

Trends in world trade and the advocacy for South-South Co-operation: an appraisal

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ABSTRACT

Economic injustices that are meted out to Third world Countries as a result of the traditional North-South trade links are well documented. Some development economists have concluded that the structure of the current trade links has been the major cause of underdevelopment. An alternative suggested strategy, to overcome this unequal alliance is South-South co-operation which among other things would find practical expression in increased South-South trade. That suggestion has been hailed by some Third World economists and politicians alike. The aim of this paper is to examine the nature of world trade network and flows between 1963 and 1983 with the view to identifying the roles of the three major economic blocs - Developed (Advanced) Market Economies (DMES) Centrally Planned Economies (CPES) and Less Developed Countries (LDCS) in world trade and how they influence development.

Statistics show that there was a significant growth in intra South trade in the mid 1970s which has been interpreted as a response to the advocacy for South-South co-operation in those years. The paper however attributes the growth to some major world economic changes that took place in that period, for example the oil boom and the rise of OPEC. Despite those economic changes South-South co-operation has not attained any appreciable

height as at present. Growth constraints in South-South trade are, therefore, identified and analysed.

The author's conclusions are that South-south trade is tied to major economic changes in the world which could affect it positively or negatively. Economic changes aside, there are other formidable barriers to increased South-South trade which are also discussed. But that does not imply that increased South-South trade is not impossible because the 1973 significant growth rate was achieved in the face of those problems and again if one considers the fact that presently, the South is a major net importer of almost all major world exports.

Keywords: South-South, trade, economic bloc, OPEC

INTRODUCTION

Increased South-South co-operation especially in trade, is considered as one of the desirable strategies for Third World development. This paper seeks to discuss the need for such co-operation within the framework of the World economy. Therefore, it commences with a review of the network of World trade flows between 1963-1983 and the place of the South in the global trade system. After that general discussion, attention will be focused on trends in Southern trade and factors responsible for them. The case for South-South trade is discussed in the context of the current World economic situation and finally, obstacles that inhibit co-operation in the South are examined.

About 60 per cent of World merchandise trade takes place within the three major trading areas. For the Developed Market Economies (DMES) and the Centrally Planned Economies (CPES) intra trade represents about 75 per cent and 53 per cent and trade with other regions 25 per cent and 47 per cent of their respective trade flows. Intra trade in the South is about 20 per cent of its total trade and 80 per cent with

other regions. This makes the South the only area where trade with the rest of the world is larger than trade within it.

NETWORK OF WORLD TRADE FLOW: 1963-1983

The dominant role played by the DMES in World Trade cannot be over-emphasised (Table 1).

WORLD EXPORTS

The structure of World Exports (Table 1) indicates that the DMES contributed an annual average of 62 per cent of total World Exports between 1963 and 1983. The other economic bloc that has made a mark in World Trade, is the OPEC. It increased its contribution to Total World Exports from about 6 per cent (1963) to 12 per cent (1983); at a time when DMES contribution was almost stagnant. It is significant to note that in 1974, OPEC contributed as much as 14 per cent to the World Exports. Non-OPEC Less Developed Countries (NOLDC) have however maintained a constant contribution of about 12 per cent per year. The Centrally Planned Economies' (CPEs) contribution of about 9 per cent, per annum could be attributed to the fact that they are less integrated in the World Economy.

WORLD IMPORTS

The picture of imports is not different from the exports. The importance of the DMES as major world importers is confirmed. For example, between 1973 and 1974 they absorbed about 67 per cent of total World imports. They, however, reduced their imports after that period. To the contrary, OPEC raised its imports from about 3 per cent (1963) to 8 per cent (1981-1983) of the World imports. NOLDCs did not have a clear-cut pattern for their imports absorption however their annual average was about 15 per cent.

Several observations may be made from these flows. The statistics show that the proportion of the World exports from DMES was almost equal to the imports absorbed by that bloc. Secondly, OPEC's exports were higher than their imports; that made it a net surplus exporter. Contrarily, exports from NOLDC were less than her imports which implied that it was a deficit exporting region in the International trade system. Thirdly, the network portrays

a strong DMES (North) - South trade links and a weak one among the Southern countries. For example, between 1981 and 1983 the South exported 17.1 per cent of her world total contribution of 25.8 per cent to the DMES and only 7.8 per cent to the South.

Within the period under review OPEC was the only bloc that changed significantly its contribution to World trade. The major explanatory factor was the Oil boom of 1973 which turned OPEC into capital surplus countries. Since that time, OPEC has influenced positively the direction of world trade flows especially in the South and has become a strong link in the world trade network.

