

SOUTH-SOUTH COOPERATION

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THE IGNORED REALITY

Developing nations are faced with huge economic and financial problems and need funds and technical cooperation from Europe and the United States. But this is only one aspect of reality. They have meanwhile acquired a high profile in world economy and in global decision-making.

Two new reports by the UN Secretary-General underline some significant trends that are often overlooked: South-South merchandise trade has grown by an average 13.4 per cent each year since 1995 -- reaching \$2.4 trillion, or 20 per cent of world trade, by 2007.

Exports from emerging markets and developing countries have grown to about 40 per cent of overall world total. During the same period, the South-South share of African exports grew by an average of 7 per cent a year, and combined annual African exports to India and China rose to about \$40 billion.

The reports state that the total outgoing flows of foreign direct investment (FDI) from developing nations hit record \$253 billion in 2007, constituting about one-eighth of the world total. More than 40 per cent of developing-country FDI was invested in the economically vulnerable least developed countries. With developing countries having become increasingly important sources of development assistance, total aid flows could reach \$15 billion by 2010, if pledges are fulfilled, the reports say.

However, these South-South success stories are affected by other difficult and destabilizing trends, including sharp economic reversals in many countries during 2008-2009, difficulties in attaining the Millennium Development Goals (MDGs) an increase in the number of malnourished people, expected to exceed 1 billion, and the ominous impacts of climate change.

The reports were released to coincide with the UN Conference on South-South cooperation in Kenya's capital Nairobi Dec. 1-3. Described as "the most important United Nations meeting on South-South cooperation in decades", the conference aims at highlight growing political and economic ties within the developing world, as countries of the South assume leading roles in decisions on hot global issues ranging from economic recovery to food security and climate change.

Hosted by Kenya the conference is seeking to promote and sharpen the benefits of mutual support among developing and transition economies, as well as maintain support for the process from the developed world through "triangular cooperation", UN officials said.

The Nairobi meeting marks the 30th anniversary of the United Nations Conference on Technical Cooperation among Developing Countries, in Buenos Aires. Major developments in South-South cooperation date back to the preceding decade. New international agreements that have helped shape world events ever since the 1960s include the formation of the Group of 77 developing countries, the Organization of Petroleum Exporting Countries (OPEC), the Non-Aligned Movement, the Association of Southeast Asian Nations (ASEAN) and the Organization of the Islamic Conference (OIC). *(Continued on page 6)*

Voices of the South on Globalization is a monthly newsletter intended to inspire a meaningful North-South Dialogue by raising awareness for global interdependences and by offering a forum for voices from the South in the globalization debate. Each edition will present short analyses or commentaries from a Southern perspective on one particular issue of the globalization process.

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CHINA, INDIA LEAD SOUTH-SOUTH COOPERATION

By Thalif Deen

China and India have been singled out as two countries that have established vibrant economic and financial links with the developing world and played key roles in strengthening South-South cooperation over the last 10 years.

The two Asian economic powerhouses are "in a category of their own because of the scale and diversity of their South-South cooperation agendas", says a new UN study released here.

Both countries, the report points out, "have ongoing technical assistance initiatives that cover almost all areas of interest to other developing countries, and both have, in the last decade, taken to underpinning technical assistance with financial support".

India has spent a cumulative 2.0 billion dollars on its technical assistance programme: about 40 percent on education and training; another 40 percent on projects and project-related advisory services; and 20 percent on study tours, cultural exchanges and disaster relief.

The 26-page report, described as a 30-year perspective of South-South cooperation, points out that China has extended billions of dollars in commercial and concessional loans to African countries to develop and bring to market a range of agricultural and mineral commodities.

The report, tabled at a major international conference on South-South cooperation in the Kenyan capital, points out that "this century has witnessed the ascent of developing countries to positions of greater influence on the world stage".

Other key players in South-South cooperation include Brazil, South Africa, Venezuela, Indonesia, Malaysia and Nigeria, among many others.

