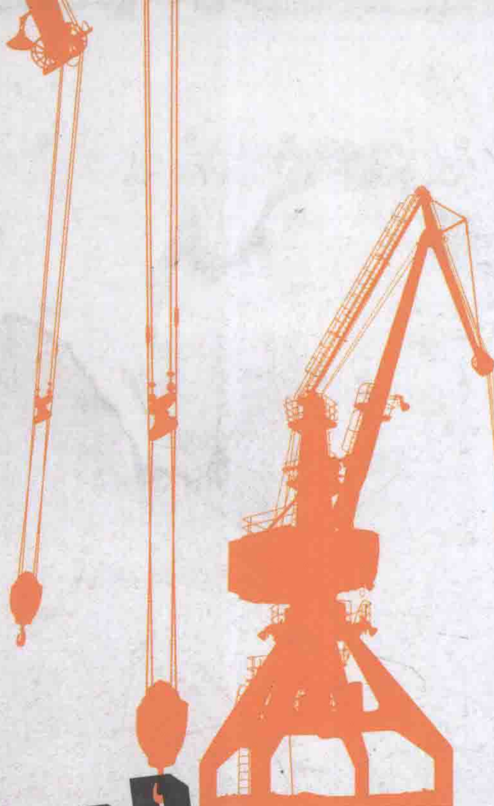

DEVELOPMENT COOPERATION AND EMERGING POWERS

New Partners or Old Patterns ?

Edited by Sachin Chaturvedi, Thomas Fues
and Elizabeth Sidiropoulos

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FIGURES AND TABLES

Figures

Tables

ABBREVIATIONS

AAA	Accra Agenda for Action
ABC	Agência Brasileira de Cooperaçao (Brazilian Cooperation Agency)
AMEXCID	Mexican Agency for International Development Cooperation
ARF	African Renaissance Fund
ASEAN	Association of South East Asian Nations
BAPA	Buenos Aires Plan of Action
BLNS	Botswana, Lesotho, Namibia and Swaziland
BRICS	Brazil, Russia, India, China, South Africa
Cabei	Central American Bank for Economic Integration
Complant	China National Complete Plant Corporation
CPC	Communist Party of China
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DCF	Development Cooperation Forum
DfID	Department for International Development (UK)
DIE	German Development Institute
DIRCO	Department of International Relations and Cooperation (South Africa)
DRC	Democratic Republic of Congo
ECDC	Economic Cooperation among Developing Countries
ECOWAS	Economic Community of West African States
FOCAC	Forum on China–Africa Cooperation
GATT	General Agreement on Tariffs and Trade
GNI	gross national income
IBSA	India, Brazil, South Africa
IDB	Inter-American Development Bank
IIDCA	India International Development Cooperation Agency
ITEC	Indian Technical and Economic Cooperation
MEA	Ministry of External Affairs (India)
Mercosur	Mercado Común del Sur (Common Market of the South)
MFEL	Ministry of Foreign Economic Liaison (China)
MFERT	Ministry of Foreign Economic Relations and Trade (China)

MoF	Ministry of Finance (India)
MRE	Ministério das Relaçoes Exteriores (Ministry of Foreign Affairs, Brazil)
NEPAD	New Partnership for Africa's Development
NSC	North–South Cooperation
ODA	Official Development Assistance
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADPA	South African Development Partnership Agency
SEGIB	Ibero-American General Secretariat
SJA	San José Agreement
SSC	South–South Cooperation
SUSSC	Special Unit for South–South Cooperation (UN)
TCDC	Technical Cooperation among Developing Countries
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WTO	World Trade Organization

FOREWORD

In recent years, there has been increasing concern with the limitations in the coherence and coordination of development finance and, especially, aid provision. There is a strongly held view that the 'quality' of aid has deteriorated, even as its quantity has risen, albeit remaining stubbornly below internationally agreed guidelines.

Aid flows declined following the end of the Cold War, before rising again following the Monterrey Consensus on Financing for Development soon after the 9/11 terrorist attacks. Further progress has been patchy, and it is widely recognized that there are huge shortfalls in the promises made at the 2005 G8 Gleneagles Summit.

