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Poverty in Focus

South-South Cooperation

The Same Old Game or a New Paradigm?

GUEST **EDITORS**

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Front page: *Union.* Joining efforts successfully is an art. It requires maturity and a shared vision. It is crucial to any great endeavour. With this photograph the editors acknowledge the work of those who strive for the well-being of the global community. South-South cooperation should be part of that greater effort. Photo by Obraprima and SXC.hu <www.http://www.obraprima.ppg.br> and <http://www.sxc.hu/photo/265374>.

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This *Poverty in Focus* is being launched to mark important events for the Global South that will take place in Brasilia: the India-Brazil-South Africa (IBSA) and the Brazil-Russia-India-China (BRIC) summits. The International Policy Centre for Inclusive Growth (IPC-IG), whose headquarters is in Brasilia, is privileged to be closely involved in a number of the activities associated with the summits, especially the organisation of the "Academic Forum: A Policy Dialogue" for the IBSA gathering.

I expect these meetings to have great resonance for the future shape of South-South cooperation. The first decade of the twenty-first century has been marked by the intersection of three debates that previously had been conducted in separate domains with limited interaction. Traditionally, the debate on global economic governance has been situated in the G-8 and in discussions associated with the governance of the World Bank Group, the International Monetary Fund and the World Trade Organisation. The debate on development cooperation has largely been conducted from the perspective of donors, and has mostly been about aid, whether for or against. Foreign policy strategies have been viewed principally from the perspective of national strategic interests and, apart from specific initiatives rooted in the history of the Cold War, have been typically bilateral in scope and nature, other than for past and present superpowers.

The rapid increase in the number of emerging economies as global players—leading to a significant re-examination of the fundamental assumptions regarding voice, domain and the agency of global economic governance—is closely related to their greater involvement in development cooperation. This is rooted in a deep historical engagement with the global South and is based on political solidarity with other developing nations. It is now apparent that foreign policy strategies will have to take account of the growing role of the emerging economies in shaping the future architecture of global economic governance and development cooperation. For that reason the IBSA and BRIC summits are front-page news in capitals across the world. The neat division between bilateral, regional and global foreign policy strategies has become more diffuse. There is a fork in the road. Will the rise of the emerging economies portend just a broadening of the "great game", the only result being a little more elbow room for developing countries in their engagement with the G-20 economies? Or will the global South seize this opportunity to forge a new and more inclusive paradigm that secures faster and more sustainable development for all citizens?

The articles in this issue of *Poverty in Focus* address different dimensions of this challenge. South-South cooperation has a specific history rooted in the "making of the Third World". Will the opportunities of the moment translate into better voice for and more inclusive cooperation with least developed countries? Can we look forward to exciting paradigm shifts in the discourses on global trade, aid, development cooperation and the rhetoric of best practice? Will emergent regional and global plurilateral groupings afford new avenues for effective development cooperation? What does South-South cooperation look like from the perspective of the political economy of Sierra Leone, emerging from conflict and making heroic advances against tremendous odds, as it establishes institutions for governance and socioeconomic development?

I am confident that the articles in this issue will stimulate "out of the box" thinking about the possibilities for South-South cooperation, and will inform policymaking on this important subject at a very critical juncture.

Rathin Roy

How Did We Get Here? The Pathways of South-South Cooperation[1]

by Michelle Morais de Sá e Silva, Teachers College, Columbia University

South-South cooperation and learning are not new development practices, as this article will indicate, but they have been significantly revamped in the last 10 years. The purpose of the article is to present, in a systematic way, the ups and downs of South-South cooperation on the international agenda, as well as the factors that have contributed to its powerful resurgence in the present decade.

It can be argued that it all started with the "making of the Third World", to use the expression coined by Escobar (1995). Harry Truman, in his 1949 speech about the "underdeveloped regions of the world" and the need to assist them (most likely against communism), formally created a construct that lumped together all countries that were neither industrialised nor socialist. If that made the "Third World" a very heterogeneous group of countries, it also gave them a common identity.

They were countries that were struggling to overcome their colonial heritage and were being pressed to take sides in the Cold War. The understanding of their common interests and of the mutual benefits of cooperation was the seed for the creation of institutional frameworks for South-South Cooperation, such as the Non-Aligned Movement and the Group of 77 (G-77).

As developing countries realised that they were better off acting together rather than being allies of either of the superpowers, South-South cooperation emerged as a practice in the international political arena. Both the Non-Aligned Movement and the G-77 were instances of joint political mobilisation and collective bargaining, wherein propositions such as a "new international economic order" were advanced.

Although this initial period lasted for more than 30 years, it did not yield the sort of economic self-reliance and political independence that developing countries had sought. As the two oil crises of the 1970s led to a substantial rise in international interest rates, most developing countries entered the 1980s swamped by foreign debt and suffering from high inflation.

The "debt crisis" significantly reduced mutual cooperation efforts between countries of the South and made them very inward-looking. That was a period of demobilisation in the history of South-South cooperation, and it lasted for another 20 years.

Developing countries' priorities became the fulfilment of a to-do list prescribed by the international financial institutions upon which they depended for external funding. Structural adjustment in the 1980s and early 1990s was followed by a central concern about how to deal with its consequences, such as increased poverty and inequality, the dismantling of social services and the increasingly uncontrollable movement of international financial flows. The latter factor contributed to severe financial crises in Southeast Asia, Russia, Mexico, Brazil, and Argentina in the late 1990s.

The precursors of a re-emergence from this period of gloom can be found in the revitalisation of multilateralism that followed the end of the Cold War and the series of international conferences that were organised during the 1990s.

After decades of separation and antagonism between East and West, the 1990s saw the re-birth of global international cooperation. The provision and development of such cooperation, however, was still very much dominated

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1. This article is a revised and summarised version of Morais de Sá e Silva (2008) as published in Chisholm and Steiner-Khamsi (2008).

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by the North and basically involved assistance or "aid" from the North to the South. It was still a prescriptive kind of cooperation, based on the experiences of the North and the mainstream theories developed there.

Only in the new century was South-South cooperation to embark on a new and third phase in its development. It is now a "buzz word" in development parlance and there is much euphoria about its potential. Several factors contributed to that circumstance.

First, the joint commitment to achieving the Millennium Development Goals (MDGs) by 2015 created a sense of urgency towards the problems of the South.

Second, there was much disappointment with the mainstream models of development cooperation, which at the time mostly meant North-South cooperation. After decades of multilateral and bilateral aid and technical cooperation, development had still not materialised for an important share of the world's population. Hence there was and still is a desire for a new and more effective model.

Third, at the beginning of the present decade some developing countries showed signs of economic recovery and of having made social gains, which made them potential role models for the rest of the developing world.

Examples include Brazil, Mexico, India and South Africa, which became strong political leaders in their regions. The realisation of their individual strength led those "emerging economies" to join forces, forming plurilateral blocs such as IBSA—India, Brazil and South Africa; this is a formal trilateral initiative dating from 2003.

Informally, the expression "BRIC countries" (Brazil, Russia, India and China) also became widely known and was used to represent the group of fast-growing developing economies.
At the multilateral level, the G-20 is an exemplary case. In the framework of the multilateral negotiations of the World Trade Organisation (WTO), specifically the Doha Round, a group of developing countries united to negotiate issues such as the reduction of agricultural subsidies.

The group initially had 20 members and currently has 23.[2] Interestingly, these groups were followed by more "alternative" South-South blocs, such as the Bolivarian Alliance for the Americas (ALBA) and, to some extent, the Union of South American Nations (UNASUR).

The third and current phase of South-South cooperation, therefore, has shown some interesting features. On the one hand, it retains some attributes of the first phase, such as its role as a tool for the political strengthening of the South.

On the other hand, the current phase has added new energy, new actors and new practices to South-South cooperation. It is no longer limited to the fields of trade and industrial development, but has expanded to sectors such as education, health and social protection.

This expansion has been strongly supported—and financed—by international organisations and bilateral agencies, which have served as important bridges for the exchange of experiences among countries of the South. Naturally, international organisations and bilateral development agencies have their own interests in this process.

One such interest is to improve their own effectiveness in delivering development cooperation, since it is hoped that South-South cooperation will be better placed to improve social indicators in various developing countries, especially as regards progress towards the MDGs.

Second, South-South cooperation helps international organisations and bilateral development agencies redefine their role and mission in emerging economies, which are now less dependent on foreign funding and technical assistance.

There have been two important consequences of this expansion of the South-South cooperation agenda and the pool of practitioners. The first is an attempt to promote South-South learning with regard to social policies and programmes. Most of the existing experiences have centred on the transfer of "best-practice" programmes from one country of the South to another.

A second important consequence has been the upsurge in enthusiasm for South-South cooperation, leading to its inclusion on many countries' foreign policy agendas, in the strategic planning of various organisations, and in the research agendas of some scholars.

There is certainly no lack of political will to create new South-South cooperation initiatives; the problem may lie in how to maintain them and make them truly effective development tools. If current expectations are not met (and they are significantly high), the next phase of South-South cooperation may once again be one of demobilisation.

■

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2. This is not to be confused with the other G-20, more prominent in the global media, which is the "Group of Twenty Finance Ministers and Central Bank Governors" and which comprises the world's 19 largest economies plus the European Union.

Between a Rock and a Hard Place: LDCs in a G-20 World

by Paul Ladd,
UNDP Bureau for Development Policy

People and agencies in the "developed" world are, on the whole, guilty of portraying countries in the "developing" world as the same. In fact, beyond the obvious differences in geography, language and culture lie vast differentials in income, population size and outcomes related to human development.