A plan of action, to be adopted at the Nairobi conference next week, emphasises that "South-South cooperation needs additional and innovative financing from UN funds and programmes and other multilateral organizations".

The proposed action plan - formally called the 'outcome document' - calls upon the governing bodies of the UN system "to allocate additional resources to supporting this form of cooperation" and urges them to devise and use innovative financing mechanisms to support South-South cooperation.

Chinese Prime Minister Wen Jiabao announced recently that his country would double low-interest loans to Africa, from 5.0 billion dollars to 10 billion dollars over the next three years.

In 2000, the Chinese government reduced or forgave one billion dollars in debt incurred by the least developed countries (LDCs), described as the poorest of the world's poor. By the end of the first quarter of 2009, China had exempted 150 matured debts owed by 32 countries. Last year, the total trade between China and Africa amounted to over 106 billion dollars, an increase of 45 percent over the previous year.

And China's imports from Africa amounted 56 billion dollars, an increase of 54 percent over the previous year. Addressing a UN meeting on the implementation of the New Partnership for Africa's Development (NEPAD) last month, Chinese Ambassador Liu Zhenmin said, "In the future, China will provide further assistance and support to African countries in areas such as agriculture, education, health, medical care and clean energy."

"We will also continue to support African countries in their conflict prevention and settlement, and peace building endeavours," he declared.

Dr. Shashi Tharoor, India's minister of state for external affairs, told IPS that India places high priority on South-South cooperation. "While we would not project the conference as a solution to the global financial crisis, we do believe that South-South cooperation will provide additional assistance and support to affected developing countries," he noted.

Tharoor said India has so far extended over 3.0 billion dollars in concessional lines of credit to countries in Africa. During the India-Africa Forum Summit, India also decided to enhance the available concessional lines of credit for Africa to 5.4 billion dollars for the next five years.

Addressing the General Assembly last month, Tharoor said India has been actively engaged with NEPAD since the very beginning.

The First India-Africa Forum Summit held in Delhi in April 2008 was a major milestone in India's engagement with Africa. The Delhi Declaration and the Africa-India Framework for Cooperation were adopted during the Summit.

The Pan African E-network project that seeks to bridge the 'digital divide' between Africa and the rest of the world is one of the most far-reaching initiatives undertaken by India, Tharoor said.

Already 42 countries have joined this programme, which is intended to provide digital information services with priority on tele-education and tele-medicine services and VVIP connectivity by satellite and fibre optic network amongst the heads of state of all 53 countries.

The project would provide major benefits to Africa in capacity-building through skill and knowledge development of students, medical specialists and for medical consultation, he added. The Africa-India Framework for Cooperation, launched last year, includes capacity building programmes for medical and health specialists to tackle pandemics like malaria, filarial, polio, HIV and TB. - IPS ☑

FORGING NEW PATHS

"The resilience -- particularly of the large emerging economies -- to the recent financial shocks marks a new chapter in international relations," Richard Kozul-Wright, Officer-in-Charge of the Unit on Economic Cooperation and Integration Among Developing Countries at the United Nations Conference on Trade and Development (UNCTAD), told IPS journalist Mithre J. Sandrasagra on the sidelines of the High-level UN Conference on South-South Cooperation in Nairobi. Excerpts of the interview follow:

IPS: As a result of the ongoing financial and economic crisis, Southern countries can no longer rely on Northern economies as primary trading and development partners. Is this challenge an incentive to build new forms of development cooperation that promote inclusive growth across the South?

RICHARD KOZUL-WRIGHT: Very much so. South-South Cooperation builds around both the need to mitigate shocks and downside risks that derive from biases and asymmetries in North-South relations, and more positive growth and development impulses that derive from closer economic interdependence.

The financial crisis has served as a reminder of just how damaging those shocks can be and there has been renewed interest in new mechanisms of financial and monetary cooperation among developing countries, such as a South Bank and regional monetary funds.

