Covid-19 and South-South Trade & Investment Cooperation: Three Emerging Narratives

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The Covid-19 pandemic has revealed the frailties of economic relations across different aspects of the globalized network. From the national, through the sub-regional, to the regional to the international levels, questions have arisen regarding the seemingly interconnected, yet fractured socio-economic relationships in our modern societies. As such, since Covid-19 assumed a pandemic status based on the World Health Organization's declaration on March 11, 2020, many scholars have revisited various questions that have been brought to the fore as a consequence of the pandemic. One such prominent question is whether Covid-19 will lead to a radical restructuring of economies for fairer and more equitable redistribution of wealth and public goods. As Lorenzo Cotula and Brendan Schwartz have noted in their recent piece on Covid-19 and global economic ordering, 'the ability of states to reshape their

economic policy depends on development patterns, political economies and their integration into the global economic system.' Similarly, Jason Cotton, Jan Yves Remy, and Alicia Nicolls' contribution to this symposium makes the case for trade vulnerability index, focusing on the Caribbean as a point of departure, One thing is clear, countries in the global south, and especially least-developed countries, are among some of the most vulnerable to the social, economic, and political risks associated with the current pandemic.

In this post we shall focus on the trade and investment dimension of South-South relations that have been affected by the pandemic. In doing so, we shall reveal the (often overlooked or taken for granted) linkages with race in South-South relations. We identify the way(s) in which the Covid-19 pandemic has made obvious the latent tensions, hostilities and structural inequalities that exist in South-South cooperation. We argue that three possible narratives may emerge in a post-Covid 19 era for South-South trade and investment cooperation and explore what each narrative might mean for the future of South-South relations.

This blog is the basis of a larger piece of ongoing research where we examine the scope and contours of the three narratives for socio-economic (re)structuring of South-South cooperation in greater detail.

Covid-19 will result in severe disruptions to global trade and it is currently estimated that the pandemic will result in a fall of 13% to 32% of world trade in 2020. On the one hand, international institutions, such as the World Bank and the International Monetary Fund, have been quick to respond to the pandemic, even if their responses have been more controversial. In Africa, the African Export-Import Bank, among others, have announced different packages aimed at mitigating the impact of Covid-19. On the other hand, and notwithstanding that Covid-19 is first and foremost a health crisis, the World Trade Organization (WTO) has reinforced the need to ensure that "trade is part of the solution for the recovery". A tacit acknowledgement of the fact that trade may suffer in a post-COVID-19 situation as a result of protectionist measures countries is beyond doubt.

Already, countries have begun to notify export restrictions on medical supplies

and agricultural staples, like wheat and rice (albeit not yet on the scale of measures taken during the 2007-8 global food crisis). States can adopt unilateral export restrictions provided they satisfy the rules under the General Exceptions under GATT or under the Sanitary and Phytosanitary Measures Agreement. In other words, they are permissible provided that the measures are *necessary* to protect public health. Nanjira Annabel's contribution to this symposium elaborates on the three ways, export or import Covid-19 restrictions are justifiable under the GATT framework. However, the IMF and WTO have urged governments to 'exercise caution' as the result of implementing export restrictions *en masse* is likely to 'prolong and exacerbate the health and economic crisis – with the most serious effects likely on the poorer and more vulnerable countries." Put differently, the effects of measures taken in response to the pandemic may be catastrophic, especially for countries in the global south.

South-South cooperation has evolved considerably over time, with technical cooperation growing not only in terms of trade volumes and the value of financial assistance and investment flows but also in terms of the geographic reach of countries working together. South-South cooperation is notoriously difficult to measure but it is widely accepted that the emerging economies, and especially China, have played a significant role in the investment and growth of *other* developing countries. Furthermore, the global south are seen as critically important for the realisation of the 2030 Agenda for Sustainable Development.

Despite the differences in the composition of the states, South-South cooperation as a form of cooperation based on solidarity, self-reliance, equity, trust and reciprocity, is fraught with structural inequalities and heterogeneity which we argue Covid-19 attenuates.

The New International Economic Order (NIEO) & its Legacies

Economic cooperation between developing countries was first formally discussed at the now infamous Bandung Conferencein 1955 and in 1964, the founding Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), Raùl Prebisch, declared South-South cooperation to be part of a "new trade policy for development". In 1974, the international

community envisaged a New International Economic Order (NIEO) – a radical restructuring of the economy focusing on issues such as trade, commodities, finance and debt relief – to advance the "economic sovereignty" of postcolonial states in the global south. It was the aim of the NIEO to rebalance a world that had become characterised by the inequalities and injustices perpetuated over centuries by an international order structured in accordance with patriarchal and colonial norms. The NIEO promised emancipation from a history of subjugation for the global south and one means through which this could be achieved was by technical cooperation *between* developing countries. It was the aim of the NIEO to restructure the global economy but South-South cooperation has merely replicated and reproduced North-South dynamics of power asymmetry, oppression and hegemony. The legacies of the NIEO as a political project or *unfailure* as Nils Gilman suggests remain today. Arguably, the growth of South-South cooperation is a legacy of the NIEO. These legacies have taken many forms with the China-African relations, unarguably topping the chat in recent time. However, less popular, but equally important dimension to the continued legacies of the NIEO is the Caribbean Community (CARICOM)/Africa relations which is gaining momentum.

