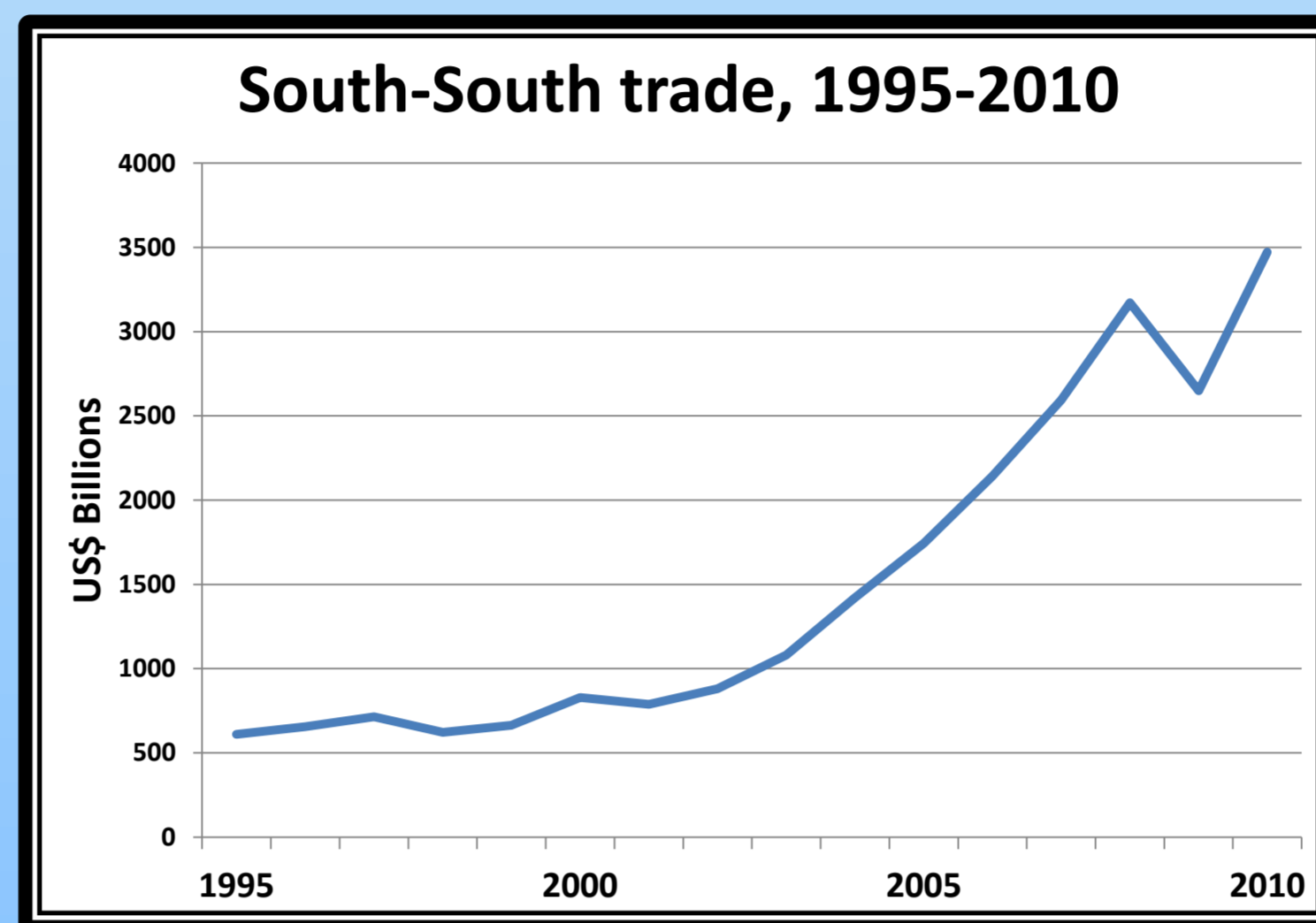


# THE POLITICAL ECONOMY OF SOUTH-SOUTH TRADE

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## Introduction

South-South trade has risen rapidly over the last ten years. This research seeks to understand whether South-South trade agreements, particularly the Globalised System of Trade Preferences among Developing Countries (GSTP), will deliver benefits for least developed countries (LDCs).



