

Challenges of South-South Cooperation in the Era of Globalization

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Abstract

Developing countries are known to be facing multiple interlinked macroeconomic, financial and developmental challenges in this globalized world system. Using secondary data, this paper observed that developing countries have no control over manufacturing, had no tangible development in the area of Information Communication Technology, (ICT), trade services and military technology. Hence, the control of the global economy is left to the dictates of the North. The South-South Cooperation (SSC) is therefore an important mechanism for developing countries to meet these challenges individually and collectively, in multilateral North-South dialogue and global governance. The effectiveness of the South-South Cooperation (SSC) in surmounting these challenges was examined. It highlighted some challenges such as weak institutional set up and framework, insufficient capacity in project management, lack of policy coordination among developing countries as well as inappropriate development strategies as major hindrances of the South-South Cooperation. This paper further identified processes of globalization such as liberalization of trade and finance, finance and investment and the globalization of policy making as some factors that have grave implications on the development of the South. The paper concludes that the SSC should take advantage of the economic crisis between the US and China, and liaise with China in the areas of research and technology transfer. Members of South-South Cooperation are recommended to boost their economies, balance opportunities and problems resulting from globalization, policy coordination among developing countries, and search for appropriate development strategies.

Keywords: Globalization, Multilateralism, Liberalization, Policy and Cooperation

Introduction

The growing dominance of countries of the North in the areas of trade, technology, manufacturing and services necessitated the formation of the South-South Cooperation in order to strike a balance and achieve economic development. It is a known fact that international communities have used key tools such as cooperation, coordination, bilateral and multilateral agreements to meet their development goals. The southern hemisphere which account for a majority of global population when compared to other regions of the world is lagging behind in

development. This may be due to reasons such as colonial control, poor policies and framework for development as well as poor leadership.

The conflicting political and social situation between the Southern and Northern hemisphere has created a “North-South” divide with the global North comprising of the highly industrialized countries of North America, Western Europe, and some developed countries of East Asia. On the other hand, the global South encompasses Africa, Latin America, and the developing economies of Asia and the Middle East (Sharma, 2013).

A greater percentage of the global economy is controlled by the North, having most of industries and production companies’ headquarters domiciled there. Due to poor participation in industrialization and ineffective production capacity, the global South could not meet up with their development challenges. Thus, despite heavy dependence on global trade, the least developed economies in the South failed to benefit from trade partnerships due to inherent poverty and rising unemployment. More importantly, there is a huge gap in the Human Development Index between the North and the South; signifying doom for the global South (Singh, 2006).

Viewed from this angle, the South-South Cooperation seems to be a viable and most effective mechanism to ensure development and alleviate poverty in the South as it is likely to decrease the dependency on donor countries from the North and to heavily support self-reliance through innovations and technology while strengthening local and regional partners in development. It would be a productive plan on the part of the South to ensure development and progressive economic growth without becoming dependent on the North. The greatest challenge, however, is that none of the countries in the global South have control over manufacturing. With Information Communication Technology as a driving force in the present wave of globalization, there is hardly any tangible development in the areas of Information Communication Technology (ICT) by countries in the South. Similarly, they are deficient in trade services and military technology.

Consequently, there appears to be a stiffer competition in the control of the global economy by the two divides which the South-South Cooperation will have to contend with. This paper seeks to investigate and analyze the potency of the South-South Cooperation in the present wave of globalization. This is imperative as many development experts have contended that globalization has made a number of least developed economies vulnerable especially when those economies are trying to integrate their markets into the global economy.

Materials and Methods

This paper relied on secondary data from library. The information used is drawn from published documents/ documentary analysis.

Conceptual Clarification

South-South Cooperation (SSC): Viewed from the concept of multilateralism, is a continuing process vital to confront challenges faced by the South, and a valuable contribution to development. According to Murray (2015), South-South Cooperation is an important strategy to sustain the development efforts of developing countries and a means of enhancing their participation in the global economy. It is a very important aspect of international cooperation for the achievements of development among developing countries. It is distinct from existing modes

and frameworks relating to long standing Official Development Assistance (ODA) from developed countries to developing countries.