For example, income per capita in 2008 was US$140 in Burundi, US$1,420 in Guyana and US$7,240 in Gabon (Atlas method: World Bank, 2009). Eight times more children under the age of five died in Guinea-Bissau in 2007 than in El Salvador.[1] And China has roughly half a billion more people within its borders than all of the least developed countries (LDCs) combined; that is equivalent to 100 times more people than the population of Zambia.[2]

Despite these differences, there is a history of strong solidarity among developing countries and regions. This goes beyond formal trade and investment linkages, extending to political coordination within structures such as the Group of 77 and cooperation frameworks such as that provided by the Buenos Aires Plan of Action on cooperation among developing countries. Nonetheless, as differences within the "global South" have widened in recent years, it remains to be seen whether this will have any impact on the tradition of solidarity that has developed, and whether in time there will be a trend towards a "South within the South".

The shifting of tectonic plates within the global South has led to divergences in economic growth, social development and political weight. In the past 10 years, for example, China and India have had economic growth rates in excess of 7 per cent each year. This is now manifesting itself in significant structural and relational changes on the international stage. During the past decade, countries deemed strategically important have been invited to certain G-8 summits. Brazil, China, Ethiopia, India, Mexico and South Africa were invited to participate in some parts of the Gleneagles Summit in the United Kingdom in 2005. Following the global economic and financial crisis, and the emergence of the G-20 leaders' summits, many countries that form the continental cornerstones of the South have been brought more formally into the tent. In addition to China, Russia, India and Brazil, these include countries such as Argentina, Indonesia, Mexico and Turkey.

Negotiations within international political processes now also have a different dynamic. Even before the economic crisis, many stronger developing countries signalled their unwillingness to accept least-worst compromises—for example, in the Doha Round of trade negotiations, where promises have been made to deliver a development-focused outcome. Now, in the choppy waters following the economic crisis, developing countries do not feel that the "global North" is in any position to impart lessons on economic and financial management, a lens that is easily extended to other areas such as industrial policy and technology development, including for climate change.

The face of development cooperation is also changing. Financial transfers from the North to the South still dominate, especially for the poorest countries. In 2007, aid from members of the Development Assistance Committee (DAC) as a share of national income was close to 50 per cent in Burundi, above 30 per cent in Guinea-Bissau and about 25 per cent in Mozambique (World Bank, 2009). But many developing

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Beyond economic impacts at the country level, LDCs may be squeezed further in multilateral processes.

The agenda of the G-20 has paid only cursory attention to the acute, crisis-induced challenges faced by LDCs.

The poorest countries are not invited, and have no institutionalised way of feeding their perspectives into decisions that will have profound effects on their future opportunities.

1. Guinea-Bissau (198) and El Salvador (24) deaths per 1,000 live births in 2007: UN Statistics Division.

2. UN Population Division, UN Department for Economic and Social Affairs.

countries now have a broader array of partners to help them meet their development aspirations. Within the South, trade and investment are important pillars. Investment originating in developing countries rose to 16 per cent of the total in 2008, up by 3 per cent from the previous year (UNCTAD, 2009). Additionally, activities traditionally defined by DAC donors as "cooperation" now also have new important contributors. The World Bank estimates that China was responsible for US$7 billion in infrastructure projects in Africa in 2006 (Foster et al., 2008).

But south-south cooperation has a distinctly different flavor. It tends to be driven not by charity but by mutual economic and commercial linkages, including access to dwindling natural resources. It also has a greater emphasis on technical cooperation and knowledge transfer than conditionality-based project, programme or budget support.

Notwithstanding the global crisis, these large political and economic shifts are likely to continue. Because of strong performance in other countries of the South, and regional integration, growth will not be limited to China, India and Brazil. In 2008, Mongolia, Uruguay, Uzbekistan, Uganda and Panama all grew at more than 9 per cent (IMF, 2010). But in this scenario, whither the LDCs and other low-income countries?

LDCs are well placed to benefit from the broader array of partners for trade and investment, and of sources of finance, knowledge and expertise. In the area of trade and investment, a wider range of markets and investors should serve to reduce risk and vulnerability. This is not insignificant given that one of the criteria for LDC classification is based on the concept of economic vulnerability.[3] For knowledge and expertise, greater competition in the marketplace should in theory better align itself with the expressed needs and demands of LDCs.

But the picture is particularly complicated for concessional finance that may be made available by cooperation partners. Again, greater competition should help reduce the existing aid oligopoly. It may also dilute the policy conditionality that donors insist on attaching to their increasingly coordinated programmes. Recipient governments often prefer to approach different donors for different reasons, sometimes as a deliberate strategy to maximise their basket of support.

But it is also possible that official development assistance will become even more splintered, uncoordinated and untransparent than it is already. This would be a step backwards. Despite issues of ownership and, above all, weak execution of the Paris agenda on aid effectiveness, there is much merit in attempting to ensure that aid does what it is supposed to do, benefiting people by increasing their access to economic opportunities and improving the quality of their lives. Greater transparency in resource flows would do a great deal to help citizens in recipient countries to hold both governments and donors to account.

Moreover, the conditionalities of old donors, often based on current received wisdom or the donors' value frameworks, may be replaced by the conditionalities of new donors. Rather than the LDCs being beneficiaries of a more vibrant market for assistance, they may instead become the battleground in wars of scarcity for oil, gas, minerals and timber.

Beyond economic impacts at the country level, LDCs may be squeezed further in multilateral processes. The agenda of the G-20 has paid only cursory attention to the acute, crisis-induced challenges faced by LDCs. The poorest countries are not invited, and have no institutionalised way of feeding their perspectives into decisions that will have profound effects on their future opportunities. The generosity of members of the World Trade Organisation (WTO) in promising to address development issues may slide further down the agenda as muscles are increasingly flexed—failure to deliver the heralded Development Round is clearly not the fault of the LDCs. While governance reform of the World Bank and IMF may yield additional votes for the BRICs, there is a risk that it is not only the rich countries that have to cede influence to achieve this, but also the poorest.

Of course, this dynamic is natural and not new; power manifests itself for self-interest. But from a human development perspective there is a risk that LDCs may be squeezed between the old world and the new, with fewer rather than more opportunities to follow paths that expand economic and social opportunities.

How Can Governments, the United Nations and Other Bodies Assist?

In May 2011, the fourth conference on LDCs will be held in Turkey. Participants at the conference will review progress against the previous "Brussels Programme of Action: 2001–2010". The outcome of this conference will have to recognise the continued vulnerabilities faced by the LDCs, particularly those caused by globalisation. It will have to produce strong commitments from all countries—traditional donors as well as new cooperation partners, in a coordinated way—that address the full range of LDC priorities: infrastructure, technology, sustained trade opportunities, employment and improved living standards.

As regards LDC voice, steps will also be needed to ensure that LDC influence is not eroded further in governance reforms of the World Bank and IMF, nor lost completely in new plurilateral groupings such as the G-20. In Washington, the shareholders of the international financial institutions could consider giving greater weight to their clients, in terms of both seats and votes. And if the G-20 continues as a forum, steps will be needed to include the perspectives of countries that are affected by G-20 decisions. Here, the UN will serve as a catalyst to bring forward the voices of the global South, not just the emerging economies. ■

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3. The three criteria for LDC classification are based on low income, human capital and economic vulnerability: <http://www.unohrlls.org/en/ldc/related/59/>.

South-South Cooperation: Potential Benefits for the Least Developed Countries[1]

by Kamal Malhotra, UNDP, Malaysia

The Changing Global Context

A number of countries of the South are leading world economic growth and have been doing so for several years. During the 2001–2008 period, developing countries as a whole grew at more than twice the rate of high-income countries. But some, such as the least developed countries (LDCs), are being left behind; rather than converging, they are diverging in their long-term economic growth and development prospects.

Although the economic growth of LDCs as a group has improved because of their increased export volumes, higher commodity prices and greater inflows of foreign direct investment, a closer examination of their overall performance reveals sizeable differences among LDCs. In half of them, growth either failed to accelerate or declined; in a third of them, per capita GDP either fell or grew by less than 1 per cent in real terms; and in most non oil-exporting LDCs, export activities tend to remain in enclave sectors with very weak linkages to the rest of the economy. Moreover, the 2008–2009 global financial and economic crisis undermined the factors that enabled strong GDP growth performance among LDCs between 2002 and 2008, again exposing both the lingering structural weaknesses of their economies and the myth of self-regulating markets.

For many LDCs, trade accounts for a significant proportion of economic activity. Indeed, their trade-to-GDP ratios are often higher than those in many developed and emerging-market countries. They also tend to have very open trade regimes, marked by low tariff and non-tariff barriers, as a result of structural adjustment and other conditionalities stemming from successive loans from international financial institutions. Economic integration and high levels of international trade, however, do not seem to have produced a commensurate economic development that addresses fundamental problems such as poverty and inequality.

As regards integration into the global economy, LDCs are in a very vulnerable position because they typically have small economies, limited production capacities and difficult topographies, and are located far from international markets in which they are minor and weak players. Nonetheless, international trade can play a powerful role in poverty reduction in LDCs, and is a more sustainable route to long-term poverty reduction than aid. Trade is also important because exports can generate foreign exchange revenue, which is a significant source of development finance. Exports can also facilitate technology transfer and the development of productive capacities, and can expand employment opportunities and promote sustainable livelihoods.

Growing South-South Trade and Development Cooperation with LDCs

South-South trade has expanded considerably over the past quarter-century, albeit from a very small base: as of 2008, it accounted for about 20 per cent of world trade, compared with 7 per cent in 1985 (UNCTAD, 2009). This has resulted in a changing geography of trade and investment for the South, a circumstance that has also helped determine and reinforce the direction of South-South development cooperation: newly industrialised and middle-income emerging developing countries are becoming contributors of increasing development assistance, particularly to the LDCs. Such assistance to countries in neighbouring subregions is seen by

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Indeed, while the share of LDC imports that originate in other developing countries has risen substantially, the reverse is not true. Instead, other developing countries today import a smaller share from LDCs than they did in the early 1980s.