It has now been just over four decades since the concept of South-South cooperation was formally set out in the 1978 Buenos Aires Plan of Action (BAPA). The BAPA+40 Conference (2019) served as an opportunity to reflect on the significance of South-South cooperation and celebrated the exchange of (traditional) knowledge and practices, ideas, innovation and technology transfers and responses to crises that have come to typify this type of cooperation and mark it out, in theory at least, from North-South cooperation. It is also envisaged as a stepping-stone toward triangulation of relations between North-South-South partners.

From 2000-2016, the economy of the global south quadrupled to $30.9 trillion in part, because of the proliferation of regional trade agreements and the rise in technology-intensive goods. Value chains in the global south are increasingly important for stimulating growth among developing countries, with a 2019 International Trade Centre report showing that East African businesses "capture 10% more value when they work in South-South chains instead of North-South chains, increasing their bargaining power." Global South value chains are,

therefore, integral to increasing the competitiveness and sustainability of businesses in developing countries *alongside* or *complementary to* North-South value chains.

COVID-19 exposes the fragilities and vulnerabilities that exist between countries in the global south

However, the promising story of growth for global south economies is somewhat misleading and the true potential for export diversification among global south countries remains untapped. Similarly, that nature of the relationship between the cooperating states of the global south is highly unequal, nested in South-South hierarchies which has led to a critique that it merely reproduces the strategies of the global north. Growth in the share of global output by countries in the global south is dominated by East Asia, and mainly China. While there has been positive spill-over effects from China's growth, with the demand for raw materials increasing, developing countries with low productive capacity risk getting caught in the development trap of low value-added production at the bottom of supply chains. In this context, some, like David Mwambari, have argued that the COVID-19 pandemic is another opportunity for African States to reimagine their economic independence and make a transition from being mainly raw material exporting economy.

Furthermore, gaps in investor perceptions present a major practical challenge for the global south and undermines the true potential of trade and investment in many developing countries. China's influence and presence across the global south, and its dominant position vis-à-vis other global south countries, raises serious existential and practical questions about the nature of South-South cooperation. Are the global south still cooperating within a system based on solidarity, self-reliance, equality and trust? Or, is South-South cooperation mimicking the patterns of hegemony and inequality that has come to characterise the nature of many North-South relationships?

Covid-19 – and reactions to the pandemic – have exposed the fragilities and vulnerabilities that exist between countries in the global south. Covid-19 has not revealed anything new about South-South cooperation but it has intensified and exacerbated the embedded inequalities and structural imbalances that

have come to define the global economy and South-South relations.

Formally, and at the international institutional level, the need for South-South cooperation is greater now than ever before. For example, the UN Office for South-South Cooperation (UNOSSC) has created a 'Galaxy Mapping' tool to identify how global south countries are responding to the Covid-19 pandemic to "compare practices and learn from one another through South-South exchanges". Cuba, for example, has now sent approximately 1200 medical staff to twenty-two countries, including 200 healthcare professionals to South Africa, to support the global south's response to the pandemic.

China has projected itself as a "global benefactor" in the midst of the crisis, reportedly sending medical supplies and staff to respond to the crisis around the globe and to countries in the global south, including Africa. Yet, accusations and denials abound today regarding charges of China's complicit in the delay regarding the human to human contract of Covid-19. Amidst the Covid-19 pandemic, China's racial profiling of African immigrants has risen to the fore. Human Rights Watch provided a detailed report of discrimination against African immigrants living in Guangzhou who have been subjected to forced quarantines, evictions, and refusal of services. The racialized nature of the relationship has become apparent in the wake of the Covid-19 outbreak with recent accounts of discrimination against Africans and African Americans living in Guangzhou, China – including a 'ban' on black people entering McDonald's in the city. This has led to a diplomatic row erupting between China and African countries. Unfortunately, as we have noted, China's racism towards African migrants are not new – they are a reflection of a larger attitude of the China towards Africans. The Covid-19 pandemic has only accentuated the racialized dimension of the trade, investment and labour relations between Chinese and Africans.