On the positive side, the emergence of dynamic economies in the south has provided new opportunities to trade and invest with each other. However, it must also be recognised that the growth of South-South relations during the last few years has itself been driven, in part, by the debt-fuelled demand of Northern consumers.

The adjustments now underway in the North to correct household, financial and national imbalances will be prolonged. Particularly the larger Southern economies will need to make sure that the ties that have been building in recent years are extended to weaker economies in the South.

IPS: What are your expectations for the high-level conference? How can the Kenyan outcome build upon the commitments of the 1978 Buenos Aires Plan of Action for Technical Cooperation among Developing Countries (TCDC)?

RKW: With hindsight, the Buenos Aires conference proved to be a high point of developing country efforts to establish a new international economic order. Those efforts ended with the debt crisis of the early 1980s.

The contemporary challenge is less about recovering what was lost over 30 years ago, as it is about responding to the new crises and opportunities that have emerged from a prolonged period of global deregulation. The last 30 years have been characterised by boom and bust economic cycles that have generated very uneven growth in the South, but from which have emerged a number of very dynamic economies.

IPS: Does the UN have a role in assuring developing nations boost South-South trade and inter-regional investments? Are there opportunities to scale up existing initiatives?

RKW: First and foremost, closer South-South economic ties should be managed among the countries themselves. But the UN can certainly provide policy support and advice. In this respect, because the UN has consistently warned about the limits of the Washington Consensus, it is better placed than the Bretton Woods institutions to extend such advice. UNCTAD has been doing that with its work on trade agreements, notably GSTP [Global System of Trade Preferences Among Developing Countries], and investment agreements.

That work builds on a recognition that getting the most out of closer economic interdependence isn't just about rapid liberalisation but about a more integrated policy approach, with requisite attention to the space policy makers need to manage a more sustainable growth path.

IPS: Can South-South Cooperation be viewed from a development angle rather than a political one?

RKW: It has to be both. Solidarity and empathy are the normative backbone of South-South Cooperation, but that must be complemented by hard economic ties. The two have tended to move along separate lines in recent years. Now seems to be the right moment to walk on both legs, to borrow a Chinese aphorism.

IPS: One of the key elements of enhancing South-South Cooperation is the sharing of experiences and expertise. In this regard, could you highlight some specific successful South-South initiatives or triangular partnerships?

RKW: There are many and UN Development Programme (UNDP) has been very diligent in promoting success stories.

UNCTAD is currently organising an expert group meeting later this month on the contribution of South-South and triangular cooperation in bolstering food security and there are many encouraging examples of such cooperation in the agricultural sector. Agriculture has been a priority for China-Africa economic and technical cooperation, involving over 40 countries and over 200 cooperation projects.

The recent summit Forum on China-Africa Cooperation in Egypt has made agriculture a priority in extending that cooperation in the next few years.

In terms of triangular cooperation, Japan partners with Brazil to transfer agricultural technology to other developing countries, including in Africa. The New Rice for Africa (NERICA) project resulted from the cooperation between several African countries and research centres, backed by donors - Japan, Food and Agriculture Organisation (FAO) and the African Development Bank (ADB). It led to the creation of new drought resistant and high-yield rice for Africa. - IPS ☑

NO 'ONE-SIZE-FITS-ALL'

"There has been a steady upward trend across all dimensions of South-South economic integration over the past two decades," says Supachai Panitchpakdi, secretary-general of the Geneva-based U.N. Conference on Trade and Development (UNCTAD).

In Africa, there is a proposal for a single confederation and a common market; in Southeast Asia, there will be a free trade area by January next year; in the Middle East, the Gulf Cooperation Council (GCC) is toying with the idea of a common currency; and Latin America is moving towards the creation of a global South Bank.

In an interview with IPS UN Bureau Chief Thalif Deen, Supachai said one important new trend has been the move towards greater South-South monetary and financial cooperation.

