

# REGIONAL GROUP OF THE SOUTH AND ECONOMIC COOPERATION: AN EMPIRICAL ANALYSIS

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**Abstract:** During the present time, many emerging economies of the world are seeking opportunities to play a more active role and investigate new avenues for promoting development cooperation. There is an urgent need for restructuring the global regime. “Developing countries, “called such by developed ones” ought to play a more active role in global arena” (Sheriff, 2018). In this regard, Nouriel Roubini & Stephen Mihm said, “*In order to resolve global imbalances other players must sit at the table...the G-20 has started to supplant its more selective sibling bringing Brazil, Indonesia, South Africa, Saudi Arabia and other countries into the field.*”

South-South Cooperation (SSC) is the one such step to strengthen the development process of the developing world. However, we must remember that SSC is a complement to, not a substitute for, North-South Cooperation (NSC), as emphasized by various outcome documents of various pertinent international conferences and declarations of the Group of 77 (G77) and China. Like any other ideology, South-South Cooperation also grew from injustice of political and economic dominance from global North.

South-South economic cooperation is critical to the dynamics of regional organizations such as ASEAN, BIMSTEC, BRICS and IORA. While these regional organizations are primarily concerned with regional integration and development, they frequently intersect with and benefit from South-South cooperation initiatives.

This paper is an attempt to analyse the contribution of Regional Groups of the South, namely ASEAN, BIMSTEC, BRICS and IORA, towards the strengthening of economic cooperation among the South-South countries. The member countries frequently face comparable development issues and have worked together to boost economic growth, reduce poverty, and strengthen their global bargaining leverage. Trade agreements, investment collaborations, technology transfer, and development assistance are all examples of South-South cooperation.

**Keywords:** South-South cooperation, North-South Cooperation, ASEAN, BIMSTEC, BRICS, IORA

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## 1.1 Introduction

Many emerging economies are looking for ways to get involved in development cooperation. The global regime needs urgent reorganisation. “Developing countries, “called such by developed ones” should more actively participate in global affairs (Sheriff, 2018). Nouriel Roubini and Stephen Mihm assert that other players must participate in addressing global imbalances. Brazil, Indonesia, South Africa, Saudi Arabia, and others have joined the G-20, replacing its more selective brother.

South-South Cooperation (SSC) is one way to boost developing nations' development. The conclusion documents of relevant international conferences and statements of the Group of 77 (G77) and China emphasise that SSC complements North-South Cooperation (NSC). Politics and economic supremacy from the global North shaped South-South Cooperation, like any other ideology.

ASEAN, BIMSTEC, BRICS, and IORA depend on South-South economic cooperation. These regional organisations focus on integration and development, but they often benefit from South-South collaboration. Regional economic cooperation can help create a global economy. This paradigm promotes commerce and investment. Regional economic cooperation is now seen as a way to boost economic growth and security in a region.

This article examines how ASEAN, BIMSTEC, BRICS, and IORA have strengthened South-South economic cooperation. Most member nations confront similar development concerns and have collaborated to improve economic growth, eliminate poverty, and strengthen global negotiating power. Trade agreements, investment partnerships, technology transfer, and development assistance represent South-South cooperation.

## **1.2 Review of Literature**

South-South regional cooperation has emerged as a pivotal paradigm for fostering growth and collaboration among countries in the Global South, garnering considerable attention in academic literature. Scholars have conducted extensive research on various facets of this phenomenon, exploring its drivers, challenges, and implications.

A distinctive characteristic of South-South cooperation, as pointed out by Smith (2018), is its departure from traditional North-South aid dynamics, emphasizing mutual gain, solidarity, and shared development goals among participating countries. This shift reflects a growing recognition among policymakers and academics of the potential for mutual benefit and joint action among developing nations. Rahman et al. (2020) underscore the role of regional organizations in facilitating collaboration, promoting commerce, investment, and knowledge exchange within specific geographical areas.

However, the literature also acknowledges challenges that may impede effective collaboration, including institutional capacity restrictions, political tensions, and uneven power relations (Cheng & Zhao, 2019). Despite these limitations, scholars remain optimistic about SouthSouth regional cooperation's ability to foster equitable and sustainable development, particularly through initiatives focused on infrastructure development, technology transfer, and capacity building (Dasgupta & Barbier, 2021).

