



G-77/IFCC-XI/10

**ELEVENTH MEETING OF THE INTERGOVERNMENTAL FOLLOW-UP
AND COORDINATION COMMITTEE ON ECONOMIC COOPERATION
AMONG DEVELOPING COUNTRIES (IFCC-XI)
Havana, Cuba, 21-23 March 2005**

CURRENT AND EMERGING TRENDS IN SOUTH-SOUTH COOPERATION

(Document prepared by the Special Unit for South-South Cooperation, UNDP)

**OFFICE OF THE CHAIRMAN OF THE GROUP OF 77
NEW YORK**

Summary:

During the past four years, south-south cooperation maintained its momentum thanks to integration movements in regional and sub-regional economic communities. Exchanges within and across regions have been reinforced while intra-south foreign direct investment is picking up due to major contributions from developing countries. At the same time intergovernmental bodies providing the framework for better interregional exchanges are being created. Meanwhile, new trends in South-South Cooperation have emerged, including better organization of major developing countries in the delivery of development assistance, a more systemic approach to south-south cooperation, improved integration of aid and trade in south-south cooperation and the beginning of coordination for WTO negotiations within and across regions. Concurrently new fields have been tested, such as disaster management, collaboration in security and terrorism matters, and more integrated policies to fight HIV-AIDS. While these trends are encouraging, they also underscore the need to overcome hurdles and obstacles observed within regions during the reporting period.

Abbreviations

ANCOM	Andean Common Market
ASEAN	Association of Southeast Asian Nations
CACM	Central American Common Market
CARICOM	Caribbean Community
CEMAC	Economic and Monetary Community of Central African States
CEPGL	Economic Community of the Great Lakes Countries
COMESA	Common Market for Eastern and Southern Africa
ECCAS	Economic Community of Central African States
ECO	Environment Congress for Asia and the Pacific
ECOWAS	Economic Community of West African States
GCC	Gulf Cooperation Council
IMF	International Monetary Fund
LAIA	Latin American Integration Association
MERCOSUR	Southern Cone Common Market
MSG	Melanesian Spearhead Group
MRU	Mano River Union
OECS	Organization of Eastern Caribbean States
SADC	Southern African Development Community
SAARC	South Asian Association for Regional Cooperation
UEMOA	West African Economic and Monetary Union
UMA	Arab Maghreb Union
UNCTAD	United Nations Conference on Trade and Development

I. Introduction

1. South-South Cooperation has been more visible in the last four years thanks to the intensification of technical, cultural, economic and political exchanges between southern countries. This trend has been reinforced by profound expressions of solidarity from individuals and governments during the numerous natural disasters that occurred in various southern regions.

2. South-South Cooperation has been the focus of a number of high-level international conferences in recent years. Four important conferences for south-south cooperation were held after the Teheran High Level Conference in 2001, which established a standard for Southern achievements. Each South-South forum reviewed the current situation and pointed the way forward. The Fourth World Trade Organization Ministerial Conference, held in Doha in November 2001, launched a work programme that places the needs of developing countries at the heart of the multilateral trade negotiations. The outcome of these negotiations could affect the flexibility of developing countries engaging in South-South and North-South trade agreements.

3. The International Conference on Financing for Development, held in Monterrey, Mexico in March 2002, specifically encouraged South-South cooperation, including triangular cooperation, to facilitate the exchange of views on successful development strategies, practices and experiences. Further, it urged the strengthening of south-south cooperation in the delivery of assistance.¹ The World Summit on Sustainable Development, held in Johannesburg, South Africa, in August 2002, adopted a Declaration and an Implementation Plan that specifically endorsed south-south cooperation and strong regional and sub regional action.² Finally, the High Level Conference on south-south cooperation held in Marrakech in 2003 was another benchmark for the South. It stressed the need to implement the programmes and plans of action for south-south cooperation previously adopted at international south-south conferences and the South Summit in 2000.

II. State of South-South cooperation

A. Global, regional and sub-regional arrangements

4. Major international negotiations have made great strides in promoting South-South Cooperation in recent years. The Group of 77 and China and the Non-Aligned Movement (NAM) continued to serve as the broadest mechanisms for consultation and policy coordination among developing countries. As noted at the South Summit, held in Havana in 2000, the positions adopted over the years by the Group of 77 and the Non-Aligned Movement constitute a comprehensive philosophy and framework for action among developing countries. United Nations conferences, particularly the Millennium Summit of 2000, have guided recent North-South and South-South initiatives at the global and regional levels.

5. In October 2002, the Group of 77 convened its first high-level conference on South-South cooperation in science and technology in Dubai with the participation of the Member States and more than 150 scientists from developing countries discussed how to intensify cooperation. The meeting adopted the Declaration on the Promotion of Science and Technology in the South, while a Declaration on Science and Technology for Peace and Development emerged from the

concurrent meeting of the scientists. The declaration adopted by the scientists urged an increase in funding for education, science and technology to at least 2.5 per cent of the gross national product of developing countries by the year 2010.

