. Moreover, import of several items (e.g. fabrics and other industrial materials) from India goes to export-oriented RMG industry which assists Bangladesh to maintain healthy trade balance with some of the other major trading partners. Though the share of top 5 traditional products to India declined during 2004-2009, the number of exportable products has increased over the period.

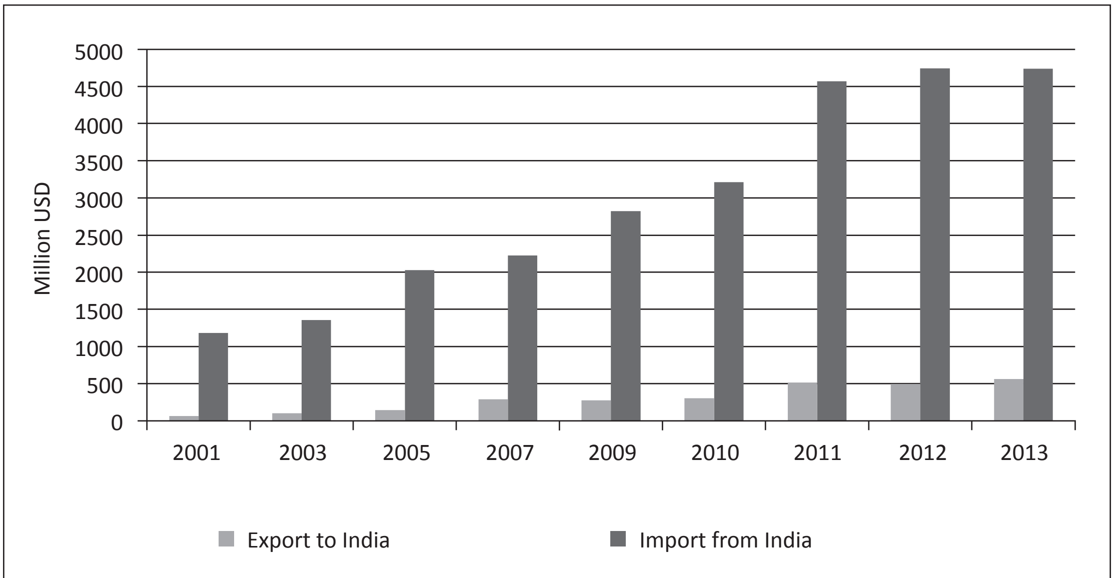
India continued to remain as a major source of import of agricultural products for Bangladesh over the last two decades (Rahman *et al.* 2012). On the other hand, Bangladesh's export of agricultural products started to increase only after 2004. If NTBs and trade facilitation issues can be effectively addressed, there is a high probability for export of agriculture and agro-based products from Bangladesh to the North-East India (Rahman *et al.* 2011). Over the period FY2000-2001 to FY2012-2013, Bangladesh's export to India has multiplied by more than eight times. Bangladesh's import from India has also demonstrated similar trend. From FY2000-2001 to FY2012-2013 it has witnessed a linear growth of 18.9 per cent (Table 13 and Figure 9). However, in spite of Bangladesh's robust export growth to India, it resulted in a significant trade deficit. Over the past years, Bangladesh's trade deficit with India has been on the rise, from about USD 1.1 billion in FY2000-2001 to about USD 2.5 billion in FY2008-2009, and USD 4.1 billion in FY2012-2013 (Table 13).

Table 13: Bangladesh's Trade with India (Million USD)

Fiscal Year	Export to India	Import from India	Bilateral Trade Deficit
2001	63	1184	-1121
2003	99	1358	-1259
2005	144	2026	-1882
2007	289	2226	-1937
2009	277	2822	-2546
2010	305	3214	-2909
2011	513	4569	-4057
2012	498	4743	-4245
2013	563	4740	-4176

Source: Export Promotion Bureau (EPB) of Bangladesh 2013.

Figure 9: Bangladesh's Trade with India (Million USD)



Source: Export Promotion Bureau (EPB) of Bangladesh.