A significant transition in South-South cooperation is its evolution from a focus on aid and technical support to a more comprehensive approach encompassing commerce, investment, and knowledge exchange (Ocampo, 2019). This trend reflects a growing realization of the potential for economic diversity, increased productive capacity, and reduced reliance on external sources of finance (Ocampo, 2019). Regional integration frameworks and institutions play a crucial role in promoting collaboration and addressing coordination issues (Kragelund, 2018), as exemplified by organizations like the African Union and ASEAN.

Moreover, South-South cooperation has a profound impact on sustainable development and poverty reduction. Efforts and projects targeting infrastructure development, climate change adaptation, and healthcare access are pivotal in this regard (Horn et al., 2020). For instance, China's Belt and Road Initiative has been hailed for enhancing economic growth and connectivity across regions, although concerns about its environmental and social sustainability persist (Shahbaz et al., 2021; Buckley & Clegg, 2019). Inclusive and participatory approaches are advocated to prioritize local communities' needs and ensure the efficacy and sustainability of development interventions (Elliott & Moyo, 2019).

Economic cooperation is a focal point in the literature, with studies highlighting benefits such as greater market access and technology transfer, alongside challenges like economic capacity gaps and regulatory impediments (Faria et al., 2020; Beckman et al., 2019). Political dimensions, including diplomatic alliances and regional integration attempts, are also explored, alongside analyses of ideology, nationalism, and power dynamics (Hettne, 2018; Brewster, 2020).

Social and environmental aspects of collaboration are increasingly emphasized, with initiatives addressing poverty, inequality, and environmental sustainability through collaborative programs in education, healthcare, and resource management (Alemán & Cisneros, 2021; Dasgupta & Barbier, 2021).

In conclusion, the literature on South-South regional cooperation offers diverse perspectives and research interests, recognizing both the potential benefits and challenges of collaboration among developing countries. While there is optimism about the mutual benefits and solidarity inherent in such cooperation, rigorous planning, governance, and inclusive approaches are deemed essential to ensure efficacy and sustainability. Future research is likely to delve deeper into these challenges and explore evolving dynamics in the rapidly changing global landscape.

## **1.3 Introduction to Regional Groups**

### **1.3.1 ASEAN**

ASEAN, or the **Association of Southeast Asian Nations**, is an international organization established in 1967 by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand to promote economic growth, social

progress, and cultural development in Southeast Asia, as well as peace and security. Brunei became a member in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. The ASEAN region has a population of about 662 million people, a combined GDP of \$3.2 trillion and an area of 1.7 million square miles (4.5 million square kilometers). ASEAN replaced the 1961 Association of South East Asian Nations (ASA), founded by the Philippines, Thailand, and Malaya. Under the banner of cooperative peace and shared prosperity, ASEAN's core projects focus on economic cooperation, trade promotion within and between ASEAN states and the rest of the globe, and joint research and technical cooperation among member governments.

As the balance of power in Southeast Asia shifted after the Vietnam War, ASEAN gained cohesion in the mid-1970s. The 1970s' rapid economic growth strengthened ASEAN, allowing it to respond cohesively to Vietnam's 1979 invasion of Cambodia. The first ASEAN summit in Bali, Indonesia, in 1976 agreed on economic initiatives and signed a Treaty of Amity and Cooperation and Declaration of Concord.

After the Cold War ended in the 1980s, ASEAN members acquired political independence and became a leading voice on regional trade and security issues in the 1990s. ASEAN established the ASEAN Regional Forum to improve regional security communication, adopted a declaration to resolve South China Sea conflicts, and worked to resolve the East Timor conflict. Member countries reduced intraregional tariffs and foreign investment restrictions by creating the ASEAN Free Trade Area in 1992.



### 1.3.2 BIMSTEC

The Bangkok Declaration on June 6, 1997, established the Bay of Bengal Initiative for

Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). BIMSTEC replaced BIST-EC (Bangladesh-India-Sri Lanka-Thailand Economic Cooperation). It has seven members: Myanmar joined on 22 December 1997, Bhutan and Nepal in February 2004.

