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# North-South Divide, South-South Co-operation

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**Abstract**

*The escalating development distance between the developed countries and the developing ones and the merciless subordination of interest of the latter by the former group of nations have been of late cropped up as a matter of massive intellectual concern. Since the time immemorial economically better off countries, termed as countries of North have the propensity to dominate the economically less prosperous countries named as the countries of South. Here an attempt has been made to gain an insight in to the pattern of assault directed at the countries of South by the countries of North. Attempt has also been made to throw light on the factors that amalgamate the countries of South forming regional and sub-regional grouping to counter the cruel offensive in the form of unequal terms of trade.*

**1.1 Introduction:** Human relation grows up on equity, justice, mutual respect and love for each other. Likewise, the relation of a nation with another one lays on respect for territorial sovereignty of each other. Again, economic development in different countries can act as leveler, prevent the remoteness of tie between the countries and contribute towards peaceful co-existence of the countries otherwise diverse in nature. But the reality is reverse; economically better off countries have the propensity to dominate the countries that are economically less affluent. History of human civilization reminds the hard fact and veracity that most of the wars and the great wars were the outcome of greed for gaining control and attempt for market penetration by the dominant and economic super powers. Thus, trade rivalry and the trade on unequal terms etc eventually resulted into catastrophic war, distress and sufferings of the mankind. Unequal economic development and trade relation have given the birth to two distinct groups of nations. One group, i, e the economically advanced countries named as the countries of 'North' and the countries that are lagging behind economically are grouped as the countries of 'South'. How the countries of South have been subjugated by the countries of North's unequal terms of trade for centuries, how the countries of South came together to defend against the brutal trade ambush of North forming regional trading groups, needs an in depth study.

**1.2 Global Trade Scenario: The North-South Divide:** The mounting development distance between the developed countries and the developing ones and the implacable subordination of interest of the latter by the former group of nations have been of late cropped up as a matter of huge intellectual concern. It was recommended that, for investigating the primary reason and nature of the problem, one need to underline the variety of links between the industrialized and developing countries. Based on a basic scrutiny, three variables come out to be the direct sources of such links (Panchamukhi 1987:221).

a) The stratagem of industrial countries;
b) The relative strength of the developing countries; and
c) The diverse mechanism which determine the ways capital pours in to the developing countries and the vice versa.

There are authentications suggesting that the first variable to some extent influences the other two (Panchamukhi 1987: 29). To put it otherwise, it was argued that the plans followed by the developed countries often reveal their dismal effects on the economies of developing economies. Those policies in their most general dimensions may be listed as follows:

1. Augmented protection
2. Instability of interest rate
3. Militaristic policies of industrialized countries and heavy embarkation on the development of sophisticated weapons.
4. Prevalence of political pressure in the pursuance of their unjust economic interest (Modwel1987: 15).

Protection has been the most common feature of trade policies of developed countries which have damaging impact on the developing countries. Such policies limit the scope of industrial expansion in developing countries and as a result these developing countries are forced to resort to inward looking industrial policies. Naturally the consequence of these selfish protectionist policies of the first world is that developing countries are often faced with a gloomy prospect for the future growth and development (Modwel 1987:15).

Volatility of interest rate is natural deduction from the prevailing economic policies of most industrialized countries. Economists view that the large budget deficits in industrial countries impose an important impediment to lowering of interest rate. During the latter part of seventies and almost entire eighties as a proportion of national income, combined budget deficits of nine principal countries (except the Federal Republic of Germany and Japan) had gone up substantially. The increase in budget in USA was phenomenal during that period (Raipuria 1988:23).

Floating exchange rate is another means which have been widely used in developed countries to help attain their economic balance that too at the expense of the developing countries (Raipuria 1988: 27). In reality with the combination of protectionism, variable interest rate and floating exchange rate the industrialized countries transfer a portion of social cost of their decision making to the countries that are not in a position to take any measure to counter such move of the industrialized countries. In other words the countries of South are forced to finance to bail out the most unjust economic interest and decision of the countries of North which in many ways are aimed at violating ,economic and political rights of developing countries (Rao 1987:116).

The complexities of the issues involved prompted holding of a Conference in Paris in 1975 to work out cooperation between developed and developing countries. The idea of the conference was to devise a mechanism for the introduction of New International Economic Order. The Paris meet was attended by 27 countries which included 19 developing counties and 8 developed industrialized countries. It came to be known as North- South dialogue. The Paris conference on International Economic Cooperation (CIEC) met for 19 months, but produced only modest result. Meanwhile, the UN general Assembly in 1975 stressed that the overall objective of NIEO was to increase the capacity of developing countries, individually and collectively and to pursue their development plan. The idea of promoting collective self-reliance among the developing countries became one of the components of the NIEO (Modwel 1987:27).