But, the treatment of Africans seems at odds with Chinese ideas about solidarity and other ethos of cooperation among South-South countries. In 2018, the value of China-Africa bilateral trade was $185 billion while bilateral investment flows from China to Africa is estimated to be $5.4 billion. In the same year, President Xi Jinping announced that China would provide an investment package of $60 billion in financial assistance to African countries.

While financial support from China may seem attractive there are concerns that it reinforces patterns of dependency and debt, making Sino-African relations mirror the (neo)colonial relationships between global north and global south states.

However, the discourse of racially charged economic relations in South-South relations is not limited to Sino-African relations. Discrimination and xenophobia have long been features of South-South cooperation. The xenophobic attacks against Nigerians in South Africa, religious discrimination against the residents of Assam in India and the Rohingya across East Asia, and the "pigmentocracy" of Latin American economies are just a few examples of how race, gender and class intersect with labour, trade, and investment in the global south. Migrant workers in particular are more exposed to both the precarities of work (be it in the formal or informal economy) and the risk of discrimination in society because of their nationality, ethnicity or religion.

Three Emerging Narratives: Preliminary Reflections

How, then, is Covid-19 likely to impact on south-south cooperation? We identify three narratives, or imaginaries, that could emerge as a result of the pandemic.

The first narrative is pessimistic in its outlook – the 'worst case' scenario of a post-Covid 19 world that will be characterised by deeper divisions and inequalities among and within countries. On the one hand, this pessimistic assessment is the consequence of protectionist strategies that (mostly) developed countries have adopted in their responses to Covid-19. In its wake, it leaves the South-South countries in a worse position than they were pre-Covid 19. On the other hand, this possibility is enhanced by the inaction of the global south countries to capitalize on this moment to reimagine how they might be better positioned in the multilateral trading system. Further, the pessimistic narrative is enhanced because protectionist measures triggered among south-south cooperating countries, due to Covid-19 will leave these countries in a 'worse' position post the pandemic. For example, in the African context, the Covid-19 pandemic has slowed down the pace that the AfCFTA has generated with the postponement of the implementation of the agreement. The implication of the postponement on the willingness of the cooperating states in Africa to continue to throw their unconditional political weight behind the

AfCFTA will emerge in the coming months. However, one should not be surprised if emerging from the pandemic, there is a slower pace in the willingness of many to push through with the AfCFTA.

The second narrative of South-South cooperation is more optimistic in terms of its outcomes. It imagines a world where (some of) the global south countries instrumentalize this moment to proffer concrete economic measures, responses and choices that will reshape the course of economic development in the post-Covid-19 era. Our conceptualization of this optimistic category is nuanced. Two examples of this possibility is the case which David Mwambari makes so well that "the pandemic can be a catalyst for [economic] decolonisation in Africa" and Bandar M.H. Hajjar who argues that coronavirus presents, yet, another opportunity for Africa to do development differently. In the same vein, an effective implementation of the "African Union Commission, Afreximbank, Afrochampions and UNECA Joint Communique on the need for a holistic and coordinated trade and investment response to the COVID-19 pandemic" that builds on the AfCFTA as "… the rallying initiative to drive the post Pandemic economic recovery and the strengthening of African domestic, regional and continental value and supply chains" is in this mode. Cautious optimism is the key word in this regard.

The third possibility is less determinative in nature and is, perhaps, the most likely of the three narratives. In this scenario, we will see neither a fundamental reimagining of existing South-South trade and investment cooperation with its embedded inequality, nor will a deeper divide of the first imaginary materialise. Instead, and under this scenario, we will be navigating murky terrain where the winners and losers of the post-Covid 19 era are difficult to identify.

Whichever scenario prevails, there will be a need for robust and consistent regulatory responses to the shifting landscape of south-south cooperation by domestic, regional and international institutions. In this regard, Cotula and Schwartz's argument in their compelling piece, that we need to 'reshape global spaces for dialogue, so marginalised voices are heard'; as well as, Jason Cotton, Jan Yves Remy and Alicia Nicolls' call for attention to the lessons from the sufferings of the vulnerable among us post-Covid-19 resonates very well.

To the extent that measures taken to combat Covid-19 intersect with existing trade and investment obligations for countries in the global south, and reveals the embedded tensions, we wonder whether regional governance can or should serve as a framework to create equitable and just South-South cooperation, especially in times of crises. Regional and sub-regional organisations, if operationalised effectively, have the capabilities to pool together the financial, human, and intellectual resources that will be needed to identify interventions and responses to measures that threaten the foundations of solidarity, self-reliance and equality underpinning South-South relations. The effects of the pandemic are likely to be long-lasting and innovation(s) in legal thinking and modes of governance are going to be critical to the protection and advancement of cooperation among the global south.

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