

# The New South: Breaking with the Past

## West-South Engagement in a Changing World

Len Ishmael



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## Foreword

### *IDOS at 60: The future of development, development of sustainable futures*

The early 1960s can be regarded as the “Big Bang” for international cooperation and development policy. The US was pushing an international system to support developing countries, and in 1961, it established the US Agency for International Development (USAID). The same year saw the Organisation for Economic Co-operation and Development (OECD) set up its Development Assistance Committee (DAC). Germany’s post-WWII engagement in international development cooperation took an institutional shape with the founding of the Federal Ministry for Economic Cooperation and Development (BMZ) also in 1961. Shortly after, in March 1964, the German Institute of Development and Sustainability (IDOS, formerly German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)) was created with the mandate to train practitioners and post-graduates to work in the new field of development policy and offer research-based advice to the field of international cooperation.

Today, 60 years later, we look back at six decades of research, policy advice, training, knowledge, cooperation and joint learning, with the constant aim of finding innovative and implementation-oriented solutions to current development challenges. The focus of our work is on the interdependence of “development” and “sustainability” and the system of international cooperation itself, in the context of geopolitical shifts. Decent living worldwide and for all social groups is only possible today and in the future if planetary boundaries are adhered to, that is, if political, economic and social development is accompanied by the protection of biodiversity, soils, water and oceans and a radical reduction of climate-damaging emissions is achieved. This requires the climate-stabilizing transformation of production systems and consumption behavior in countries of all income groups, but with targeted support for low- and middle-income countries. It is about envisioning, designing and implementing pathways into sustainable futures around the globe. A reformed, rule-based international order needs to address double-standards and ensure that rules of the game apply to all. Such an order must be based on the recognition of human rights and international law and constructive multilateral cooperation in a multipolar world.

Len Ishmael, in her keynote at IDOS’ 60th anniversary event, addresses these challenges of shaping futures by reflecting on the state of our world and world order today, determining how and by whom futures are being negotiated. She argues that our world is standing at a crossroads. The “New South” is re-considering its identity, aware of its increasing agency, and pursuing alliances that support the New South’s “emergence”. Her assessment is clear: the “Old North” must boost its attractiveness to countries in what she calls the New South if it wants to be considered an important player in upcoming future-making. This seeking of alliances with the New South is not about giving up “Northern” interests or values; instead, it is about shaping reciprocal, trusted partnerships in areas of joint interest and respecting one another’s differences.

Len Ishmael’s keynote “The New South: Breaking with Past: West-South Engagement in a Changing World” is a must-read for all those reflecting on the state of the world today and with the ambition to co-shape its future in a collaborative and constructive manner.

Prof. Dr. Anna-Katharina Hornidge  
IDOS Director

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## Abbreviations

BRICS	Brazil, Russia, India, China and South Africa
ICJ	International Court of Justice
SCO	Shanghai Cooperation Organization
SDG	Sustainable Development Goal
USD	United States Dollar
WWII	World War II

# 1 Introduction

Ladies and Gentlemen, it is an honor to address you on the occasion of the German Institute of Development and Sustainability's 60th anniversary. What a milestone, congratulations! Over the course of these several decades your institute has borne witness to one of the most impressive periods of stability, prosperity and technological innovation across the world. Millions have been lifted out of poverty thanks to Western-led principles of free trade, open markets and comparative advantage.

Today, however, we are on the cusp of another era marked by great power competition and increasingly divergent interests between the West and the rest of the world. The world is fragmenting into blocs around their own interests. The reach and scope of Western power and influence is being contested. Crises, uncertainty, discord and distrust are the hallmarks of these times. The long-standing concepts of open markets and free trade are being displaced by more strategic, geopolitical considerations, which make for smart politics – but increasingly poor policies.

Democratic ideals and norms and principles of a rules-based world order – so long the mission of the West – are also being challenged – not only from the outside, but also from within. The results of EU-wide elections and France's snap elections are reasons for concern. So too are the battles across the United States as presidential elections draw closer, pitting a populist former president committed to "Making America Great Again" against an incumbent on a crusade to "Save America's Democracy" – against the backdrop of recent right-leaning majority judgements by the US Supreme Court including that of the wide-ranging scope of presidential immunity. Across Western societies – the people, especially the youth – are at odds with their governments on a range of issues and policies; for many, faith in their institutions is at an all-time low. No longer the shining city upon a hill – the beacon of Western norms and ideals is tarnished. For the non-Western world – home to 85 per cent of the global population – the Western model is losing not only its attraction but increasingly, its moral appeal.

This fractious period holds significant implications for development cooperation frameworks, concepts of sustainability, and the multilateral frameworks required to secure an array of global public goods ranging from targets associated with the Paris Accords to Agenda 2030 and the SDGs.

