Bringing the Poor into the Export Process: 
Linkages and Strategic Implications 

Breakout Series D: 
The Effectiveness of On-Going Global Initiatives 

South-South Trade – Could It Be a Solution?

The Issue: South-South trade has increased steadily over the past 15 years and now accounts for almost half of developing countries’ total trade.

Several factors suggest that South-South value chains are more poverty sensitive than their South-North counterparts. They, for example, encompass informal and cross-border trade, which has an intrinsic poverty reduction element. They may well have an agricultural orientation, therefore directly impacting the rural poor. They may involve a higher proportion of small entrepreneurs than South-North trade. They are less reliant on FDI. They are likely to be subject to less demanding production requirements and, thereby, more accessible to poorer communities.

But the various geographic regions have not participated equally in the growth of South-South trade. Intra-regional trade in Latin American and in Africa lags behind intra-Asian trade. And it is Asian firms that have taken the lead in inter-regional trade along a South-South axis.

Extensive opportunity would seem to exist to consolidate the export development – poverty reduction linkage through greater South-South trade. But not enough seems to be being done to take advantage of these opportunities.

The Proposition: It is tempting to see South-South trade as the silver bullet for both export development and poverty reduction.

But South-South trade expansion is market-driven and can only be sustained through private sector initiative.

National export strategy should, therefore, focus on ensuring that (i) access conditions are consistent with further development of South-South trade; (ii) the public sector’s market development and promotion programmes increasingly pursue the South-South axis; and, most importantly from the poverty reduction standpoint, (iii) specific programmes are put in place to bring the poor increasingly, and more directly, into the South-South export process.

Focus of the debate: The debate will address the following questions:

1. Is the issue correctly stated and the proposition valid? Are South-South value chains more poverty sensitive than those of South-North trade? From what standpoint: (i) job creation; (ii) the generation of wider opportunities for the poor to become directly involved in the export process; or (iii) both? And, if South-South value chains are more poverty sensitive, should strategy-makers be placing greater attention on South-South trade development?

2. What is the public sector’s role in promoting the acceleration of South-South trade through: (i) the pursuit of regional economic integration; (ii) the negotiation of bilateral or regional trade agreements; (iii) more proactive South-South investment promotion; (iv) smoother trade facilitation; and/or (v) supporting networking and contact among business practitioners in the South?

3. What pro-poor, South-South trade development programmes work and what has been the secret behind their success?

4. Based on the above, what represents an effective pro-poor, South-South trade development strategy?