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SOUTH CONFERENCE 2015 AND THE SOUTH: PREPARING FOR A YEAR OF UNCERTAINTY AND INTERNATIONAL SUMMITS

STRENGTHEN SOUTH-SOUTH COOPERATION: A WAY TO OVERCOME THE CRISIS FOR DEVELOPING COUNTRIES?

Geneva, 12 March 2015
Session I: Global Economic Crisis. Increasing Impact on Developing Countries and South-South Cooperation Prospects

Strengthening South-South Cooperation: a way to overcome the crisis for developing countries?

The most recent global financial crisis has raised a number of serious concerns with regard to its impact on the global economy, particularly on developing countries and south-south cooperation prospects.

Although this financial crisis started in developed countries, the decrease of foreign investment and the drop in demand for imports of commodities and labour-intensive products have had profound effects on developing countries.

There is no doubt that the crisis is due to a systemic policy management in the financial environment and speculation originating in the North, which was, often, foisted upon developing countries through aid conditionality. The crisis must be resolved primarily through a reform of the financial system at different levels.

However, as we have moved beyond the ‘early’ neoliberal globalization, driven by the North, and we have entered a new phase of globalization, in which the South plays a determining and dynamic role, a realistic South-South cooperation agenda can help in rebalancing the world economy.

Indeed, it is important to recall that South-South cooperation is a much broader and deeper concept than that of Northern donor aid.

Not only does it encompass financial flows, such as loans and grants for social and infrastructure investment projects and programmes, but it also
embraces cooperation through experience sharing, technology and knowledge transfer and investment at all levels of development, generating decent employment and capacity building.

The High Level United Nations Conference on South-South Cooperation held in Nairobi in 2009 highlighted the growing political and economic ties within the developing world, since countries from the South assume leading roles in addressing vital global issues, ranging from economic recovery to food security and climate change.

There is no question that over the last few years, the economic and political power has been shifting towards the developing world, especially in some countries of the South, due to high and sustained growth rates in large developing countries, particularly the Asian giants of China and India, and Latin American giant Brazil. The economic and financial crisis is accelerating this long-term structural transformation in the global economy.

Following the recent economic and financial crisis, new phenomena have emerged in the international trading system. Furthermore, this is also the time to propose a new model for the International Investment Agreements, a new direction that is consistent with the sustainable development goals (SDG) and the global economy of the 21st century.

Furthermore in recent years, as complementarities among the countries of the South have emerged, the potential for mutual benefits has also increased. These strengthening synergies should be enhanced through regional structures.

Among the major regional and inter-regional groupings, Asia-Pacific Economic Cooperation (APEC) and BRICS almost doubled their share of
global Foreign Direct Investment (FDI) inflows from the pre-crisis level. APEC now accounts for more than half of global FDI flows, while BRICS jumped to over one fifth. In ASEAN and MERCOSUR, the level of FDI inflows doubled compared to the pre-crisis level.

Another example - in South America - of these regional synergies is the creation of our Bolivarian Alliance for the Peoples of Our America - Peoples’ Trade Treaty (ALBA-TCP). The ALBA emerged as a direct response to the plan of imperialism to impose its “Free Trade Area of the Americas”, a project based on domination and accumulating capital to benefit a few rich elites at the expense of the majority.

ALBA is different. It is a cohesive alternative vision of international trade and mutual aid, based on complementarities and solidarity, not domination and exploitation. Its purpose is to help each country develop and overcome the conditions of poverty and inequality. It has a strong cooperation component, focused on the real economic needs of the population.

This project counts on two key ALBA institutions:

- its own currency, the Sucre
- its own financial institution, the Bank of the ALBA

The ALBA countries can now circumvent the use of the U.S. dollar because they have their own virtual currency, the Sucre. Considerable economic thought and planning has taken place to allow the use of the Sucre in such a way that it is equitable and represents true value in the exchanges. This is a very real defence against the financial crisis that now besets Developed Countries.
The ALBA countries no longer need to go begging to the World Bank or International Monetary Fund for funding, credits or capital, and for their development, because now they have their own Bank of the ALBA, created in 2009, the contrary to those dubious international institutions, it does not come with strings attached, conditions to loans, manipulation in countries' domestic affairs or conditions of usury.

As ALBA begins to consolidate independently as a definite regional integration scheme, it is mutating and fusing with other integration strategies such as the Union of South American Nations (UNASUR) and the Community of Latin American and the Caribbean States (CELAC).

The CELAC consists of 33 countries from Latin American and the Caribbean, with a population of 600 million inhabitants and a GDP of 5.2 trillion dollars in 2011, which would convert it into the third economic power in the world, the greatest oil reserve, the third producer of electric energy and the principal economic producer of food.

This is why South-South cooperation agenda can help to rebalance the world economy at two levels:

- First, it can support multilateral arrangements, channelling into productive use resources that are currently trapped in speculative financial circuits.

- Second, it can promote even more, dense and egalitarian global trading relations, which would help developing countries escape from poverty and the new dependency relationships that are generated through the traps of Global Value Chains.
The emergence of this model could lead us to a development-led globalization, which is at the core of UNCTAD’s vision and action. This new stage of globalization should transcend the current model of financial over-expansion and speculation, and foster a better regulated, more equal, and more resilient world economy.

The transition to a new model of interdependence could be resource by recycling the Southern balance of payments surpluses within the South, in accordance with the recommendations of UNCTAD 1[1]. This kind of recycling Southern surpluses could help to:

- stabilize the global economy;
- remove the financial and balance of payments constraints to growth in the poor countries;
- capacity building in line with national development priorities;
- support policy space and policy will at national level;
- reinforce the links between economies in the South.

This can take place through regional and national development banks but more innovative mechanisms may also be needed.

This is why emphasis should be given to initiatives such as the Bank of ALBA and the South Bank, both as regional and interregional concepts. The Banco del Sur, launched in December 2007 by several Latin American countries is a concrete step towards promoting financial cooperation among its member’s states, in support of their mutual capacity for the Development.

[1] South-South Integration is Key to Rebalancing the Global Economy, UNCTAD Policy Brief, No. 22
This year encompasses significant challenges for the South. Important Conferences will shape the new international agenda, which we can influence from the platform of G-77 and China - Geneva, since they will have direct impact on the negotiations of next Ministerial UNCTAD XIV, which will be held in Lima, Peru, in March 2016. These are:


f) The Third South Summit of G-77 and China, which will be held in Malabo, Equatorial Guinea, this year.

To conclude, one important issue that we want to raise is that Venezuela will be host of the Third Ministerial Conference of States Affected by Transnational Interest, next April in Caracas.

The increase in disputes between states and transnational corporations shows that cases of violations persist over failure of international law and the sovereignty of States.
We take this opportunity to thank the South Centre and the countries that joined the Ministerial Conference of the States affected by transnational interests, for taking the initiative to create an “international observatory” to monitor and analyze investment cases, to reform the present arbitration system, and suggest alternative mechanisms for fair mediation between states and transnational companies.

Thank you Mr. Chairperson