Presentation by Mr. Victor Ovalles Santos. Senior Economic Officer, UNCTAD Geneva, Switzerland, February 15, 2018

Distinguished Delegates, Panelists, Colleagues of the United Nations, Ladies and Gentlemen.

Allow me first to express my special thanks to Africa 21, to Julien Chambolle and especially to Ana Maria Álvarez, for the organization of this important event.

It is a special honor to be with you participating in this meeting. I hope that this dialogue shall serve as inspiration to move ahead collectively while remembering about the important moment we are going through, full of challenges for developing countries, and especially for Africa.

Now that we are entering 2018, early preparatory discussions and informal consultations on South South Cooperation will happen in various forums, and later intergovernmental negotiations will begin on the policy recommendations to be agreed at the highest level. All this on the occasion of the 40th anniversary of Buenos Aires Plan of Action, and with a view to the forthcoming United Nations Conference on South-South Cooperation to be held in Buenos Aires, Argentina in the early spring of 2019.

During this presentation, I will provide a brief background on UNCTAD work, I will summarize some central messages resulting of the High Level Symposium on South-South Cooperation held in Argentina during the fall of 2017, I will address aspects of UNCTAD’s research about the future of South-South Cooperation, I will quote my colleagues work of análisis on the global economic scenario, I will adress challenges for developing countries, and meditate on UNCTAD 14 implementation and its future role in south south cooperation. In order to more accurately reflect not only my views but also, the research carried out by all my colleagues, led by UNCTAD Globalization Division Director, Richard Kozul Wright, is that I will be reading this intervention.

**Brief Background on UNCTAD work**

The discussion on promoting South-South cooperation via trade dates back to the 1940s, when the development of countries emerging from the colonial era began to gain importance as an international policy objective.

Raul Prebisch, in his report to the first UNCTAD, our founding Secretary-General argued in support of increased South-South trade, as part of “a new trade policy for development” (UNCTAD, 1964).
In 1978 UNCTAD Secretary General Gamani Correa said that Economic co-operation among developing countries is a subject that figures prominently on the agenda of UNCTAD. This process constitutes a major dimension of international development policy, providing support to the process of ECDC in a manner that would facilitate negotiations among these countries, against a wider background of a universal endorsement of the process by the international community as a whole.

**Notes on the economic rise of the South**

GDP in the South, which represented about 20 percent of world GDP between the early 1970s and the late 1990s, doubled to about 40 percent of global GDP by 2012, with China alone accounting for 12 percent of global GDP. And most of global growth is now a result of growth among developing and transition economies, which together have contributed about

The Southern share of global trade has also grown tremendously, increasing from 35 percent in 2000 to 51 percent in 2012. There has also been a shift in the composition of developing country exports away from primary exports and resource-based manufactures towards medium and high-technology goods. Between 1990 and 2014, the share of high and medium technology goods in developing country merchandise exports increased from 27 to 42 percent. However, the pace of trade growth has significantly slowed in recent years. Between 2012 and 2014, world merchandise trade grew between 2 and 2.5 percent (very similar to global output growth rates), significantly below the average annual rate of 7.2 per cent recorded for the 2003-2007 period.

This decline poses potential challenges for traditional export-led growth and industrialization strategies linked with growing consumer demand in the North. Increasing South-South and intraregional trade offer promising alternatives. In 2014, two-thirds of developing country merchandise trade was South-South trade, up from just one-third in 1990.

“*The Global financial cycle and the current deterioration of the economic environment for developing countries*”

The failure of growth in many developed countries to regain its pre-crisis momentum, despite several years of accommodative monetary policy, has created what UNCTAD calls a “new abnormal”. In today's financialized world, stimulating the economy relies unduly on mounting debt and asset bubbles, with countries facing a difficult trade-off between prolonged subdued growth and
financial stability. This global economic environment has created economic challenges for developing countries.