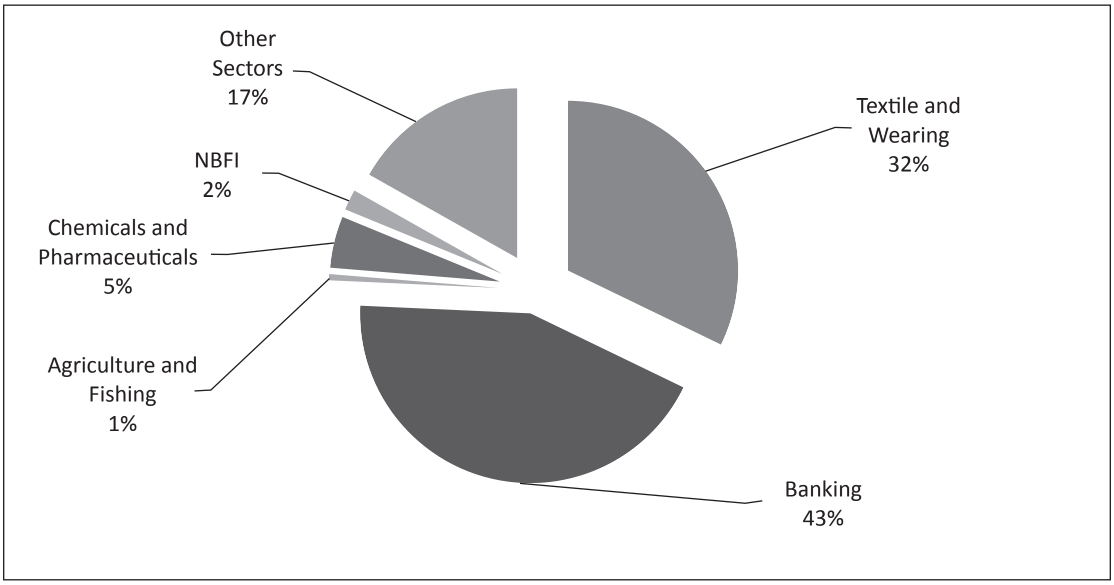
In order to take advantage of duty-free market access in India, highest priority should be given to attracting FDI from Indian investors. However, till now the prospect of FDI inflow in Bangladesh from India has been negligible. Though FDI inflow to Bangladesh from India witnessed a linear growth of 38.6 per cent over the period 2001-2012, its share as a percentage of total FDI inflow in Bangladesh remains stagnant. In 2012, the share of FDI inflow in Bangladesh from India as a percentage of world was only 2.2 per cent (Table 14). The sectoral distribution of FDI from India to Bangladesh indicates that most of the FDI inflow from India is directed towards the banking sector (43 per cent), followed by textile and wearing (32 per cent) sector in 2012 (Figure 10).

Table 14: FDI Inflow in Bangladesh from India

Year	FDI Inflow from India (Million USD)	FDI Inflow from World (Million USD)	FDI Inflow from India (as % of World)
2001	2.08	354.47	0.6
2002	4.3	335.47	1.3
2003	3.63	350.24	1.0
2004	6.8	460.41	1.5
2005	2.67	845.26	0.3
2006	6.09	792.48	0.8
2007	1.67	666.36	0.3
2008	11.29	1086.31	1.0
2009	7.99	700.16	1.1
2010	43.19	913.32	4.7
2011	25.74	1136.38	2.3
2012	28.43	1292.56	2.2

Source: Bangladesh Bank (2013).

Figure 10: Sector-wise FDI Inflow from India: 2012



Source: Bangladesh Bank (2003).