In this regard, the principles for South-South Cooperation, including at the policy level have already been articulated by the South. They serve as important benchmark for shaping South-South relations at the global, regional and national levels and could impact on further development of North-South relations. This will shape the way in which countries of the South achieve their respective development goals and objectives (Di-Ciono, 2017). The South-South Cooperation therefore plays an important role in supporting the development strategies of developing countries due to the need for strategic and united collective actions on the part of developing countries in the international arena.

Globalization

The contemporary influence of globalization has attracted several meanings from different authors. An attempt at a general definition will thus require an overall review of the submissions on the concept. This paper however, attempts to conceptualize globalization as a process through which market forces facilitate cross boarder flow of knowledge, information, capital and finance. According to Sharma (2013), globalization is the free movement of goods, services and people across the world. It is the process of integration of the world economy into the emergent international division of labor. Globalization in this aspect creates a world without boarder which eliminates restrictions on trade, movement of finance and capital as well as immigration policies.

This is why Sosa (2008) argues that globalization constitutes a unifying force capable of bringing together people and merging the different cultural values and world economic systems. Its scope reaches across any known cultural, social, economic and political boundaries, combining the unique ways of thinking and customs of different ethnicities and world cultures.

Similarly, Aisbeth (2007) asserts that globalization refers to global economic integration in the areas of trade, foreign investment, and migration. This is facilitated through improvements in technology and decreased transportation cost, as well as deliberate policy choices on behalf of many national governments to liberalize their economies and participate in development of global institutions.

Theoretical Framework

Globalization Theory

According to Reyes (2001), Globalization is a theory of development that uses a global mechanism of greater integration with particular emphasis on the sphere of economic transactions. It is a United States (US) and Europe-centric positive model of development whose feature is the spread of capitalism around the globe. The focus of Globalization Theory is communications and international ties, with these ties directed at cultural and economic factors in communication systems.

Globalization Theory explains inequality by identifying cultural and economic factors in global connection. Reyes (2001) claimed there are two major meanings of the word Globalization. One deals with the word as an event when a sense of interdependence occurs throughout different countries of the world in different aspects of communication, trade, and finance. The other

meaning that has been applied to the concept of Globalization, considers it as a theory of economic development with the supposition of widespread unification among different countries. This integration is believed to have an effective influence on the development of economies and on the improvement in social indicators.

As far as the term Globalization is concerned, it includes degrees of change in theories. For example, as Zineldin (2002) stated that Globalization has transformed theory concerning development effort and its different definitions, which is specific to every developing country. It can therefore be considered a theory of economic development which provides constructive suggestions about the ways in which developing countries can achieve the positive, beneficial effects of developed countries. Furthermore, Zineldin (2002) noted that one can witness the problems that have been produced by Globalization in developing countries. He traces the origin of such problems to developing countries competing rather than cooperating with each other.

The Process of Globalization and its Implication for South-South Development

It is quite imperative to identify the processes through which globalization takes place on the global stage and its subsequent implications for developing countries of the global South. According to Khor (2000), globalization has become the defining process of the present age with the opportunities and benefits of the process being applauded by the proponents; while there is an increasing disillusionment about the process among the academia and policy makers in the South. This is due to lack of tangible benefits derived from the process by most developing countries. He identified the liberalization of trade and finance, finance and investment, the globalization of policy making as some of the process of globalization which have attendant implications on the development of the South.

Liberalization of Trade, Finance and Investment

A number of factors have accelerated the pace of economic globalization in the past decades. Technological development and policies of liberalization are key factors. More importantly, the breaking down of national economic barriers, the international spread of trade, financial and production activities and the growing power of transnational corporations and international financial institutions facilitated the process (Terwase, Abdul-Talib, & Zengeni, 2014).

While economic globalization is a very uneven process, with increased trade and investment being focused in few countries, most developing countries are affected by the process. For example, a low income country may account for only a minute part of world trade, but changes in demand or prices of its export commodities can have a major economic and social effect on the country. This explains why most developing economies of the global south does not benefit from international trade, though with marginal role but with major effects on the economy.