The adoption of the Paris Declaration on Aid Effectiveness was a step forward in the improvement of aid effectiveness, because it has helped to put 'quality' issues at centre stage. However, the weaknesses of the current aid system are as much systemic as they are behavioural.

Further difficulties have emerged in recent years. First, there has been a regression to bilateral aid, undermining multilateral mechanisms which generally provide less tied aid at lower transactions costs and with fewer political strings attached. This reversion can be explained by the wish to ensure public accountability in the donor countries, but there are clear pitfalls in this strategy.

Second, few countries actually fulfil their agreed aid commitments.

Third, what counts as aid can be confusing, if not deceptive. For example, debt cancellation under HIPC (Heavily Indebted Poor Countries) or MDRI (Multilateral Debt Relief Initiative) is a book-keeping exercise which does not bring any new financial inflows, but is generally counted as Official Development Assistance (ODA).

Fourth, regardless of the level of actual outflows, the loan component continues to dominate. For example, Japan receives interest on ODA loans of more than US$2 billion per year.

Fifth, the numbers can be very misleading: the Democratic Republic of Congo is recorded as having received US$5.4 billion in ODA in 2003, but actual net financial transfers came to only US$400 million.

These limitations have important consequences. It is widely known that the ongoing global crisis has worsened the fiscal constraint in the donor countries, limiting the availability of aid possibly for years to come.

At a more concrete level, the administration of aid flows and aid-financed projects imposes heavy administrative burdens on developing country governments, while their managerial capacity has been degraded by years of low growth and misguided adjustment programmes.

There is also a mismatch of capabilities and procedures between donor and recipient countries due to entrenched North–South asymmetries. For example, in the North, development ministries focus almost exclusively on ODA while, in the South, overstretched planning and finance ministries are normally their counterparts. The two sides often have very different capacities, interests and approaches to development cooperation. The limited mandates of development cooperation ministries also constrain what they can do, leading to the loss of crucial opportunities for international development cooperation in areas other than ODA.

Recently, several emerging economies have been scaling up their development cooperation activities on the back of strong growth performances. Such cooperation has, through the efforts of the G77, an established set of norms and principles based on the notions of solidarity, mutual respect and shared responsibility.

Assistance provided by emerging economies has, in particular, focused on developing productive capacities in recipient countries, while the traditional donors have increasingly turned towards social policy financing.

Still, despite the potential gains of this expanding pool of development partners, such cooperation has, at times, itself been constrained by national strategic interests, the imperative to deliver gains for domestic firms, and other narrow foreign policy considerations.

Given these differences, and in light of the deep development challenges still facing these 'new' donors, there is an unresolved tension around the (understandable) reluctance by the emerging developing country donors to be limited by the same monitoring and accountability standards and mechanisms designed by, and for, the rich donor countries. This tension will not be resolved by attempts to impose the latter's standards on the new development partners.

Rather, the emergence of new development partners should be seen as the starting point for the gradual emergence of more comprehensive and balanced international development cooperation, bringing greater gains to aid-dependent economies, including key international development issues such as international tax cooperation, sovereign debt workouts and international economic governance.

One major challenge is to ensure that the G20 is more sensitive and accountable to inclusive multilateral institutions, and strives to ensure international cooperation and global policy coordination.

Drawing on the varied experiences of Brazil, China, India, Mexico and South Africa, *Development Cooperation and Emerging Powers: New Partners or Old Patterns?* is the definitive volume on the state of South–South cooperation at the beginning of the second decade of the twenty-first century. Going beyond the media debate, this book sheds light on the fast-changing political dynamics of their development cooperation policies, against the current norms underlying current (Northern) donor conventions.

I am confident that this book will prove highly useful to policymakers, practitioners and researchers.

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New York

CONTENTS

INTRODUCTION

Elizabeth Sidiropoulos, Thomas Fues and Sachin Chaturvedi

The seeds of this book were sown with a workshop in 2007 on the development cooperation policies of the five nations that the G8 group of developed countries called the 'Outreach 5' (Brazil, China, India, Mexico and South Africa) and which later christened themselves 'the G5'. All of them are now members of the G20, which has replaced the G8 as the premier forum on global economic governance. Debate on development issues, 'emerging donors' and aid effectiveness has, of course, moved on since then. So has the domestic development cooperation environment in the G5. We wanted to capture the thinking in these countries as their development partnerships expanded and took form in both substance and structure. We also wanted to offer some insight into how they perceived the global aid architecture – until now defined largely by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) – to determine what potential might exist for greater collaboration between Northern and Southern actors on the development cooperation stage. (The 'donor' terrain in the twenty-first century includes an increasingly important private actor component; this volume will not focus on those actors.)