1. The author acknowledges Anita Ahmad's contribution to this article. Any errors are the author's alone.

many emerging countries as a "win-win" that is likely to increase trade opportunities for them in the medium to long term. Partly for this reason, developing countries, including LDCs, are increasingly engaging in the growing maze of intraregional and interregional trade, investment and other agreements and arrangements.

While South-South trade has grown significantly and many developing countries have benefited, LDCs, which are marginalised in North-South trade, are also increasingly being marginalised in South-South trade. Indeed, while the share of LDC imports that originate in other developing countries has risen substantially, the reverse is not true. Instead, other developing countries today import a smaller share from LDCs than they did in the early 1980s. To counteract these developments, the more industrialised developing countries should open their markets to LDC exports. In this context, an important instrument that countries should use more is UNCTAD's Global System of Trade Preferences among Developing Countries. The recent offers of trade concessions to LDCs by countries such as Brazil and India are positive developments that need to go further and be extended to all LDCs by dynamic, middle-income developing countries.

The more successful developing countries are also gearing their South-South development cooperation efforts towards achieving the internationally agreed development goals, including the Millennium Development Goals (MDGs) in LDCs. A number of middle-income developing countries are now within reach of achieving the MDGs, at least in aggregate terms. This opens up space for them to play more active roles in South-South Cooperation by various means, which may be better suited to the needs of poorer developing countries than the traditional assistance these countries receive from rich, industrialised nations.

In some middle-income developing countries, governments have now streamlined their South-South cooperation practices at the foreign policy level as a result of their increasing role in development assistance. For many of them, such cooperation has assumed a permanent, built-in function in their intergovernmental relationships with neighbouring and many other developing countries. It also drives their participation in regional integration efforts, from the subregional to continental levels, and influences their contacts and collaboration with countries in other continents of the South as well as the North.

> *Developing countries—especially nations such as China, India and Brazil—can make immense contributions to the weakest members of the global community by means of policy action in their own countries which is geared to the special needs of LDCs.*

For many LDCs, such South-South cooperation has also increased the range of opportunities for development assistance. It has offered a significant resource channel that supplements their traditional donor sources of foreign financing and it is on different terms (often with much less stringent conditionality). Indeed, growing South-South development assistance has served to highlight the difference between traditional Northern donor policies and aid practices, on the one hand, and South-South development assistance cooperation on the other, thereby providing recipient countries with more options in support of their development needs and efforts.

Increasing Voice in Global Governance

The changes described in the preceding paragraphs illustrate why and how the global architecture is slowly but surely changing in a more inclusive direction, as a number of new Southern powers rise to the fore. While a major and highly trumpeted aspect of this new global order is the growing economic and political influence of relatively large emerging economies, especially China, India, Brazil and South Africa, it is equally true that other emerging middle-income countries, such as Egypt, Indonesia, Malaysia, Mexico, Nigeria and Singapore, are also already playing or are likely to play key strategic roles on the global stage in the coming decades. One important consequence of the rise of these newly emerging industrialised economies is the increasing and more vocal call for changes in global governance, as regards both its institutional architecture and the policies that govern globalisation.

To some extent these calls have already resulted in some important power shifts in international institutions such as the World Trade Organisation (WTO), especially after the failure of its Cancun ministerial meeting in 2003. It has been clear since then that no major decision on multilateral trade negotiations is possible without the agreement of India and Brazil, and more recently China.

By developing closer strategic relationships with such countries, LDCs can only benefit in terms of their voice in global governance, which at present is marginal. In the context of this architectural shift, regional cooperation, through South-South Cooperation, could also offer greater potential economic opportunity and provide a good platform for LDC development.

The Way Forward

Over the last few years, greater attention has been paid to the benefits of South-South cooperation in general and for LDCs in particular. Some developing countries have become important markets, emerging as significant investors in or suppliers of technology, producers of generic medicinal drugs, and providers of technical assistance and financial aid to LDCs.

Nevertheless, more can and should be done for LDCs by emerging developing countries through the provision of investment, trade opportunities, technical cooperation and other relevant resources in order to promote poverty reduction and foster sustainable development. In particular, developing countries—especially nations such as China, India and Brazil—can make immense contributions to the weakest members of the global community by means of policy action in their own countries which is geared to the special needs of LDCs. By opening more of their markets to LDC exports, cancelling their debts, investing in them over the long term and providing technology transfer and technical assistance, these and other emerging developing countries could make the slogan "trade not aid" a reality for many, if not all, LDCs. ■

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The Challenges Confronting South-South Trade

by Aileen Kwa, South Centre, Geneva

Often, in World Trade Organisation (WTO) circles and discussions, South-South trade is viewed as a sacred cow—not to be disturbed and certainly to be enhanced. Any measure that might lessen the flow of South-South trade is viewed negatively, almost to be avoided at all costs.

South-South trade, however, is no magic panacea if conducted on exactly the same terms as North-South trade. The regulation of South-South trade, ensuring that it is conducted strategically rather than conforming to a one-size-fits-all paradigm, is therefore paramount. But so far there has been insufficient discussion of how South-South trade can be regulated in order to achieve the development goals of the countries involved.

The premise of this article is that an increase in trade (North-South or South-South) in and of itself does not lead to development. Countries need a combination of tools for development, and exports comprise only one such tool.

The reports on least developed countries (LDCs) by the United Nations Conference on Trade and Development (UNCTAD), for instance, are well known for documenting the "ghettoisation" of the export sector—that it has been disconnected from the real economy within countries and has not produced the desired results.

In Pursuit of South-South Trade

Exports from the South have rocketed in recent years, reaching US$4.5 trillion in 2006, or 37 per cent of world trade. Of this, total South-South exports amount to US$2.5 trillion (UNCTAD, 2009).

There are several avenues through which South-South trade takes place. First, there are regional integration efforts, whereby subregions come together to eliminate tariffs among themselves so that goods and services can move more freely.

South Africa, for example, exports a sizeable amount of its goods and services to other southern African countries, as well as to other countries in Africa.

South-South trade is no magic panacea if conducted on exactly the same terms as North-South trade.

Regional integration, including regional trade, needs to be paced, since countries in most subregions have developed unevenly.

Certain countries in the Southern African Development Community (SADC) are hesitant to remove all trade barriers with the much more developed South Africa until they are at a higher level of development themselves.

Kenya exports agricultural products and some goods to its African neighbours. Its regional trade is more diversified than Kenyan exports to the European Union and the United States. What are the benefits? For fledgling manufacturers and service providers, the regional market is easier to access than international markets.

The latter are strictly governed by stringent standards that are often beyond the means of small producers to meet.

Second, there are of course the "normal" trade channels. For most WTO members, these are governed by WTO rules; tariffs are bound, but most developing countries usually have lower applied tariffs.

Together with the WTO are its twin sisters, the International Monetary Fund (IMF) and the World Bank, with their infamous loan conditionalities.

Generally, loans are provided if the borrowing country reduces its tariffs below the level of its WTO commitments.

An example is chicken from Brazil finding its way to Ghana because the latter has low applied tariffs as a result of IMF conditions. South-South trade also includes cheap electronic goods, and textiles and clothing, from China to the rest of the developing world.

More recently, there has been a renewed effort by trade ministers to breathe life into the Global System of Trade Preferences (GSTP) among developing countries. On 2 December 2009 in Geneva, ministers adopted modalities for negotiations to reduce tariffs among countries of the South.

Benefits and Challenges of South-South Trade

The benefits of South-South trade are well known—mainly, that markets can be more accessible. In turn, this can induce the industrialisation/diversification process, encouraging countries to produce value-added goods for their neighbours, even if they cannot sell them on the international markets.

This potential is true for Africa in particular, where South-South trade consists predominantly of primary commodities. Asian countries already export manufactured products to other countries of the South. The picture is mixed for Latin America.

What of the challenges? Not all countries within subregions are comfortable with freeing trade completely. Regional integration, including regional trade, needs to be paced, since countries in most subregions have developed unevenly. For example, certain countries in the Southern African Development Community (SADC) are hesitant to remove all trade barriers with the much more developed South Africa until they are at a higher level of development themselves.

Cooperation can come in myriad ways, including South Africa's provision of support to others in that region, to enable them to develop their manufacturing and services sectors.

Trade flows freely between India and Nepal. Indian rice going to Nepal has displaced rice farmers there, plunging them into poverty.

This is also true for South-South trade across subregions. The more cheaply produced Brazilian chicken mentioned above has destroyed the livelihoods of Ghanaian poultry producers.

Thai rice has been seen as the culprit for reducing rice prices in West Africa and putting local farmers out of business. And the list goes on.

Should South-South trade not be more mindful of the negative impacts on the importing country? Should importing developing countries not be given more policy space to defend their development concerns? Is the lowering of tariffs by some across-the-board formula not a crude approach to South-South trade, if countries are to be more responsive to others' sensitivities?

The Special Safeguard Mechanism:
A Case in Point

At the WTO in the Doha Round, the G-33 group of 46 developing countries has asked for a Special Safeguard Mechanism (SSM)—that is, an increase in tariffs if imports flood the local market or if the prices of imports are too low.

While the United States and Australia have been key opponents of this instrument, some of its fiercest critics are among exporting developing countries: Uruguay, Paraguay, Argentina, Thailand, Malaysia and, to a lesser extent, Brazil.

Their complaint is that the SSM would affect South-South trade. They do not want the mechanism to affect their small farmers who export. Hence every effort is currently being made to minimise the instrument so that it could eventually be useless as a safeguard.