The Globalization of Policy Making

One of the most important and unique feature of the current globalization process is the “globalization” of national policies and policy-making mechanism. National policies (including in economic, social, cultural and technological areas) that until recently were under the jurisdiction of States and people within a country have increasingly come under the influence of international agencies and processes or by big private corporations and economic/financial

players. This has led to the erosion of national sovereignty and narrowed the ability of governments and people to make choices from options in economic, social and cultural policies. Most developing countries have seen their independent policy-making capacity eroded, and have to adopt policies made by other entities, which may on balance be detrimental to the countries concerned. The developed countries, where the major economic players reside, and which also control the processes and policies of international economic agencies, are better able to maintain control over their own national policies as well as determine the policies and practices of international institutions and the global system (Sharma, 2013). However, it is also true that the large corporations have taken over a large part of decision-making even in the developed countries, at the expense of the power of the State or political and social leaders.

Part of the erosion of national policy-making capacity is due to the liberalization of markets and developments in technology. For example, the free flow of capital, the large sums involved and the unchecked power of big players and speculators, have made it difficult for countries to control the level of their currency and the flows of money in and out of the country. Transnational companies and financial institutions control such huge resources, more than what many (or most) governments are able to marshal, and thus are able to have great policy influence in many countries (Terwase, Yusuf, Mohammed, & Sani, 2022). Certain technological developments make it difficult or virtually impossible to formulate policy. For example, the establishment of satellite TV and the availability of small receivers, and the spread of the use of electronic mail and the Internet make it difficult for governments to determine cultural or communications policy, or to control the spread of information and cultural products.

Beside, an even more apprehensive, but equally important aspect is the recent process by which global institutions have become major makers of an increasingly wide range of policies that are traditionally under the jurisdiction of national governments. Governments now have to implement policies that are in line with decisions and rules of these international institutions. Key institutions concerned and driving these are the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO). The control of policies of the developing countries especially those of the global South have grave implications on the development and achievement of the objectives of the South-South Cooperation. The SSC is faced with the challenge of reducing the impact of policy control in order to transform the sovereignty of the State so as to key into areas of critical developmental concerns.

Rising Inequality and the Effects of Globalization

“Globalization” is a very uneven process, with unequal distribution of benefits and losses.

This imbalance leads to polarization between the few countries and groups that gain, and the many countries and groups in society that lose out or are marginalized. Globalization, polarization, wealth concentration and marginalization are therefore linked through the same process. In this process, investment resources, growth and modern technology are focused on a few countries (mainly in North America, Europe, Japan and East Asian countries). A majority of developing countries are excluded from the process, or are participating in it in marginal ways that are often detrimental to their interests. For example, import liberalization may harm their domestic producers and financial liberalization may cause instability.

Globalization is thus affecting different categories of countries differently. This process can broadly be categorized as follows: growth and expansion in the few leading or fully participating countries; moderate and fluctuating growth in some countries attempting to fit into the globalization/liberalization framework; marginalization or deterioration experienced by many countries unable to get out of acute problems, such as low commodity prices and debt, unable to cope with problems of liberalization, and unable to benefit from export opportunities. The uneven and unequal nature of the present globalization is manifested in the fast growing gap between the world's rich and poor people and between developed and developing countries; and by the large differences among nations in the distribution of gains and losses.

Weaknesses of the South in facing the Globalization Challenge

Most countries of the South have been unable to reap benefits from globalization because of several weaknesses. Nayyar (1997) examines this phenomenon of "uneven development"; showing how globalization mainly benefits the developed world, while in the developing world; the benefits of globalization accrue only to a few developing countries. There are only eleven developing countries which are an integral part of globalization in the late twentieth century. They accounted for 66 per cent of total exports from developing countries in 1992 (up from 30 per cent in the period 1970–1980); 66 per cent of annual Foreign Direct Investment (FDI) inflows to developing countries in 1981–1991; and most of portfolio investment flows to the developing world. Some of these eleven countries have since been badly affected by financial crises, debt and economic slowdown, thus diluting further the rate of success of the South in integration in the world economy.

