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South-South Co-operation and Poverty Reduction.

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Thank you very much for inviting me to participate in the conference. Poverty eradication and underdevelopment are the greatest challenges humanity faces and I am confident that this conference will contribute to our understanding of enhancing social protection and poverty eradication.

We begin with a fundamental recognition that as countries of the South we want to contribute to a world where there are predictable international rules, shared and applied by all without discrimination, fear or favour, where the multilateral system of governance remains the only response to all challenges facing humanity - whether in response to the global fight against poverty and underdevelopment, the global commitment to meeting the Millennium Development Goals, terrorism or to weapons of mass destruction, genocide, the Middle East conflict or any other threat to global peace.

Certainly the key challenges facing countries of the South, regardless of their levels of development, include eradicating poverty and unemployment, and growing our respective economies.

South Africa along with other United Nations Member States in the *Millennium Declaration* agreed to “spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty, to which more than a billion of them are currently subjected”. This commitment was then codified into a total of 8 Millennium Development Goals and 18 targets to be reached between 1990 and 2020. The 8 goals include eradicating extreme poverty and hunger. So the fight to eradicate poverty is a global fight despite the reality that the overwhelming majority of the world’s poor live in the South. In this sense we in the South do have a very special and high obligation to develop South-South solutions to the challenges we face in common.

A recent World Bank report noted that poverty is a huge drag on the economy. The report noted that when poverty levels increase by 10 percent, growth decreases by 1 percent and investment is reduced by up to 8 percent of a country's GDP. The report concluded that that private sector growth alone is not a panacea for the poor and that inequality must be targeted directly.

The corollary of this is that in developing countries, there has to be a strong developmental state that is willing to promote equality, equality of opportunity and “pro-poor growth”.

Through the Millennium Declaration and the United Nations Millennium Development Goals (MDGs) the world is addressing the many dimensions of human development, including halving by 2015 the proportion of people living in extreme poverty. Eradicating poverty is a shared objective of the international community. The reduction and eventual eradication of poverty, hunger, and starvation in Africa is one of the main challenges facing African leaders and the international community.

Recent studies by the Economic Commission for Africa show that, if current trends continue, Sub-Saharan Africa is unlikely to meet the target of halving the proportion of people whose income is less than \$1 a day between 1990 and 2015. The 2006 Millennium Development Goals report also arrived at the same conclusion. The data presented in the report shows that between 1990 and 2002 the number of people living in extreme poverty in Sub-Saharan Africa increased by 140 million. The report also shows that Sub-Saharan Africa lags behind in other areas of the MDGs. Given that the target date for meeting the MDGs is 2015 and there are eight years left, there is the need for urgent coordinated actions by African governments, our more prosperous sister countries in the South and the international community to increase the likelihood and prospects for achieving the MDGs in Africa.

In the absence of a political will on the part of the developed countries to implement their commitments to help the South achieve our MDG's, South-South cooperation becomes more important.

The creation of NAM in 1955 and the creation of the Group of 77 (G77) in 1964 were designed to promote economic and technical co-operation among developing countries. The term "South-South co-operation" refers to a broad framework for collaboration among countries in the global South in the political, economic, social, environmental and technical domains. Involving three or more developing countries, South-South co-operation takes place on bilateral, sub-regional, regional and interregional bases. It must be governmental and people-people.

The Non-Aligned Action Programme for Economic Co-operation among Developing Countries (ECDC) in 1972, followed by the adoption in 1978 of the Buenos Aires Plan of Action by the Conference on Technical Co-operation among Developing Countries (TCDC), calling for a New International Economic Order (NIEO).

These agreements were elaborated by the G77 through the adoption of the Caracas Programme of Action in 1981 of concrete measures for promoting economic and technical co-operation among developing countries.

The (first) South Summit, which was held from 10 to 14 April 2000, in Havana, Cuba, adopted the "Havana Programme of Action". The

Second South Summit, held in Doha, Qatar, from 15 to 16 June 2005 adopted the Doha Declaration and the Doha Plan of Action:

- New Asian Africa Strategic Plan;
- TICAD
- China-African Co-operation Forum
- SADC-Mercusor

We must seriously analyse all these initiatives and programmes as actions and critically ask ourselves has South-South cooperation achieved its political ends?

Today, South-South co-operation remains a fundamental component of international co-operation for development, especially in terms of global, regional and country-level efforts to achieve the MDGs. In the 2003 the UNGA formally adopted the term South-South co-operation.

Multilateral organizations such as the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and other institutions of the UN system have helped to articulate the agenda and concerns of the South, in addition to providing opportunities for constructive North-South dialogue.