In worrying about their exporting small farmers, these countries have forgotten the poultry and rice farmers in West Africa, the dairy farmers in Jamaica and Sri Lanka, and the sugar farmers in Kenya, whose livelihoods depend on having access to their local markets, which are most likely the only markets in which they can sell.

Will South-South trade reproduce the same mercantilist inclinations as trade between the North and South? Or can we imagine trading in a way that takes into consideration the complex development needs of the trading partners with which we most wish to collaborate?

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South-South Cooperation: Moving Towards a New Aid Dynamic

by Penny Davies,
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The Emergence of "New Development Assistance Providers"

In recent years there has been an increase in the funding from and activities of bilateral development assistance providers outside the Development Assistance Committee (DAC). This group is often referred to as "non-DAC donors", "emerging donors" or "new donors", for lack of a better term.

In reality, many of them are not new at all but have long historical records of providing various types of assistance and engaging in South-South cooperation. The term donor is also problematic in the sense that many "non-DAC" sources do not describe their development cooperation in terms of donor-recipient relationships, but prefer to use the term partnership in a South-South context. It can also be argued that it is unsatisfactory to define this group by referring to their non-membership of the DAC.

Nonetheless, it is clear that changes are taking place in the so-called aid architecture, and that non-DAC countries are playing and will continue to play an even more central role in delivering assistance to and engaging in partnerships with developing countries.

This is not only relevant for the partner countries in question, but also for traditional donors, civil society organisations and any other actors engaged in development work. It highlights the need to restructure international dialogues on aid and development effectiveness so that they fully reflect and incorporate the different modalities of non-DAC donors beyond the "traditional" donor-recipient relationship. It also underscores the need for experience-sharing and cooperation between DAC donors, non-DAC donors and partner countries, so as to maximise benefits and address the global challenges of the twenty-first century, including combating poverty.

Is It Different from North-South?

Non-DAC donors comprise a very heterogeneous group of countries with diverse experiences of providing development assistance, ranging from emerging/richer middle-income countries to lower-income countries and countries that both provide and receive aid (see, for example, Manning, 2006). It is therefore difficult to generalise and talk about one type of assistance.

South-South cooperation and triangular cooperation are the two overarching modalities discussed in the context of non-DAC donors. While there is no agreed-upon definition, South-South cooperation often consists of technical assistance on a project level, and at times it is implemented in the form of cost-sharing schemes. South-South cooperation is not limited to "aid" as classified by the DAC, since it includes other types of financial flows and cooperation.

Triangular cooperation often consists of a financial contribution from a "Northern donor" together with technical skills provided by a "Southern donor", which is then implemented in a partner country. But South-South-South triangular cooperation is also advancing (UN Economic and Social Council, 2008).

Some common opportunities and challenges arising from the increased engagement of non-DAC donors were identified by partner countries and non-DAC donors themselves before the Third High Level Forum on Aid Effectiveness in Accra in 2008 (Davies, 2008).

South-South cooperation is characterised by the principle of "non-interference in internal affairs".

DAC donors, by contrast, have a tradition of applying conditionality to loans and grants.

Both approaches have been criticised from different perspectives: the former for disregarding key social and environmental standards and perspectives beyond the governmental sphere; and the latter for overriding national democratic ownership and priorities by imposing conditions.

Opportunities:

- The increased engagement of non-DAC donors means that more resources are available for partner countries to pursue their national development plans and to meet the Millennium Development Goals. This is important, not least because many DAC donors are failing to meet their aid commitments and aid levels are declining because of the financial crisis. While the crisis may also affect South-South cooperation negatively, such cooperation could play an important role in seeking common solutions among developing countries.

- South-South cooperation is valued by partner countries because many non-DAC donors face similar challenges to those of fellow developing countries, and thus have relevant know-how to share.

- South-South cooperation is also appreciated because it has lower transaction costs, is less donor-driven and comes with fewer conditions than assistance from many "traditional donors".

Challenges:

- Concerns expressed by partner countries when cooperating with non-DAC donors include lack of information and transparency on the terms and conditions of agreements. Development assistance agreements are often concluded at the highest political level, bypassing national aid management systems. This inhibits a broad-based ownership of development policies.

- Insufficient adherence to aid effectiveness principles, including the untying of aid, as well as lack of compliance with various social and environmental standards, are sometimes a challenge. This concern is echoed by donors that apply such standards. Such underperformance, however, also occurs among DAC donors.

- Some of the challenges are related to capacity constraints among non-DAC donors themselves, such as lack of human resources and/or a central coordinating agency for development assistance. Investments to strengthen institutional and human capacities are therefore needed.

While the modalities of different providers of assistance might differ from each other, it is important to stress that there is an expressed common interest in ensuring that all assistance is effective and that it contributes to development objectives at the global and partner-country levels.

Many non-DAC donors have not taken part in discussions on the Paris Declaration on Aid Effectiveness until recently, or even at all, but there is an emerging consensus that its principles are relevant for enhancing aid effectiveness. Many non-DAC donors are already applying them and have adopted similar principles of their own, including to strengthen partner-country ownership.

On the other hand, there are also fundamental differences in approaches. South-South cooperation is characterised by the principle of "non-interference in internal affairs".

DAC donors, by contrast, have a tradition of applying conditionality to loans and grants. Both approaches have been criticised from different perspectives: the former for disregarding key social and environmental standards and perspectives beyond the governmental sphere; and the latter for overriding national democratic ownership and priorities by imposing conditions.

The final version of the Accra Agenda for Action (AAA) recognises the non-interference principle in the context of South-South cooperation. As a follow-up, there is a need to agree on what the principle of non-interference means in practice and how it relates to widely agreed-upon social and environmental standards and aid effectiveness principles.

A common understanding should go beyond the limitations of both non-interference and conditionality practices in aid relationships, with a view to ensuring broad-based ownership of policies in developing countries.

Moving towards Inclusive Dialogues and Mutual Learning

South-South cooperation and the role of non-DAC donors are gradually moving to the centre stage of the aid effectiveness agenda.[1]

The document produced by the Third High Level Forum on Aid Effectiveness, the AAA, contains a paragraph that recognises "the importance and particularities of South-South cooperation" and it states that "we can learn from the experiences of developing countries".

Looking ahead, more inclusive dialogues on aid effectiveness are needed on a global and country level, so as to incorporate the diverse experiences of non-DAC donors and enhance mutual learning. The AAA should be seen as a step forward in this regard. Willingness to share information in a transparent manner is a prerequisite and will enable complementarity.

On a practical level, triangular cooperation between non-DAC, DAC and partner countries is a way forward that is also recommended in the AAA. It is important that such initiatives are based on a genuine interest in mutual learning. At times there has been suspicion between "old" and "new" actors, and even non-constructive finger-pointing, evident for example in the "China in Africa" debate (see, for instance, Davies, 2007). There is a need to move beyond the "blame game" and to focus on solutions that contribute to fair and sustainable development. Such cooperation should not be about one side assimilating the other to its principles and practices. Both non-DAC and DAC donors need to be open to new perspectives, building on best practices.

Partner-country leadership in triangular cooperation is key. Partner countries should be the ones to define what assistance is needed, on the basis of their national plans. Hence all donors should align their assistance to the priorities set by partner countries. Triangular partnerships, however, should not be limited to government bodies but should include civil society organisations, which have very important roles to play in development: identifying needs, presenting proposals, acting as whistleblowers when things go wrong and so forth. Including civil society in the triangle enables a broad-based ownership of the development processes.

Triangular partnerships could be applied in various current policy discussions, as well as when concrete projects are implemented. In the post-Accra context for enhancing aid effectiveness, a triangular approach could be explored in discussions of policy space versus conditionality versus non-interference, which remain key sources of tension in aid relationships. ■

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1. For example, on 24–26 March 2010, some 400 high-level representatives of governments, multilateral organisations and civil society have attended the High-Level Event on South-South Cooperation and Capacity Development, hosted by the government of Colombia in Bogotá.

Beyond Best Practices

by Francisco Simplicio, UNDP Special Unit for South-South Cooperation

Sometimes, the term "best practice" seems to have weakened to mean little more than a "good idea". Initially, however, it stood for the process of abstracting useful knowledge from examples of what had worked in the past in order to apply the knowledge to new situations.

In the context of social and economic development, an emphasis on applying best practices would offer a good way of controlling risks and of increasing the chances of achieving positive outcomes in increasingly complex environments.

It would also lessen part of the pain of experimentation by trial and error when the quality of people's lives is at stake, simply by using what experience has shown to work. Hence many initiatives to collect, document and share best practices have been undertaken by development organisations.

But is the focus on best practices a good strategy? Maybe not, particularly if this is as far as one goes. A large part of current efforts focuses on identifying and documenting best practices, which assumes that the next steps—those related to adopting these practices—will be taken by someone else.

The effort required for the next steps, however, is much greater than that needed to identify and document, and this effort has to be made if best practices are to be adopted.

In this regard, the increased rate of adoption of innovation is just as important as the rate at which innovations are created in order to produce wealth and advance development. This is true in both the private sector and in social development.

For example, microfinance has been one of the most prominent innovations in the promotion of inclusive development, but the real revolution was the rate at which its principles and methods were openly disseminated, adopted and replicated throughout the world.

However, this example can be considered an exception; overall, human-development innovations tend to have a relatively low rate of transfer and replication when compared to those in the marketplace.

One of the reasons for the low rate of adoption of social innovations is the "inform and educate" approach. This seems to reflect the "build it and they will come" mentality prevailing

There is no shortage of networks to identify best practices and development innovations by developing countries' institutions, but what is lacking are the mechanisms that can effectively facilitate the actual transfer of knowledge from one Southern country to another.