The South's weaknesses stem from several factors. Developing countries were economically weak to begin with due to the lack of domestic economic capacity and weak social infrastructure following the colonial experience. They were made weaker by low export prices and significant terms-of-trade decline as well as the debt crisis and the burden of debt servicing. The policy conditionality attached to loan rescheduling packages hampered the recovery of many countries and led to further deterioration in social services. Given the unequal capacities of North and South, the development of technology (especially information and communications technologies) further widened the gap. On top of these unfavorable international factors, many developing countries have also been characterized by dictatorships, abuse of power and economic mismanagement, which undermined the development process. All these factors meant that the South was in a weak position to take on the challenges of globalization, as the conditions for success in liberalization were not present. Given the lack of conditions and preparedness, rapid liberalization caused more harm than benefit (Singh, 2006).

The South's weakness also stems from its lack of bargaining and negotiating strength in international relations. Being heavily indebted and dependent on bilateral aid donors and multilateral loan organizations, developing countries have been drained of their capacity to negotiate (even on the terms of loan conditionality). The powers of the United Nations, in which the South is in a more favorable position, have been diminished, whereas the mandate and powers of the institutions under the control of developed countries (the IMF, World Bank and WTO) have been increased tremendously. The North has leverage in the Bretton Woods institutions and the WTO to shape the content of globalization to serve their needs, and to formulate policies which the developing countries have to take on.

Enhancing South-South Cooperation in the Era of Globalization

A myriad of challenges has impinged on the ability of the South-South Cooperation to cope with the emerging trends of globalization. Weak institutional set up and framework, insufficient capacity in project management and lack of maturity are some of these challenges as identified by Li (2018). For Khor (2000), lack of policy coordination among developing countries, inadequate democratic global governance, and imbalance in the role of the State and market as well as inappropriate development strategies are major hindrances of the South-South Cooperation. There is therefore the need to enhance the ability of the SSC in order to be a beneficial partner in the process of globalization. In so doing, Khor (2000) outlined some key measures. These include but not limited to the following strategies:

Balancing opportunities and problems resulting from globalization

Among the biggest dilemmas for developing countries is whether they should open themselves up to the globalization process (in the hope of obtaining some of the benefits), or to take a more cautious approach to avoid risks (which would attract criticisms from the mainstream institutions that are sure to lecture the countries concerned that they would be left behind). The challenge is whether developing countries can take advantage of the liberalization process, which to a large extent is being pushed on them externally, while at the same time avoiding or minimizing the disruptive consequences on their societies and economies.

The ability to manage liberalization and globalization will be a crucial aspect of national policy-making in the years ahead. At this point the danger is that most developing countries, under great pressure from agencies such as the WTO, the IMF and the World Bank, will go along with the trend and institute more as well as rapid liberalization policies, without a clear idea of the conditions needed to successfully take the associated risks. Instead of rapid liberalization, a selective approach to liberalization is more appropriate. The aim of this would be to strike a careful balance between opening the domestic market (to benefit consumers) and protecting it to take into account especially the interests of small producers.

The need for South-South policy coordination among developing countries

In order to widen their policy options in the future and to strengthen their bargaining power, developing countries have to organize themselves to strive for a more democratic global system. Countries of the South, at many different forums, have collectively reaffirmed their view that the social and economic role of the UN and its agencies is even more necessary in view of globalization. While they may have spoken up, they have to do even more to assert their belief in the UN's role and to intensify the fight to reverse its decline. They should also strengthen South-South Cooperation, with the support of UN agencies such as the United Nations Trade and Development (UNCTAD) and United Nations Development Programme (UNDP) as well as through their own mechanisms and organizations.

This cooperation should include an increase in trade, investment and communications links at the bilateral level and between regions, as well as joint projects involving several South countries. Equally or even more urgently required is SSC in the area of policy coordination in reaching common positions. This is especially because policies that used to be taken at the national level

as the prerogative of national governments are increasingly being made at forums, institutions and negotiations at both the international and regional level. Without a more effective collective voice at such international forums, Southern countries will find even more that their national policies on economic, social and cultural matters being made and dominated over by the more powerful Northern governments and the institutions they control.

