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DRAFT REPORT

on South-South cooperation and triangular cooperation: opportunities and challenges for the ACP countries

Committee on Economic Development, Finance and Trade

Co-rapporteurs: Elvis Mutiri wa Bashara (RDC) and Jean-Jacob Bicep

PART B: EXPLANATORY STATEMENT

1. Introduction and background to South-South cooperation

The first decade of the 21st century featured rapid economic growth in the major emerging countries in the South, eclipsing the performance of the old industrial centres of the North and challenging the traditional North-South division. These new emerging economies (China, India, Brazil, Argentina, Indonesia, South Africa or Russia) are making a decisive contribution to world economic growth and increasingly establishing themselves as major development players. In 2010, according to OECD estimates, they accounted for nearly 50% of world GDP, as against 36% ten years ago.

In this context and in the light of the challenges of development, the ACP countries have increasingly adopted approaches involving South-South partnership, covering not only financial flows but also sharing of experience, technology transfer, preferential access to markets and approaches to trade based more on solidarity. These ACP countries have increasingly thought about new ways of pursuing the aims of eradicating poverty and achieving sustainable development on a more regional scale and through horizontal partnerships. According to the report by the United Nations Secretary-General¹, statistics on South-South development cooperation have displayed a rapid upward trend, reaching \$16.2 bn in 2008, a rise of 63% in comparison with 2006.

South-South cooperation has its origins in the Bandung Declaration (Indonesia, 1955) on promoting peace and cooperation, inaugurating a new role for developing countries as a source of ideas on the world scene. Technological innovation has helped to enrich the knowledge and experience gained with regard to development in these countries, and the scope for teaching one another and sharing knowledge has grown considerably.

2. Opportunities and challenges presented by South-South cooperation

This cooperation creates fresh fora and new scope for cooperation, enabling emerging countries in the South to offer less developed countries the experience of their successes and to provide them with development aid. Foreign direct investment (FDI) between developing countries attained 16% of the world total in 2010 (equivalent to approximately \$210 bn), as against \$187 bn² in 2008.

The ACP countries possess a huge potential (human resources, commodities, a huge consumer market, investment zones, environmental resources) which naturally attracts investors, in this case from emerging countries (China, India, Brazil, Turkey, Morocco and the Arabian Gulf countries). Little by little, the ACP countries have found themselves in a position to acquire technical know-how specific to their territory, thanks to geographical proximity and growing regional complementarities. But trade imbalances persist. The example set by China in Africa is worrying in this respect. Three dimensions underpin the strategy that China is developing: the need to establish long-term secure access to raw materials in order to guarantee China's growth, the need to find territories in

¹ Report No E/2010/93 by the Secretary-General to the ECOSOC Development Cooperation Forum.

² According to the World Bank's document '*Global Economic Prospects 2011: Navigating Strong Currents*', January 2011, and UNCTAD data.

which to apply an expanded export policy and the search for diplomatic support in Africa. There is a danger, once again, that this strategy may affect the dynamics of the global economy.

But the structure of trade is not undergoing any qualitative change. The ACP countries remain sources of commodities which feed industrial growth in other countries, particularly the emerging economies. This structure of trade – particularly when there is a trade deficit, as in most ACP countries – helps to keep them dependent on commodities and expose them to deteriorations in the terms of trade and price volatility.

South-South development cooperation must resolutely respect the principles of mutual interest and equality, taking into account the imbalance between the two parties within a given partnership. This presupposes that the interests of the weaker country will deliberately be respected in the interests of genuine solidarity, mutualisation and equality.

3. Triangular cooperation

Triangular cooperation may be defined as a process of South-South cooperation with the support of a country in the North. Differentiation between mere technical cooperation programmes and programmes specifically based on such cooperation is still not well understood. It is therefore essential that each actor should define its contribution in relation to its own comparative advantages, thus assuming a share of the responsibility for development results.

Triangular cooperation is implemented in many sectors, mainly by means of technical assistance projects. It is therefore based on various criteria:

- exploiting comparative advantages and complementarities among the various development actors, grouping them around a shared objective of reducing world poverty and promoting sustainable development;
- encouraging building of the long-term capacities of the ACP countries in order to create and share development solutions;
- taking bilateral relations as a basis in order to group resources and expertise in such a way as to form a whole which exceeds the sum of its parts.