Unlocking ingenuity for the achievement of inclusive development entails creating a favourable environment for the broad adoption of innovative best practices.

If this is so, why not learn with the private sector in this regard? As Amartya Sen has put it: "The market is just a form of human exchange. To be generically against the market would be almost as odd as being generically against conversations between people".

during the growth of Internet services in the late 1990s, the so-called dot-com boom, which was followed by the well-known bursting of the dot-com bubble.

It often seems to be forgotten that identifying, documenting and communicating best practices are just part of the larger processes of diffusion and adoption of innovations.

Diffusion of an innovation is a type of a decision-making process comprising five steps (Rogers, 1995): acquisition of knowledge, persuasion, decision, implementation and confirmation.

This process occurs through a series of communication channels among the members of a social system. It is important to consider that adopters always have choices among competing alternatives and that they might reject an innovation at any time during or after the adoption process.

The theory of the diffusion of innovations indicates that trying quickly to convince a very large number of people to adopt a new idea is not a good use of resources. It makes more sense to begin by working with a special group called early adopters.

The Work of the Special Unit for South-South Cooperation

How are current knowledge-management initiatives facilitating the engagement of the players who are able to introduce more ingenuity into the process of diffusing and adopting innovative best practices to promote human development process?

In the UNDP's Special Unit for South-South Cooperation we believe that in order to have an impact on a large scale, we must go beyond making best practices known and must focus on the mechanisms that favour the actual transfer of practices, by engaging and supporting the motivated players who can introduce creativity and ingenuity with a view to scaling up the transfer of social innovations.

For such players, best practices are simply inputs in this process, along with marketing, showcasing, partnership-building, etc.

In a novel approach that seeks to strengthen social and economic ties among developing countries, and to share knowledge and best practices with the goal of actual transfers, the Special Unit for South-South Cooperation is committed to transforming, consolidating and institutionalising its current efforts into integrated, mutually reinforcing components of an architecture that supports multilateral South-South cooperation. Through its fourth cooperation framework for South-South cooperation (2009–2011), approved by the UNDP Executive Board, the Special Unit is building this architecture, which has the following three interlinked platforms:

(i) the Global South-South Development Academy (GSSD Academy)—to enable development partners to systematically identify, document and catalogue development solutions for validation and mutual learning;

(ii) the Global South-South Development Expo (GSSD Expo)—to enable development partners to showcase successful and scalable development solutions for visibility to the broader community, so as to obtain peer feedback and build partnerships; and

(iii) the South-South Global Assets and Technology Exchange (SS-GATE)–to enable development partners to list the most scalable solutions and technologies for partnership-building, resource-mobilisation and actual transfer.

In the 18 months of pilot operations of track 1 of S-S GATE, more than 800 proposals offering or seeking technology solutions were listed, and 22 matches and partnerships for actual transfers were facilitated (as of September 2009), demonstrating the tremendous potential of the market-driven approach. With this novel architecture, the Special Unit believes that it is providing a service platform able to strengthen social and economic ties among developing countries and to capitalise on best practices with the goal of actual transfer.

This group has the proper attitude for handling exposure to the problems, risks and annoyances common to the early stage of diffusion, and is normally given special assistance and support.

It is often said that all that is needed for broad adoption to happen is funding, but this may be an oversimplification of the real force behind the diffusion process.

In the perspective of classical economics, potential output depends on the amount of labour and capital available, but also on the ingenuity with which these resources are put to use. Many people would say that of these three factors, capital is the most important.

In reality, however, ingenuity can account for 88 per cent of the growth in historical output (*The Economist*, 2009). Of these factors, therefore, ingenuity is by far the most important resource on which it is critical to capitalise. Unlocking ingenuity for the achievement of inclusive development entails creating a favourable environment for the broad adoption of innovative best practices.

If this is so, why not learn with the private sector in this regard? How does the private sector deal with such a complex process of adopting and diffusing innovation? It is supported by several different strategies, from venture capital to innovation fairs, including massive investment in entrepreneurship development.

The adoption process can even become part of the business itself, via franchise models wherein adoption and diffusion relate not only to innovative practices but also go beyond them to include innovations in system and process management. As Amartya Sen has put it: "The market is just a form of human exchange. To be generically against the market would be almost as odd as being generically against conversations between people."

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IBSA: South-South Cooperation or Trilateral Diplomacy in World Affairs?

by Daniel Flemes,
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The India-Brazil-South Africa Dialogue Forum (IBSA) was launched in June 2003 in Brasilia by the three countries' foreign ministers after informal talks during the G-8 meeting in Evian that same year. In September 2003, Prime Minister Atal Bihari Vajpayee and Presidents Luis Inácio Lula da Silva and Thabo Mbeki founded the G-3 during the Fifty-Eighth UN General Assembly.

They contributed crucially to the upset at the World Trade Organisation (WTO) ministerial meeting in Cancun by pressing for fundamental changes to the developed world's agricultural subsidies regimes. Together, the IBSA countries also lobbied for reform of the United Nations to provide a stronger role to developing countries, which comprise the majority of UN member states.

IBSA's functional leadership in WTO negotiations and the UN reform debate offers a countervailing force to the current hierarchy of the global order. India, Brazil and South Africa use "voice opportunities" provided by institutions such as the UN, the WTO and G-8 Summits to undermine the established great powers' policies in the short term.

In the long term, IBSA's soft balancing strategy is geared to the formation of a multipolar system based on the rule of international law. The three countries want to become power poles of that prospective multipolar world.

Generally, the coalition of Southern powers supports the process of international organisation, a conduct that is usually ascribed to middle powers. But IBSA's global justice discourse is doubtful, since Brazil and India have been striving (with Germany and Japan) for permanent membership of the UN Security Council. India and Brazil invited South Africa to join the group but the country had to abide by African Union guidelines, which prevent it from fielding its candidacy on its own. The UN High-Level Panel had suggested an alternative and more participatory plan for a regular system of rotating members, which was rejected by India and Brazil.

The expansion of the Security Council, however, would favour only a few players. In order to achieve the lasting democratisation of the organisation, the General Assembly would also have to be strengthened.

Divergences between the national positions of the three Southern powers became clear in the Doha Round negotiations. New Delhi's position on trade-related aspects of intellectual property rights (TRIPS) and non-tariff barriers separates it from Brasilia and Pretoria. In particular, India demands protection against agricultural imports, whereas Brazil advocates a broad liberalisation of the global agricultural market.

In addition, the national interests of the IBSA countries are partly at odds with the interests of developing countries, which they claim to represent. As net food importers, most of the least developed countries (LDCs) cannot be interested in the reduction of agricultural subsidies in Europe and the United States that keep food prices low.

Moreover, while the WTO negotiations have hardly progressed in terms of content, Brazil and India have been able to improve their positions in the international trade hierarchy. At the 2004 WTO conference in Geneva they were invited to form the G-5 preparation group together with the European Union, the United States and

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While the IBSA initiative may thus be seen as an effort to increase its members' global bargaining power, the cooperation between South Africa, India and Brazil also focuses on concrete areas of collaboration.

Australia. At the German G-8 Summit in 2007, Brazil, India and South Africa (with China and Mexico) were invited to formalise their dialogue with the elite club of the richest industrialised countries through the so-called Heiligendamm or O-5 process.

These invitations, as well as the role of the G-20 in the handling of the recent financial crisis, reflect increasing acceptance of the IBSA countries' (prospective) major-power status by the established great powers.

While the IBSA initiative may thus be seen as an effort to increase its members' global bargaining power, the cooperation between South Africa, India and Brazil also focuses on concrete areas of collaboration. Trade, health, energy security and transport are only the most prominent issues of IBSA's sectoral collaboration.

IBSA can therefore be characterised as both a strategic alliance for the pursuit of the common interests of emerging powers in global institutions, and also as a platform for bilateral, trilateral and interregional South-South cooperation.

The sectoral cooperation is to form a sound basis for trilateral diplomacy in world affairs. But the potential synergies of IBSA's sectoral collaboration are doubtful. In particular, the prospects for bilateral and trilateral trade are limited by a number of constraints.

The economies' different sizes and degrees of global integration lead to different degrees of trade benefits. But the main obstacle consists of the limited complementarities between the three markets, since India, Brazil and South Africa produce similar goods and compete for access to the markets of the countries of the Organisation for Economic Cooperation and Development (OECD).

Additionally, the fact that developed countries have asymmetrical capabilities relative to the IBSA countries allows them to demobilise the South-South alliance through cross-bargaining on a trade chessboard of variable geometry.

But trade is merely one of many undertakings in this multidimensional initiative. India, Brazil and South Africa are not natural trading partners, and the limits to commercial exchanges between them should be recognised.

While a trilateral trade agreement has been alluded to on numerous occasions, such an ambitious undertaking is unlikely to materialise between these three countries, which are technically bound to regional trade blocs. A more realistic approach could involve trade facilitation and the improvement of transport and infrastructure links between them.

In recent years the IBSA countries have been prominent in the G-21 lobby that succeeded in lessening the negative effects of TRIPS with regard to patents that impose high costs for HIV/AIDS drugs in developing countries, especially in Africa.

Other sectors, such as health and energy security, seem to offer more synergies. As regards HIV/AIDS, for instance, the interests of the three countries are quite convergent. India has the second largest number of HIV-positive people (2.4 million) and also the largest generic drugs industry. Brazil has developed role-model public policies in fighting AIDS and exports its know-how to several African, Asian and Latin American countries. South Africa has a high demand in this regard, since it has the largest number of HIV-positive people (5.7 million) and faces severe constraints in democratising public health services regarding the epidemic.

