

The rise of South-South trade: Trends and challenges

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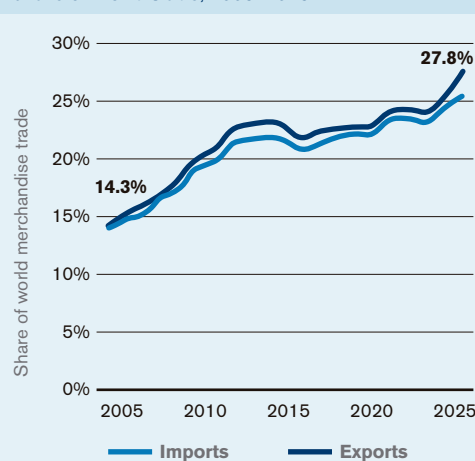
The growth of South-South trade

Trade among developing economies has become a major component of global merchandise trade. In 2025, these economies exported around US\$ 7.2 trillion of merchandise to one another, representing 27.8 per cent of world merchandise exports, up from 14.3 per cent in 2005 and from 23.0 per cent in 2015. Imports show a similar pattern, rising from 14.0 to 25.7 per cent between 2005 and 2025 (see Figure 1).¹

Between 2005 and 2025, South-South merchandise exports increased 4.8-fold, compared with a 2.5-fold increase in trade between developing and developed economies. Despite significant disruptions over this period, including the 2008 financial crisis and the COVID-19 pandemic, South-South trade maintained a stronger long-term growth trajectory (see Figure 2). Developing economies' share of global merchandise exports rose from 33.9 to 46.4 per cent.

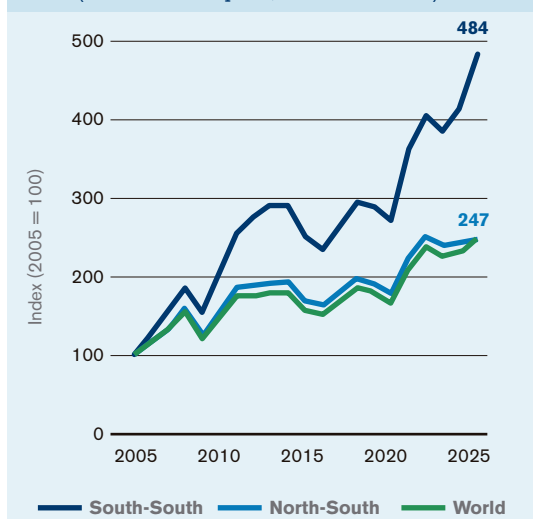
In value terms, trade involving China accounts for approximately half of South-South merchandise exports. However, the broader trend remains when China-related flows are excluded, as trade among other developing economies still rose from

Figure 1. South-South trade has nearly doubled its share of world trade, 2005–2025



Source: UNCTAD calculations based on UNCTADstat merchandise trade matrix (annual, analytical). 2025 figures may be provisional.

Figure 2. South-South trade has outpaced North-South trade (merchandise exports, index 2005 = 100)



Source: UNCTAD calculations based on UNCTADstat merchandise trade matrix (annual, analytical). Index calculated from merchandise export values in current US dollars; 2005 = 100. 2025 figures may be provisional.

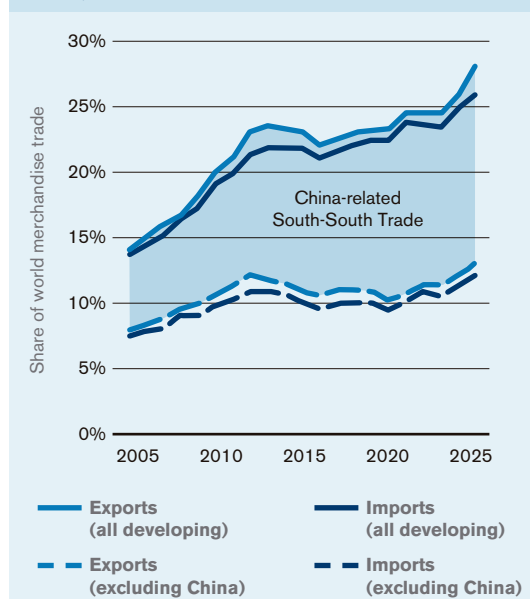
8.5 to 13.4 per cent of world merchandise exports between 2005 and 2025 and grew nearly fourfold (see Figure 3).

Regional patterns

Intraregional trade within developing Asia reached US\$ 5.5 trillion in 2025, representing the large majority of all South-South trade, compared with US\$ 113 billion within Africa and US\$ 203 billion within the developing Americas. Africa exported US\$ 248 billion to developing Asia, twice the value of its trade with itself (see Figure 4).

Outside Asia, South-South trade operates largely as a hub-and-spoke system, in which developing regions trade more with Asia than with one another. Regional integration in Africa and Latin America and the Caribbean represents a major untapped source of growth.

