The concept note for this meeting rightly notes that developing economies in the South will need to foster channels of South South and Triangular FDI and development cooperation to substitute for traditional ODA and other development support from the advanced North now in prolonged growth slowdown.

Bangladesh is already in substantial extent of South South and triangular engagements in trade and development cooperation; but with benefits asymmetrically skewed in favor of her Southern partners rather than of Bangladesh herself:

(i) Bangladesh’s manufactured exports to advanced economies in the North have sizeable imported input content from developing economies in the South; which is why Bangladesh runs trade deficits with partners in the South while running surpluses with advanced economies in the North.

In the Asian Clearing Union comprising nine developing economies of the South (viz., Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal, Pakistan and Sri Lanka) we are active in fostering intraregional trade settlements minimizing involvement of external currencies, and swap support lines for members in temporary difficulties. However Bangladesh’s imports from other ACU partner economies remain around twenty fold larger than her exports to them.

The picture clearly indicates a case for urging further openness in South South goods trade; particularly of the larger, faster growing ones, to exports from Bangladesh and other Southern partners; in terms of tariff/non tariff barriers and value chain linkages.

(ii) The same asymmetry prevails also in openness for South South services exports. Manufacturing establishments in Bangladesh employ substantial number of middle and higher tier experts and managers from fast growing developing economies of the South, but among the later only Malaysia has extended significant openness to (mainly low skilled) job seekers from Bangladesh. Further, while advanced economies in the North have significant IT enabled services outsourcing to Bangladesh, such outsourcing or value chain linking to Bangladesh from fast growing developing economies in the South remains insignificant. There is thus a case for urging greater openness also in South South services trade.

(iii) South South knowledge sharing cooperation is afoot in fostering inclusive, environmentally sustainable growth; one such event is due next month in Dhaka bringing together central bank governors and senior officials from 11 SAARC Finance forum member countries.
Large renowned NGOs from Bangladesh like BRAC, ASA and Grameen have also fostered significant and growing South South engagements in social and economic inclusion and empowerment initiatives for the poor in many developing economies in Asia, Africa and South America. There is no significant similar engagement in Bangladesh of NGOs from other developing economies in the South; while NGOs from the advanced North are phasing down their Bangladesh engagements as poverty incidence declines.

(iv) Bangladesh is also yet to benefit significantly from recent increases in South South FDI flows, despite being a low wage manufacturing location. Physical infrastructure deficiencies in Bangladesh hampering FDI inflows are in themselves FDI opportunities that fast growing economies of the South can take advantage of; FDI policy regime in Bangladesh being among the most liberal and permissive. Bangladesh’s joining the AIIB as a founder member will hopefully widen infrastructure investment inflows into Bangladesh the near future; but existing institutions like the ADB, the SAARC Development Fund and the sovereign wealth funds in the South also have more than adequate fund pools for expanded infrastructure investments in Bangladesh and other Southern economies. Fast growing Southern economies ahead in the curve of bond market development can usefully assist other developing economies in the South in this area.

(v) Effective plugging of illicit outflows from developing economies in the South will also be important in augmenting investment resources, such outflows reported typically to exceed FDI and ODA inflows taken together. Build up and strengthening of South South cooperation networks between FIUs, AML CFT adjudicators, anti corruption/stolen asset recovery authorities, and tax/revenue authorities will be crucially important in stemming illicit outflows through trade mis invoicing, transfer pricing and various other means. Bangladesh authorities have remained proactive in these areas, domestically and as in regional and global forums.