Book Review


Recent years have witnessed two significant developments in the South: robust performance and rising influence of powerhouse economies, and a growing gap between the developing countries and the least developed countries (LDCs). The growing clout of the South preceded the 2009 global financial crisis, although the general buoyancy of the BRICS and other major economies through the turbulence further anchored their stake in the world economy. This global reconfiguration receives much attention, including in the UNDP’s 2013 Human Development Report, themed The Rise of the South.

UNCTAD’s Least Development Countries Report 2011: The Potential Role for South-South Cooperation for Inclusive and Sustainable Development casts light on the lagging performance and persisting vulnerability of LDCs, and the potential for Southern partners to help them. The long term picture, presented in the report’s first segment, is bleak. From 1970 to the mid-1990s, already low LDC incomes plunged further in both advanced countries and other developing countries. Some LDCs enjoyed relatively high economic growth in the pre-crisis 2000s, spurred by high oil and primary commodity export prices, as well as inflows of mostly resource extracting foreign direct investment (FDI) and remittances from abroad. Overseas development assistance (ODA) also increased, but remained concentrated in a small set, with the six largest recipients accounting for almost half of total aid received by LDCs.

However, financial inflows in these varied forms slowed in the aftermath of the crisis, compounded by sluggish recovery and nagging uncertainty in the advanced economies. Moreover, food price inflation over two episodes – roughly, 2008 and mid-2010-2011 – adversely affected LDCs, most of whom are net food importers. Thus, while the relative position of LDCs improved in the 2000s, by 2009 they were as far behind the leading developing countries as they were in 1994.

The challenge for these 48 LDCs to reach the US$1,086 income threshold marking LDC status remains steep. Eleven appear on track to graduate by 2020, but 30 are unlikely to pass. The case for reconfiguring policies and interdependencies is as strong as ever. While the Northern advanced countries
continue to be important trade and financial counterparts, the role of the South increases, but LDCs need a systematic approach for engaging new partnerships.

The report advocates the Istanbul Programme of Action (IPoA) of May 2011. The IPoA’s overarching goal is “to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the LDC category” (p. 27). Specifically, LDCs target 7 percent annual economic growth, sustained and equitable human development and empowerment of women, and strengthened resilience to crises and shocks.

The IPoA, building on the preceding Brussels PoA, draws new attention to the potential complementary role of South-South cooperation in meeting the targets, engagement with non-government and government bodies, and investment in science, technology and innovation (STI). However, there is a shortfall of financial commitments to help realise the broad goal of developing productive capacities, particularly in manufacturing, which has remained stagnant as a proportion of total GDP since 1990 in the LDCs.

The middle segment of the Report follows through with discussion of the implications of rising Southern economic power. Growth in Southern trade partners’ role in LDCs, as destination for exports and source of FDI, ODA and remittances, are striking as presented through statistics and charts, but are the developmental prospects any brighter compared with North-South engagement?

The answers are, of course, not simple and straightforward, and depend on country or regional contexts. This Report offers some insights. Drawing on the flying geese perspective, regional integration within the South can facilitate technological transfer and catch-up. Growth poles constitute another model for viewing relations among South nations, by concentrating technological change, innovation and skills in particular areas, which can generate positive spillovers. From another angle, the emergence of new core-periphery structures, with dynamic and large developing countries gaining at the expense of LDCs, underscore the potential for South-South rivalry and conflict. Whether or not the long term outcomes are positive depends on the extent and form of integration and cooperation.

The latter part of the Report thus outlines possibilities for fostering effective, dynamic and developmental South-South cooperation and points out some present realities that provide glimmers of hope. The scope for more synergistic relations within the South than between North and South may be broadened by the fact that developing countries face similar challenges as LDCs. With Southern partners of LDCs continuing to grapple with poverty and technological catching up, lesser hierarchy and better understanding may translate into less exploitative engagements. This is evidenced, inter alia, in the relatively fewer conditionalities attached to ODA from Southern countries
to LDCs. Examples of developmental regionalism, in Northeast and Southeast Asia, provide some templates for consideration. At the same time, LDCs must voice and assert their stake and agenda. The Report also proposes ways that sovereign wealth funds, particularly in concert with regional development banks, can play a greater role in enhancing productive capacities.

The report sheds important light on the current state of the LDCs, especially in the aftermath of the global financial crisis. Increasing South-South cooperation is compelled by myriad factors. Economic dynamism at this historical juncture and in the foreseeable future resides in rising powers and regional hubs of the South, which are also ravenously demanding natural resources available in LDCs. The poor record of the North-dominated global economy in serving LDCs lends further weight to the case for expanding South-South engagements.

However, the direction LDCs will head, and the potential gains to be reaped, will depend considerably on intra-South relations. This report contributes instructive and cogent ideas toward that end.

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