6. Most South-South and North-South activities occurred within the framework of regional and sub-regional arrangements. Regional groups were oriented predominantly towards the promotion of South-South flows of trade among developing countries. By the end of 2002, the World Trade Organization had recognized nearly 250 regional and sub-regional free-trade arrangements intended to promote economic and social development.

7. Many of these arrangements originate in Africa, which has been a staging ground for some of the most significant progress towards regional integration and partnership for development. The largest integration effort is the 53-member African Union. Since January 2005, this body has focused its energy on a significant effort towards economic and political integration throughout the continent. During the last AU Heads of State meeting, held in 2005 in Abuja, a major topic of discussion was operationalizing a number of common institutions. Among the issues raised was the location of the AU Central Bank and the AU Monetary Fund, key institutions meant to facilitate the economic and financial integration of the continent. The African Union has also established common governmental bodies such as the Parliament, the Court of Justice, Human Rights Commission, and the Peace and Security Council.

8. The New Partnership for African Development, (NEPAD), has continued to grow during this period. It has gradually become a coordination mechanism for development efforts of the continent in dealings with external partners. NEPAD introduces a new approach to African development by linking poverty eradication to governance issues such as democracy, human rights and corruption. In 2004, calls for the harmonization of the Agenda of the African Union and NEPAD have been made by a number of African leaders.

9. Regional and sub-regional economic communities continue to be the driving force of South-South Cooperation in Africa. The Southern African Development Community (SADC) has been among the most dynamic sub-regional groupings in the past four years. South Africa has been the engine of this progress. Its economy has dominated the whole region and provided the main source of FDI flow in that sub-region. The Economic Community of West African States (ECOWAS) is experiencing challenging times. The conflict in Cote d'Ivoire and the 2005 political crisis in Togo, where the former president's son took power through a military coup, have shaken some of the internal mechanisms of ECOWAS. As leaders of ECOWAS member states try to find a peaceful solution to these conflicts, economic growth in the region has suffered.

10. Paradoxically, the deterioration of the political situation in some countries has given ECOWAS an opportunity to strengthen its role in peace building and mediation in the sub-region. One area of relative success has been the return to democratic process in Liberia after years of civil wars and political instability. Since February 2005 ECOWAS is showing an unusual cohesion on the Togo political upheaval. In Central Africa, the Economic Community for Central African States (ECCAS) is gradually recovering from a long period of low-level activities. Since 2004, integration efforts have been reinforced with the issuance of first samples of community passports in 6 countries of ECCAS regrouped in the Economic and Monetary Community of Central Africa (EMCCAF) known as CEMAC. The business community will be the first to receive these passports in order to allow them free movement for business purposes.

11. The community of the Sahel Saharan States (CEN-SAD), created in 1991 by an initial group of 8 countries, has seen a steady increase of membership to 18 in 2004. This gives the Sahelian countries a more established framework for economic and social integration. One of the instruments for this integration has been the establishment of the African Bank for Development and Trade. Its objective was to exercise all banking, financial and commercial activities; however, the bank is not yet operational.

12. Another dynamic regional economic community in Africa is COMESA. In terms of pure integration, COMESA has presented a plan to carry out a major intra-regional cooperation initiative that will involve other regional and sub-regional economic communities. COMESA has a good working relationship with the East African Community (EAC), the Intergovernmental Authority on Development (IGAD) and the Indian Ocean Commission (IOC), all of which will help in this endeavor. COMESA has also signed cooperation agreements with ECOWAS. Finally, in 2003 COMESA and SADC were working on a framework to capitalize on common areas of influence and the enhancement of their cooperation.

13. The Inter-governmental Authority on Development (IGAD), which comprises 7 member states located in East Africa, has recently become more involved in conflict management and peace building in that sub-region. During the past three years, cooperation among these countries has been primarily political, achieving results including the boosting of the conflict prevention and mediation capacities and the convening of a Somalia National Reconciliation Conference that led to the process under way to form a new government in Somalia. In North Africa, the Arab Maghreb Union (AMU) has provided the member states with a framework for discussion on a number of issues of common interest, ranging from desertification to a common fiscal tariff.

14. In addition to the progress demonstrated across Africa, Asia too has taken a lead role in promoting South-South Cooperation through regional and sub-regional integration. The 10-member Association of Southeast Asian Nations (ASEAN) continues to be a leader in this area. Under a framework agreement signed in 2000, ASEAN members pursued increased digital readiness in the region. The pilot phase of an agriculture Internet hub was launched in February 2002 in Indonesia that will eventually provide all critical trade services in agribusiness to over 200 million farmers and their dependants in the region. The new e-hub has the support of both the private and public sectors within and outside the region. Private sector participants include US-based Accenture and Microsoft, which is providing the software infrastructure for the project. In April 2002, ASEAN members signed a mutual recognition agreement setting common technical and product safety standards for electronic and electrical equipment, a sector that accounts for almost 40 per cent of intra-ASEAN trade.