In terms of aid, though India has increased its support in the recent period compared to that of China (Figure 8), the relative share is still very low. The highest support from India came as a line of credit worth USD 1 billion to Bangladesh in 2010. This support has been provided primarily for infrastructure, communication and transportation.[9] Besides, India provided aid worth over USD 37 million to Bangladesh to cope with natural disasters and floods in 2007-08. India also provides technical cooperation to Bangladesh. For example, 100 slots under ITEC and 35 slots under Technical Cooperation Scheme of the Colombo Plan have been offered by India to Bangladesh. From FY2006-2007 to FY2009-2010, a total of 414 participants from Bangladesh have received training under the two above mentioned cooperation frameworks.[10]

5. GOING FORWARD: CHALLENGES AND OPPORTUNITIES OF SOUTH-SOUTH COOPERATION

In spite of the high potentials, South-South cooperation faces a plethora challenges. Weak governance structure to support South-South cooperation, lack of intra-agency support framework, defective coordination and reporting mechanisms, and inadequate funding have been identified as the most notable challenges that South-South cooperation confronts face within the UN System (Zahran *et al*. 2011). Following are some of the challenges posed by South-South cooperation.

(i) Uneven Development within South: Global South is not a group of homogeneous countries. A handful of economies play a dominant role in the economic development of the South. Contribution of the Global South excluding these economies is rather negligible as is evident from Table 15.

Table 15: Key Indicators: 1990-2012 (Average)

Indicator	LDCs	Developing Countries	BRICS	World
GDP Growth	4.2	5.3	4.5	2.7
GDP Per Capita (Constant 2005 USD)	800.4	2133.1	3344.8	6668.9
Export (as % of GDP)	25.8	27.4	22.0	25.1
Import (as % of GDP)	33.1	27.2	19.6	24.8
Gross Capital Formation (as % of GDP)	23.6	30.2	30.5	22.9
FDI (as % of GDP)	2.8	2.6	2.5	2.1
Net ODA Received (as % of GDP)	8.9	0.9	0.2	0.2
Growth of Population (%)	2.5	1.3	1.7	1.3

Source: Authors' calculation based on the World Development Indicators (WDI) database.

LDCs' GDP rose at 4.2 per cent on average for the period between 1990-2012 while BRICS grew at 4.5 per cent per annum during the same period. The average per capita GDP of BRICS during this period is more than four times larger than that of LDCs. However, LDCs outperformed BRICS in terms of exports when LDCs' average export as percentage of GDP was larger than that of BRICS for the period 1990-2012. On the other hand, LDCs' average import as percentage of GDP for the period 1990-2012 is significantly larger than that of BRICS. LDCs also lag behind in terms of gross capital formation. The situation is somewhat different in case of FDI and ODA. Thus, FDI inflow as percentage of GDP in LDCs is higher than that of BRICS. Similarly LDCs are much more reliant on ODA than the BRICS. In case of population growth, LDCs outpaced BRICS during this period when LDCs' population grew at 2.5 per cent per year and that of BRICS grew by 1.7 per cent per year. This indicates the level of development of LDCs and BRICS. In addition to differences in phases of development among Southern countries, the structure of their economies varies as well. Several poor countries within the Global South are dependent mainly on extractive sectors with a narrow export basket. These countries are posed with challenges of poverty reduction more than others though a larger number of people are located in BRICS (World Bank and IPEA 2012).

Consequently, imbalanced economic development within the South could be a potential source of tension among the partners. Such disparity as regards the levels of development can also jeopardise the distribution of benefits accruing from South-South cooperation.

(ii) Tariff Barriers: Higher tariffs in Southern economies often reduce the potentials of South-South trade. Tariffs imposed on South-South trade amount to an average of 11 per cent (Kowalski and Shepherd 2006). Tariffs on primary products by low-income and middle-income countries amount to 15 per cent and 11.3 per cent respectively, and on manufacturing products 12.3 per cent and 8.1 per cent respectively (Agarwal 2013). This supports the idea of negotiated reduction of preferential tariff in these countries.

(iii) Non-Tariff Barriers: Another important impediment to South-South cooperation is the high presence of NTBs. Complex procedures and documentation are the major barriers to trade in Southern countries. Trade-related costs can be reduced by almost 14.5 per cent in low-income countries and 15.5 per cent in lower middle-income countries, and 13.2 per cent in upper middle-income countries through improvement in procedures (Moise and Sorescu 2013). Thus harmonisation and simplification of documents and streamlining of procedures can reduce trade-related costs for these countries.

