

## Some Preliminary Thoughts on New International Economic Cooperation

By Bhagirath L. Das

### I. The Changing Scene

The developed countries have acted as engines of economic growth in the world for nearly half a century; but they may not continue to have that role for long. With their negligible population growth and low level of GDP growth, they are unlikely to generate significant additional consumer demand. As against it, the developing countries have been showing much promise for higher GDP growth and some among them have had high growth rates consistently for some years. Developing countries are turning around and some among them are widely considered as the home and hub of new prospects and opportunities. With such emerging new trends, there is a need for fresh thinking on the pattern of economic cooperation among the countries with a view to identifying and working out some relevant and essential elements of a healthy new international economic cooperation. Such a new approach is particularly important for the developing countries.

The developing countries have been devoting disproportionately high time and resources to the negotiations with the developed countries in multilateral, regional and bilateral framework. Considering the changing world economic scene, they need to shift the focus from these activities to an intense exercise for expanding mutual prospects and opportunities among the developing countries.

No doubt the developed countries are at present important economic partners of a large number of the developing countries; but significant **additionality** as a result of expansion of opportunities in these countries is very much limited. Besides, while chasing these limited and doubtful benefits they stand the risk of their national economic space and options being eroded in the negotiations. The developed countries are naturally keen to engage in negotiations with the developing countries, as expansion of their opportunities in the developing countries is almost a compulsion, given the limited opportunities in their own countries. [Evolution of G20 and the reported possibility of OECD invitation to some developing countries for dialogue may be indications of such keenness.] The developing countries have no such compulsion. In fact they may stand to gain much more by forging closer economic cooperation among themselves. And their losses may be small as they may not have to curtail much of their policy options in this process.

In this shift of focus while pursuing the new international economic cooperation, the interaction with the developed countries could be broadly limited to a continuing vigilance to guard against erosion of current and existing prospects and opportunities in the developed countries. There could be domestic pressures in these countries towards this end which would require counteraction by the developing countries to ensure that the developed countries continue to abide by their existing commitments and obligations. Interaction among the developing countries, on the other hand, should aim at expanding mutual prospects and opportunities. For developing this new and enhanced cooperation among the developing countries, there is a need for identifying and specifying:

- (i) the objectives,
- (ii) the means and strategies for achieving these objectives and
- (iii) the institutional mechanism that will facilitate achieving these objectives.

### II. Objectives

Much work has been done in the past on the economic cooperation among the developing countries. A practical result that has emerged, though only in a modest way, is the Global System of Trade Preferences (GSTP) for increase of market access through reduction of tariff among the developing countries. In the multilateral framework of negotiations in the GATT/WTO system too, the principal objective has been to achieve expansion of market access. Even though expansion of market access and increase in trade may be advantageous, it is very much inadequate in developing deep economic relationship and close links among countries. The new international economic cooperation should go much beyond that. It should focus on expansion of production in all areas including commodities, industrial products and services. It should also aim at enhancing inner economic strength of the countries, in particular technological development, training and research at various levels, development of infrastructure, institutional development and availability of essential articles of consumption. Elements of cooperation and linkages among the developing countries should be identified towards this end.

These objectives will be conducive to a sustained healthy relationship based on long term interests and a shared vision of overall economic development of all de-

veloping countries. This new relationship should be nurtured by a common feeling of mutual dependence and support among the developing countries in the sense that each country, whether big or small, whether on a higher or lower rung of economic ladder, feels that its own development is closely linked to the development of others.

### III. Means and Strategies

Appropriate means and strategies to achieve these objectives should be worked out. We should go beyond the concept of reciprocity in exchange of concessions as it may be grossly inadequate and also quite inappropriate for achieving the objectives mentioned above. Reciprocity had its relevance and rationale in the matter of exchange of concessions in tariff reduction; but its limitation even in the GATT/WTO system became quite apparent when negotiations expanded into other areas. For the new international economic cooperation, quite different means and strategies will be called for. For example, a simple test for the relevance and adequacy of a commitment by a country may be to assess to what extent it has the potential of expanding production in the partner country and enhancing the inner economic strength of the partner country identified in terms of the elements mentioned above.

### IV. Institutional Mechanism

Considering the necessity and importance of the new international economic cooperation, we have to consider what institutional mechanism should be put into place for this purpose. We may think of a three tier institutional mechanism as explained below.

In the highest tier, there may be a set of broad and overall principles and guidelines for nurturing mutual cooperation among the countries based on the objectives, means and strategies mentioned above. These principles and guidelines should be in the form of an agreement among the developing countries. In the second tier, there may be multilateral, plurilateral and bilateral arrangements among the participating countries which would be the instruments for operationalising the objectives of new international economic cooperation. Countries concerned may establish these arrangements from time to time under the umbrella of the set of principles and guidelines. In the third tier, there may be inter-firm collaboration and linkages between the firms of different developing countries in

accordance with the parameters specified in the arrangements.

### V. Some Examples

It is relevant to give some hypothetical examples of arrangement and collaboration. For example, there could be a plurilateral arrangement among, say, four countries, based on which there could be an intra-firm collaboration linking finance of the first, raw material of the second, manufacturing site of the third and market of the fourth. Apart from satisfying the condition of economic viability, this collaboration should ensure benefits to all the four countries in terms of the elements of the objectives of new international economic cooperation mentioned earlier.

We may take another example. There could be a plurilateral or bilateral arrangement in accordance with which there could be collaboration between the entities linking the finance of one country with agricultural land of the other country. Again, apart from economic viability, this collaboration should satisfy the condition of being beneficial to both the countries in terms of the objectives mentioned earlier. Besides, it should also benefit the country with the land in terms of some additional food supply if the country so desires.

### VI. Precautions

While working out the guidelines, arrangements and parameters, it will be useful to keep in mind the problems that have been emerging over the years in the relationship between the developed countries and developing countries and between their entities. For example, in the working of the multi-national corporations with their home base in developed countries and operations in developing countries, the home country does not assume any role regarding their functioning, while the host countries, given their limited resources and economic strength, face severe handicaps in dealing with them. In the new international economic cooperation, there should be a balanced role of both the home countries and the host countries. Similarly in the linkage of the finance of one country with economic activities in another country (for example, foreign direct investment), both the countries should have relevant roles in ensuring that the linkage proves beneficial to both of them in terms of the objectives of the new international economic cooperation.

### VII. Need of a New Mind set

We have been working in the groove of the north-south relations, collaboration and negotiations for too long. Even though the potential for additional benefits is now very much limited, inertia and continuing momentum may make it difficult for us to come out of this groove. It requires a new mind set to break from the past and tread a new path. We have to change our mind set and launch effective initiatives for a new international economic cooperation. It will require new and prolonged negotiations among the developing countries, backed by substantive research and analysis.



Chemin du Champ d'Anier 17  
PO Box 228, 1211 Geneva 19

Telephone: (4122) 791 8050  
Fax: (4122) 798 8531

E-mail: [south@southcentre.org](mailto:south@southcentre.org)  
<http://www.southcentre.org>