In recent years the IBSA countries have been prominent in the G-21 lobby that succeeded in lessening the negative effects of TRIPS with regard to patents that impose high costs for HIV/AIDS drugs in developing countries, especially in Africa. An interpretive statement of the 2001 Doha Declaration indicated that TRIPs should not prevent countries from fighting public health crises. Since then, TRIPs has provided for "compulsory licensing", allowing governments to issue licenses for drug production for the domestic market without the consent of the patent owner.

A 2003 agreement loosened the domestic market requirement, and allowed developing countries to export their locally produced generics to other countries facing epidemics such as HIV/AIDS, malaria and tuberculosis.

The energy sector is another pivotal area of cooperation, as spelled out at a September 2006 summit in which a memorandum of understanding on biofuels was signed.

About 62 per cent of Brazil's energy requirements are met by renewable sources; of those, 10 per cent come from ethanol from sugarcane. In April 2002, India and Brazil signed a memorandum of understanding on technology-sharing in the blending of petrol and diesel with ethanol. India is the world's largest sugarcane producer.

Solar energy and coal liquefaction are other potential areas of cooperation. India's capabilities in the solar photovoltaic field could be of much interest to Brazil and South Africa, given these countries' vastness and climate.

South Africa has a highly developed synthetic fuels industry. That industry takes advantage of the country's abundant coal resources and has developed expertise in the technology of coal liquefaction. With a view to the growing global energy need, this technology may be commercially viable and could be explored by Indian companies.

As regards future cooperation in nuclear technology, the three emerging powers have stated that, under appropriate International Atomic Energy Agency (IAEA) safeguards, international civilian nuclear cooperation among countries committed to nuclear disarmament and non-proliferation could be enhanced through forward-looking approaches that are consistent with their respective national and international obligations.

Brazil has controlled the full nuclear fuel cycle since March 2006. Brazil and South Africa are among the most influential members of the Nuclear Suppliers Group (NSG). Shortly after India concluded its deal on civilian nuclear cooperation with the United States in March 2006, Prime Minister Singh visited Pretoria, where President Mbeki announced that South Africa would back India's bid in the NSG to be given access to international technology for a civilian nuclear energy programme. Supporting the deal between the United States and India, which has not signed the *Non-Proliferation Treaty*, indicates a major shift in South Africa's proliferation policy, from a rule and principle-based approach to one that is more pragmatic. The three Southern powers seem determined to seek large-scale synergies in nuclear energy production.

The sustainability and prospects of the trilateral undertaking are currently hard to estimate, but IBSA's success will depend not least on its ability to focus on distinct areas of cooperation, such as public health and energy security, and to avoid those areas of controversy that tend to hamper the cooperation process.

IBSA is not yet a formal organisation and it has no headquarters or secretariat. Common institutions would facilitate the effective coordination and pursuit of IBSA's interests. Finally, enlargement of the trilateral coalition would generate more potential synergies in sectoral collaboration and even more weight in the institutions of global governance.

In this regard, IBSA could merge with China and Russia to form BRICSA, or with the traditional civilian powers Germany and Japan to build a G-5, while retaining its characteristics as a small but potentially effective coalition.
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Post-Liberal Regionalism:
S-S Cooperation in Latin America and the Caribbean

by José Antonio Sanahuja, Complutense Institute for International Studies (ICEI)

The Rise of South-South Cooperation in Latin America and the Caribbean South-South cooperation is not a new phenomenon in Latin America and the Caribbean (LAC).

Since the 1970s, several LAC countries have been involved in what is known as Technical Cooperation among Developing Countries (TCDC). From their inception, regional integration schemes have also provided the rationale and institutional framework for regional development banks in Central America and the Andean Group.

In the 1980s, despite the debt crisis, oil-exporting countries such as Mexico and Venezuela backed the Central American peace initiatives with soft financing of oil exports.

In the last decade, however, the amount and scope of activities and the number of countries involved in South-South cooperation in LAC grew substantially.

Some interrelated causes can be suggested to explain this increase.[1] First, it should be seen as an expression of the increasing economic and political muscle of emerging countries, the growing international scope of their national interests, their global or regional leadership, and their desire to gain more autonomy in world politics and the international political economy.

As Fareed Zakaria has put it, this is "the rise of the rest" against the United States and other countries of the Organisation for Economic Cooperation and Development (OECD).

Despite the obvious differences between South-South cooperation and North-South cooperation, both can be explained by the same theories.

1. Though not a detailed reporting system of South-South cooperation, an appraisal of this growth can be found in the 2008 and 2009 reports on Ibero-American cooperation published by the Ibero-American General Secretariat with information provided by national governments, at <http://www.segib.org>.

Development cooperation has been explained by political realism and critical theories as an instrument of power politics; by institutionalism and rational-choice theories as a mean of achieving national interests; by social constructivists as an expression of value preferences and collective identities; and by critical and post-Marxist theories as an expression of global conflicts between actors promoting neoliberal globalisation and actors struggling for the regulation of transnational capitalism.

All these factors can be found in LAC, particularly in Brazil, Mexico and Venezuela, but also in smaller countries that are active in South-South cooperation, such as Chile, Colombia and Cuba. Economic growth, as well as trade and fiscal surpluses, have also played a role, and it can be argued that competition, imitation or emulation are also causes of the growth of South-South cooperation in emerging and LAC countries.

Unsurprisingly, South-South cooperation is often framed in more assertive foreign policies, whether for power or prestige, ideology or internal legitimacy, to support regional stability or to comply with international commitments—as shown by Argentine and Brazilian support for the civilian components of the UN mission in Haiti.

Finally, South-South cooperation should also be seen as an expression of the growing capacity of middle-income countries to contribute to attainment of the Millennium Development Goals as aid donors, not only as recipients. The above reasons are global in scope, but the growth of South-South cooperation in LAC is related to a distinctively regional feature: the emergence of "post-liberal" regionalism from 2004 onwards, following the crisis of "open-regionalism" integration strategies implemented between 1990 and 2005.

Albeit substantially different, the Bolivarian Alliance for the Americas-People's Trade Treaty (known by its Spanish acronym ALBA-TCP) and the Union of South American Nations (UNASUR) reveal that the region is shifting towards an approach that is more comprehensive than the former regional integration model, which centred on trade liberalisation. Expressions of the competing regional visions and leaderships of Venezuela and Brazil, both regional projects are based on a more "developmental" role for the state, encompassing greater cooperation in the economic and financial realm, security and crisis management, and regional sectoral policies in fields such as energy, transport and communications infrastructure, the environment and social development, including food security, health, poverty reduction and the narrowing of regional asymmetries.

Notwithstanding the endless though helpful controversies about the definition and taxonomies of South-South cooperation, flagship initiatives and policies such as the financing of regional infrastructure by Brazil's National Bank for Economic and Social Development (BNDES), the creation of the "Bank of the South" by the UNASUR countries, and the preferential oil financing of Petrocaribe with the backing of the Venezuelan government can be categorised as South-South cooperation.

They are "common policies" developed in the framework of "post-liberal" regionalist strategies that seek to foster development and build stronger South American or Latin American regional groups in an increasingly multipolar world.

Another feature of South-South cooperation in LAC is its diversity, which is too great to be addressed in this article. It exhibits a broad range of institutional frameworks, modalities and instruments. It is mainly "horizontal", involving only LAC countries, but there is also "triangular" cooperation involving a traditional donor, including the multilaterals. As has been said, there are regional programmes adopted within regional integration groups, and bilateral South-South cooperation that usually reflects more clearly the foreign policy priorities and/or specific capacities of donors.

A major focus for this bilateral cooperation is technical assistance, because of its low cost and immediate effects, and because it provides opportunities to display the donors' strongest capacities. Technical assistance covers various fields, such as agriculture and food security, infrastructure, the environment, public administration, the fight against HIV/AIDS, basic social services, financial assistance and cooperation on energy issues.

The most active donors are upper middle-income countries such as Argentina, Brazil, Chile, Colombia, Cuba, Mexico and Venezuela.

2. See, for instance, Morgenthau (1962) for a classical realist stance; Riddell (1987) for a classical discussion of aid in the fields of international political economy and political philosophy; Lumsdaine (1993) for a social-constructivist approach; and Kaul et al. (1999) for a review of rational choice, institutionalism and the global public goods approach.

Discourses and Identities in South-South Cooperation in Latin America and the Caribbean

A strong discourse of self-legitimisation is being built around South-South cooperation in Latin America as a regional expression of the global debate about the role of such cooperation in the international aid system.

Governments and non-governmental actors across the region frequently argue that the nature, aims and instruments of this cooperation are better than (and can be considered as an alternative to) "traditional" North-South cooperation.

Briefly, South-South cooperation is portrayed as more "developmental"—that is, detached from the selfish political, economic or strategic interests of rich countries; "fair"—rooted in principles such as self-determination and solidarity, focused on social justice and free of hidden governmental agendas; "horizontal"—it takes place between developing countries in a relationship of equals, without the power asymmetries and conditionality usually found in North-South cooperation; and "more effective"—based on more cost-effective instruments and resources, and better adapted to the specific development needs and local contexts of recipient countries.

If these arguments were totally true (and they are not), we would need an entirely new analytical framework to understand international development cooperation, and even the international system. Indeed, despite the obvious differences between South-South cooperation and North-South cooperation, both can be explained by the same theories.

This issue has produced an extensive and far-reaching literature, firmly rooted in wider theoretical debates about the real nature of the international system and the behaviour of states and other international actors.[2] In this context, it is worth remembering that development cooperation has been explained by political realism and critical theories as an instrument of power politics; by institutionalism and rational-choice theories as a mean of achieving national interests, defining common interests and providing regional and global public goods in a more legitimate and cost-effective way; by social constructivists as an expression of value preferences and collective identities, among other factors in the realm of knowledge; and by critical and post-Marxist theories as an expression of global conflicts between actors promoting neoliberal globalisation and social forces struggling for redistribution and the regulation of transnational capitalism.