"In some cases monetary and financial cooperation is tracking closer trade integration but it is also a response to the growing threats to economic stability from unregulated international financial flows," he explained.

"This is something that I have followed closely in my own region [Asia] where the financial crisis of 1997 triggered a number of important initiatives," Supachai said. But renewed efforts at financial cooperation are also underway in Latin America, he added. Excerpts from the interview follow:

IPS: What role does China play in the overall trend in South-South trade, finance and investment flows?

SUPACHAI PANITCHPAKDI: A good deal of attention has of course been focused on the role of China in this rising trend. Closer trade links with neighbouring countries have raised integration levels in East Asia to over 40 percent of its total trade. But China has also emerged as the principle trade partner for a number of other large developing countries outside Asia, including Brazil and South Africa.

IPS: How significant are the growing trade links between China and Africa?

SP: Trade between China and Africa has been growing by around 30 percent annually since 2000, exceeding more than 100 billion dollars last year as China became the continent's biggest trading partner.

IPS: How does East Asia, Latin America and Africa fare in terms of South-South cooperation?

SP: In the case of East Asia, regional trade integration has been closely tied to rising investment flows through the spread of regional production networks. This accounts for a significant portion of the increasing flows of South-South foreign direct investment (FDI). Latin America has also seen growth in regional trade although the production profile of the region, dominated by agricultural products, resource-based manufactures and niche industrial goods, limits the extent of intra-regional trade. In Africa, where output is dominated by commodities, intra-regional trade is still very low. However, the increase in Africa's trade with the rest of the South has been accompanied by growing development cooperation, particularly with China, but also Brazil and India.

IPS: In a new report on "The State of South-South Cooperation", Secretary-General Ban Ki-moon says the rapid deteriorating of the global economy has created a number of new opportunities for South-South cooperation. What are these opportunities?

SP: It is clear that developing countries in general have not decoupled themselves from developments in advanced countries - indeed many least developed countries (LDCs) are now suffering the most damaging impacts of the crisis. There are some encouraging signs of economic resilience among developing countries, particularly some of the bigger economies such as China, Brazil and India which have been able to respond to shocks positively because of strong fiscal and payments positions.

This is very different from previous crises. How this divergence might play out in terms of the shape and pace of recovery is one of the critical issues facing policy makers at both the domestic and international levels. Getting back to "business as usual" - un-regulated financial markets, boom-bust asset cycles and deeply distortionary patterns of income distribution - is not an option. Moreover, many advanced countries will be facing difficult adjustments that will take time to resolve. As a consequence access to traditional sources of finance will become more difficult, aid flows will likely stagnate or fall, remittances will drop and market access will be restricted even if protectionism is resisted. This in turn implies that developing countries will need to establish new growth levers if they are to meet their longstanding development objectives. The challenges this poses for policymakers differ from region to region.

IPS: There are several proposals for increased South-South economic integration in the next decade, including free trade areas and common currencies. How many of these proposals are feasible?

SP: The kind of cooperation arrangements pursued by developing countries obviously depends, in part, on the challenges to be addressed. These are likely to differ across regions. As such South-South cooperation will need to avoid the 'one-size-fits-all' prescriptions that have been so damaging to development cooperation in recent years. Indeed, it is precisely the sensitivity of developing countries to each other's historical circumstances and their current conditions which makes South-South an attractive option. Beyond using closer economic integration to help build markets, extend the division of labour, realise scale economies, etc., the examples you mention clearly reflect very different institutional challenges. However, it is also true that the greater the degree of economic interdependence among countries, the greater the challenges on collective decision-making. Success depends on a mixture of positive leadership, supported by targeted resources and a readiness on the part of the countries involved to make some sacrifice in national sovereignty in support of a common interest and actions. - IPS ☑

SOUTHERN RESEARCHERS FILL GAP ON NEGLECTED DISEASES

With HIV/AIDS, malaria and tuberculosis occupying the global health spotlight, few resources are devoted to the "neglected tropical diseases" like dengue fever, hookworm infection and schistosomiasis that afflict some one billion people.