SOUTH-SOUTH TRADE NETWORK

Table 2 shows that greater proportions of the exports from the South go to the DMES. For example, in 1970, 74.3 per cent of food, drink and tobacco; 63.1 per cent of agricultural raw materials; 74.3 per cent of fuel and 62.1 per cent of manufactures exported from the South went to the DMES. However, it is significant to note that during the period under discussion the proportions declined. Food, drink and tobacco exports to the DMES declined by 21 percentage points, agricultural raw materials by 7 percentage points, fuel by 6 percentage points and manufactures by 3 percentage points. Should that trend continue in future, the South will be put at a great disadvantage, because her foreign exchange earning capacity will be greatly impaired.

The growth of Southern exports to OPEC is highly significant. Food, drink and tobacco increased by about 8 percentage points, agricultural raw materials by about 4 percentage points, and manufactures by almost 7 percentage points.

Food, drink and tobacco to NOLDC increased sharply from 12.7 per cent (1970) to 25.5 per cent (1975) and declined to 16 per cent (1982). Agricultural raw materials and fuel imports also showed steady increase of about 6 percentage points. Exports of south manufactures to NOLDC dropped from about 27 per cent (1970) to 24 per cent (1982).

Although the DMES still absorb high proportions of Southern exports, since 1973, OPEC has become an import-

TRENDS IN WORLD TRADE AND THE ADVOCACY FOR SOUTH-SOUTH CO-OPERATION:
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TABLE 1: REGIONAL PATTERN OF WORLD TRADE 1963-83
(Percentage Shares of World Trade)

ORIGIN	YEAR	DESTINATION				WORLD EXPORTS
		DMES	S O U T H		CPE	
			OPEC	NOLDC		
DMES	1963	45.1	2.5	11.7	2.3	61.6
	1973	51.1	2.8	9.2	3.2	66.3
	1974	44.9	3.4	9.3	3.1	60.7
	1977	43.7	6.0	8.5	3.0	61.2
	1978	45.0	6.1	9.3	3.2	63.6
	1981-83	44.1	6.0	9.2	2.2	61.5
OPEC	1963	4.3	0.0	1.3	0.1	5.1
	1973	5.7	0.0	1.4	0.1	7.2
	1974	11.3	0.0	2.7	0.2	14.2
	1977	9.8	0.1	2.7	0.2	12.8
	1978	8.2	0.1	2.2	0.2	10.7
	1981-83	8.5	0.3	3.3	0.2	12.3
NOLDC	1963	10.2	0.3	2.8	1.0	14.3
	1973	8.3	0.4	2.2	0.8	11.7
	1974	8.1	0.6	2.2	0.8	11.7
	1977	8.3	0.8	2.4	0.8	12.3
	1978	8.3	0.8	2.4	0.7	12.2
	1981-83	8.6	1.1	3.1	0.7	13.5
CPE	1963	2.3	0.1	1.7	8.0	12.1
	1973	2.7	0.3	1.2	5.7	9.9
	1974	2.8	0.3	1.1	4.4	8.6
	1977	2.7	0.4	1.2	5.3	9.6
	1978	2.6	2.6	1.1	5.3	9.5
	1981-83	2.5	0.5	1.0	4.5	8.5
WORLD IMPORTS	1963	61.9	2.9	17.5	11.4	
	1973	67.8	3.5	14.0	9.8	
	1974	67.1	4.3	15.3	8.5	
	1977	64.5	7.3	14.6	9.3	
	1978	64.5	7.5	15.0	9.4	
	1981-83	63.7	7.9	16.6	7.6	

SOURCE: Author's Construct.

Data Sources; 1. International Trade Statistics: GATT, 1978/79

2. Handbook of International Trade and Development Statistics, 1986

Percentages do not add up to hundred because the "Rest of the World" is omitted.