Government leaders from Bangladesh, India, Sri Lanka, and Thailand signed the

'Declaration on the Establishment of the Bangladesh-India-Sri Lanka-Thailand Economic Cooperation (BIST-EC)' in Bangkok on June 6, 1997. The 'Bangkok Declaration' was signed by Bangladesh's Minister of State for Foreign Affairs Abul Hasan Chowdhury, India's Saleem Iqbal Shervani, Sri Lanka's D.P. Wickremasinghe, and Thailand's Pitak Intrawitayanunt. The regional consortium aimed to improve economic cooperation among Bay of Bengal-adjacent nations.

The group became BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka, Thailand

Economic Cooperation) on December 22, 1997. After Nepal and Bhutan were accepted at the 6th

Ministerial Meeting in Thailand in July 2004, the group was renamed BIMSTEC at the First Summit in Bangkok on 31 July 2004.

Institutional development at BIMSTEC has been sluggish. A 2014 resolution of the Third BIMSTEC Summit established the BIMSTEC Secretariat in Dhaka, Bangladesh. A formalised structure was created to improve member state cooperation.

In 1997, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) focused on six sectors: trade, technology, energy, transport, tourism, and fisheries. In 2008, partnership expanded to agriculture, public health, poverty reduction, counterterrorism, environment, culture, people-to-people contact, and climate change.



### 1.3.3 BRICS

In July 2006, the leaders of the BRIC (Brazil, Russia, India, and China) countries met for the first time on the fringes of the G8 Outreach Summit in St. Petersburg, Russia. Shortly later, in September 2006, the organization was renamed BRIC during the 1st BRIC Foreign Ministers' Meeting, which took place on the fringes of the UN Assembly's General Debate in New York City.

After high-level talks, the inaugural BRIC summit was held in Yekaterinburg, Russia, on June 16, 2009. BRICS was renamed when South Africa was accepted as a full member during the BRIC Foreign Ministers' conference in New York in September 2010. Thus, South Africa attended the 3rd BRICS Summit in Sanya, China, on April 14, 2011. The world's largest emerging economies—BRICS—represent 41% of the population, 24% of GDP, and over 16% of trade. Over the years, the BRICS have driven global economic growth. BRICS countries have discussed important issues within the three pillars of political and security, economic and financial, and cultural and people-to-people contacts.

The system of cooperation formats between BRICS countries includes annual scheduled summits (2010 – Brazil; 2011 – China; 2012 – India; 2013 – South Africa; 2014 – Brazil; 2015 - Russia; 2016 - India), leaders' meetings on the sidelines of G20 summits, meetings between high representatives responsible for national security, foreign ministers (on the sidelines of the UN General Assembly), ministers of finance and governors of central banks (on the sidelines of autumn and spring meetings of the International Monetary Fund and World Bank boards of governors and also on the sidelines of meetings of G20 ministers of finance), ministers of agriculture and agrarian development, BRICS sherpas and sous-sherpas, heads of statistical and anti-monopoly departments, senior officials for science and technological and innovation cooperation, meetings of working cooperation groups for agriculture and agrarian development, healthcare, information security, science and innovation, meetings of chairpersons of supreme (high) courts, heads of central election commissions, and representatives of municipal administrations and partner regions.



From 2009 to 2016, BRICS prioritised these sectors. Libyan, Syrian, Afghan, and Iranian nuclear issues were resolved. Their financial and economic agreements included World Bank and IMF reforms, IMF resource mobilisation to boost its anti-crisis capabilities, the BRICS Interbank Cooperation Mechanism, and the BRICS Exchanges Alliance. The Durban conference involving the five BRICS leaders, the African Union leaders, and eight significant African integration institutions strengthened BRICS' external contacts. July 16, 2014 saw the second South American heads-of-state and government meeting in Brasilia. BRICS may link with rising global power centres with this technique.



