Rise of the Global South and Its Impact on South-South Cooperation

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OVER THE PAST TWO DECADES, a fundamental transformation has taken place in the global economy caused by the impressive economic growth of developing countries like China, India, Brazil, and South Africa. The economic center of gravity is inexorably moving toward the developing South. The remarkable upsurge in cooperation between developing countries, characterized as South-South cooperation, must be understood as part of this larger story.

Dramatic strides have been made in reduction of absolute poverty levels from 1.8 billion in 1990 to 1.4 billion in 2005,[1] led primarily by the efforts of China and India. This has been possible because of the combined impact of rapid GDP growth and large-scale targeted development interventions.

Developing countries today hold more than US$5 trillion in foreign exchange reserves, which is nearly double the amount held by affluent countries.[2] In 2007, no fewer than 85 developing countries recorded per capita income growth faster than the OECD average of 2.75 percent.[3] India and China have sus-

South African International Relations Minister, Maite Nkoana-Mashabane, inspects the world's cheapest car, the Tata Nano, during a 2010 visit to India aimed at boosting trade ties.

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tained average growth four times faster than the OECD countries in the present decade. According to the International Energy Agency, China surpassed the United States to become the world's largest energy consumer in 2009.[4]

Structurally, there has been a shift of manufacturing capacity to Asia which has emerged as the engine of growth in the beginning of this century. Developing countries are gradually moving up the global value chain. Further, the technological capacity of developing countries has grown by leaps and bounds. According to one estimate, about 40 percent of the world's researchers are in Asia![5] Developing nations can tap into a whole spectrum of technical know-how within their ranks. New centers of technical excellence have sprouted up that are being nurtured to accelerate socioeconomic progress. The growing economic clout of emerging economies has also translated into their enhanced participation and stronger voice in the global governance architecture, the G-20 at the level of Heads of State/Government being a case in point.

Dynamism in South-South Cooperation

COOPERATION AMONGST developing countries has risen to unprecedented levels since the decade of the nineties fuelled by the growing prosperity of the developing South. There is a two-fold impact manifested in the increasing number of countries actively engaged in South-South cooperation and the significant scaling up of South-South initiatives by individual countries.

Today, no fewer than 25 countries have robust South-South cooperation agendas that encompass a wide spectrum of technical and economic engagement. Countries like India and China are investing one billion dollars, and more, annually on assistance to fellow developing countries. Others like Saudi Arabia, Brazil, South Africa, Venezuela, and Malaysia also have large technical and development assistance initiatives.

A greater push toward regional and subregional integration, enhanced trade and investment flows, and greater development assistance flows are the visible signs of this invigorated cooperation between developing countries. For instance, South-South trade has grown on an average by 13 percent every year since 1995, accounting for 20 percent of world trade in 2007.[6] Asia accounts for over 75 percent of such trade.

South-South investment has shown similar dynamism creating new engines of growth. Outward Chinese FDI is in the region of US$1 trillion. Multinational companies from India, Brazil, and South Africa are also stretching beyond their borders in greater numbers and leaving their mark in Africa, Asia, and Latin America. The Indian conglomerate Tata has emerged as the second largest investor in Sub-Saharan Africa.

The intensification of South-South exchanges under the broad rubric of technical and economic cooperation has meant that its share in overall development cooperation flows has risen to about 10 percent or US$17 billion of total development cooperation flows at the end of 2009. In fact, South-South flows registered an increase of 63 percent between 2006 and 2008.[7]

A Different Development Cooperation Paradigm

COUNTRIES ENGAGED IN South-South cooperation do not like to be viewed as donors or recipients. Instead, they describe such cooperation as an expression of solidarity born out of shared experiences and sympathies, and guided by the principles of respect for national sovereignty and ownership.[8] Unlike the case of North-South cooperation, exchanges between Southern countries do not flow out of international ODA commitments and are not measured by universally recognized benchmarks of ODA.

There has been a concerted push led by OECD countries to superimpose the principles of donor-recipient relationships flowing out of the Paris Declaration and the Accra Agenda onto South-South Cooperation. This is perceived as an attempt to co-opt Southern providers into the international aid architecture and mitigate the burden of obligations undertaken by Northern donors. As developing countries galvanize efforts to achieve the Millennium Development Goal (MDG) targets by 2015, the need for Northern donors to meet their ODA commitments is even more pressing.