15. ASEAN also continued to strengthen cooperation with other advanced economies in the region; India became a summit-level dialogue partner in 2001. Regular economic reviews and enhanced policy dialogues continued with China, Japan and the Republic of Korea.³

16. Another sub-regional group in Asia with significant achievements in the period under review is the seven-nation South Asian Association for Regional Cooperation (SAARC). While the advance of SAARC has been mired by political problems, work has gone ahead through apex bodies for chambers of commerce and industry and law and, since 2001, for accountancy. The SAARC Committee on Economic Cooperation has assumed a central position in the cooperative process and has supported the creation of a number of sub-regional networks, including one for economic research. In 2002, the eleventh SAARC summit convened in Nepal, at which two sub-regional conventions were signed, namely, the SAARC Convention on Preventing and Combating Trafficking in Women and Children for Prostitution and the SAARC Convention on

Regional Arrangements for the Promotion of Child Welfare in South Asia. Although trade liberalization has been slow to get off the ground, it is making steady progress, and SAARC plans call for the creation of a South Asian Free Trade Area by 2010.

17. Three members of SAARC also belong to the six-member Bangkok Agreement for a preferential trading area. The Bangkok Agreement became the most populous of the world's South-South arrangements when China joined it in 2001.

18. An interesting variant of sub-regional integration in Asia is micro-regional cooperation to develop contiguous territories of two or more developing countries. This allows participating countries to reap the economic benefits of cooperation while sidestepping political issues that might obstruct efforts of broader scope. An example is the Tumen River Area Development Programme, which covers an economically depressed area along the borders of China, the Democratic People's Republic of Korea and the Russian Federation.

19. The Latin America and Caribbean region is host to some of the most advanced of all South-South Cooperation efforts at sub-regional integration among developing countries. Chief among these is the five-member Andean Community, with its joint parliament, common foreign policy, Council of Ministers and Court of Justice. In 2001, the new Common System on Intellectual Property Rights agreed to by the Commission of the Andean Community came into effect. Community Foreign and Defense Ministers have approved the Andean Charter for Peace and Security, which lays down the principles and commitments for the formulation of a Community policy on security in the sub-region. This includes the establishment of a peace zone, regional efforts in the war against terrorism, the limitation of foreign defence spending, control of conventional weapons and transparency. In July 2002, at the second meeting of South American Heads of State, the Presidents of the Andean Community adopted the Andean Charter for the Promotion and Protection of Human Rights.⁴ All of these activities are indicative of a region that is dedicated to advancing the cause of South-South Cooperation.

20. Since 2000, the Andean Community and the Southern Cone Common Market (MERCOSUR), which already has a common external tariff, have been engaged in negotiations to establish a free trade area. In July 2001, they established a Mechanism for Political Dialogue and Coordination. In April 2002, the Ministers for Foreign Affairs of the Andean Community and MERCOSUR countries issued a joint communiqué on the economic, social and political priority that their governments attribute to harmonizing within South America the integration processes of the Andean Community, the MERCOSUR and Chile.⁵

21. A larger and older integration effort is the 12-member Latin American Integration Association (LAIA), (the successor in 1980 to the Latin American Free Trade Association), which dated back to 1960. The aim of LAIA (ALIDA in Spanish) is the creation of a Latin American common market. Meanwhile, the push to create the much larger Free Trade Area of the Americas — that would include every country in the hemisphere, (except Cuba) — is continuing, with a target date of 2005 for finalization.

22. The 14-member Caribbean Community (CARICOM), the world's largest grouping of Small Island Developing States (SIDS), continues to seek the establishment of a common external tariff and common protective policy, harmonization of fiscal and taxation arrangements and coordination of economic policies and development planning. The 1973 Treaty of Chaguaramas was revised to integrate nine Protocols on partnership and cooperation in 2001, and technical work has begun to include additional items on e-commerce, government procurement, trade in

goods from free zones, free circulation of goods and rights contingent on the free movement of persons.

B. South-South monetary and financial cooperation

23. At the global level, the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (Group of 24) continued its work to strengthen cooperation among its member countries for negotiations on monetary and financial issues within the framework of the International Monetary Fund (IMF), the World Bank and other bodies. Its meetings are open to all developing countries, and several non-members participate regularly. Its activities and communiqués are part of the normal activities at all meetings of the international financial institutions, particularly the IMF International Monetary and Financial Committee and the Joint IMF/International Bank for Reconstruction and Development Committee.⁶

24. An important new element in South-South monetary and financial cooperation is the Heavily Indebted Poor Countries Ministerial Network, set up in 1999 by the countries eligible for debt relief under the Heavily Indebted Poor Countries Initiative. The Network has ensured cooperation and exchange of experiences among heavily indebted poor countries in connection with the Initiative's process of obtaining debt relief, and efforts to attain the Millennium Development Goals. There has been a regular exchange of information among senior Network officials about macroeconomic policy and poverty, as well as on the prospects for debt relief and long-term debt sustainability. In addition, the Network has undertaken a comprehensive review of the poverty reduction strategy papers to be prepared as a condition for debt relief and has made proposals on the streamlining of IMF and World Bank conditionalities. Efforts are under way to further increase the effectiveness of cooperation among the members of the Network, which has gained international recognition and praise for its efforts to promote South-South Cooperation.⁷

25. In addition to progress on the international level, all areas of the developing world have witnessed increased regional efforts towards monetary and financial cooperation. Examples of trends in regional South-South monetary cooperation include: (a) ECOWAS; (b) the 22-member Arab Monetary Fund; (c) the 5-member Latin American Reserve Fund; (d) the 7-member Asian Clearing Union (ACU); and ASEAN.