#### **1.3.4 IORA**

The concept of the Indian Ocean Rim Association (IORA) was initially proposed during the visit of the late South African President Nelson Mandela to India in 1995. President Mandela expressed the notion that “The natural urge of the factors of history and geography should broaden itself to include the concept of an Indian Ocean Rim for socio-economic cooperation...”. The establishment of IORA was driven by this feeling and rationale. The establishment of the organization occurred in 1997, with Mauritius serving as its secretariat. The Indian Ocean Rim Association (IORA), previously referred to as the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), is a consortium consisting of 23 nations. These countries include Australia, Bangladesh, Comoros, France, India, Indonesia, Iran, Kenya, Malaysia, Madagascar, Maldives, Mauritius, Mozambique, Oman, Seychelles, Singapore, Somalia, South Africa, Sri Lanka, Tanzania, Thailand, the United Arab Emirates, and Yemen. The primary objective of this association is to foster economic collaboration among its members, with the aim of promoting sustainable development and achieving equitable economic growth. There are a total of seven dialogue partners, including China, Egypt, France, Japan, the United Kingdom, the United States, and Germany. The designation "IORA" was officially established in November 2013 during the 13th meeting of Foreign Ministers held in Perth, Australia.

The Council of Foreign Ministers (COM), which serves as the highest governing body of the Indian Ocean Rim Association (IORA), holds an annual meeting. The chairmanship of the People's Republic of Bangladesh commenced in November 2021 and will last until November 2023, succeeding the United Arab Emirates (UAE), which held the position from November 2019 to November 2021. Twice annually, a committee comprised of senior officials (CSO) convenes to promote the objectives of the Indian Ocean Rim Association (IORA) and deliberate on proposals put forth by working groups and forums consisting of government representatives, business leaders, and academics.



#### **1.4 Growth of trade in Regional groups**

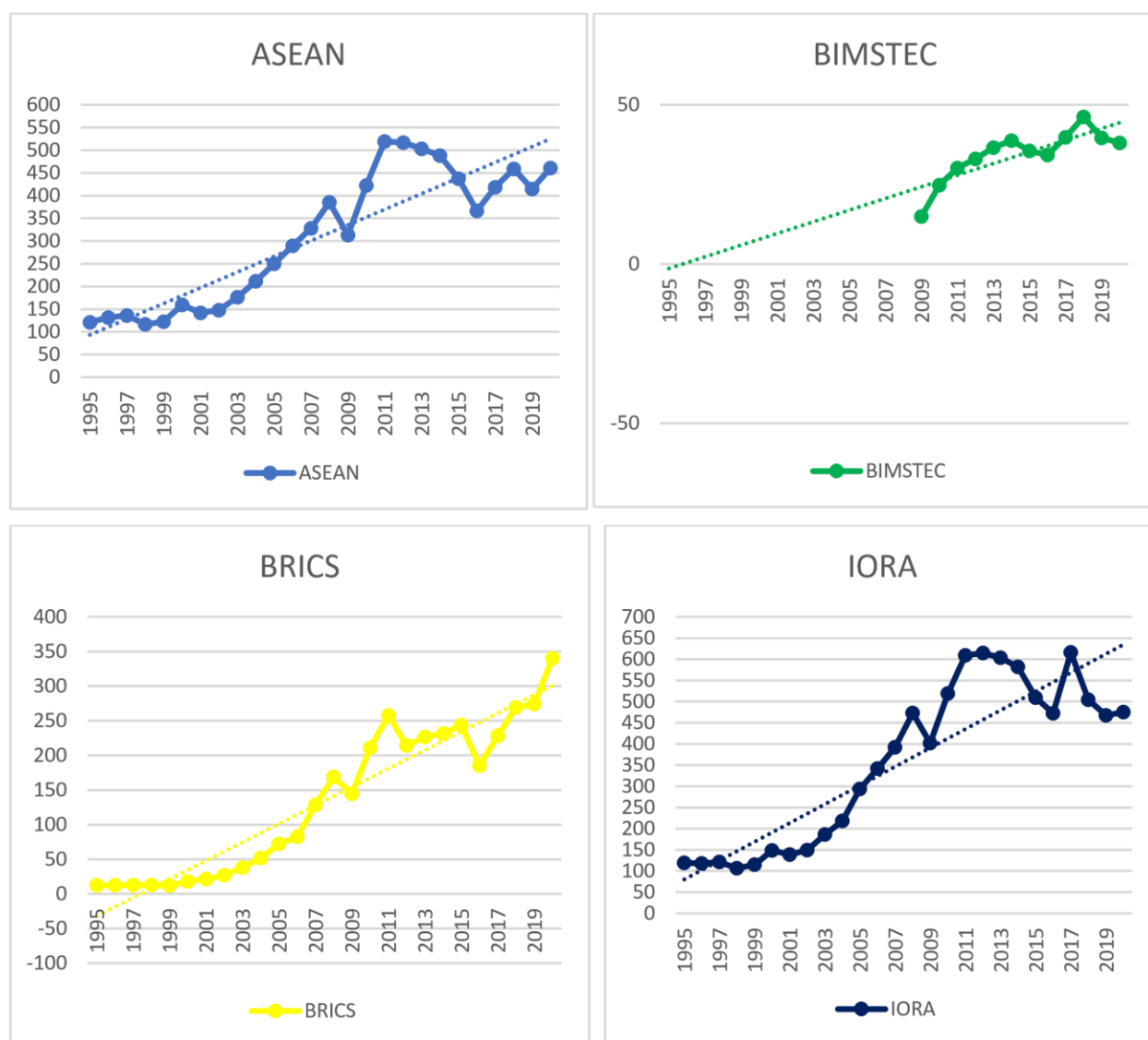
In this section we have analysed the growth of exports of regional groups in south, growth of imports of regional groups in south and growth of trade of regional groups in south. In order to accomplish this, we have divided this section into two subsections: section 1.4.1 describes the Regional group wise growth trend of Imports, Regional group wise growth trend of exports and Regional group wise growth trend of trade in absolute terms for the period under study while section 1.4.2 describes specifies the CAGR of regional groups- Total, which explains the CAGR in terms of total trade as well as in total exports & total imports.