What to make of all of this? While there is a sense that we are at an inflection point, that balance of power and global governance arrangements are shifting, and the status quo is fraying, what replaces it is not quite clear. And while the past usually holds lessons for the future, we seem to be moving into uncharted territory, the full extent of which is difficult to grasp.

## 2 Some context

But first, some context. To say that the past few years have been difficult would be an understatement. All nations have been buffeted by the adverse winds of war, pandemic and the resurgence of great power competition. The planet, too, is in the throes of an existential crisis around climate change. Change has come in other forms as well. No longer a unipolar world, the international structure today is bipolar with the meteoric rise of China and the US' acknowledgement of that country as an explicit threat to its hegemony. Between 2002 and 2022, China's GDP moved from USD 1.2 trillion to USD 18.5 trillion against the US' USD 25 trillion. It is set to be the world's largest economy by 2030.

Apart from China, many of the world's largest economies (India, Indonesia and others) are in the East, and global economic output is tilting from West to East. The US' share of global output at 40 per cent in 1960, declined to 25 per cent in 2021; the EU's share at 25 per cent in the 1990s is projected to drop to 11 per cent by 2040. Meanwhile, the new global actors are transforming bundles of economic power into political power. As Middle Powers, they have used this period of turbulence to deepen and extend the reach and scope of their own spheres of influence, in so doing, they are disrupting the status quo; they are seeding a multi-layered multipolarity and have fast become a group too important to ignore. In short, Europe's partners in the South have a wider menu of choice – increasingly seeking partnerships with those with whom they find common ground.

## 3 What is the Global South?

While the wider grouping of the Global South bears some characteristics of the Non-Aligned Movement of the 1950s and 60s, they are distinguishable from their predecessors in several ways – not least in that some countries have attained commanding stature as global actors, and the current agenda is different. This grouping of countries has also been subjected to previous attempts at typology having formerly been described as “Third World”, “Developing Countries”, countries of the “South”, the “Global South”, and, most recently, “The New South”.

Global South replaces the term Third World, by which these countries were referred to well into the 1990s. These countries were neither the First World of capitalist countries, nor the Second World of Communist countries – but were grouped as the mostly poor Third World, comprising mainly former colonies, many of which were also part of the Non-Aligned Movement during the Cold War. Some of these countries were also actively engaged in the Pan-African movement comprising African diaspora in Africa, Latin America, the Caribbean and the capitals of Europe and the US, advancing an agenda of civil rights and an end to colonialization and apartheid. With the dissolution of the Soviet Union, the concept of the Third World fell into disuse, increasingly replaced by the World Bank's categorization based on income and GDP to include groupings such as “least developed” or “developing” countries – and more latterly – popularly referred to as countries of the Global South.

While there is much confusion and some debate regarding the authenticity of the term Global South – including the suggestion shared with me at a conference last week in Washington DC – that the term was *conceptually lazy* given the grouping of countries of different sizes, cultures, stages of development and systems of societal organization and



governance, the term has been in use for 30 years or more – and is generally more widely understood than current debate would suggest. It denotes neither a geographic space nor a complete alignment of interests, but rather speaks to a certain identity of self, a particular world view and solidarity with others born of a shared history of colonialism, inequality and underdevelopment. Despite their differences – the majority of these countries share overarching goals that include a diffusion of world power, multilateral institutional reform, greater equity and inclusion in the corridors of power. They share unity of purpose around a vision for the future.

In any event, the imperfection of the terminology should not detract from its utility. While concepts matter, prevailing practice matters too. After all, the concept of *The West* is equally flawed – but is nonetheless accepted and understood to include the EU, US, Canada and countries as disparate as Australia, New Zealand, South Korea and Japan; a nomenclature less about geography and culture, and more about the notion of shared values and a commonality of interests around the principles of the Western-led liberal world order in place since WWII.

Today, we are on the cusp of another evolution in typology as we seek to capture and interrogate new traits as these countries continue to evolve in response to changes in the international structure and their own circumstances. This era of crises – despite its challenges or perhaps because of them – has provided fertile ground for the emergence of the New South, differentiated from the Global South by a new-found sense of *agency* – born as much by past grievances and Western actions in response to this period of rolling crises, as by options created by the growing prosperity, leadership and stature of several within the group, including India, Indonesia, Brazil, Turkey, South Africa and others – buttressed by the emergence of a new pole – China.

## 4 How did we get here?

Permit me a few observations. First, while tensions between countries of the Global South and those of the West predated the past few years, the convergence of several crises over the past four years has deepened those divides. While the West dithered over medical supplies, vaccines and protocols, and COVAX struggled to get off the ground, in many parts of the world the first medical supplies and/or vaccines came from China, India, and Russia; the much-anticipated World Bank-IMF debt service suspension initiative (DSSI) ultimately proved to be a drop in the bucket needed in managing debilitating debt. We recall the images of an imploding Sri Lanka as that country moved closer to bankruptcy.