In light of these challenges, new multilateral arrangements, such as multilateral exchange-rate management or a greater role for special drawing rights, are urgently needed. Their adoption, though, requires institutional changes that appear out of reach in the immediate future. Foreign currency swap arrangements can offer a way forward, but these have mainly catered to the needs of developed countries.

Such swaps involving developing countries are still relatively limited. Expanded International Monetary Fund loan facilities could also help but, so far, new arrangements have largely remained untapped. Meeting the needs of developing countries requires reform of the International Monetary Fund's governance, policy orientation and surveillance mechanisms.

A preferred option for developing countries may be to proactively build on a series of regional and interregional initiatives that aim to foster regional macroeconomic and financial stability, reduce the need for foreign exchange accumulation as insurance, and strengthen resilience and capabilities to deal with balance-of-payments crises.

In a diverse international community, strong regional initiatives could be productively combined with other global, regional and national institutions to create a better governance system. Such a combination of initiatives at various levels could at least partially provide an alternative to reserve accumulation, thereby serving as a stepping stone to more comprehensive international monetary reform in the future.

**UNCTAD DGDS TDR latest research on the Global Macro Scenario**

*Across the heartland of America and beyond, the world economy remains marooned in a state of sub-standard growth, while the social and economic inequities exposed by the crisis show few signs of moderating. Governments have closed down the most egregious loopholes and toxic instruments exposed by the crisis; but however good their intentions, the reality is that few who caused the crash have been held accountable for their actions, and little has been done to tackle its root causes.*

Two factors have been exercising a major influence on growth. The first is that oil and commodity prices, while emerging from their recent troughs, are still well below the highs witnessed during the boom years. This has dampened recovery in the commodity-exporting countries. Second, with developed economies abnegating responsibility for a coordinated expansionary push, austerity has
become the default macroeconomic policy position in many emerging economies facing fiscal imbalances and mounting debt levels. This could worsen if an exit of foreign capital necessitates a cutback in imports in order to reduce trade and current account deficits that become harder to finance. Not surprisingly, anxious policymakers across the South, who are increasingly aware that they have limited control over some of the key elements of their economic future, are closely tracking the United States Federal Reserve’s interest rate policy, the actions of commodity traders and the predatory practices of hedge funds.

Since 2009, there have been efforts to temper the excesses of the financial sector with sundry government commissions, some legislative discipline on bank behaviour, heightened monitoring and calls for self-restraint, as well as the occasional fine for the most blatant displays of fraudulent behaviour. But the underlying macrofinancial structures have remained broadly intact. Despite the trillions of central bank dollars directed at the sector, the promised broad-based recovery has failed to materialize in most countries. Above all, there has been almost no effort to tackle the connections between inequality and instability that have marked the rise of unregulated finance.

Although financialization started in the early 1980s in many developed countries, various indicators show its marked acceleration in all countries from the early 1990s. In most developed countries, total banking sector assets have more than doubled since then, to over 200 per cent of GDP in many European countries and the United States, and to over 400 per cent of GDP in Japan. On a rough calculation, this makes banking a one hundred trillion dollar sector. The picture for developing and transition economies is different only in degree, with banking sector assets peaking at over 200 per cent of GDP in countries such as Chile, China and South Africa.

UNCTAD 14 and future role of UNCTAD on South South Cooperation

UNCTAD has been, for more than 50 years, a constant partner of the South. Since its creation, UNCTAD has been at the service of Southern partners - amplifying their voice, addressing their needs, and facilitating their collaboration. Now is the time to deepen that partnership.

Since its creation in 2010 and during the last seven years, the ECIDC has worked on the following issues: global value chains and south-south trade, industrial policy in China and its lessons for other developing countries, regional financial cooperation in Latin America and West Africa; regional value chains in leather and food processing in South Asia, regional value chains in leather and leather
processing in Africa; national development banks as an instrument of industrial policy, the New Development Bank, and so on.

This is just to show the breadth of issues we are dealing with and the kind of analytical capacity we have in the house. Going forward, our plan is to strengthen the statistical part of our work, counting on the cooperation with the Statistics Branch.