26. In West Africa, the five English-speaking countries of ECOWAS failed to establish a common currency in 2003. Nonetheless, their determination to reduce central bank deficit continued. Meanwhile, the other members of ECOWAS have enhanced their monetary cooperation around their common currency and the sub-regional central bank, the Central Bank of the West African States (CBWAS). In Central Africa, six members of the Economic Community of Central African States (ECCAS) have also strengthened their monetary cooperation, using common currency and channeling their monetary transactions through the same sub-regional central bank.

27. Meanwhile, the Arab Monetary Fund (AMF) has been very active over the past four years, signing memoranda of understanding with the World Trade Organisation (WTO). These deal primarily with capacity development of Arab countries nationals to participate in multilateral trading system and trade negotiations. AMF has taken cooperation a little further by putting in place mechanisms for payments and settlement in 2005. This regional financial institution has been the scene of considerable activity focusing on the overarching goal of integrating financial transactions related to development projects in the region. In pursuit of this goal it extended a

structural adjustment loan to some countries in 2004 while examining the support that it could provide to the reconstruction of Iraq.

28. The Latin American Reserve Fund, created in 1991 to replace the Andean Reserve Fund, has continued to help correct payment imbalances with loans and loan guarantees; coordinate monetary, exchange, and financial policies of members; and promote trade liberalization and payments. The six members of the Latin American Reserve Fund are: Bolivia, Colombia, Costa Rica, Ecuador, Peru and Venezuela. According to the Andean Community web site, the total of \$5.6 billion in intra-subregional exports in 2001 was 51 times greater than the total in 1970.

29. The Asian Clearing Union began operations in 1975 during a period of acute foreign exchange shortages for most of its member States (Bangladesh, India, the Islamic Republic of Iran, Myanmar, Nepal, Pakistan and Sri Lanka). Its arrangements have allowed governments to side step the need for hard currency in clearing payments for regional trades. Initially, the Union had its own Asian Monetary Unit. When this proved cumbersome, it was replaced with the ACU dollar. Under this arrangement, the Union now clears some \$7 billion in regional trades per year. At its most recent meeting (June 2003), Thailand was present as an observer, and there was discussion of inviting several other Asian countries to participate.

30. A meeting of ASEAN Finance Ministers, held in Yangon in April 2002, reviewed progress on the Chiang Mai Initiative on regional monetary cooperation, liberalization of the financial services sector and development of the capital market. The ministers agreed on a number of initiatives for 2002, including the launch of the third round of negotiations on liberalization of financial services.⁸

31. Since the attacks on the United States in September 2001, the long-standing international effort against money laundering has assumed an important role in combating the financing of terrorism. The Security Council has mandated much stronger requirements for the monitoring of banking activity and surveillance of traditional money transfer mechanisms. This may necessitate the creation of a new area for South-South cooperation to counter those who engage in money laundering, as these criminals often seek out economies without comprehensive regulatory mechanisms in place and try to exploit differences among national anti-money-laundering systems.

C. Investment and capital flows

32. Intra-south investment has varied by region. Foreign Direct Investment from the South has remained complementary to North-South inflow of investment. The main feature during the past several years has been large developing countries investing in smaller developing countries, especially in sectors with potentially high returns, or of strategic importance, (such as oil exploration and production).

33. During the past four years, foreign direct investment to Africa from other developing countries became more visible. According to UNCTAD, foreign direct investment flows to Africa rose from \$8 billion in 2000 to more than \$19 billion in 2001, although about 80 per cent of the increase was accounted for by a deal in which London-listed Anglo-American PLC bought stock in South Africa-based De Beers. Intra-African FDI flow from mainly came from South Africa. In addition to its investment in SADC area, South Africa invested in West and Central Africa mostly in three sectors- air transport, telecommunication and Banking. Beneficiaries of FDI flow include Cameroon, Cote d'Ivoire and Senegal. Morocco has also emerged during this period as a possible investor in other African countries; so far it has invested in air transportation in Senegal.

34. Foreign direct investment flows from non-African countries came mostly from Asia. China is leading major developing countries in this respect. Its investments are multi-sectored and span across the continent. In Central Africa, the sub-region most endowed with natural resources, China has invested in minerals, oil and timber. Countries like Cameroon, Gabon, The Democratic Republic of Congo, and Sudan are the main recipients of this FDI. Malaysia has also been investing in Africa, focusing mainly on oil and telecommunications. India investment has been more focused on East Africa - especially in Kenya, although there is a recent move to invest in West Africa and Southern Africa.