In some ways however, the war in Ukraine has been a tipping point, a watershed moment of sorts in the divergence between the West and the Global South. After two-plus years of war, escalation not peace, is the reality of what is unfolding as a zero-sum game. Countries of the South – already disproportionately affected by climate change, historically high inflation, worsening poverty and food and energy insecurity – face warnings from the World Bank of a “lost decade of development”. While Europe and the US borrow at 1-3 per cent interest rates, the South does so at 14-18 per cent. They are sacrificing development to pay for debt, which has grown by 35 per cent over the past three years. Attainment of the SDGs is receding. Western calls for friend-shoring, decoupling and de-risking imply further

disruptions to supply chains and global trade. An indefinite war and picking a side in this period of Great Power rivalry – is simply not in the interest of countries of the South.

Secondly, the depth and scope of sanctions on Russia have been profoundly unsettling. The weaponization of Western institutional architecture has caused grave concern given the perception that sanctions are a tool of the West to be deployed in defense of their interests. The case of Venezuela, whose citizens suffered irreparable damage under the sanctions imposed on the Maduro government, is illustrative. Seven million people were displaced and many died during the pandemic; the health system has simply crumbled. Latin American and Caribbean countries have housed and cared for millions of displaced Venezuelans. In times of plenty, Venezuela was a friend of the Caribbean, the first country to rebuild homes after a hurricane, the first to offer support when oil topped USD 100/barrel; acts of friendship provoke long memories. Precisely at the moment when the West needed to reduce the dependence on Russian supplies of energy – President Maduro is being brought in from the cold. Oil from Venezuela will flow once more; Western companies will resume commercial relations; the status quo resumes. But at great cost to the people of Venezuela.

Compounding all of this is the situation in Gaza. While there is every reason to condemn, fully, the atrocities of October 7th commencing with the Hamas incursion into Israel, for almost nine months the Palestinians of Gaza have been collectively punished – while we watch. In all parts of the world, people facing war can flee. Except in Gaza. Within days of Russia's invasion of Ukraine and the cutting of fuel, electricity and other essential supplies, Western media was alive with calls for the Russian president to be brought before the ICC and the ICJ on war crimes and crimes against humanity. But no one has been held accountable for the destruction of the lives and property in other parts of the world following non-UN-sanctioned Western incursions. For many of the New South this reinforces the perception of inequality before the rules – a point consistently made by South Africa's Foreign Minister: *we want a rules-based order, but not one in which the rules change because the referee no longer likes them.*

And here, the unfolding story of Gaza holds profound ironies. While the West has actively supported Israel, many of its citizens and officials are at odds with their governments, united instead in common cause with the hundreds of thousands around the world demanding a ceasefire and a clear path to peace for both Israel and Palestine. And it is South Africa – representative of the New South – supported by that grouping in its entirety – which has shown the moral courage to uphold “Western” standards and values by seeking relief before a Western institution – the ICJ – on behalf of the people of Palestine. The EU stance, with some notable exceptions – like that of the US, standing unequivocally in support of Israel regardless of costs – sends an important message to the very countries with whom the EU expects to establish good partnerships. In the process, much trust is being broken.

## 5 A new reality

There is a new reality in the making. If sanctions on Russia were the tipping point in the New South going its own way – Gaza may very well be the point of no return. The Western liberal world order – combined with the Western proclivity in posing cooperation with others as a binary choice between “us and them”, between “good and evil” – increasingly sounds self-righteous, hollow and false. And countries of the rest of the world are opting for another path. They are deepening relations in a host of non-Western groupings, including the BRICS and the Shanghai Cooperation Organization (SCO) – both with long lists of countries seeking membership. Western sanctions on Russia have spurred alternatives to stockpiling the yen, dollar, euro and sterling even among the ASEAN group of countries who last year took this decision, as have others.

The New South has perfected a strategy of multi-alignment too. Far from “fence sitting” this stance is strategically calibrated to navigate this period of turbulence. India is the perfect model. The 5th largest economy in the world is a member of the BRICS, the SCO led by China and Russia, and the QUAD led by the US. It is a member of the North-South Corridor with Russia and Iran to move goods through Central Asia to North Africa, bypassing the Suez and European sanctions, and also the India-Middle East-Europe Economic Corridor with the EU, US and Saudi Arabia – to challenge China’s One Belt One Road. While imports from Russia increased from pre-pandemic levels (2019-2020) of USD 10.1 billion to USD 45 billion by March 2023, relations with the US were not impacted. Conversely, trade with the US grew to USD 80 billion, President Modi was accorded the highest-ranking state visit to Washington DC last year, and the US replaced China as India’s primary trade partner. India, as a counterweight to China – is simply too important to ignore.