Figure 3. South-South trade with and without China, 2005–2025

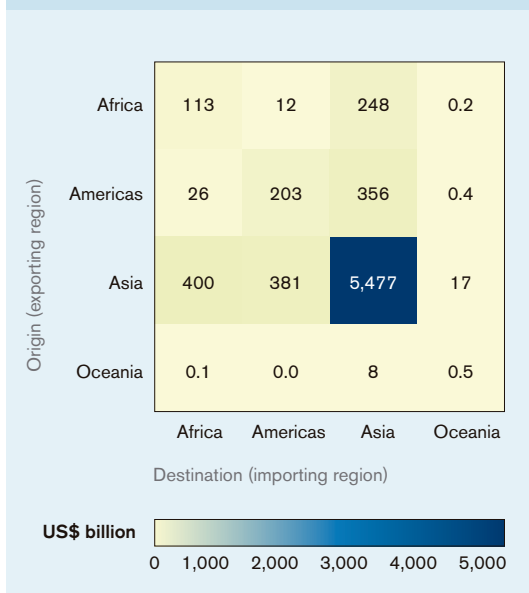


Source: UNCTAD calculations based on UNCTADstat merchandise trade matrix (annual, analytical). Shares calculated from merchandise export values in current US dollars. 2025 figures may be provisional.

Barriers to trade and the need for cooperation

Trade costs in developing economies remain almost 30 per cent higher than in high-income economies (WTO, 2023). The WTO Trade Cost Index finds that trade policy barriers and regulatory differences form the largest component of trade costs when low-income economies trade with one another, whereas transport costs are the largest factor among high-income economies.² Non-tariff measures now impose higher export costs than tariffs for 88 per cent of economies (UNCTAD, 2026). In addition, only a quarter of trade in West Africa and the Mekong region of Southeast Asia is supported by trade finance, against 60 to 80 per cent in advanced economies (WTO and IFC, 2022).

Figure 4. Merchandise exports between developing regions, 2025 (US\$ billion)



Source: UNCTAD calculations based on UNCTADstat merchandise trade matrix (annual, analytical). Values in current US dollars; 2025 figures may be provisional.

Note: The cells in the chart show exports from the regions on the left, to the regions along the bottom; the colour intensity reflects the value of these exports, from pale yellow for the lowest values to dark blue for the highest (see the colour scale). The figures in bold show trade within each region.

United Nations (UN) Trade and Development estimates that regulatory convergence can cut non-tariff-measure costs by 15 to 30 per cent, and in Africa by 30 to 40 per cent in agriculture and manufacturing (UNCTAD, 2026). Raising West African trade finance coverage to the African average of 40 per cent of trade would lift West Africa's trade flows by around 8 per cent annually (WTO and IFC, 2022). Measures to enhance trade facilitation, quality infrastructure (the framework for ensuring products and services are safe and of high quality) and regional integration can help to address these issues.

The delivery of relevant initiatives depends on partnerships, the central theme of the 2026 Global Review of Aid for Trade. Aid for Trade disbursements grew by 8 per cent between 2006 and 2015, but by only 1 per cent from 2015 to 2024 (WTO, 2026). Against this backdrop, South-South and triangular cooperation can provide complementary channels for mobilizing knowledge, expertise and resources. South-South cooperation enables developing economies to exchange relevant experience and solutions, while triangular cooperation can bring complementary support from additional partners. These forms of cooperation are discussed in greater detail in Chapter 2, while their practical application is illustrated through the EIF and STDF case studies presented in Chapter 3.

Conclusion

South-South trade accounts for more than a quarter of world merchandise trade, having expanded much faster than trade between developing and developed economies since 2005. It has also proved to be resilient through upheavals such as the financial crisis and the COVID-19 pandemic. Yet, growth remains concentrated in Asia, and intraregional trade in Africa and Latin America and the Caribbean is weak. Broadening participation in South-South trade will therefore depend not only on expanding market opportunities, but also on addressing the trade costs, financing gaps and institutional constraints that continue to limit trade among developing economies. South-South and triangular cooperation can complement wider trade and development efforts by enabling countries to share relevant experience, strengthen trade-related capacities and develop practical partnerships to address these constraints.

References

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Endnotes

1. Developing and developed economies follow the UNCTAD classification; developing economies comprise Africa, Latin America and the Caribbean, Asia excluding Israel, Japan and the Republic of Korea, and Oceania excluding Australia and New Zealand. The WTO has no formal definition of developing-economy status and relies on self-designation, so WTO-sourced figures may differ. Merchandise figures are UNCTAD calculations based on the UNCTADstat merchandise trade matrix, in current US dollars, reported on the exporter side; 2025 figures may be provisional.

2. World Trade Organization (WTO), “WTO Trade Cost Index”. Available at <https://tradecosts.wto.org/>.