Now, small medical companies in emerging economies offer real hope to bring innovative and affordable treatments, a new study has found.

"Everyone thinks multinational drug companies can provide the vaccines and diagnostics for neglected tropical diseases. Our research shows that it's small biomedical companies in the developing world that are doing it," said Peter Singer of the McLaughlin-Rotman Centre (MRC) for Global Health at the University of Toronto and a co-author of the study.

Singer and his colleagues document for the first time the innovative products and capabilities of 78 homegrown, small to medium-sized health biotechnology companies in Brazil, China, India and South Africa.

Collectively, these companies produced 123 products, including vaccines, drugs and diagnostic tests, for all neglected tropical diseases (NTDs), as well as the "Big 3" - malaria, tuberculosis and AIDS.

Roughly half specifically target NTDs and are largely new products, not generics, they report in the study published Tuesday in the journal *Health Affairs*.

"These are diseases of the poor and these local companies base their business model on affordable innovation to meet local needs," Singer told IPS. "The owner of one such company told me 'What for you are diseases of the poor are market opportunities for us'".

NTDs include trachoma, the leading cause of preventable blindness worldwide, elephantiasis, leprosy, dengue fever, hookworm infection and schistosomiasis. World spending to battle such illnesses, however, amounts to a relative drop in the bucket - just 500 million dollars in 2007 - or about five percent of the total invested in new drugs, vaccines and diagnostics worldwide.

These neglected diseases rarely make headlines, but they cripple the economic productivity of affected communities and stunt national development, the report notes. Multinational drug companies simply cannot make a profit developing products to meet this need except on a donation basis, it says.

"We are not calling for replacement of the charity of multinationals. Rather, we are pointing out that there is a well of affordable innovation in developing countries themselves that has not been fully tapped," Singer said.

Companies in emerging economies are filling a void by creating innovative products to address NTDs. Many such firms are successful at reaching local and regional markets. This pipeline in developing countries is like a rich new deposit of gold that needs to be fully mined, said Singer.

"What they urgently require is help getting these products and their benefits to distant places," he said.

The authors propose a not-for-profit service to provide much-needed expertise to help Southern firms get their products from the lab to additional villages worldwide.

The Global Health Accelerator (GHA) project would help get innovative NTD-related health products to distant markets by connecting a diverse international community of biotech innovators, facilitate public-private partnerships, provide business support services, and operate as an independent hub linking companies, investors, and interested parties.

It will use the power of networking to link to funding agencies, foundations, development finance institutions, private individuals, and venture capitalists interested in financing innovative Southern companies, the report states.

GLOBAL HEALTH ENTERPRIZE

The proposal also includes an annual prize, the Global Health EnterPrize, to encourage and recognise new diagnostics, drugs, vaccines, or devices with global health impact developed by Southern companies.

"We think of the Global Health Accelerator as a FedEx for new drugs, vaccines and diagnostics to combat neglected tropical diseases," said Singer.

According to MRC researcher and co-author Sarah Frew, firms in emerging economies see neglected diseases as significant business opportunities but typically lack expertise in such areas as international regulatory environments, market assessments, positioning products, including pricing, accessing financing, and identifying international commercialisation partners.

The research and development potential of the South is far greater than the 78 firms documented in the study.

"There are more than 500 health biotechnology companies, in addition to many more academic institutes and universities in other countries like Malaysia, Indonesia and Mexico," Frew told IPS.

"The creative talent is there but obstacles, of which financing is just one, impede progress and hamstring current efforts."

In same issue of *Health Affairs*, the leading journal on health policy, deputy editor Philip Musgrove and coauthor Peter Hotez argue that concerted efforts - from mass drug administration to nondrug interventions - could conquer many neglected diseases.