##### **1.4.1 Regional group wise growth of exports, imports & trade**

###### **1.4.1.1 Regional group wise growth of exports**

Figure 1.1 shows the growth of exports for the select regional groups for the period 1995-

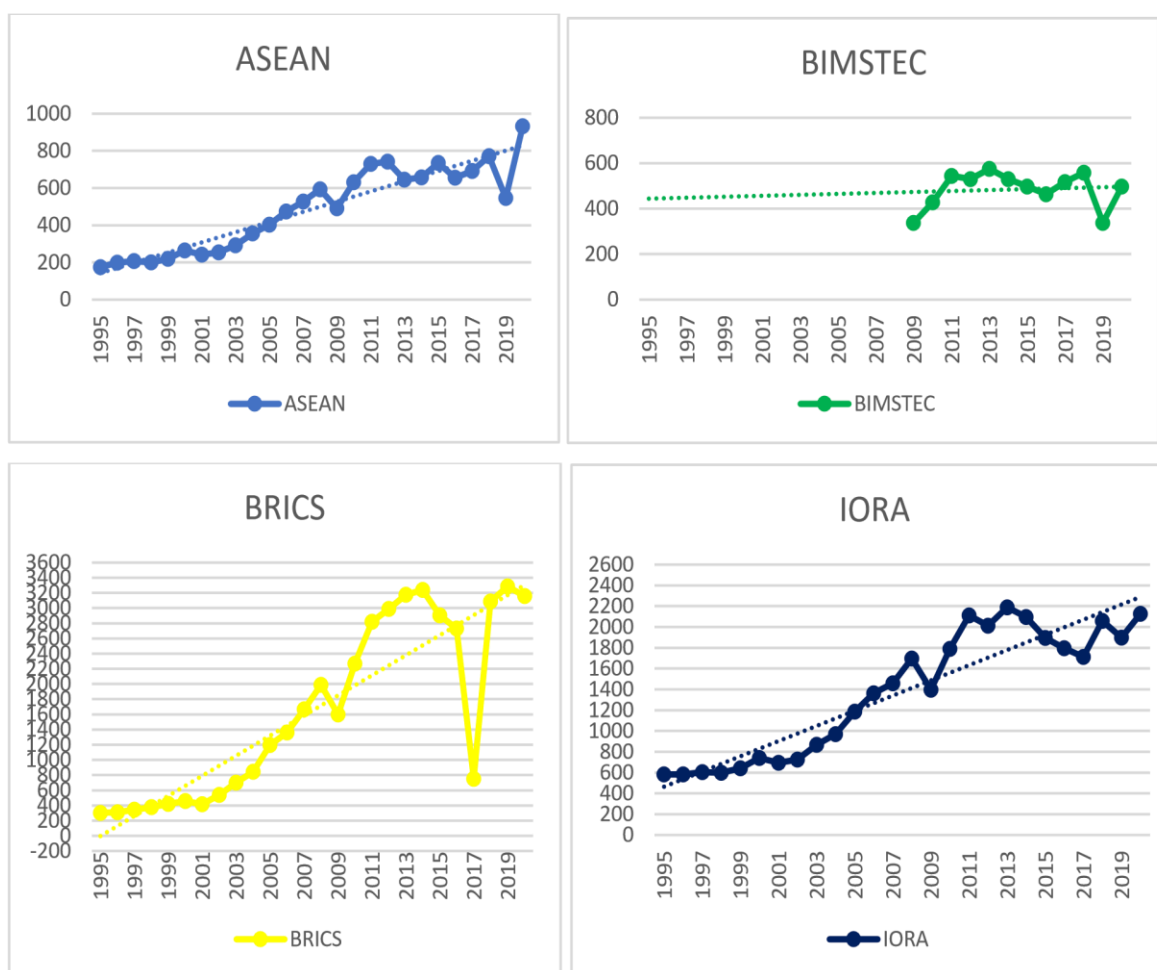
2020 in absolute terms (in thousand billion US Dollars). It is evident from the figure that ASEAN consistently exhibited strong export growth throughout the period with exports more than tripling from 1995 to 2020 while, BIMSTEC's export growth was slower compared to ASEAN and it experienced some fluctuations and periods of decline. BRICS has substantial export growth, particularly in the later years, with exports more than doubling from 1995 to 2020 whereas, IORA also experienced significant export growth, especially in the later years, with exports increasing nearly fortyfold from 1995 to 2020. It is also depicted from the figure that exports of all the regional groups have grown over time, however, IORA, ASEAN & BRICS shown significant growth with least fluctuations. On the other hand, growth of exports has been slowest for the period under study in case of BIMSTEC.