(iv) Institutional Framework and Capacity: One of the major concerns about South-South cooperation is that there is no institutional framework which can be used to establish the *raison de etre* and assessment of effectiveness of such cooperation. In case of ODA, Paris Declaration provides guidelines and assess the effectiveness of ODA through various monitorable indicators. Besides, the Accra Agenda for Action promotes an inclusive and effective partnership with civil society, parliamentarians, private sectors, providers of South-South cooperation, foundations and global programmes. At present, engagement of Southern contributors in macroeconomic or social policy dialogue with programme country governments is rather limited. Besides, they rarely participate in national donor coordination meetings which are organised periodically in conjunction with traditional donors. However, as South-South cooperation gears up and scales up, there should be more engagement of the Southern donors in these programmes. Lack of institutional capacity of South-South cooperation limits the opportunities for coordination with other development actors and the scope for further scaling up. OECD (2010b) pointed out that, South-South cooperation often takes place in isolated form and confronts various problem in scaling-up the resource envelope. In order to evaluate the impact of South-South cooperation, synergy between South-South cooperation and aid effectiveness has to be further promoted and strengthened.

The above challenges, however, do not undermine the prospects of harnessing development of developing countries through South-South cooperation. South-South cooperation has been receiving closer attention in the context of global work programmes targeting the future. This is evident from various reports on the post-MDGs where South-South cooperation has been referred to as an important implementation tool for the post-MDG agenda (Table 16).

Table 16: Post-2015 Reports on South-South Cooperation

Post-2015 Report	South-South Cooperation as an Implementation Tool for Post-2015	Scope	Source
The Report of High-Level Panel of Eminent Persons on the Post-2015 Development Agenda	"Developing countries, including ones with major pockets of poverty, are cooperating among themselves, and jointly with developed countries and	• Trade • Investment • Exchange of knowledge	UN (2013b). *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*,

(Table 16 contd.)

(Table 16 contd.)

Post-2015 Report	**South-South Cooperation as an Implementation Tool for Post-2015**	**Scope**	**Source**
	international institutions, in South-South and Triangular cooperation activities that have become highly valued. These could be an even stronger force with development of a repository of good practices, networks of knowledge exchange, and more regional cooperation.''		The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda. New York, 2013. p. 10.
United Nations Global Compact	"Another promising area is the development of "gates" – market exchanges for goods and services, capacity-building resources, and financing. The UN Development Programme's South-South Gate serves, among other purposes, as a platform for the exchange of assets, technology and financial resources among small and medium-sized enterprises in the developing world.''	• Exchange of assets • Transfer of technology. • Exchange of financial resources.	UN (2013c). *Corporate Sustainability and the United Nations Post-2015 Development Agenda. UN Global Compact Report to the Secretary General*, UN Global Compact, New York. p. 20.
A Regional Perspective on the Post-2015 United Nations Development Agenda	• ''Emerging cross-country partnerships include more robust multilateral and bilateral South-South cooperation and Triangular cooperation. These new forms of partnerships should be included in the discussion of global partnerships for the post- 2015 global development agenda.'' • "Greater cooperation between the developed and less developed countries and, in the case of Latin America in particular, South-South cooperation. This entails the diversification of production and exports in order to integrate global value chains, decisive action from industrialized countries to reduce agricultural subsidies, the prompt conclusion of the Doha Round, closer partnerships with Asia, fulfilling the agreements adopted at Monterrey and reviewing the operational definition of middle-income countries as a criterion for allocating ODA, among other elements.''	• Free Trade • Common market agreement • Financial cooperation	UN (2013d). A Regional Perspective on the Post-2015 United Nations Development Agenda, Economic Commission for Europe, Economic and Social Commission for Asia and the Pacific, Economic Commission for Latin America and the Caribbean, Economic Commission for Africa and Economic and Social Commission for Western Asia. New York. pp. 3, 77.

(Table 16 contd.)

(Table 16 contd.)