In addressing these themes the editors recognized the need to position the case studies in the context of the way in which South–South cooperation (SSC) in development aid has evolved and the lessons learnt from traditional forms of aid; always emphasizing that the definition of SSC is much wider than that of 'aid' as defined by OECD-DAC. The book is therefore divided into three sections: the first examines the various contours of SSC; the second explores lessons in development cooperation from the experiences of traditional aid donors; and the third focuses on five case studies of emerging development partners from the South. Against the background of the changes in the international system of development cooperation, the concluding chapter discusses the possibility for convergence or conflict in this transitional phase of the architecture of development cooperation.

One of the biggest risks facing the modern world is the gulf that separates 'haves' from 'have-nots', and a growing income disparity characteristic of it. The World Economic Forum publication *Global Risks 2011* highlights two different but connected global risks, one being economic disparity and the other worldwide failures in governance. It argues that while the growth of Asia and other developing regions is 'rebalancing economic power between countries, there is evidence that economic disparity within countries is growing' (World Economic Forum 2011: 6).

The first of these propositions suggests that shifts in global power are engendering changes to a system that had remained much the same since the end of the Second World War. This trend is already in evidence, although the nature of the emerging global problems demands improved cooperation, especially between regional and global powers, if they are to be managed successfully. With regard to the second (and more obvious) phenomenon, tackling economic disparities within countries requires not only interventions at a national level but also a global system that works within rules more equitable than those currently in place. The more interconnected the world, the more acute are feelings of relative deprivation, with their concomitant effects on general stability and security. Hence this latter problem also demands more effective global governance.

Over the past two decades the means of achieving development across the world have been much influenced by the extremely rapid economic growth of developing countries such as China and India. Their progress, and that of other developing countries such as Vietnam, has affected the development debate, especially as it concerns ways in which domestic reform can be crucial to unlocking economic potential. On the other hand, the need to combat transnational threats, including environmental challenges, illicit financial flows, the spread of infectious diseases, institutional corruption and clandestine trade, necessitates the creation of a cooperative global framework within which international policy regimes may function effectively. This in turn requires both local and global interventions.

Development aid from the affluent North has long been seen as the primary vehicle through which the South can be helped to reduce poverty and meet development goals. Of course, this lofty and altruistic objective was not the only (nor, often, the primary) driver of the development assistance rendered to the 'Third World' by the industrialized nations, even after the end of the Cold War. Nevertheless, although in geopolitical terms developed countries have been broadly successful in maintaining critical alliances with developing countries, development assistance as the main source of economic progress for the latter shows a very patchy record.[1]

Beginning in the 1990s the burgeoning economic progress, power and authority of a number of developing countries, led by China, have introduced more actors to the development cooperation stage, even though they may consider themselves 'partners' rather than 'donors'. The arrival of these competitors in the development aid scene has raised concerns among richer countries, although the latter have also seen potential for cooperation. On the other hand, many developing countries have welcomed the emergence of new sources of assistance or cooperation that are outside the established OECD-DAC fold, seeing them as offering not merely new opportunities but also greater political leverage for aid recipients.

Inevitably, the question arises of whether, even under the sway of these powerful global currents, the way the world operates will change very much. The developing South hopes it will; the North, for its part, would probably prefer that the global rules its nations have created will remain in place, albeit with some modifications. With reference to the subtitle of this volume – are we analysing the phenomenon of 'new partners' or 'old patterns'?

But what does a 'development partner' entail? This terminology is not the monopoly of the new or re-emerging development cooperation actors. It is also being used by traditional Northern donors. Among the DAC, the introduction of the term reflected a change in approach from one that was unequal and based on conditionalities to a more balanced engagement with recipients. Changes in terminology, though, do not necessarily transform power relations. Although a power balance may not be a prerequisite, meaningful partnerships require both sides to bring something to the table. At their foundation lie trust, transparency and respect for the partners' respective views. Often these principles are enunciated at the policy level but struggle to materialize at the practical level. This is not only so in the case of Northern donors, but also for Southern partners, as this book will reflect.