35. Asian developing countries registered a decrease in FDI from \$142 billion in 2000 to \$107 billion in 2001, reflecting a 62-per-cent decline in flows to Hong Kong SAR. South Asia and Central Asia had increased foreign direct investment flows in 2001, while South-east and North-east Asian flows stagnated. Mainland China regained its position from Hong Kong SAR, as the top magnet of foreign direct investment flows in the region and the world. India, Kazakhstan, Singapore and Turkey were top foreign direct investment recipients in their respective sub-regions.

36. In Asia, Singapore led the field of investors in other developing countries with a single \$6-billion acquisition of a Hong Kong bank. The Republic of Korea continues to be a major investor in other developing countries; over two thirds of its foreign direct investment stock abroad is in other Asian countries. China is also expanding its investment abroad, and not only in Asia. The top 12 Chinese (mostly State-owned) firms control over \$30 billion in foreign assets and employ over 20,000 foreign nationals. The value of cross-border acquisitions by Indian firms doubled to over \$2 billion in 2001. About two fifths of foreign direct investment in Asia is intraregional.

37. In Latin America there has been significant intraregional foreign direct investment in MERCOSUR. In 2001, Mexico almost doubled its foreign direct investment inflow to \$25 billion, overtaking Brazil to become the largest recipient of foreign direct investment for the first time since 1995. The increase reflected the acquisition of a Mexican bank, Banamex, by Citigroup for \$12.5 billion. Brazil received \$22 billion in foreign direct investment in 2001, down from \$33 billion the year before. Meanwhile, amid a continuing recession, Argentina suffered a 70-per-cent decline in foreign direct investment inflows. In June 2002, it was forced to devalue the peso against the United States dollar to less than one quarter of the value it had had barely six months earlier. The line-up of the top 10 magnets for foreign direct investment in Latin America and the Caribbean in 2001 is interesting in its inclusion of both very large and very small countries. In order of magnitude, they were: Mexico, Brazil, Bermuda, Chile, Venezuela, Argentina, Colombia, Cayman Islands, Ecuador and Peru.

D. South-South trade

38. Trade patterns varied widely throughout the South in the past 4 years. Asian developing countries in 2001 accounted for 23.7 per cent of the world's exports, while developing countries in the Americas accounted for 5.5 per cent and African countries for just 1.9 per cent. The least developed countries accounted for 0.6 per cent of world exports in 2001. The aggregates are thus heavily weighted towards Asian performance.

39. Within Asia too there were wide disparities. A number of developing countries in the region successfully integrated themselves into the global marketplace and were themselves integrated into regional value chains of transnational corporations, with spectacular effect. For example,

China (which replaced the United Kingdom of Great Britain and Northern Ireland as the world's fifth largest trading country in 2002) sent 41 per cent of its exports to other developing countries in 2001 and obtained from them 53 per cent of its imports. By 2000, Chinese exports (\$249 billion) were 88 per cent manufactured goods. Meanwhile, West Asia, which accounted for 3.98 per cent of world exports in 2001, and Central Asia, which accounted for 0.31 per cent, remained mainly exporters of commodities. In terms of value of exports, the members of the Bangkok Agreement (\$470 billion) topped all other sub-regional Asian groups in 2001; ASEAN was second (\$386 billion), followed by the Gulf Cooperation Council countries (\$159 billion) (see below for composition of regional and sub-regional groups).

40. Africa presented a marked contrast to Asia in the period under review. Nigeria, the continent's most populous country, sent 72.2 per cent of its exports to developed countries in 2001 (down from 92 per cent in 1980), almost all of it a single commodity, oil. South Africa, the continent's largest and most diversified economy, sent 65 per cent of its exports to developed countries in 2000, with manufactured goods accounting for nearly 54 per cent of the total. Africa as a whole was closer to Nigeria, sending some 71 per cent of its exports to developed countries in 2001, with fuels accounting for over 65 per cent of the total. Overall, sub-Saharan countries imported only 12 per cent of their total exports, which continued to be predominantly agricultural and mineral commodities. In 2001, the African sub-regional grouping with the most exports was SADC (\$47.3 billion), closely followed by the Arab Maghreb Union (\$46.1 billion), and then by ECOWAS (\$30.4 billion).

41. Developing America (classifications from UNCTAD Handbook of Statistics, 2002) sent 74.6 per cent of its exports to developed countries in 2000, with manufactured goods accounting for 61.4 per cent. Intraregional trade in some countries in developing America was quite volatile. For example, after growing at an average of 16 per cent for a decade, intra-MERCOSUR trade fell dramatically in 2002. According to the Inter-American Development Bank, intra-MERCOSUR trade decreased from slightly over 20 per cent of its total trade in 2000 to 11 per cent in 2002. Within the Andean Community, trade fell by 7 per cent in 2002. In the Central American Common Market, intra-group trade remained constant. The Latin American Integration Association, the largest Latin American sub-regional grouping, had exports totalling \$317 billion in 2001.

