

Fast Expanding South-South Trade Becoming a Vital Driver of Global Growth

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Desirée Mohindra, Senior Media Manager: Tel.: +91 8879 335 338,

E-mail: desiree.mohindra@weforum.org

- While economic growth and demand in developed economies remain weak, trade among emerging markets is expanding rapidly
- Cultural affinities between Africa and Asia are helping to increase trade between the two continents
- Developing economies should promote investment to boost trading capacity and deepen regional integration to strengthen their competitive advantages
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Mumbai, India, 13 November 2011 – Trade among emerging markets is increasing rapidly and becoming a vital driver of global economic growth, government and business leaders and senior economists said in a panel discussion on South-South trade on the first day of the World Economic Forum's India Economic Summit.

"There is a shift taking place," explained Anand Sharma, Minister of Commerce and Industry of India, who is also his country's Minister of Textiles. "More and more is coming from developing countries." Added B. Muthuraman, Vice-Chairman of Tata Steel and President of the Confederation of Indian Industry (CII): "The Western world is gradually becoming uncompetitive in many products, [and] developing countries have over the last 10-15 years become centres of consumption."

New commercial corridors are linking emerging markets in Asia, Africa and Latin America, spurred largely by the rising demand in fast-growing China and India for raw materials and energy to fuel development. "There will be increased South-South trade and investment," Muthuraman predicted. "But we are not going to Africa just to remove raw materials and take them home. We are there to participate in the growth of those countries. There has to be a win-win approach." Declared Sharma: "Our philosophy is to be a true friend and partner in Africa's progress."

Africa is lagging behind other regions not because it is not trading, argued Mary Michael Nagu, Minister of State for Investment and Empowerment of Tanzania. "Africa is lagging because it is mainly trading commodities in raw form with low technology use and very little value addition. Africa has to pull up its socks and see to it that we add more value to products before export." She welcomed the growth of Asia-Africa trade, noting the cultural affinities between countries on both continents. "Trading is partnership and partnership is easy for cultures that are not very different."

Nagu called for increased South-South cooperation in investment, particularly in sectors such as natural resources that could then lead to more trade. "In terms of South-South trade, we should not just be looking at trade but also investment," Anil Gupta, Michael Dingman Chair in Global Strategy and Entrepreneurship at the University of Maryland in the US, concurred.

Developing economies must also deepen regional integration to strengthen comparative advantages. "Africa has to build a team to come together to share views and to overcome our problems so we can compete in international markets as one," reckoned José Pacheco, Minister of

Agriculture of Mozambique. African countries could work together to increase the productivity of farmers through better access to technology and more efficient use of water resources, he said.

India and other economies in South Asia should also pool their competitive advantages by deepening integration and expanding intra-regional trade. "Trade is very below potential in our region," Sharma acknowledged. "India does not want to race ahead on its own," but wants to work together with its neighbours to boost trade and investment in the region, he stressed. "It is trade integration that really gives you the productivity increases you need to create jobs," Anoop Singh, Director, Asia and Pacific Department, at the International Monetary Fund (IMF), concluded. "Nothing is as important as international trade integration. This applies to South-South trade. The economic benefits are undisputed."

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World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>