When the Paris Conference failed to produce any substantial results, the United Nations in November 1977, appointed an Independent Commission on International Development Issues. The Commission was headed by the former German Chancellor Willy Brandt and with 18 other eminent experts. L. K. Jha (India), Edward Heath (Britain) and Olaf Palme (Sweden) represented the Commission. The Commission came to be known as Brandt Commission negotiations. Its report was finalized in 1979, and was presented to UN Secretary General in February 1980. The Commission submitted a long term Programme of Action (1974) and was presented to UN Secretary General in February 1980. The commission submitted a long term “Programme for survival” involving drastic changes in the global economic structure. Besides it called for an immediate summit of the leaders of the North as well as South to consider an emergency plan to avert an imminent global disaster. The plan envisaged a large international energy study, a global food programme (Model 1987:28).

The Brandt Commission report pointed attention to the needs for redefining the structural elements of prevalent economic order within the framework of its proposed North-South cooperation and also stressed on the need for expansion of South-South trade and economic relation.

**1.3 Case for Strengthening South-South Trade Relation:** A strong case for strengthening south –south relation in trade was made by the well- known Prebisch-Singer thesis. The thesis is the observation that the terms of trade between primary products and manufactured goods tend to deteriorate over time. Developed independently by economists Raul Prebisch and Hans Singer in 1950, the thesis suggests that countries that export commodities (such as most developing countries) will be able to import less and less manufactured goods for a given level of exports (Salvatore 2004: 183).

Singer and Prebisch examined data over a long period of time suggesting that the terms of trade for primary commodity exporters did have a tendency to decline. A common explanation for the phenomenon is the observation that the income elasticity of demand for manufactured goods is greater than that for primary products- especially food. Therefore, as income rises the demand for manufactured goods increases more rapidly than the demand for primary products.

Development economists believed that problems in developing countries were structural and required radical government intervention to overcome. Some recent researchers have found empirical support for the Siger-Prebisch thesis.

Prebisch argued that owing to the declining terms of trade primary producer’s face, developing countries should strive to diversify their economies and lessen dependence on primary commodity exports by developing their manufacturing industry and for trade in manufacturing products among them.

Among the developing countries themselves, most economists are of accord that discriminatory trading arrangements, to a certain extent, are the best available means for increased liberalization, so long as the trade diversion effects of such discrimination do not exceed the effect of trade creation (Tailor Paul 2006: 117)

The surrounding substance gives some very approximate figures for the share of World trade between the “North” -industrial market and nonmarket economy –and the “South” . These markets show that South-South trade is projected to increase from 7 percent to 9 percent of world trade between 1980 and 1990. More importantly, South—South trade will increase as a share of total exports of the south from 27 percent to 32 percent. Much of this increase is accounted for by the exports of primary products to both the oil exporters and the semi industrial countries. South-South trade in primary products is projected to increase from 8 to 11Percent of World trade. On the other hand, South-South trade is expected to remain at about 5 percent of world trade during the decade. The easing of trade restriction between developing countries could result in a significant increase in trade and growth (World Bank 1981: 12)

Expansion of trade among developing countries is a response to economic development needs, including the mobilization of resources for the development and at the same time is a response to difficulties encountered by in exporting traditional as well as new products to their principal markets, the developed countries (Linnemann 1992: 21). By opening up their markets to each other firstly, developing countries could evolve a pattern of specialization among them and thereby have much greater access to economies of scale. Secondly, developing countries would be able to push an import substitution Policy of development much further collectively than each of them could in isolation do.

Thirdly, by expanding their mutual trade, developing countries could move their productive structure closer to structure characteristic of much larger economic areas. This in turn, could enable them to raise their levels of real income per capita.

Fourthly, within the larger economic area, the trade of each developing country would increase, but a greater proportion of total import than before would originate in other developing countries of the region. If this import were paid for by exports to other developing countries, they would put no net burden on the payments balances of other countries. It is in this that trade among developing countries becomes significant as an engine of growth (Linnemann1992: 21).

**1.4 Conclusion:** The context that is outlined above has made it amply clear that there is an urgent need for developing countries to embark on a device that will result in enhanced trade amongst them. In other words economic amalgamation of the South can only be a strategy to respond to the unequal terms of trade of North. At least, sort of loose economic union removing tariffs and hurdles only to begin with amongst the countries of South for boosting trade will be hugely fundamental. This is how South –South Co-operation can be augmented and the countries of South can be made competitive to some extent.

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