TABLE 2 COMMODITY COMPOSITION AND FLOW OF EXPORTS FROM
THE SOUTH (Percentage Share)

COMMODITY EXPORTS FROM THE SOUTH	YEAR	D E S T I N A T I O N			
		DMES	OPEC	NOLDC	CPE
		S O U T H			
Food, Drink, Tobacco	1970	74.3	2.2	12.7	9.3
	1975	62.8	7.0	25.5	13.6
	1982	53.0	9.9	16.9	18.0
An Average Growth Rate	(12.6)	9.4	26.9	13.9	17.3
Agricultural Raw Material	1970	63.1	0.6	20.8	12.3
	1975	57.1	2.6	23.9	11.4
	1982	56.0	4.4	26.9	7.4
An Average Growth Rate	(8.4)	7.3	10.7	12.0	3.8
Fuel	1970	74.3	0.4	20.1	0.4
	1975	75.1	0.4	20.5	1.4
	1982	68.9	1.7	26.5	1.6
An Average Growth Rate	(25.4)	24.6	42.1	28.3	39.9
Manufactures	1970	62.1	5.6	27.6	4.7
	1975	58.1	10.5	26.6	3.5
	1982	58.2	12.4	24.6	1.3
An Average Growth Rate	(22.9)	22.4	31.2	21.5	10.8

Figures in brackets represent world growth rates.

Source: UN: Handbook of International Trade and Development Statistics, 1986
Percentages do not add up to hundred because the "Rest of the world" is omitted.

ant market, in the South, for food, drink, tobacco; agricultural raw materials and manufactures, with average annual export growth rates of 26.9 per cent, 10.7 per cent and 31.2 per cent respectively. These are higher than the world's average growth rates of 12.6 per cent, 8.4 per cent, 22.9 per cent for the same commodities respectively. In the case of exports from the South to NOLDC the only significant change is with respect to agricultural raw materials and fuel. They are the commodities whose average annual growth rates are significantly higher than those of the world and they are exported

mainly to the Newly Industrialising Countries. The imports structure shows a similar pattern as that of exports.

Table 3 below shows that like exports, a high proportion of imports to the South comes from DMES. However, apart from agricultural raw materials, the proportion of imports from DMES to the South in food, drink, tobacco, fuel and manufactures declined by 2, 4, and 5 percentage points respectively between 1970 and 1982.

The major commodity imported into Southern countries which originates from the South is fuel from OPEC. For example, in 1975 the NOLDC imported

TABLE 3: STRUCTURE OF IMPORTS TO LDCS BY MAJOR
COMMODITY GROUP (Percentage Share)

COMMODITY IMPORTS TO SOUTH	YEAR	O R I G I N			CPE
		DMES	OPEC SOUTH	NOLDC	
Food, Drink, Tobacco	1970	62.1	1.5	26.3	4.5
	1975	61.4	1.4	27.5	4.4
	1982	60.4	2.1	28.4	4.6
Annual Average Growth Rate	(17.2)	16.9	20.9	17.9	17.3
Agricultural Raw Material	1970	44.8	7.4	41.3	4.7
	1975	49.5	8.2	33.3	6.3
	1982	51.1	5.1	32.9	8.3
Annual Average Growth Rate	(14.1)	15.4	10.7	12.0	19.6
Fuel	1970	13.4	64	18.3	4.0
	1975	6.8	76.6	13.0	3.3
	1982	9.3	63.6	21.0	4.5
Annual Average Growth Rate	(28.5)	24.3	28.9	30.0	29.8
Manufactures	1970	84.2	0.3	8.1	5.9
	1975	85.0	0.7	8.9	4.2
	1982	79.3	1.5	12.6	4.1
Annual Average Growth Rate	(18.6)	18.0	35.0	23.1	15.1

Figures in bracket represent world average annual growth rates.

Source; UN: Handbook of International Trade and Development Statistics, 1986

Percentages do not add up to hundred because the "Rest of the World" is omitted.

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76.5 per cent of her total fuel requirement from OPEC and 13 per cent from NOLDC. Importation of food, drink, tobacco, fuel and manufactures, from NOLDC increased by 2.4 and 4 percentage points respectively from 1970 to 1982.

Despite those increases, in 1982 for example, only about 30 per cent of food, drink and tobacco, 38 per cent of agricultural raw materials and 14 per cent of manufactures were imported from the South.

OPEC: ITS ROLE IN SOUTH-SOUTH TRADE

It is important to observe that the increases recorded in intra South trade flows (Table 1) after 1973 were attributed mainly to the capital surplus

economies of OPEC; achieved as a result of the oil boom. That economic state brought in its trail a new wave of development in OPEC. Demand for both investment and consumer goods increased tremendously in addition to inflow of human capital to those area. Table 2 shows that OPEC's imports of agricultural raw materials, for example from the South increased from 0.6 per cent (1970) to 4.4 per cent (1982); food, drink and tobacco increased from 2.2 per cent (1970) to 9.9 per cent (1982) and manufactures from 5.6 per cent (1970) to 12.4 per cent.

The only major export to the South from OPEC is fuel. Although statistics indicate that exports of manufactures from that area have shown a increase from 0.3 per cent (1970) to