42. In spite of lack of latest data in various sub-regions of Africa, empirical evidence indicates that south-south trade grew during this period. Exchanges within sub-regions have been more important in SADC and ECCAS sub-regions. In the case of SADC, manufactured goods and agricultural products from South Africa were more visible in supermarkets of many African countries than years ago. In the ECCAS sub-region, the transformation of two poor countries into oil rich producing countries has led to an overall increase in the consumption in those countries, especially Equatorial Guinea. Cameroon exports of agricultural products to that country consequently increased. In the ECOWAS sub-region, a reverse trend was observed due mainly to the high number of conflicts that has slowed down economic activities and circulation of goods.

43. Trade between Africa and Asia seems to have also increased. One indication has been the number of manufactured goods made in China or India found in African supermarkets and local markets. Data available confirm this empirical evidence; It was reported in 2004 that trade between China and Africa grew by 50%, which in financial terms it represented over US\$ 13 billions. While Asian countries exported manufactured goods to Africa, they imported essentially raw materials such as timber, bauxite ore and oil. Exports from Africa to Asia have mostly kept the characteristics of the traditional South-North exchanges. The volume of exchanges between Latin America and Africa remains very low.

III. Emerging trends and issues in South-South Cooperation

44. One important lesson from observing the evolution of South-South Cooperation is the broad spectrum of fields and issues that it currently encompasses. Today more than ever before, disaster prevention, management, and recovery have become major areas of cooperation between developing countries. Many countries of the South have been devastated by hurricanes; floods, earthquakes and tsunamis, leading to the realisation that only a common response would help prevent or reduce the impact of those natural disasters. Groups of countries including Small Island Developing States have engaged in serious negotiations to put in place early warning mechanisms adapted to their specific needs. At the same time, developing countries have shown a great sense of solidarity towards countries and individuals affected by these natural disasters as evidenced by the level of pledges and contributions to various funds established in response to the Indian Ocean Tsunami.

45. Another trend has been the development of decentralized South-South Cooperation. This form of cooperation usually takes place outside the government purview and involves local government or elected bodies. There is also a new trend towards sub-regional communities establishing relations, as is the case with the African-Asian Sub-Regional Organization Conference AASROC (meeting in April 2005). Major developing countries from different regions such as India, Brazil and South Africa (IBSA) are beginning to team up to address common problems or coordinate their response for common challenges. Finally large individual Southern countries are putting in place frameworks of cooperation that would allow them to formulate collaborative arrangements with multiple developing countries across regions. For example, under the auspices of the Smart Partnership Initiatives, Malaysia is partnering with a number of African countries.

46. Other issues have gained visibility and drawn more attention of developing countries including the fight against terrorism and control of criminal activities. The South has adapted rapidly on these fronts, either by creating appropriate bodies such as the Centre for information exchange on Terrorism in Africa (under the auspices of the African Union); or by putting in place frameworks or arrangements, such as Asian money-laundering preventative operations. Equally, the Andean Presidents approved the Andean Cooperation Plan for the Control of Illegal Drugs and Related Offences in 2001

47. One silent revolution in the South in the area of human solidarity has been the transformation of some developing countries into emerging resettlement countries. In 2002, Brazil, Chile, Benin Burkina-Faso became the first countries in the South to provide durable solutions to refugees from other developing countries by giving them the opportunity to resettle in their countries. Judging by the number of south-south initiatives and sectors involved and the variety of possible combinations, it is legitimate to conclude that South-South cooperation has touched upon new grounds.

A. Greater Rationalisation of Actions

48. Recent actions and interventions of developing countries had appeared more organized and systematic over the period in consideration. Developing countries that are net providers of technical assistance have designed framework for the delivery of this assistance. China set up a cooperation framework with African countries known as China-Africa Cooperation Forum. In

2004, Brazil designed a policy framework to deal with Africa and meet some of the Africa's needs. Thailand and Mexico are currently working on their own framework for cooperation with Africa. The development and design of policy framework have gone in parallel with major initiatives. Brazil, Mexico, Thailand, India are all preparing major initiatives to materialize the new era of cooperation with Africa. In some cases the implementation has already started; that is the case of Brazil programme to help African countries affected by AIDS pandemic. Another good example of the attempt to better organize the delivery of South-South Cooperation is the indication of Cuba of its desire to propose UNDP SU/SSC the design of a proper framework for South-South cooperation in the area of disaster management for the Caribbean region.

49. The flow of foreign direct investment has equally been well targeted. Some major developing countries, while spending substantial amount of resources on aid, also developed trade links with some of the beneficiaries. China exemplifies this trend; after years of China's assistance to many countries in Africa, culminating with the signing of an MOU with the African Union for the training of 10.000 Africans over a period of five years, in 2003 it started reducing or cancelling some \$1.2 billion in debt owed mostly by those countries. At the same time it was noted that some of those countries have become major trading partners and that in 2004, China invested about \$ 888 million in developing countries.