Further, multilateral institutions like the World Trade Organisation, the International Monetary Fund, the United Nations, imperfect as they may be are still the only legitimate agents for our collective socio-economic and political security. Actions outside the multilateral structure may themselves contribute to instability and evidence is

abundant. It is in the best interests of countries of the South to work to strengthen and transform these multilateral institutions. We need them in order to achieve the broader goal of creating a socially just world:

- which employs multilateral institutions for the promotion of economic and social advancement of all peoples;
- a world under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained;
- a world that respects equal rights for men and women and of nations, large and small;
- a world which does not confer unilateral rights to the rich and powerful nations to rule the world using their technological advancement and their economic and military might.

Chairperson a good example of countries of the South asserting their political and economic will on a global stage is IBSA. Formed in 1993 as a result of a trilateral foreign ministers meeting, India, Brazil and South Africa signed the Brasilia Declaration and formed IBSA. We are of the view that this represents a new and an innovative interstate configuration among developing countries of the South. It is based on shared interest, a commitment to democracy, a proactive approach to dealing constructively with poverty and underdevelopment and a commitment to the restructuring and transformation of multilateral political and financial institutions.

IBSA represents a new model of South-South co-operation. It is about mutual respect and socio-economic reciprocity based on the equality of nation states. It is about dedication to the creation of a new set of global arrangements that simultaneously redress inherited global inequalities and creates a more equitable political and economic terrain for nations of the South. Through its efforts, IBSA could well be in the position to strengthen the capacity of multilateral institutions to promote international and regional peace and security and promote the aims of social justice. It was at the second IBSA meeting in New York where Presidents Mbeki and Lula and Prime Minister Vajpayee underscored the importance of combating poverty and hunger globally and expressed deep concern that the Millennium Development Goals would not be met by 2015.

A number of important factors make us optimistic about the development prospects for nations of the South. First, the *Economist* using figures from the International Monetary Fund's World Economic Outlook database, and using the IMF's method of converting a country's Gross Domestic Product into dollars through purchasing power parities (PPPs) concluded that for 2005, the combined output of emerging or developing economies rose above half the global total. Emerging economies are flexing their muscle. Last year their combined GDP grew in current dollar terms by \$1.6 trillion, more than the \$1.4 trillion increase of developed countries.

Second, India and China accounted for one-fifth of the total increase in emerging economies' GDP last year. This means that developing countries as a whole are prospering and it is not only the two so called developing giants that are growing.

Third, emerging economies are sitting on two-thirds of the world's foreign-exchange reserves, they consume 47% of the world's oil and they account for more than half of the growth in world exports. Trade between the developed and developing world is growing twice as fast as trade between countries of the developed world.

So a new economic order is taking shape, it is one where the developing world is developing rapidly. But it is one where we in the developing world need to continue to assert our common interests.

In March 2005, the 3 Foreign Ministers of India, Brazil and South Africa met in Cape Town at an IBSA Dialogue Forum noted that “the MDGs should not be seen in isolation, as they cut across every aspect of international co-operation. Considerably more international progress was needed, therefore, in areas such as improved market access for developing countries, increased Official Development Assistance (ODA) and more extensive debt relief as well as additional resources and new approaches to development financing”.

The Ministers emphasised that “South-South co-operation was an essential and fundamental component of international co-operation for development, especially in terms of global, regional and country-

level efforts to achieve the MDGs and reaffirmed cooperation under IBSA to promote these objectives”.

Strengthening South-South co-operation is absolutely essential if developing nations are to continue to realise their full socio-economic development and if they are to take their rightful place in multilateral financial and political institutions on an equal footing with developed nations. South-South cooperation is also essential because we live in a world where 60% of the world’s trade occurs within regional trading blocs and where services are increasingly important in global economic growth.

South-South co-operation is necessary as countries like ours begin to assert our right to determine our own growth trajectories and growth strategies. Such co-operation will enable us to break the global unequal trading patterns and will allow us to forge new political and economic arrangements based on principles of reciprocity and equality. But we live in an interdependent world where developing countries of the South need to begin to take greater responsibility for acting together in solidarity to deal comprehensively with the challenges they face.

We must be fully cognizant of the urgent need to grow our economies, grow our middle classes and reduce the size of our impoverished classes. These competing needs are not contradictory. Growing our economies will be immensely beneficial to the private sector. Growing the middle class, with its propensity to increase

levels of consumption of both durable as well as perishable goods can only benefit the private sector. And ensuring that the poor can live in dignity and can have even a modicum of disposable income will have a beneficial impact on small, medium and micro enterprises. In this sense we argue that fighting poverty and unemployment is good for business. To achieve these ends we must forge meaningful public-private partnerships within countries and within the South.

