

South-South Cooperation has a Viable Future*

I SIS Focus reproduces here the full text of Tun Hussein Onn's address delivered during the welcoming dinner for the conference titled 'South-South II: Charting the Way Forward,' 5-8 May 1986, Kuala Lumpur.

We all come from different backgrounds, from vastly different parts of the world, from countries at different stages of development and different stages of socio-economic advancement. Yet, I believe that we are all united, that we are all at one in our commitment to move our nations forward. I am certain that we are at one in our belief that South-South cooperation is a timely and powerful idea. I am also certain that we are at one in our belief that it is the task of true leadership to adopt, implement and make this powerful idea a reality.

The idea of South-South cooperation is a powerful one. Yet, the record speaks for itself. The rhetoric has been awesome in quality as well as in volume – many assembled in this room have contributed much to that quality and that volume. The argument has been resplendent in elegance as well as eloquence – again, many who are with us tonight have contributed splendidly to that elegance and that eloquence. Yet, after all these years, in terms of concrete accomplishments, the nations of the South are still at the starting block – even as other less powerful ideas are reaching the finishing line.

There are pessimists amongst us as there are optimists. We need neither pessimists nor optimists, but realists. Realism tells us that there must be powerful forces that stand in the way of breakthroughs on South-South cooperation. We must find these obstacles, identify and dissect them meticulously, and with the utmost creativity, we must discover the ways to contain, undermine and remove them. More than sheer creativity and



Tun Hussein Onn welcoming participants to South-South II on 5th May, 1986

ingenuity will be required. But creativity and ingenuity — the intellectual input — must come first.

Against the dismal record of promises unfulfilled and potential unexploited, perhaps we should ask the question: given the past, does South-South cooperation have a future? My answer is clear. The answer of the Third World Foundation and the Institute of Strategic and International Studies is clear. Our organization of this conference is ample testimony to that answer.

We start off tomorrow with an overview of where we are, where South-South cooperation has been and the present state of affairs. The conference will address two other specific themes. Firstly, it will critically examine the problems and obstacles that stand in the way of our forward movement. Secondly, it will examine the specific and concrete opportunities for South-South cooperation. It is my hope that at the end of the day we would be able to chart clearly where we go from here. It is

** Reproduced from ISIS Focus No. 15, June 1986*

time, I think, to talk about specific projects rather than broad objectives. It is time for specific workable action, however humble. It is not the time for impracticable great schemes, however grandiose they may be.

We in ISIS believe that South-South cooperation has a viable future, and that it is a necessity upon which a substantial part of all our future will depend.

The ills of the South stare us in the face. Between 1970 and 1984, the total medium and long term debt of the South increased ten-fold, jumping to US\$686 billion. If we include short term debt, the total debt of the least developed countries (LDC) stood at around US\$900 billion. Before the decade is out, and if we proceed on past trends, we will have reached the trillion US dollar level. The ratio of debt to gross national product (GNP) more than doubled from 14 per cent to 34 per cent in the period 1970-1984. Debt is growing faster than the net export proceeds of the countries of the South. The debt crisis will be with the world for the rest of this century.

It is important to note that it is not only the problem of the debtor but also of the creditor. It is interesting to note that in the 1930s, nine states in the United States defaulted by suspending their debt service payments. During the 1970s, Great Britain defaulted on payments to the United States. In 1953, West Germany was given a 'breather' when the donor, the United States,

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reduced Germany's debt by two-thirds and stretched repayments over 35 years, at a concessional rate of three per cent.

It is obvious that we must all live within our means. It is obvious that foreign capital should never be treated as an alternative to domestic capital, but only as a supplement. It is also interesting to note that whilst at the governmental level, Latin America is a debtor continent to the United States, there is more money owed by American banks to individuals and private institutions in Latin America, than is owed by Latin American governments and governmental institutions to American banks. In actuality, the United States is a debtor to Latin America.

The Bleak Picture of Official Aid

When we come to official aid, the picture is also bleak. Official aid to the countries of the South has declined not only in relative but also in absolute terms. Both official and non-concessional aid accounted for 50 per cent of the LDC inflows of capital in 1980. By 1984, this had fallen to 46 per cent. Likewise, foreign investments in LDC, which stood at US\$17.2 billion in 1981, had fallen to US\$7.8 billion by 1983. To this should be added the problem of capital movement and capital flight from Third World countries.

Our terms of trade have worsened at an alarming rate. Increasing protectionism in the North makes it difficult for exports from the Third World to compete and to enter markets.

There are a host of other problems confronting the South, which the South can only solve by dealing with all states in the international system. There is no point deluding ourselves at any time about the crucial importance of the North to the South. But there is much that we in the South can do for ourselves.

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Trade is an area we must really start to develop with vigour. Given the poor prospects for North-South trade, expansion of trade between the countries of the South is an option that is too obvious to elaborate, yet so apparently difficult to achieve. Given that investments from the North will be hard to come by, we must obviously do more to invest in each other.

In my view, greater South-South cooperation requires not only major political initiatives but also readjustments, both within the international economic system and the internal economies of the Third World countries. Such readjustments require, among other things, a fundamental change in the intellectual environment and developments in the South.

This conference and future meetings on the South must closely examine the need to liberate ourselves from the intellectual bondage which at present restricts us. We do need to restructure our thinking, even our areas of intellectual concentration and interest. Those countries of the South which do not look closely at opportunities in the South, will have only themselves to blame in the years ahead.

It is my hope that the participants of this meeting on South-South cooperation will be truly inspired — at a time when inspiration is truly needed.

South-South cooperation must be made into more than a slogan or dream. We must be humble about what we can achieve. But let us resolve to achieve over the next four days something that will be worthwhile, at least a small milestone in our long journey towards the fulfillment of the dream of deep and enduring South-South cooperation.