While criticism is levied at the New South generally – for lacking institutions to support long-term viability, such criticism denies the fact that these groups are relatively young and are building parallel institutions. The Chinese-led Asian Infrastructure Development Bank was established in 2016 and is already the world’s second largest multilateral lending institution with 109 members and 13 prospective members. The BRICS New Development Bank (the incarnation of President Lula’s Bank of the South) now hosts the BRICS Contingent Reserve Arrangement and the BRICS payment system, and the BRICS basket reserve currency capitalized at more than USD 100 billion. The Bank recently took the decision to fund projects in local currency; they have identified opportunities to use the yuan to fund projects outside of China and will be using currency swaps within the bank. New South countries are settling trade debts in local currency and using cross-border platforms other than SWIFT. In 2023, China for the first time settled all external trade transactions in renminbi, the country’s official currency. These countries have embarked on a process of de-dollarization, chipping away at dependencies on Western institutional architecture that can be used to unleash economic isolation, hardship and political instability. In doing so, they are securing their interests. Western interests are no longer de-facto their own.

## 6 Where goes the status quo?

The world today is very different from when IDOS was first established. While power asymmetries still exist, the New South is taking steps to play a more assertive role in shaping the global landscape. Leadership is emerging from countries big and small. From Brazil's Luiz Inacio Lula da Silva, to India's Narendra Modi, to Mia Mottley, the Prime Minister of tiny Barbados carving an impressive presence on the global stage offering creative solutions such as the Bridgetown 2.0 initiative to offset the worst effects of climate change and advocating on a range of issues including financing for development, these leaders are no longer rule takers. They seek to influence and shape new rules that take their interests into consideration. This is the New South.

How best to engage? Perhaps a few concluding reflections. The first requires an understanding of the realities faced by the New South. Unlike the West, which prioritizes values and ideological commitment as important pillars of their foreign relations, countries of the Global South prize relationships that deliver concrete benefits back home and contribute to overall development. This they must do. However slim the margins, economic growth keeps the lid on social and political unrest. In choosing not to pick a side, the New South pursues initiatives that further domestic interests. This is based less on idealism and more on realism. It is less about values and more about options that offer tangible benefits to the development of their countries.

Secondly, the New South is aware of its increasing agency. Growing economic and political clout provide space to have more of a say in the terms of engagement with Western partners. By engaging in collective statecraft, they are disrupting the status quo calling instead for action on a range of issues including equity, social justice, and inclusion. The G20 agenda under the presidency of Brazil reflects New South priorities. Actions by Saudi Arabia – a new BRICS member – to keep oil prices high – underscore this reality showing the determination, even by a long-time Western ally, to champion its own interests over those of traditional allies. Saudi Arabia, keenly aware of the pendulum shift in global power and influence is today unabashedly multi-aligned.

Third, there is a sense that current geopolitical conditions have spurred deeper engagement with the New South, and that this might be “just a moment and not a movement” if the leaders of the New South are unable to build relationships “*on something more than expediency*”. At a superficial level, these would seem to be fair comments. But expediency has made for odd bedfellows in international relations in the past, and to suggest that this somehow negates the potential for durability, is shortsighted. The diversity within the wider group also raises questions about its viability. However, while interests are divergent, countries are pushing toward common goals: multipolarity and diffusion of world power; a rules-based world order based on right, not might; multilateral frameworks representative of today's world; and raw-material wealth contributing to value added at home. Countries want partnerships that facilitate their movement up the value chain. They are forming OPEC-like cartels to refine and sell CRMs and investing in each other. These initiatives hold consequences for the status quo.

Perhaps even less understood by the West is that countries are also mastering the art of navigating a complex global system that is in a state of flux. By developing a wider network of partnerships, they buffer the potential shock of unliteral movements by any powerful

country or group of countries. None of these relationships are about working *against* any country or group of countries, yet this simple fact seems difficult to accept. The West, by continuing to pose relationship building as a binary choice between two competing blocs, one evil and one good, has missed the mark. The world has moved on.

## **7 To conclude**

As the world continues to fracture into different blocs, a new world order is in the making. Some even argue that a new Cold War has commenced. While the richer OECD world of the G7 stands at the helm, their share of global GDP of two-thirds in 1990, is closer to one-third today. Meanwhile, countries of the South are adding more muscle to the G20, and an array of non-Western groupings are gaining momentum, forging a new identity: The New South. Will this be a moment or a movement? Time will tell. But it is hard to dismiss the sense that change in the international structure is underway; multipolarity crafted by Middle Powers is evident, Western dominance is being chipped away, and the New South is very much part of this new chapter. The decades of the 21st century may well go down as among the most consequential in recent history. This – IDOS, is the future that is here – complex, dynamic, evolving. Congratulations on the impressive achievements of the past sixty years. May the next sixty – be amongst your finest.