Post-2015 Report	South-South Cooperation as an Implementation Tool for Post-2015	Scope	Source
UN System Task Team on the Post-2015 UN Development Agenda	"The global partnership needs to include North-South, South-South and triangular cooperation New partnerships — including North-South, South-South and triangular cooperation, with participation from civil society organizations, the private sector, and philanthropy — should be formed in a transparent way, in collaboration with the presumed beneficiaries and with a clear framework for monitoring and mutual accountability."	• Aid	UN (2013e). *Realizing the Future We Want for All. Report to the Secretary General,* UN System Task Team p. 36, .

Source: Compiled by authors.

In view of the high expectations relating to South-South cooperation, there is a need to design, implement and evaluate the relevant programmes within an institutional architecture. In doing so, the capacity of developing countries to cooperate in an increasingly complex and diverse economic and political setting needs to be built up in a strategic manner. This is a task of the near future that demands urgent attention.

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Annexure

Annex 1: Classification of Non-OECD Countries and Member States of the G-77 According to Income Group

Sl.	Low-Income Countries (38)	Lower Middle Income Countries (46)	Upper Middle Income Countries (48)	High Income Countries (28)
1	Afghanistan	Armenia	Albania	Andorra
2	Bangladesh	Bhutan	Algeria	Antigua and Barbuda
3	Benin	Bolivia	Angola	Bahamas
4	Burkina Faso	Cameroon	Argentina	Bahrain
5	Cabo Verde	Côte d'Ivoire	Azerbaijan	Barbados
6	Cambodia	Djibouti	Belarus	Bosnia and Herzegovina
7	Central African Republic	East Timor	Belize	Brunei Darussalam
8	Chad	Egypt	Botswana	Chile
9	Burundi	El Salvador	Brazil	China
10	Comoros	Georgia	Bulgaria	Croatia
11	Congo	Ghana	Colombia	Cyprus
12	Democratic People's Republic of Korea	Guatemala	Costa Rica	Equatorial Guinea
13	Eritrea	Guyana	Cuba	Kuwait
14	Ethiopia	Honduras	Dominica	Latvia
15	Gambia	India	Dominican Republic	Liechtenstein
16	Guinea-Bissau	Indonesia	Ecuador	Lithuania
17	Guinea	Kiribati	Fiji	Malta
18	Haiti	Lao People's Democratic Republic	Gabon	Monaco
19	Kenya	Lesotho	Grenada	Oman
20	Kyrgyzstan	Mauritania	Iran (Islamic Republic of)	Qatar
21	Liberia	Micronesia (Federated States of)	Iraq	Russian Federation
22	Madagascar	Mongolia	Jamaica	San Marino
23	Malawi	Montenegro	Jordan	Saint Kitts and Nevis
24	Mali	Morocco	Kazakhstan	Saudi Arab
25	Mozambique	Moldova	Lebanon	Singapore
26	Myanmar	Nicaragua	Libya	Trinidad and Tobago
27	Nepal	Nigeria	Macedonia	United Arab Emirates
28	Niger	Pakistan	Malaysia	Uruguay
29	Rwanda	Papua New Guinea	Maldives	
30	Sierra Leone	Paraguay	Marshall Islands	
31	Somalia	Philippines	Mauritius	
32	South Sudan	Samoa	Namibia	
33	Tajikistan	Sao Tome and Principe	Palau	
34	Togo	Senegal	Panama	
35	Uganda	Solomon Islands	Peru	
36	Zimbabwe	Sri Lanka	Romania	
37	Democratic Republic of the Congo	Swaziland	Saint Lucia	

(Annex 1 contd.)

(Annex 1 contd.)

Sl.	Low-Income Countries (38)	Lower Middle Income Countries (46)	Upper Middle Income Countries (48)	High Income Countries (28)
38	Tanzania	Syrian Arab Republic	Saint Vincent and the Grenadines	
39		Sudan	Serbia	
40		Timor-Leste	Seychelles	
41		Ukraine	South Africa	
42		Uzbekistan	Suriname	
43		Vanuatu	Thailand	
44		Vietnam	Tonga	
45		Yemen	Tunisia	
46		Zambia	Turkmenistan	
47			Tuvalu	
48			Venezuela (Bolivarian Republic of)	

Source: World Bank Database, Group of 77 and World Atlas official websites.