It can be argued that South-South cooperation, despite its differences from North-South cooperation, can also be explained within these alternative theoretical frameworks of power, interests and ideas. There is certainly ample evidence that South-South cooperation has many advantages over North-South cooperation in matters such ownership, legitimacy and cost-effectiveness. It can be based on a better understanding of development problems in recipient countries, and it can provide ideas and resources better adapted to local contexts.

The developmental impact of some programmes—oil-financing for small economies in the Caribbean, Brazil's support for the fight against HIV/AIDS, among others—is beyond question.

Nonetheless, much of the criticism rightly levelled at North-South cooperation could also be directed at South-South cooperation. It would be cynical or naïve to ignore the argument that South-South cooperation in LAC is also motivated by foreign policy objectives—in the Brazilian case, for instance, it reflects a wider agenda for regional stability, security, trade and investment goals, and is also a means of upholding Brazil's aspirations as a regional leader and global actor.

Venezuelan aid through ALBA or Petrocaribe is attached to geopolitical alignments and highly ideological agendas. And Mexican cooperation with Central America is related to well-known security concerns on its southern border. For countries like Chile, providing South-South cooperation is also a way of putting itself in a different status in the region's development ranking. It is also naïve to ignore the strong asymmetries of power within the region and to consider as "horizontal" or "egalitarian" the relationship between, for instance, Brazil and Bolivia or Haiti, or between Venezuela and the small open economies of the Caribbean, which are highly vulnerable to oil shocks.

Finally, little is known about the real scope and effectiveness of South-South cooperation in LAC. Only a handful of countries provide detailed information about funding and resources.

There is a lack of adequate statistics and common criteria, and some countries seem to prefer to keep the information secret, even from their own citizens. Evaluations are exotic, and the current debates about aid accountability seem to be considered a luxury for the rich.

The region's ambivalence towards international commitments on aid effectiveness (the 2005 Paris Declaration and the 2008 Accra Agenda for Action) seems to be based on a fair reasoning: it is an agenda mainly controlled by OECD countries, but this also means that important issues of coordination, accountability and effectiveness of aid are neglected.

In fact, South-South cooperation must address these issues in order to gain legitimacy in the broader debate about the need to reform the governance of the global aid system, and to rebalance the highly asymmetrical relationship between developing and OECD countries. ■

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South-South Relations:
Sino-African Engagement and Cooperation

China's increasing demand for raw materials to fuel its domestic growth has resulted in agreements on access to and extraction of minerals and oil from resource-rich African countries.

Africa's imports from China have been dominated by goods such as clothing, machinery and textiles, illustrating the market opportunities that Africa provides for Chinese manufactured goods.

However, skills transfer and development in Africa have received further impetus at the 2009 Forum on China-Africa Cooperation (FOCAC) meeting.

This could signal more opportunities for African governments to pursue greater socioeconomic gains beyond the infrastructure development emphasised in the past.

China's engagement with Africa has continued to receive greater worldwide attention in the past several years. The Asian giant's growing activities have spurred questions from policymakers, civil society and the private sector as to what this deepening relationship means for Africa's future development, as well as its links with traditional Western actors.

This engagement has become increasingly structured and has developed through flows of trade, aid and investment that will undoubtedly continue. Nonetheless, as the relationship has continued to strengthen and solidify, future engagement will have to move in new directions in order to foster greater long-term and sustainable benefits for both China and Africa.

China's relationship with Africa has been driven by commercial interests. China has become one of Africa's leading trading partners, with trade totalling US$106.8 billion in 2008, up 45 per cent from the previous year. China had a US$5.16 billion trade deficit with Africa in 2008, although exports from Africa have continued to consist largely of petroleum and minerals (82 per cent).

In contrast, Africa's imports from China have been dominated by goods such as clothing, machinery and textiles, illustrating the market opportunities that Africa provides for Chinese manufactured goods. The diversification of Africa's export profile to China will persist in challenging the trade relationship as raw materials and minerals continue to dominate.

China's increasing demand for raw materials to fuel its domestic growth has resulted in agreements on access to and extraction of minerals and oil from resource-rich African countries. China's domestic development has thus increased demand for Africa's resources. China has also become an emerging player in providing financial assistance for infrastructure development in Africa.

This has helped African countries address their infrastructure needs such as railways, hydropower and roads. The World Bank has estimated that Africa needs US$20 billion in infrastructure investments annually, and has a shortfall of about US$10 billion a year. According to the same World Bank study, China provided financing of about US$1.5 billion in 2004 and 2005, rising to US$7 billion in 2006 and falling to US$4.5 billion in 2007 (Foster et al., 2008). China has sought to provide concessional financing for infrastructure and construction projects through its Export-Import Bank. These infrastructure projects often make use of Chinese companies to carry out the projects.

China's foreign exchange reserves surpassed US$2 trillion in June 2009, according to the Chinese government. This was achieved during a global financial crisis in which aid and project commitments to Africa have declined or been halted as countries of the West have grappled with their economic woes. China's foreign investments have not ceased during this period, and Chinese companies are still encouraged to seek opportunities in the continent.

According to China's Ministry of Commerce, Chinese investment activities were worth US$552 million in the first quarter of 2009, an increase of 81 per cent over the same period of 2008. Given the 30 per cent drop in Sino-African trade in the first half of 2009, China's activities have increased through investment in Africa.

This investment drive has been particularly evident in recent years as a result of China's "go global" policy. Through this strategy, introduced in 2001, the government has encouraged Chinese companies to invest in foreign markets. Over 1,000 Chinese firms have concluded agreements that expand their activities into Africa. South Africa, in particular, has become an important strategic partner for China in its desire to extend its global footprint. Large, multinational South African companies have been wooed not just by Chinese companies but also by Indian firms, seeking access to its established markets and experience in operating in Africa.

China's largest commercial and policy banks, such as the Export-Import Bank, the China Construction Bank and the China-Africa Development Fund, have established offices in South Africa. One of the largest Chinese investments was effected through an agreement between the Industrial and Commercial Bank of China (ICBC) and the South African Standard Bank, Africa's biggest bank. ICBC has a 20 per cent stake in the deal, allowing it access to Standard Bank's activities in more than 17 countries. A substantial increase in financing for African infrastructure projects was expected as a result of this investment. This has become evident as an increasing number of projects between Standard Bank and ICBC are announced, recently including financing of US$825 million for a coal-fired power station in Botswana. This has also provided further opportunities for Chinese companies to establish operations in African countries, in order to implement the agreements signed by the two financial institutions.

In recent years, China's foreign policy in the region has been directed through the Forum on China-Africa Cooperation (FOCAC), which was set up in 2000. FOCAC has become the main vehicle for China's activities in Africa, providing a multilateral platform for dialogue with a view to reaching mutually agreeable goals. Chinese investment in Africa has continued to grow since FOCAC's launch. Since the first ministerial meeting, further summits have taken place in Addis Ababa (2003), which led to the creation of the Addis Ababa Action Plan 2004–2006, and Beijing (2006), at which the Beijing Action Plan 2007–2009 was adopted. The various action plans seek to outline mutual areas of interest for the next three years by identifying targets and establishing commitments. The action plans have provided a structure on which to build in subsequent FOCAC summits. The dialogue has continued with the most recent summit in November 2009 at Sharm El Sheik in Egypt, where the Sharm El Sheik Action Plan 2010–2012 was adopted.

Before the Beijing Summit in 2006, the year often hailed as China's "Year of Africa", the country's Africa policy was further underpinned by a white paper released in January of that year. The paper promotes South-South engagement and outlines China's political, economic and social activities in Africa. The priority areas are addressed through the action plans adopted at the FOCAC summits. These summits have become the main mechanism driving aid, trade and investment flows into Africa. In the 2009 Sharm El Sheikh Action Plan, for example, the Chinese government committed itself over the next three years to:

- send 50 agricultural technology teams to Africa and help train 2,000 African agricultural technicians;
- build and implement 20 agricultural technology demonstration centres in Africa;
- increase the China-Africa Development Fund to US$3 billion in order to expand investment from Chinese businesses in Africa;
- promote a special loan of US$1 billion from Chinese financial institutions to support African small and medium enterprises;
- provide US$10 billion in preferential loans to African countries to support infrastructure and social development projects;
- grant tariff exemptions on 95 per cent of exports from African least developed countries (LDCs) that have diplomatic relations with China;
- cancel the debt of interest-free government loans that matured by the end of 2009 owed by all highly indebted poor countries and LDCs in Africa that have diplomatic relations with China;
- provide US$1.5 million to support the New Partnership for Africa's Development (NEPAD) in training African nurses and maternity assistants;
- provide African countries with 100 small well-digging projects for water supply, as well as clean energy projects;
- provide RMB500 million in medical equipment and anti-malaria materials to 30 hospitals and 30 malaria prevention and treatment centres built by China;
- implement 100 joint research and demonstration projects to aid science and technology transfer;
- build 50 schools and train 1,500 head teachers and other teachers in Africa (Forum on China-Africa Cooperation, 2009).

The commitments for the next three years have kept the focus on infrastructure, construction and aid provision, as in previous FOCAC summits. However, skills transfer and development in Africa received further impetus at the recent meeting. This could signal more opportunities for African governments to pursue greater socioeconomic gains beyond the infrastructure development emphasised in the past. Sino-African relations have continued to be strengthened and deepened over time, but the future of the relationship will lie in creating practices that can support sustainable development. Technology transfer and skills development, such as those mentioned in the Sharm El Sheikh Action Plan, can provide further opportunities to advance this strategic engagement. The long-term relationship between China and Africa will only become "win-win" if both sides truly receive mutual long-term benefits. ■

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South-South Cooperation in Post-Conflict Sierra Leone

It remains to be seen whether bureaucratic delays and other negative factors associated with Northern aid will be less evident in the case of South-South cooperation.