## Methodology

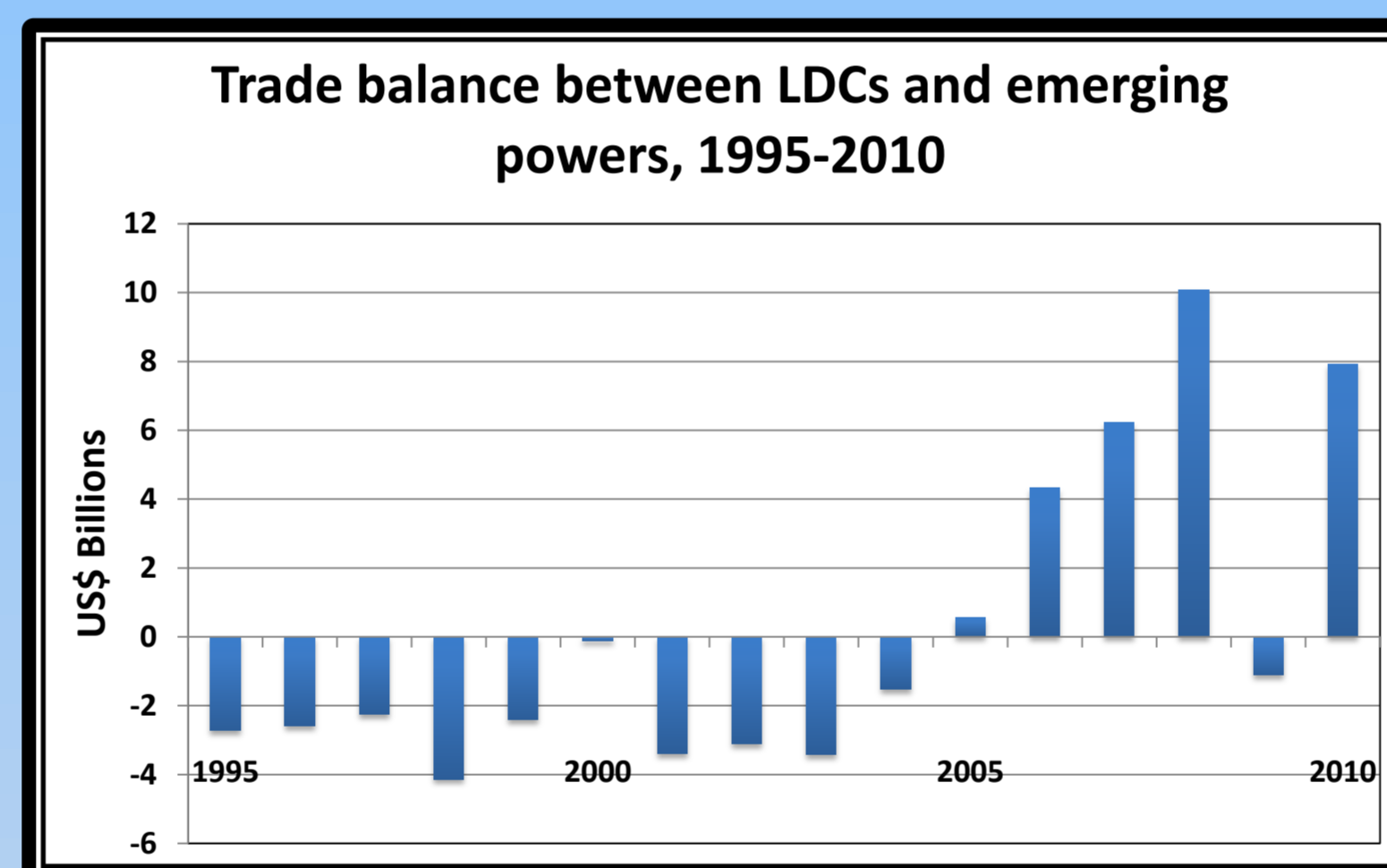
Two approaches are being used:

1. Interviews with trade diplomats of participating and non-participating countries, and interested outside observers.
2. Analysis of the tariff cuts agreed by each country.

## Background

Trade has come to be seen as a major engine of growth and development and is claimed to be a means to lift least developed countries out of poverty. The history of North-South trade agreements has been less sanguine. They have failed to deliver the promised development returns.

The rise of a number of developing countries, particularly China, India and Brazil, has both increased the opportunities for LDCs but also enlarged the gaps in political and economic power between them. This threatens to repeat the pattern of North-South, asymmetric trade agreements in which the interests of the weaker countries are marginalised.



## Conclusions

It is too early for conclusions! Preliminary work suggests:

- 'Southern solidarity' appears to be (inevitably) primarily rhetoric, but cannot be dismissed. It is the context in which South-South aid and trade take place.
- The emerging powers have, to an extent, pushed the interests of other developing countries within the WTO, for instance over cotton subsidies in the US and EU.
- Failure to conclude a deal within the WTO is pushing countries to other trade forums. The GSTP may be an important element of this for many developing countries.

## Key research questions

Q1. Does the GSTP offer an approach to trade liberalisation different to that within the WTO?

Q2. Have products of interest to LDCs been included in tariff cuts?

Q3. Has the GSTP been dominated by the largest emerging countries?

Q4. What role has been played by 'Southern Solidarity'?

## GSTP Timeline

**1964:** creation of UNCTAD

**1986-1988:** First GSTP round. Results are 'largely symbolic' (Hudec 1989)

**1991-1998:** Second GSTP round. Results again weak, and not even ratified

**2004:** Launching of the third round, involving 22 developing countries

**2009:** Modalities (i.e. the broad parameters of the agreement) are announced. Tariff cuts are much more comprehensive than previous rounds, and more than on offer in the WTO negotiations (Scott 2010).

## References

- Hudec, R, (1989), 'The structure of South-South Trade Preferences in the 1988 GSTP Agreement: Learning to say MFNFN', in J Whalley (ed.), *Developing Countries and the Global Trading System*, Vol. 1, (Basingstoke: Macmillan).
- Scott, J, (2010), 'South-South trade and North-South politics: Emerging powers and the reconfiguration of global governance', BWPI Working Paper, No. 131/2010, (Manchester: University of Manchester).