50. A systematic approach to the delivery of South-South Cooperation is underway in major developing countries. Malaysia has a well-defined framework, policy and instruments/tools to implement the policy, including proper agencies such as MASSCORP. Other countries are considering centralizing the fragmented points of delivery to have a better picture of their delivery or at least a better coordination of the activities; that is the case of India where different institutions engage in technical assistance activities for up to an equivalent of \$ 2 billions a year. Consultation prior to delivery is also part of this effort to systematize South-South cooperation delivery. For instance, Brazil consults annually with Latin American and Caribbean countries before drawing up its cooperation programmes funded nationally and from multilateral sources.

51. Another interesting trend observed during the period under review has been the attempt to form alliances to address common problems. India, Brazil and South Africa have formed the IBSA grouping to address common challenges. The regional balance of this grouping demonstrates great potential. The Africa Asia Sub-Regional Organisation Conference (AASROC) is another variation of this effort to build alliances and address common problems; the novelty here is the coming together of sub-regional economic communities, because it goes beyond the traditional alliances of states. Another trend has been the decentralization of South-South Cooperation. Finally, the attempt of the DAC countries to harmonize some of their aid delivery activities with Non DAC developing countries is another dimension of the process of collaboration under the triangular cooperation modality.

52. Ongoing trade negotiations under WTO have shown an unprecedented drive towards coordination and harmonization of positions on very sensitive issues, in spite the complexity of issues and the variety of interests. Attempt to coordinate positions have gone as far as the intervention of regional organizations. Calls for common positions coupled with group consultations have been observed. In Africa for instance, the Africa Union in its ninth Ordinary session of January 2005 urged African countries to work towards a common position for the ongoing WTO negotiations and coordinate with other developing countries, in particular, the G 90.

B. Expansion of South-South Triangular Cooperation

53. In general, donor countries have continued to support South-South cooperation through triangular arrangements. In other cases, developed countries provided their support directly to groups of developing countries or entities serving these countries. Sweden is financing three such networks in Asia (on renewable energy technologies, energy research, and environment and climate) and two in Africa (on energy policy and biotechnology). Some donors have also made greater use of experts from the South in their bilateral programmes. Noteworthy examples are the training arrangements of Sweden that are based in Singapore and Uruguay, the arrangements of Canada with Singapore and those of Australia with ASEAN, Fiji, Papua New Guinea, Samoa and Vanuatu.

54. Developed countries used UN agencies as another support channel; for instance, in the past four years, Japan supported a good number of South-South Cooperation activities through the UNDP Special Unit for South-South Cooperation, in areas such as human resource development, research, institutional capacity-building, private sector development, local governance and food security. Groups of countries or institutions that address overarching thematic issues have been the primary targets of these programmes in Asia and Africa.

55. Another type of intervention has been the pulling together of resources by different organisations, public or private to address one common issue affecting various developing countries. One such triangular partnership is the African Capacity-Building Foundation, created as a response to the severity of capacity deficits in Africa. Based in Harare, it is an initiative of the African Development Bank, UNDP, the World Bank, African Governments and bilateral donors. The Foundation brings together 15 African countries (Botswana, Cameroon, Côte d'Ivoire, the Democratic Republic of the Congo, Gabon, Ghana, Kenya, Malawi, Mali, Mauritius, Nigeria, Senegal, Uganda, the United Republic of Tanzania and Zimbabwe) and 10 non-African bilateral donor countries (Canada, Denmark, Finland, France, Ireland, the Netherlands, Norway, Sweden, the United Kingdom and the United States). Through partnership between the Rio Group and the European Union, the Centre houses the Training Programme for Regional Integration supported by the European Institute of Public Administration in Maastricht, the Netherlands.

56. Another pattern in this typology is the support given by a group of developed countries to a group of developing countries or a sub-regional organisation. Examples during the reporting period include the European Union's support to programmes engaging African countries in trade expansion, environmental protection and development of human resources. A more recent example is the agreement reached by developed and developing countries during the Kobe conference in January 2005 to set up an early warning mechanism on Tsunamis in South Asia.

57. The last trend observed during this period was the use of direct trade agreements or arrangements between groups of developed and developing countries. A Euro-Mediterranean partnership aims to establish a free trade area by 2010 that will include the European Union and its Mediterranean partners, such as Algeria, Morocco and Tunisia (Maghreb); Egypt, Israel, Jordan, Lebanon and the Syrian Arab Republic (Mashrek); and Cyprus, Malta and Turkey. In the same vein former ACP agreement between European countries and a number of African and Caribbean countries are being revised to adapt them to the new reality of globalization.

58. The most recent striking move has been made by OECD countries; indeed, developed countries through the OECD- DAC are currently looking for ways to improve the efficiency of aid delivery by collaborating with Non DAC developing countries. In January 2005, the DAC laid

out its strategy to achieve this goal. This form of triangular cooperation is likely to take root in face of the growing assertiveness of developing countries in the field of aid delivery. The same model of collaboration is being experienced by NGOs from developing and developed countries working on development issues in the framework of *Porte Allegro*.