The kind of growth that countries of the South need is employment generating poverty eradicating growth. Growth that begins to narrow the wealth and income gaps between the poor and the rich and growth that starts to redistribute wealth on global, regional, national and local levels. And as for the question of what kind of development we ought to nurture, I am firmly of the view that it must be people centred, ecologically sensitive and socially responsible.

We are not in favour of the current status quo that benefits wealthy nations, that perpetuates and continually reproduces global imbalances and inequalities and that continually disadvantages developing nations. Nor are we in favour of the current global trade arrangements that largely favour the developed countries of the North while they continue to disadvantage developing countries of the South. We need to change these world trade arrangements which ensure that the rich nations get richer while poor nations get poorer. Changing these arrangements, making them more equitable must and will benefit all nations, rich and poor alike. And to do this South-South co-operation is essential.

The WTO negotiations in Hong Kong demonstrated the need for greater South-South co-operation in achieving a more equitable trade arrangement for developing nations. The majority of WTO members are developing nations. While incremental changes that would have some beneficial impacts on less developed countries were made, it is unfortunate that the so called “Development Package” did not materialize.

The need for a “Development Package” remains in order to create a more equitable global economic dispensation that would benefit developing nations. Such a dispensation must occur in the context of enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes. To achieve this we need to continue to make a contribution to consolidating and strengthening the G20 – the most effective developing country coalition in the WTO; we need to strengthen the ties that bind our two continents.

The key to sustained global growth and poverty eradication lies in unlocking the growth potential of developing countries. Paragraph two of the Doha Declaration notes that:

“International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the

multilateral trading system generates ... we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development”.

The South needs to be wary of attempts to split the G 20. We need to work assiduously to bring all developing nations along. We must strengthen the informal Non-Agricultural Market Access (NAMA) 11 that emerged in Geneva.

We want developing countries to grow, as growth is mutually beneficial – it is beneficial for the developing world, it is beneficial for the private sector, it can impact in very positive ways on the quality of life for the majority of people in our respective countries, and it will allow us to determine our own socio-economic futures. But growth alone is not sufficient to eradicate poverty. It has to be employment creating pro-poor growth coupled with strong policy creatively implemented in times of prosperity and more so in lean economic times.

The strengthening of IBSA, the strengthening of the G20, is perfectly consistent with our Government’s position that multilateral governance represents the most appropriate institutional policy response to global poverty eradication, globalisation and

interdependence – all key features of the current global environment. In making this argument, our Government has outlined an understanding that development and industrialisation in developing countries is a prerequisite for future global prosperity and stability of the world economy.

But, we recognise that we live in an interdependent world, a world characterised by the forces of globalisation which to date has not had a net beneficial impact on the developing world.

In 2000 the historic Millennium Summit Declaration noted that the benefits of globalisation have not been shared equally and evenly distributed, and its costs are disproportionately borne by countries of the South. The Summit proclaimed that “we believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the world’s people [and be] made fully inclusive and equitable.”

This sentiment was echoed by the Commission on Africa which last year noted that “Growth and globalisation have brought higher standards to billions of men and women. Yet it is not a wealth, which everyone enjoys. In Africa millions of people live each day in abject poverty and squalor ... In years to come future generations will look back, and wonder how could our world have known and failed to act?”

As our Minister of Finance recently said, “We should confirm that 2005 failed to live up to our expectation of it ... [we need a] reinvigoration of the global conscience – which means asking whether we really do share common objectives” In the South we need to be clear that despite our differences, we do share common objectives and that is why South-South co-operation is essential.

Kermal Dervis in his book *A Better Globalisation*, suggests that there is nothing automatic about the inclusion into the world economy of “countries that have been marginalised by history, geography, civil war, governance failures and/or foreign power struggles on their soil. Globalisation does not work for these countries.”

So as even as some of us, considered among the more advanced developing nations forge closer ties, let us remain ever mindful of those countries less fortunate than ours. Let us act in concert to deal with poverty not just in our respective countries and continents but around the world.

In South Africa we subscribe to a very important value - **Ubuntu** "humanity towards others." Ubuntu also means "I am what I am because of who we all are". Ubuntu is the belief in a universal bond of sharing that connects all humanity. Through “Ubuntu” we realize that if one in our community or our world or our society is poor we are all poor. If one is in need we are all in need. So let us in the true spirit of Ubuntu dedicate South-South co-operation to the eradication of poverty.

Thank you.