Note: In total 194 countries are recognized by the United Nations. The list above consists of 160 non-OECD countries of which 131 are member states of G-77. Nauru and State of Palestine are the two G-77 member states and Korea, Ivory Coast, Nauru and Vatican City are the four countries recognized by the United Nations which are not listed in the World Bank database.

The countries have been categorized based on the income group classification of World Bank. Income group/ Economies are divided according to 2012 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, $1,035 or less; lower middle income, $1,036 - $4,085; upper middle income, $4,086 - $12,615; and high income, $12,616 or more.

[1]http://www.oecd.org/dac/effectiveness/34428351.pdf, accessed on 6 April 2014.

[2]http://www.oecd.org/dac/effectiveness/34428351.pdf, accessed on 6 April 2014.

[3]Bogotá Statement Towards Effective and Inclusive Partnerships, final version March 25th, 2010, http://wwws.un.org/en/ecosoc/newfunct/pdf/bogota-stateent-final.pdf, accessed on 4 April 2014.

[4]http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=24739, accessed on 5 March 2014.

[5]http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=24739, accessed on 5 March 2014.

[6]http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=24739, accessed on 5 March 2014.

[7]For ABC, AGCI, EFTCA, MOFCOM, Egyptian Fund For Technical Cooperation with the Commonwealth and Kuwait fund for Arab Economic Development: http://www.borgenmagazine.com/usaids- counterparts-international-development-truly-global-scale/, for ITEC: http://www.impactalliance.org/ev_en.php? ID=49445_201&ID2=DO_TOPIC, for OIETAI: http://www.oietai.ir/en/aboutus/introduction,for KOIKA: http://www.koika.go.kr, for ICDF: http:// www.bmz.de and for Saudi Fund for Development and TIKA, http://www.aod.ro, accessed on 20 March 2014.

[8]"String of Pearls" is indicative of China's growing geopolitical influence through concerted efforts to increase access to ports and airfields, expand and modernize military forces, and foster stronger diplomatic relationships with trading partners (http://en.wikipedia.org/wiki/String_of_Pearls_(China)), accessed on 20 March 2014.

[9]http://wwsw.hcidhaka.org/pdf/Political%20and%20Economic%20relations.pdf, accessed on 7 April 2014.

[10]http://wwsw.hcidhaka.org/pdf/Political%20and%20Economic%20relations.pdf, accessed on 7 April 2014.

The paper has been prepare d as a contribution to the preparatory process of the first High Level Meeting (HLM) of the Global Partnership for Effective Development Cooperation (GPDEC) to be held in Mexico during 15-16 April 2014. It builds on an earlier draft which was presented and discussed at a regional outreach in New Delhi on "Deconstructing South-South Cooperation: A South Asian Perspective" organised by the *Southern Voice on Post-MDGs* in partnership with the *National Council of Applied Economic Research (NCAER)*, New Delhi and *Centre for Policy Dialogue (CPD)*, Dhaka on 27-28 March 2014.

South-South cooperation has been receiving increasing attention in recent times in the backdrop of the emergence of Southern economies as strong drivers of global growth. Notwithstanding the fact that countries of the global South have been pursuing cooperation at various levels and varying degrees for several decades, there is now a growing realisation about the need for deepening their interdependences. While increased intra-South connectedness has not only created new avenues of collaboration for developing countries, they are also being confronted with new impediments in pursuing this cooperation. Whether South-South cooperation will be an alternative or a complement to the traditional North-South cooperation and relationship, is an issue which is being intensely debated as traditional development actors are being challenged by the increasing role of South-South cooperation.

By unpacking various dimensions of South-South cooperation, by revisiting empirical evidence in this regard and by exploring the potential opportunities which the evolving process posits, the paper sheds light on its prospects in terms of both developmental theory and praxis.

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