"Neglected diseases affect millions of lives, yet can be treated or eliminated at a relatively small cost," said Musgrove. "It's time for the world to act."

- Stephen Leahy | IPS ☑

THE IGNORED REALITY

(Continued from page 1)

Since 2008, the kinds of discussions on global economic policy once carried out in the relatively exclusive Group of Eight (G8) club of countries are taking place in the more inclusive Group of 20 (G20), and both the Secretary-General and the United Nations General Assembly are driving home the point that the consequences of the economic crisis are felt by another group -- the G192.

They point out that all countries feel the effects of the crisis and need to be involved in setting the terms of recovery and reform.

With world hunger growing, 26 developing and developed countries met at the G8 Summit in L'Aquila, Italy, in July, to agree on a forceful and comprehensive action plan on food, backed by commitments for increased official development assistance (ODA) for agriculture.

These principles were more widely endorsed by United Nations Member States in November Rome, at the Summit on World Food Security. Though, its decisions turned out to be "toothless".

Recognizing the complexity of climate change negotiations and the limited time before talks resume this December in Copenhagen, the Secretary-General convened the largest-ever climate change summit during the General Assembly in September.

Arriving at a response to perhaps the biggest global challenge of the generation will entail a North-South partnership, and both sides have been taking steps to move closer to agreement.

Underlining the need for South-South cooperation, the nine-page draft of an "outcome document" says that it is an important element of international cooperation for development and offers viable opportunities for poor nations in their "individual and collective pursuit of sustained economic growth and sustainable development".

In view of the fact that many developing countries continue to face serious economic and financial challenges and are "not on track to achieve the internationally agreed Millennium Development Goals" (MDGs), South-South cooperation might indeed open up new vistas, the UN document says.

But this kind of cooperation cannot be imposed upon any single or a group of countries. "South-South cooperation and its agenda have to be set by countries of the South and should continue to be guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit," the document adds.

It goes on to say: "We recognize that South-South cooperation takes different and evolving forms, including, inter alia, the sharing of knowledge and experiences, training, technology transfer, financial and monetary cooperation and in-kind contributions."

South-South cooperation should not be seen as Official Development Assistance (ODA), provided by rich industrial nations as grant or highly concessional loans.

Nor should it be regarded as a substitute for North-South cooperation. It is rather a complement to economic, financial and development cooperation between rich industrial and poor and emerging economies.

The document states: "We recognize the value of the increasing support provided by developed countries, international organizations and civil society to developing countries, upon their request, in improving their expertise and national capacities through triangular cooperation mechanisms, including direct support or cost-sharing arrangements, joint research and development projects, third country training programmes and support for South-South centres, as well as by providing the necessary knowledge, experience and resources, so as to assist other developing countries, in accordance with their national development priorities and strategies."

The document welcomes efforts by multilateral, regional and bilateral financial and development institutions to increase financial resources to promote South-South cooperation, where appropriate, including for the least developed countries and countries with economies in transition.

The UN invites developed countries and multilateral institutions to enhance their support to South-South cooperation to contribute to addressing these challenges.

It emphasizes the need to promote, including through South-South cooperation, access to and transfer of technology.

In this regard, the UN welcomes efforts by developing countries in improving technology cooperation arrangements, such as the Consortium on Science, Technology and Innovation for the South (COSTIS).

"We also emphasize the need to promote through South-South cooperation broader technological developments such as technological management capabilities and information networks that are demand-oriented and involve participation by users of technology or by those involved in the process of technological development, infrastructure and human resources development," says the document.

It calls for the strengthening of various interregional dialogues and exchange of experiences among sub-regional and regional economic groupings for the purposes of expanding South-South cooperation through integrating the various approaches of economic and technical cooperation among developing countries.

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External link: <http://southsouthconference.org/wp-content/uploads/2009/11/Final-outcome-document-SSC.doc>