So far Sierra Leone's experience has been mixed.

In recent years developing countries, particularly in Africa, have turned increasingly to the South for development cooperation and for cooperation more broadly. This move is perceived by some as an alternative to traditional North-South cooperation, and by others as merely complementary to official development assistance (ODA).

The debate in development circles is whether South-South cooperation is indeed different from North-South aid, and whether it offers the expected benefits. Understanding South-South cooperation for what it is will help beneficiary countries to secure greater benefits from it than has been the case with traditional aid.

The case under discussion here is that of Sierra Leone, which increasingly seeks to promote South-South cooperation.

In the current aid structure of the Organisation for Economic Cooperation and Development (OECD), there are limitations on the fiscal space allowed to recipient countries. Donors providing budget support generally indicate the areas to which their budgetary contributions should go, by emphasising pro-poor expenditure through the "medium"- term expenditure framework (MTEF) inspired by the Bretton Woods institutions.

That framework defines the orientation and even the limits of the national budget.[1] South-South cooperation, on the other hand, rarely has policy conditionalities, and very few Southern donors engage in macroeconomic or social policy dialogue with recipient governments. All of this makes South-South cooperation more attractive to recipients than ODA.

South-South cooperation is also preferred because of the nature of the engagement. While the experience of its timeliness and predictability is mixed, it is often ad hoc and therefore a useful bonus to the planning effort. In Sierra Leone, for example, the provision of over 30 Cuban doctors to be funded by South Africa is a bonus to the health service.

South-South cooperation in its current form may also be less cumbersome. Procedural and administrative delays are likely to be limited because such cooperation is spurred by private sector interests rather than by development agencies staffed by civil servants, as with traditional ODA.

It remains to be seen whether bureaucratic delays and other negative factors associated with Northern aid will be less evident in the case of South-South cooperation. So far Sierra Leone's experience has been mixed.

Most South-South cooperation in Sierra Leone, especially during the pre-conflict period (1960s–1980s) and the conflict (1990s), took place in the framework of the regional and subregional organisations: the Mano River Union (MRU), the Economic Community of West African States (ECOWAS), the African Union (AU).

The goals of these organisations have been geared mainly to promoting economic integration and trade flows among member countries. In the case of Sierra Leone this type of South-South cooperation cannot be ignored, because the country's size (especially the size of its market) and level of political stability, as well as the potential for reducing transaction costs (free movement of people and goods, harmonisation of tariffs, regulations and procedures), make cooperation with immediate neighbours a logical step forward.

For South-South cooperation in its general form, evidence from the Ministry of Foreign Affairs and International Cooperation—which attempts to coordinate South-South cooperation initiatives in Sierra Leone—confirms that such cooperation is only recently shifting from ad hoc study tours, the training of nationals abroad and isolated bilateral infrastructure loans and grants.

According to the head of the ministry's South-South cooperation unit, cooperation has been uncoordinated, piecemeal and based on joint commissions. It has mostly consisted of grant-based support. Increasingly, many memoranda of understanding that form the basis of South-South cooperation initiatives are linked to large investment projects.

In the 1960s and 1970s, when the conception and practice of South-South cooperation were only nascent, there was a prevalence of study tours, training in the donor country and deployment of specialists.

The main contributions were from China, and it was then that the national stadium and buildings to house ministries were constructed. Other activities were in the form of missions, the building of mosques, deployment of medical personnel, military training, and scholarships from Cuba, Libya, Iran and so forth.

During the years of conflict (1990–2000), South-South cooperation took the form of military aid, mainly from within the subregion.[2] In the period following the end of hostilities there has been increased interest in securing South-South cooperation for development in Sierra Leone.

There are several reasons for the limited degree of such cooperation in the country. First, until December last year Sierra Leone did not have a coherent strategy for dealing with aid flows in general, and made only ad hoc efforts to seek cooperation from non-traditional donors.[3] Second, at the policy level South-South cooperation has not been seen as a realistic alternative to traditional donors, and thus key government officials have focused on the Bretton Woods institutions and the four or five main donors.

The Ministry of Foreign Affairs and International Cooperation recently set up its South-South cooperation unit, which is understaffed and requires capacity support.

Third, the institutional framework for receiving aid is geared towards Western countries. Similarly, on the donor side, there are specific development agencies in donor countries—such as Britain's Department for International Development (DFID), the Canadian International Development Agency (CIDA) and others—that have systems for disbursing money and for monitoring and evaluating projects and programmes. This has not been the case until recently for programmes supported by China, Malaysia, South Africa, Nigeria and Brazil.

Fourth, the newly emerging industrialised countries' efforts are motivated by economic opportunities in more stable countries or countries with potentially huge returns, as in the Democratic Republic of the Congo (DRC).

Finally and most importantly, Sierra Leone was at war for a decade and the focus at that time, when most developing countries where making good use of South-South cooperation, was more humanitarian than developmental.

Nevertheless, the current government has made concerted efforts to seek South-South cooperation. The president has visited China, Brazil, India and the Arab states in an effort to encourage official and direct investment in the country. The foreign minister is equally active in this regard.

But what can be done to ensure optimal gains from South-South cooperation? The recent announcement of the US$1 billion infrastructure-for-natural-resources agreement in the DRC has ignited a local debate about the need for Sierra Leone to adopt something similar.

With the currently low level of financing from traditional donors, combined with foreign firms' limited interest in funding and implementing infrastructure projects, the obvious gains from South-South cooperation to Sierra Leone are in infrastructure development.

1. This usually focuses on governance and the social sector, and pays little attention to the growth sectors. It is spending for short-term poverty relief rather than a more sustainable wealth-creating and long-term poverty-reducing expenditure.

2. The UN peacekeeping force is not considered a form of South-South cooperation.

3. A document outlining an aid policy was tabled and adopted at the last Consultative Group meeting in November 2009.

The phenomenon of state-sponsored investment from the South demonstrates some of the advantages that a project approach has over the budget-support method in foreign aid activities.

With the currently low level of financing from traditional donors, combined with foreign firms' limited interest in funding and implementing infrastructure projects, the obvious gains from South-South cooperation to Sierra Leone are in infrastructure development.

The opportunities in infrastructure encourage foreign direct investment that is supported by the governments of emerging industrialised countries.[4] To some extent the actions of multinationals in the 1970s are being repeated now.

The question, therefore, is whether the host country now has systems to deal with the setbacks experienced then. For a post-conflict country, the answer is clearly no. Two areas of weaknesses have been observed so far.

The first is in negotiations. Sierra Leone has yet to institute a system to ensure that bad memoranda of understanding leading to bad agreements are not negotiated. Recent agreements for the purchase of public assets, the development of housing facilities and energy production illustrate the danger.

The second is the absence of policies to determine what kind of collaboration is sought and how it should be obtained. The current approach is ad hoc, which could divert the country from the specific development goal in the sector involved.

In the Sierra Leone experience, South-South cooperation has now evolved to include foreign direct investment from newly emerging industrialised countries. In exchange, the beneficiary country provides concessions. For Sierra Leone it is a combination of charity or political solidarity and plain business or commercial ventures.

South Africa, for example, is funding doctors from Cuba for a three-year period. This is a case of South-South cooperation in its original form: solidarity and charity. When China offers to refurbish a key hotel, however, this is a business venture and the terms should be negotiated as such. Unfortunately, this has not been the case to date.

The country will always have to negotiate hard to preserve its interests.

The phenomenon of state-sponsored investment from the South demonstrates some of the advantages that a project approach has over the budget-support method in foreign aid activities.

The implementation of an agriculture project is not jeopardised by non-compliance with conditionalities (called benchmarks), as was the case for energy during the previous regime. One disadvantage of this approach is that the aid is tied, the loan being dependent on use of a partner-country firm for project implementation. The central question is whether the country, by failing to undertake due diligence studies, accepts substandard service because the aid is tied, or whether it ensures that international standards are met.

There is also the question of efficiency in production. A post-conflict country lacks the systems to check quality or pricing. Chinese firms' costs are difficult to compare with international prices, and when the host country lacks effective systems of quality control the long-term benefits could be dubious.

Finally, this new form of South-South cooperation is accompanied by unintended gains to the host country. Once the memorandum of understanding is signed, the next step is implementation; there are very few (if any) official delegations to be met, or discussions to be held with them, or reports to be given to them—the hallmarks of traditional donor activities. For a post-conflict country these savings in time and resources should not be underestimated. For a senior official this can amount to several weeks a year.

South-South cooperation is promising, but it should be viewed with care. It has evolved from being technical cooperation and a form of political solidarity among developing countries to a system of support for private or parastatal companies from emerging industrialised countries that are operating in less developed countries.

4. It is difficult to distinguish between foreign direct investment from the South and ODA from the emerging industrial countries. This is because many of these investments are parastatal and because they initially arrive together with a visiting official delegation. In addition, these firms enter through loans and grants tied by the donor country to the latter's domestic suppliers.

It is not yet an alternative to traditional ODA. Both are essential for comprehensive development and sustainable growth.

For Sierra Leone, a post-conflict country, South-South cooperation offers hope that a major contributory factor to the conflict can be addressed: the state's inability to provide public goods and services.

By focusing on energy, agriculture and infrastructure, South-South cooperation enhances the country's framework for private-sector development. This in turn will facilitate the delivery of social services to the people, both directly and indirectly. Such cooperation, however, also requires caution and diligent negotiation on the part of the country's authorities.

Otherwise, the same difficulties experienced with the multinationals of the 1970s, 1980s and 1990s will resurface. ■

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