In spite of the great strides made by developing countries as a group, it is important to recognize the remarkable diversity that prevails between indi-

UNDP Administrator Helen Clark and UN Deputy Secretary-General, Dr. Asha-Rose Migiro, speak at South-South Cooperation Conference in Nairobi, December 2009.

vidual countries in terms of their levels of growth. Such heterogeneity is underpinned by the proximity of their historical, cultural, and developmental experiences, lending to South-South partnerships their distinctive quality of solidarity and voluntariness. It offers a model of development cooperation that is typically demand-driven allowing for greater policy space for the partnering country unburdened by stringent conditionalities and accompanied by lower transaction costs.

The challenge in the coming years is to capitalize on the success and growing dynamism of the larger developing countries and transfer them through sharing of expertise, resources, and experiences to other countries where it is needed most. It is here that multilateral institutions like the United Nations, and even the World Bank and IMF, can step in and play a catalytic role.

The Role of the United Nations

THE UNITED NATIONS through its strong operational arm can play an important role in strengthening South-South Cooperation as a practical modality for development partnership. It enjoys an unparalleled advantage in this regard by virtue of its universal membership and strong mandate for development. The Nairobi Conference on South-South Cooperation in December 2009 emphatically reaffirmed this role of the United Nations.

However it is constrained by the fact that the United Nations mirrors the priorities of traditional donors. The truth is that the UN invests not nearly enough on supporting South-South cooperation. In fact, the Special Unit for South-South Cooperation in the UNDP is the only dedicated unit focused on the promotion of South-South Cooperation. The increase in South-South cooperation has occurred outside the ambit of the United Nations. The United Nations for the most part has remained a spectator to this exponential growth and, at best, has documented it.

With the profound changes in the global economic landscape, the United Nations is trying to catch up to this new reality by making efforts to more systematically facilitate South-South cooperation. It is engaged in, inter alia, preparing a specific framework of operational guidelines for the entire UN system to implement the recommendations of the Nairobi Conference. The United Nations Development Programme (UNDP), by far the UN's largest operational arm, has adopted South-South cooperation as one of the principal approaches for capacity development.

The UN through its network of developmental agencies has a universal presence in developing countries which can be leveraged to enable sharing of best practices and experiences. For instance, the 135 country offices of UNDP give it an unparalleled ability to identify capacities and gaps in developing countries and support South-South exchanges. It can facilitate seamless knowledge exchange utilizing the web of UN country offices at its disposal.

The UN is well-placed to document best practices in terms of what works and what does not, with a view to replicating and scaling up successful programs elsewhere. The IBSA Trust Fund for Poverty and Hunger Alleviation is one such move in this direction of triangular collaboration. It is funded by India, Brazil and South Africa (IBSA) and managed by the UNDP with the objective of sharing the developmental experiences and best practices of these countries in combating poverty and hunger with other developing countries.

The United Nations also needs to shore up support to vulnerable developing countries to achieve the internationally agreed development goals. The special needs of Africa can be addressed through meaningful triangular cooperation initiatives between UN and Southern contributors, to supplement existing bilateral and multilateral efforts. The similarity of developmental experiences and technological levels renders such programs closer to home-grown efforts, adding to their effectiveness.

The world of today is dramatically different from the one we inherited in 1945 when the foundations of the post-war international economic order were laid and the governance architecture took roots. The emerging economies of the developing South are reshaping the world we inhabit in a fundamental way. The rise in cooperation between developing countries is not a transient phenomenon. It is here to stay. The challenge in the coming years is to harness the potential of such expanded cooperation to contribute in eradicating poverty and effecting broad-based development gains for vulnerable populations across the developing world. ❧

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Endnotes

1 *Millennium Development Goals Report 2009* (United Nations publication, Sales No. E.09.I.12), p. 4.

2 International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," COFER Database. http://www.imf.org/external/np/sta/cofer/eng/cofer.pdf .COFER is an IMF database that keeps end-of-period quarterly data on the currency composition of official foreign exchange reserves, April 2010.

3 World Bank, http://data.worldbank.org/

4 According to the IEA, China consumed 2.252 billion tons of oil equivalent in 2009, 0.4 percent more than United State's 2.17 billion tons. **This data is contested by the Chinese Government.**

5 UNESCO Institute of Statistics, "A Global Perspective on Research and Development," http://www.uis.unesco.org/template/pdf/S&T/Factsheet_No2_ST_2009_EN.pdf

6 UN General Assembly Document No. A/64/321 "The State of South-South Cooperation- Report of the Secretary General," August 2009.

7 Development Cooperation Forum, UN Economic and Social Council Document No. E/2010/93 "Report of the Secretary General on Trends and Progress in International Development Cooperation," June 2010.

8 It encompasses financial flows, such as loans and grants for social and infrastructure investment projects and programs, as well as the sharing of experiences, technology, and skills transfers, preferential market access and trade-oriented support and investments.