C. Role of the United Nations development system

59. UN agencies continued their effort in promoting South-South cooperation through various activities. Some UN agencies however have opted for strategic interventions, targeting subject with greater impact on a higher number of developing countries; Policy support and capacity development have received more attention during this period. Some UN agencies provided training to a higher number of developing countries delegates. Outcomes of some meetings, such as the WTO and Doha 2001, were determined by a better understanding of issues after workshops organised by both UNCTAD and the Special Unit for Technical Cooperation among Developing Countries (SU/TCDC) in September 2001 in Geneva. Between 2001 and 2004 information on issues to be discussed in international conferences and summits was also made available to delegates from the South by some centres of excellence with the support of some UN agencies.

60. Some agencies and programmes, especially the Food and Agriculture Organization of the United Nations (FAO), the International Trade Centre (ITC), UNCTAD, the United Nations Industrial Development Organization (UNIDO) and the World Health Organization, have well-defined South-South policies and programmes. However, the use of the South-South modality is often ad hoc, with cost-effectiveness being the main determining factor. A new trend is however emerging in this area. In September 2004, UNDP incorporated South-South cooperation among the main crosscutting themes. The implications are deep in terms of the way managers at headquarters and in the field will be assessed on the effectiveness of their programme.

61. Since October 2004, the revamped Special Unit for South-South Cooperation is spearheading the major task of mainstreaming South-South Cooperation in UNDP. Effort will now be made for the incorporation of south-south cooperation in programming manuals, and other basic instruments that guide the work of other UN agencies. This should be inline with the decisions of the High-level Committee on the Review of Technical Cooperation among Developing Countries at its thirteenth session in May 2003 that underscore the need to strengthen the mainstreaming of South-South Cooperation in the operational activities of the United Nations development system.

D. Private and Public Partnership for South-South Cooperation

62. Southern Non-Governmental Organizations and Centers of Excellence have also changed their approach in dealing with governments and regional organizations. In most cases, NGOs and Centers of excellence have tried to obtain an observer status with regional organizations in view to play a role in the decision making process or to influence policies. This pseudo-collaboration has become an embryo of integration between institutions and civil society organizations through their representatives. The result in some cases has been very encouraging; for instance the Third World Network has played a major role in informing and educating groupings or delegates of a number of developing countries about details of issues such as trade related intellectual property rights.

63. Private-Public Partnership has also become a temporary solution to compensate for the low level of exchanges between private companies or investment of private companies from developing countries to other developing countries. Major inter-regional investments carried out

by companies from developing countries have been made by state-owned companies or companies with state shares. That is the case with recent Chinese investment in oil exploration or production in Africa or Latin America. It is to a lesser extent true for the Malaysia Petronas and Telecom. Meanwhile companies with exclusive private capital have primarily invested in their sub-region or region. Public entities from states or international organizations have been very active in promoting the collaboration between private sectors of developing countries. Programmes like Meeting of Chambers of commerce, Africa-Asia Business forum or SMEs network have been developed by UN agencies to scale up direct collaboration and exchanges between private businesses.

IV. Conclusion

64. The way South-South Cooperation is perceived has undergone a number of changes in recent years. Rapid economic growth of major developing countries, complex trade issues exacerbated by globalization, and growing capacities in various fields have given rise to a new era of partnership in the South. South-South cooperation is gradually being integrated in the development strategy of a number of countries. The biggest lesson of the past four years is that this concept has moved beyond political rhetoric and timid practice, to become an effective tool of economic development and foreign policy. This move has triggered a number of trends that are likely to produce a more structured, rapid development of South-South Cooperation, as well as a stronger operationalization of the modality. Policy and decision-makers will now have a chance to form an initial reaction to the opportunities and challenges ahead.

65. Challenges associated with these positive trends include the need to harmonize the design, development and implementation of policies and tools of south-south cooperation. It also calls for a greater coordination of developing countries' position in trade negotiations and a system of mutual concessions between developing countries. One such area of concession is defining the measures that major developing country beneficiaries of the end of quotas regime could take in order to mitigate the losses of other countries in the textile sector. Equally, voices have been raised in G77 circles on the need to put in place a framework that allows fair rules and advantageous conditions for the weakest trading partners among developing countries, if South-South Cooperation is to become a win-win game for all participants.

Notes

¹ Updated information on the follow-up to the International Conference on Financing for Development can be found at <http://www.un.org/esa/ffd>.

² The text of the report of the World Summit on Sustainable Development and information about follow-up action can be found at <http://www.un.org/esa/sustdev/index.html>.

³ The information on ASEAN is from press statements issued by the ASEAN secretariat; for the full texts, see <http://www.aseansec.org/>.

⁴ Information on the Andean Community was obtained from <http://www.comunidadandina.org/> endex.htm.

⁵ The text of that communiqué and others pertaining to relations between MERCOSUR and the Andean

Community can be found at <http://www.comunidadandina.org/ingles/common/mersocur4.htm>.

⁶ For more detailed information on the Group of 24, see <http://www.g24.org>.

⁷ For more detailed information on the Heavily Indebted Poor Countries Ministerial Network, see <http://www.dri.org.uk/pages/hipcen.html>.

⁸ For a variety of regional financial institutions that support development, see the IMF web site (<http://www.imf.org/>), which lists over 50 of them involving developing countries.