In addition, we are considering the issue of a forum for discussion on some of the topics which have so far been badly neglected. Among these, the most important is a forum to address aid issues from the perspective of the recipients and donors from the South. Currently, there is no such permanent multilateral forum and developing countries are not inclined to discuss these issues within the OECD.

The quadrennial conference celebrated in 2016, UNCTAD 14 outcome declares:

UNCTAD will continue to contribute to the implementation of and follow-up to the outcomes of relevant global conferences, including the 2030 Agenda for Sustainable Development, andAAAA.

While enhancing its work in support of addressing the trade and development challenges of all developing countries across all regions, UNCTAD will also continue its work on issues related to South-South cooperation and integration and triangular cooperation; assessing, including through research and analysis on a regular basis, and promote consensus on how development cooperation and partnerships, including those involving South-South cooperation, can further contribute to the achievement of the Sustainable Development Goals in developing countries;

UNCTAD XIV ministerial conference held in Nairobi from July 17-22, 2016, opened a new era of South-South cooperation. UNCTAD XIV has offered policy options to collectively turn "Decisions into Actions," thereby translating the ambitions of Agenda 2030 into concrete steps to - once and for all - end poverty and ensure prosperity for all nations and peoples, promoting a new global development agenda properly rooted in the principles of justice, fairness, and equity.

UNCTAD Knowledge sharing platforms contributing to the future of South South Cooperation

Developing a harmonized conceptual framework for South-South Cooperation and building a public database to make these vitally important data available will make a major contribution to properly recognizing the growing contribution of the South to multilateral cooperation. Harmonizing definitions and concepts and building a single, centralized database to record this generosity will make a
necessary and valuable contribution to our knowledge of how the South is helping itself and will showcase this to the world.

The work you are embarking upon is also particularly important and relevant to UNCTAD. The Accra Accord mandates UNCTAD to continue and deepen our supporting role in supporting economic cooperation among developing countries. Of particular relevance for your work, UNCTAD is mandated 'to upgrade data and analytical tools on South-South flows and cooperation'.

The immense potential of South-South cooperation is there. But, clearly, the full benefits of South-South cooperation remain untapped. We need to do more and we need to do better. This is where policy matters. And to make sound policies, we need sound data. The simple truth is that it is difficult improve what we cannot measure. The lack of internationally comparable data is the Achilles heel of South-South cooperation, be it in the areas of trade, investment, technology of development cooperation.

This is why UNCTAD is already working hard to ensure comprehensive data in these, and other, areas. And this is why we are proposing to design and build - in close cooperation with Southern partners and the Network of Southern Think-Tanks - an open and comprehensive statistical database.

Such a database would be based on concepts and methodologies agreed upon with Southern stakeholders. In addition, UNCTAD is also proposing - in cooperation with UNDP - to design and build a country-level data collection system - again based on requirements agreed upon with Southern stakeholders.

There are a few compelling reasons why UNCTAD is convinced that now is the right time for us to launch this project.

First of all, this project would be part - and indeed a natural extension - of the wider support we already provide for South-South Cooperation. Let me mention two examples: the Global System of Trade Preferences, or GSTP, and the Global Network of Ex-Im Banks and Development Finance Institutions, or G-NEXID. We are the Secretariat to both. So in this way, we have been supporting, since 1989, the framework for preferential tariff reductions and other measures of cooperation between developing countries. And we support a platform for developing countries to boost South-South trade and investment relations. UNCTAD also already has a mandate to upgrade "data and analytical tools on South-South flows and cooperation." UNCTAD has the expertise - statistical, IT, governance, and capacity-building expertise - to turn data into insights.

Issues of Argentina DCF outcome on South South Cooperation, Possible Issues for a 2019 UN Conference and the Future of South South Cooperation
Views ranged widely on the need or wisdom of attempting to further define South-South cooperation. However, all agreed on the need for a practical orientation to the preparations for BAPA+40, with the aim of producing an action plan in the spirit of the original Buenos Aires Plan of Action. The symposium identified five areas for further work in the preparations for BAPA+40 and in the daily work of South-South and triangular cooperation: (i) adjusting to the new context and global sustainable development frameworks; (ii) knowledge management and knowledge sharing; (iii) institutionalization; (iv) systematization of data and information; and (v) capacity development.