**Figure 1.1 Regional group wise growth trend of exports (in thousand billion US dollar)**

#### 1.4.1.2 Regional group wise growth trend of imports

Figure 2 shows the growth of imports for the select regional groups for the period 1995-2020 in absolute terms (in thousand billion US Dollars). It is evident from the figure that ASEAN consistently exhibited strong and steady import growth throughout the period, with imports increasing more than fivefold while, BIMSTEC's import growth was slower compared to ASEAN and BRICS, with periods of fluctuations and moderate growth overall. BRICS saw substantial import growth, particularly in the earlier years, before stabilizing at a higher level in the later years whereas, IORA showed significant import growth, especially in the later years, with imports increasing substantially. It is also depicted from the figure that imports of all the regional groups have grown over time, however, BRICS, IORA & ASEAN shown significant growth with least fluctuations. On the other hand, growth of imports has been slowest for the period under study in case of BIMSTEC.

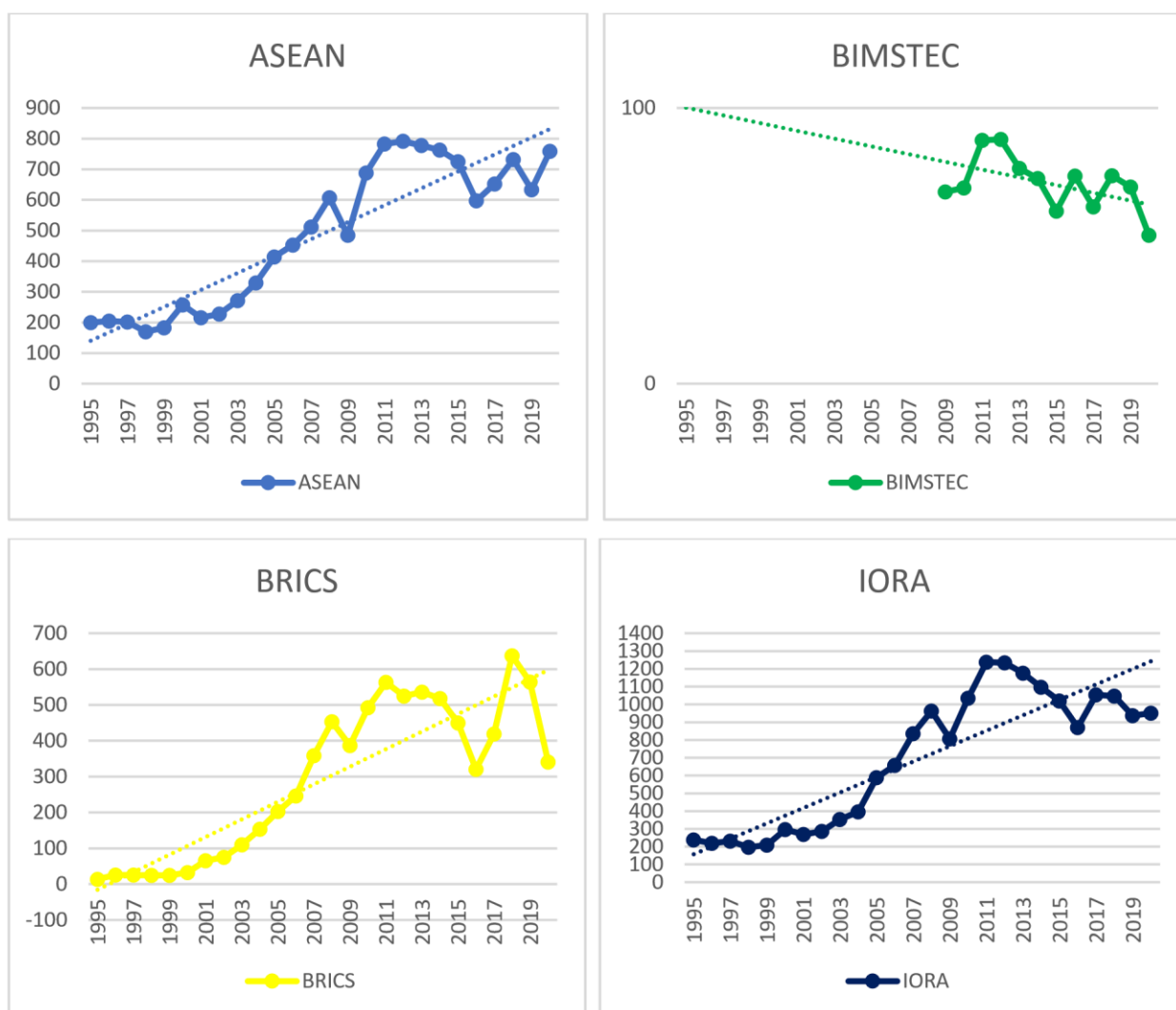


**Figure 2 Regional Group wise growth of imports (1995-2020) (in thousand Billion US Dollar)**

### 1.4.1.3 Regional group wise growth trend of total trade

Figure 3 shows the growth of total trade for the select regional groups for the period 1995-2020 in absolute terms (in thousand billion US Dollars). It is evident from the table that ASEAN experienced moderate and steady trade growth, more than tripling its trade over the 1995-2020 period while, BIMSTEC had steady trade growth but at a much lower scale compared to the other regional groups. BRICS showed substantial trade growth, especially in the earlier years, and then experienced fluctuations in the later years whereas, IORA exhibited significant trade growth, especially in the earlier years, and maintained a relatively high level of trade in the later years. It is also depicted from the figure that trade of all the regional groups have grown over time except BIMSTEC. BIMSTEC shows a decreasing trend during the period under study whereas, IORA & ASEAN shown significant growth with least fluctuations.





**Figure 3 Regional group wise growth of trade (1995-2020) (in thousand Billion US Dollar) Section 1.4.2 Compound Annual Growth Rate of trade in regional groups**

As shown in table 1.1, we have calculated the CAGR of exports-Total, imports-Total and

Trade-Total for the 4 regional groups i.e. ASEAN, BIMSTEC, BRICS & IORA from 1995 to 2020.