4. Development financing

Given the poor mobilisation of internal resources and the declining volume of development aid, it is possible to regard financing from South-South cooperation as a lifeline for many ACP countries, which have an enormous need for financing.

Financing from South-South cooperation is characterised by strong concentration both on sectors and on recipient countries. While the sectors which benefit most from financing are infrastructure, agriculture, transport and telecommunications, health and education, direct South-South investment is mainly in natural resources. This new targeting is not surprising, as the emerging countries need enormous quantities of commodities for their industrial and economic development. In this context and in terms of appropriateness,

measures to attract investment are a vital part of the general strategy for a country's development, in combination with other economic, social and environmental measures.

In particular, an effort will have to be made to improve the private investment environment in order to render investment secure and make costs competitive. Measures to attract investment are an important element in a country's general development strategy with the aim of working towards a better, balanced and sustainable future which makes it possible not only to promote diversification and growth of production but also and above all to contribute in the medium term to structural transformation of the economy.

5. Sharing of knowledge and successful experiences of development

South-South cooperation and triangular cooperation offer developing countries the requisite potential to transform their policies on, and approaches to, the provision of services by providing solutions which are effective, based on local initiative and appropriate to the context of each country.

The ACP countries should no longer content themselves with playing the role of commodity suppliers while remaining consumers of imported finished goods. In the context of globalisation, they must show themselves capable of promoting new forms of development so that economic relations with the emerging countries can enable them to structurally diversify their economies. They must also be capable of coping with new problems such as climate change, energy and the environment.

The approaches adopted by certain emerging countries are now coming in for criticism, most often because of their lack of effectiveness as referred to in the Paris Declaration (2005) on Aid Effectiveness and its Accra Agenda for Action³ (AAA, 2008), and the Busan final document (2011)⁴. The relevance of these criticisms will have to be verified by an in-depth analysis of aid and of practices on the basis of reliable statistics and of your contributions.

The Global Partnership for Effective Development Cooperation could serve as a forum for partners who espouse the same principles and whose commitments are correctly defined. This new forum will make it possible for the parties concerned to work together to achieve tangible development results, exploring the complementarities and improving the transparency and responsibility of local actors in these national processes.

However, the traditional donors remain the main providers of aid to ACP countries and to trade partners. The European Union and its Member States have reaffirmed their commitment to contribute 0.7% of Gross National Income to speed up progress towards

³ Created to reinforce and support the adoption of the Paris Declaration: a document in which the international community reaffirms its commitment to making progress in implementing the Paris Declaration and stepping up efforts to attain the Millennium Development Goals (MDGs).

⁴ The Busan partnership agreement is the outcome of collaboration between ministers from developed and developing countries during the Fourth High-level Forum on aid effectiveness (2011).

the attainment of the Millennium Development Goals in 2015 and beyond. South-South cooperation and triangular cooperation should therefore be regarded as complementing traditional aid. These new forms of cooperation, traditionally supported by European financing, should ensure complete transparency with regard to expenditure and recipients and be based on the principle of access to information for all parties concerned.

Some thought ought therefore to be given to national and European aid programming in which **issues of poverty or social inequality go hand in hand with the issue of the limits to productivity**. A change of mentality is needed, and attention should be focused on the countries of the South so that development aid can be transformed into a genuine partnership.

- A. Definition of short-term needs** and immediate adoption of measures. The idea is to bring together all parties concerned for a debate on the most serious shortcomings, on a dynamic and independent basis. Greater sharing of experiences of exploitation of the respective comparative advantages would make it possible to encourage sharing of knowledge and of learning outcomes, as well as capacity-building.
- B. Partnerships must come together in clearly defined fields and measures** in order to have a greater impact on international decisions (analysis of recognised good practices in Brazil, India, Cuba, Nigeria, etc.).

It is necessary to assign **a central place to research and innovation**. Arrangements favourable to research in the service of development need to be negotiated as part of international relations.