Rebalancing the roles of State and market

In considering their options in the globalized economy, developing countries have to seriously review the liberalization experience and make important conclusions on the balance and mix between the roles of the State and the market. As the Indian economists Amit and Nayyar (1996) have argued, contrary to the laissez-faire structural adjustment model, both the market and the State have key roles. According to them, an unbridled economic role for the government in the name of distributive justice is often a recipe for disaster in the long run, but, on the other hand, market solutions are often ruthless to the poor. Moreover, government failure does not imply that a reliance only on markets will succeed.

The search for appropriate development strategies

The review of structural adjustment policies and of the liberal “free-market” model in general, shows that a re-conceptualization of development strategies is required, and that alternative approaches are needed. An important issue is whether developing countries will be allowed to learn lessons from and adopt key aspects of these alternative approaches. For this to happen, the policy conditions imposed through structural adjustment have to be loosened, and some of the multilateral disciplines on developing countries through the WTO Agreements have to be reexamined. In the search for alternative options for developing countries, work also has to be increased on developing economic and development approaches that are based on the principles of sustainable development. The integration of environment with economics, and in a socially equitable manner, is perhaps the most important challenge for developing countries and for the world as a whole in the next few decades.

Discussions

Economic cooperation between developing economies plays an important role in maintaining necessary multilateral relations among member nations of the South. These are further reinforced with wide expertise in broad fields, necessary technical expertise and exchange of knowledge. On the contrary, inadequate financial aid has been haunting the developing economies of the South for long. The South-South Cooperation provides a broad framework for collaboration among countries of the global South in the political, cultural, environmental and technical domain. Such cooperation can take place on a bilateral, regional, sub-regional and inter-regional basis. Developing countries share knowledge, skills, expertise and resources to meet their development goals through concerted efforts. Recent development in the South-South Cooperation have taken the form of increased volume of South-South trade, South-South flows of Foreign Direct Investment, movement towards regional integration, technology transfers, sharing of solutions and other forms of exchange. While these developments may seem positive for the global South, it is imperative to note that the process and pace of globalization is fuelled by technological innovations, growing international trade and commerce, and rapid sustained economic growth in developed climes.

For Singh (2006), globalization itself may not be destructive but it comes with many opportunities as well as challenges to the countries of the South. While for many of them there are increasing opportunities for growth and alleviation of poverty, many others are in the danger of being left behind. This is because vulnerable sections of the society may not be able to reap the benefits of globalization, unless opportunities and choices are opened to them through implementation of well-designed policies and programmes. This explains why the impact of globalization is seen from two main perspectives; the pro-globalization and anti-globalization. The perspective of pro-globalization holds that the spread of market economies, competition, free trade and western democracy are important progressive trends. In addition, capitalism is perceived as a moral good that promote economic growth and efficiency leading to increased wealth across the globe. Thus, pro-globalist sees globalization as an inevitable process which countries must accept in order to develop (Murray, 2015). However, anti-globalist advocates the threats of globalization. They suggest that globalization replicates colonial pattern of exploitation and the economic and political power expansion of the West. Therefore, powerful states create the globalization agenda to perpetuate their dominant position (Murray, 2015).

Conclusion

Globalization is a phenomenon in the present global reality that is taking place through cross boarder flow of large quantities of trade, investment, people and technology which have expanded from a trickle down to a flood. It is increasingly creating wealth for some countries while diminishing same for others, particularly the developing economies. Developing economies of the South are vulnerable to manipulation, exploitation and at the losing side despite having ample natural resources, land and population for better market and negotiations. The global South is confronted with individual and global challenges, which stagnate it cohesion, economic growth and development to withstand and compete with the developed North for several decades.

As a way forward, South-South Cooperation is a key in this drive. Strong Multilateralism is recommended as a framework for developing countries in order to close the gap created by globalization processes. To this end, the SSC would have to look inward to cooperate with China in the area of technology transfer as well as take advantage of the present economic crisis between the United States and China. The SSC should also extend efforts in research to stimulate growth and development. The South-South Cooperation is not helpless but can better organize its responses as well as its own proposals in a more coordinated way on substantial policy and negotiating positions, or on strategy in relation to the widening gap in development.

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