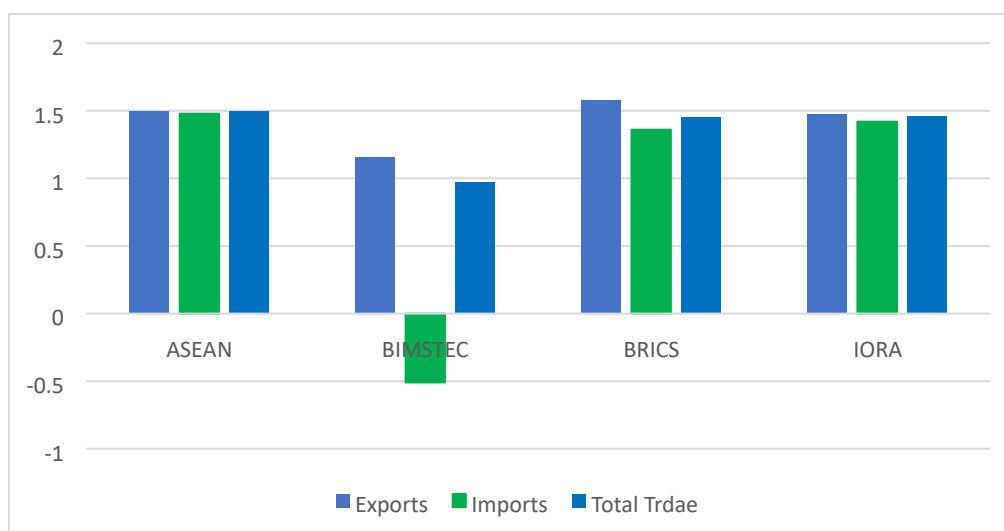
Table 1.1 shows that the CAGR of exports into BRICS is the highest with the value 1.58 percent followed by ASEAN (1.50 percent), whereas the CAGR of imports into ASEAN (1.48) is highest followed by IORA (1.42 percent). Further, it is also observed that the CAGR total trade into ASEAN (1.50 percent) is highest followed by IORA (1.46 percent)

**Table 1.1 CAGR of trade in Regional Group- Trade (1995-2020) (in percentage)**

Regional Group	Exports	Imports	Total Trade
ASEAN	1.50	1.48	1.50
BIMSTEC	1.16	-0.51	0.97

<b>BRICS</b>	1.58	1.36	1.45
<b>IORA</b>	1.48	1.42	1.46

Figure 4 shows CAGR of exports, imports and total trade for regional groups of south from 1990 to 2020. It is clear from the figure that all the regional groups have positive CAGR in terms of exports and total trade. There is a negative CAGR of BIMSTEC in terms of imports.



**Figure 4 CAGR of trade in regional group (1995-2020) (in percentage)**

## 1.5 Conclusion

The export growth of select regional groups from 1995 to 2020, measured in absolute terms (in thousand billion US Dollars). ASEAN consistently demonstrated robust export growth throughout the period, with exports more than tripling over the years. BRICS also experienced substantial export growth, especially in the later years, with exports more than doubling from 1995 to 2020. IORA exhibited significant export growth, particularly in the later years, with exports increasing nearly fortyfold during the same period. While all the regional groups saw export growth, IORA, ASEAN, and BRICS displayed the most substantial and consistent growth with minimal fluctuations. In contrast, BIMSTEC experienced slower export growth over the study period.

The Compound Annual Growth Rates (CAGRs) of exports, imports, and total trade for the four regional groups—ASEAN, BIMSTEC, BRICS, and IORA—from 1995 to 2020 reveals that BRICS emerges with the highest CAGR in exports at 1.58 percent, highlighting their significant export growth over the years. ASEAN closely follows with a CAGR of 1.50 percent in exports, emphasizing their strong export performance. On the imports front, ASEAN takes the lead with the highest CAGR at 1.48 percent, indicating their consistent growth in imports. Meanwhile, IORA exhibits a commendable CAGR of 1.42 percent in imports. In terms of total trade, ASEAN leads again with a CAGR of 1.50 percent, underscoring their robust overall trade performance, followed by IORA with a notable CAGR of 1.46 percent. These figures reflect the varying economic dynamics and trade patterns within these regional groups over the specified period.

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