**SOUTH-SOUTH AND TRIANGULAR COOPERATION:**

1. Are making a positive development impact, reducing asymmetries.
2. Have a key role in achieving the 2030 Agenda, Addis Agenda and Paris Agreement on Climate Change.
3. Can contribute to a new multilateralism and drive the revitalization of the global partnership for sustainable development.
4. Have a strategic opportunity to mobilize science, technology and innovation as a key means of implementation.
5. Can be further advanced through South-led and other multilateral development banks, which collectively can play a potent role in creating and supporting knowledge networks across the South, as well as leveraging resources for sustainable infrastructure.
6. Provide mutual learning opportunities, including for the global South to lead on assessing the impact/contribution of development cooperation to sustainable development.
7. Promote multi-stakeholder approaches that need to be enhanced, building on effective policy and legal frameworks, including for blended finance and engagement of the private sector.
8. Allow for the role of parliamentarians, local authorities, women, civil society, youth and other stakeholders to be strengthened to increase inclusiveness and accountability.
9. Require strengthened institutional structures at all levels to enhance cooperation, with emphasis on continued capacity building at national and sub-national levels to support adjustments to the 2030 Agenda.
10. Would benefit from the global financial architecture reflecting the new reality of South-South and triangular cooperation.

**The Summary captures the key messages, ideas and recommendations around:**

I. Achieving the 2030 Agenda, Addis Agenda and Paris Agreement: the role of South-South and triangular cooperation
II. South-South cooperation, climate change and the New Urban Agenda

III. Mobilizing science, technology and innovation through South-South and triangular cooperation

IV. The role of multilateral development banks in South-South cooperation

V. Enabling South-South and triangular frameworks for multi-stakeholder approaches and more inclusive international development cooperation

VI. Building and strengthening institutions of South-South cooperation and reaching outcomes

VII. The road to BAPA+40 and beyond

Final thoughts

Change happens, Change is opportunity for creativity and innovation. I was asked to share UNCTAD collective view towards the future. What will it be in forty years from now its hard to say but without doubt the next decade will be central to the re-form or transformation of the global economic governance, and regarding the next decade is that we have observe the trends mentioned before when we address increased systemic challenges faced by developing countries.

The BRICS play a central role in the present and future of South South cooperation. They are figthing protecionism, have also embraced openness and inclusiveness, dedicated to forging an open world economy. They have also recently reaffirmed core basic principles among nations, as respect and understanding, equality, solidarity, openness, inclusiveness and mutually beneficial cooperation, as a valuable asset and an inexhaustible source of strength. BRICS reterated that have upheld equality and solidarity. Principals that were central to the last UN south south conference in 2009.

There are also opportunities and we can certainly affirm that the BRICS development Bank is a definitive change in the existing landscape, and serves as an example of the importance of new regional arrangements, that better reflect the new realities.

There is a need for a greater role and participation of the global south in global economic governance arrangements and mechanisms, the UN could further facilitate efforts towards promoting better coordination and more comprehensive and inclusive policy dialogue on this subject at the global level. More importantly the BRICS have recently called for a more just, equitable, fair, democratic and representative international economic order. Looking toward to the next year G20 summit they have also called to enhance communication and
**policy coordination** on improving global economic governance to foster a more just and equitable international economic order.

There is also no doubt that more responsibility for emerging southern economies should come together with greater role on global financial architecture issues. A strengthened role for southern countries as emerging donors within the framework of development effectiveness is unlikely to unfold without the acknowledgment and serious commitment of develop countries to a greater role of emerging and developing countries on global governance issues and the reform of the international financial system.

I hope you have found some elements of this presentation enriching, useful, and to some extent provocative.

I thank you.