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## **The world turned upside down: The Rise of the South**

### **UNCTAD XIII special event**

Held at the Qatar National Convention Centre, Doha, on 23 April 2012

**Summary prepared by the UNCTAD secretariat**

## **The world turned upside down: The Rise of the South**

1. This panel discussion was co-hosted with the South Centre. The panellists were Mr. Richard Kozul-Wright, Director, Unit on Economic Cooperation and Integration Among Developing Countries, UNCTAD; Mr. Martin Khor, Executive Director, South Centre; Mr. Rob Davies, Minister of Trade and Industry, South Africa; Mr. Anand Sharma, Minister of Commerce and Industry, India; and Mr. Tony Addison, Chief Economist and Deputy Director, United Nations University World Institute for Development Economics Research.

2. The main goal of the discussion was to further develop the narrative of the “Rise of the South”, and the role of South–South cooperation, as articulated by UNCTAD and the South Centre. The secretariat highlighted the forthcoming report on that subject by its Unit on Economic Cooperation and Integration Among Developing Countries, and the key aspects of that report were then discussed. These included the central role of policy space in successful experiences of growth and development, the need for industrial policy (including the agricultural and services sectors) to guide economic transformation, and the imperative of social inclusiveness (including, *inter alia*, the employment content of growth).

3. It was noted that the conventional discourse (by the international financial institutions, global consultancies, and some governments) claimed that the advanced economies were mired in prolonged stagnation, and that since some large developing economies had been growing strongly, they ought to take up more responsibility to pull the global economy forward and to fund international aid through South–South cooperation. (In other words, if the Rise of the South is inevitable, no policy changes are needed in the South and a new global order will emerge spontaneously.) According to that discourse, these should become UNCTAD’s priority areas of work in the future.

4. All the contributors to the discussion agreed that that view was biased and incorrect. Firstly, while there were evident changes in the global economic architecture, including in trade patterns, in the origin and destination of investment flows, and in relative rates of growth, Southern economies remained much smaller than their counterparts in the North, and they were affected by common and severe problems of poverty, lack of infrastructure, and chronic unemployment.

5. Secondly, the developing economies had many significant vulnerabilities, and were likely to be affected by deteriorating economic performance in the next few years; this was likely to compromise their tentative convergence with the advanced economies. The problems included the likelihood of a decline in commodity prices (which would have a severe impact given the fragility of the fiscal systems built around high commodity prices), the lack of inclusive growth in many developing economies, and the urgent need for considerable investments in infrastructure (including technology, ICT and energy) in order to sustain growth.

6. Thirdly, the conventional narrative suggested that the Rise of the South was both automatic (*i.e.* inevitable) and that it was supported by mainstream economic policies. That view was noted as being overly simplistic. Active policy guidance and North–South cooperation remained essential in order to sustain growth in the South.

7. It was agreed by all participants that the solution to the twin problems of poverty reduction and social inclusion did not depend only on good “general” macroeconomic policy. The solution revolved around specific industrial policies which would include the poor and create a more balanced form of economic growth, which could partly compensate for the small size of most poor countries. However, implementation of those policies required sufficient policy space. The panellists agreed that the fundamental problem for developing economies – and the key parameter for measuring the success of policy in the developing economies – was employment creation.

8. Panellists emphasized that economic growth did not necessarily bring sufficient employment growth and impact on poverty: these depended on the structure of the economy (e.g. the significance of the agricultural or oil sectors).
  9. One specific aspect of the economic problems in the South that was considered during this session was the limitations imposed on developing economies, especially in Africa, by their small size. This could be overcome, at least in part, by regional integration (“developmental regionalism”), especially through trade and infrastructure, which could help to remove some obstacles to growth and to create the basis for industrialization and the internalization of value chains on the continent. However, all participants agreed that South–South trade and other relations must be different from the traditional North–South pattern.
  10. The panellists agreed on the need for sufficient targeted finance to sustain growth and inclusive development. One possible way forward was the creation of development banks, including the “Bank of the BRICS” that had recently been announced.
  11. The panellists also agreed that South–South cooperation (across trade, finance, technology transfer and so on) was not a replacement for North–South cooperation; however, at the same time, it could offer developing economies (and especially the least developed countries) something unique. One of the distinguishing features of South–South cooperation was that it could help to redefine the multilateral agenda in a way that was less damaging to the prospects of developing economies at all levels of development.
  12. All panellists agreed that the developing economies remained very different from the advanced economies, both structurally and in terms of their income levels, and that the same commitments could not be expected from both groups of economies. Panellists also agreed that the Rise of the South, insofar as it had already taken place and may continue to do so, had created a new reality, including a new multilateralism, that must be reflected in global governance as a condition for a stable global order.
  13. In conclusion, all panellists agreed that significant problems of poverty and lack of infrastructure remained, even in the largest economies of the South. However, the BRICS (Brazil, the Russian Federation, India, China and South Africa) could offer the other developing countries new and highly effective approaches to poverty reduction, including transfer programmes, which could be replicated elsewhere. Finally, it was important to rebalance the internal and external drivers of growth, and to reduce developing-economy dependence on the external environment and export-led growth.
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