First, by studying five Southern countries that are emerging as partners in development cooperation, the volume seeks to determine whether their own shared experiences of poverty have led them to evolve a unique method of engaging with other countries in the developing world. Secondly, it analyses the new-found impetus of SSC in the context of the rhetoric of Southern 'solidarity'. Significantly, in the light of the transnational challenges alluded to above, it enquires whether SSC can contribute to the evolution of an internationally acceptable public policy framework that advances and protects the global commons.

Development cooperation is a key area of global governance, yet SSC lacks an institutional home at the global level. There are three strategic options available to emerging powers: first, reject any attempt at international coordination; second, remain a separate collective entity, either utilizing existing groupings, such as the Non-Aligned Movement or the G77, or establishing a Southern DAC; third, support the United Nations Development Cooperation Forum 'as the provider of a universal framework for policy coordination and harmonisation'. While the third option confers universal legitimacy, the UN system suffers from a fundamental weakness – the inability to monitor implementation of the norms it establishes. If the UN cannot overcome this paralysis, it risks becoming marginal in global affairs. Nevertheless, the outcome of competing aid regimes will not be determined solely by the OECD-DAC and the emerging powers. 'Recipient' countries can play an important role in determining outcomes: they can nudge donors towards greater coordination or forsake harmonization by encouraging competition.

Three aspects in particular should be stressed. First, South–South engagement (if not cooperation) is no longer a marginal exercise. Its volumes are growing. Consistently high economic growth rates, experienced by China and India in particular, and the extraordinary strides made by smaller developing economies have together changed global economic dynamics. Trade and investment flows from and within the developing world are increasing, while countries such as India, China and some Arab states are becoming bigger contributors to development finance. The North's growing interest in these developments indicates a degree of anxiety about what they may mean for its own engagement on this global terrain, which in turn has led it to examine ways to cooperate with the newcomers or incorporate their activities into existing systems.

Secondly, many emerging economies want to be rule-makers, not merely rule-takers, and increasingly are making their voices heard in global forums. In doing so, they have also 'shaken old ways of acting' (Severino and Ray 2009: 7) and eroded the West's exclusive competence on matters of development (Six 2009: 1117). It is not yet clear, however, what types of rules they would like to craft, nor is there coherence among emerging powers about their content.

Thirdly, the emergence of major developing markets has accelerated the divergence in interests between them and their poorer and smaller peers. The motivation for emerging markets to engage in technical exchanges or trade and investment will arguably be different from that of twenty or thirty years ago. As early as 1981 the Pakistani economist Mahbub ul Haq was asking whether SSC is not merely a 'passing fad', a 'romantic notion, based on an "idealised" South that does not exist'. If that suggestion is correct, modern shifts in the nature of development aid may have put paid to the supposition of Southern solidarity that continues to be attractive, powerful and sentimentally important.

The growing divergence of interests between emerging regional and global powers on the one hand, and the rest of the developing South on the other, is bound to have an effect on the notion of SSC as a tool of mutual benefit premised on equality between the parties. Development cooperation in the various forms it assumes among the new participants is clearly an instrument of foreign policy; indisputably it may be used as part of alliance-building and as a tool for advancing a country's 'soft' power, and hence its international standing. These aspects of realpolitik may not appear in marketing brochures, but such nations are in the business of asserting their leadership credentials, whether at the regional or global level. However, development cooperation, where emerging markets with clear internal developmental challenges provide help to or exchange experiences with other poor countries, is a powerful narrative of 'compassionate ethics', to borrow a phrase from Severino and Ray (2009).

This analysis may sound a sceptical note concerning the discourse around the emergence of new development partners from the South, and the added value that their activities may bring. It is not, however, intended to disparage the promoters of SSC, but rather to illustrate first that, as they engage more deeply in development cooperation, new entrants face obstacles similar to those experienced earlier by industrialized countries, and secondly, that SSC is not shorn of the imperatives of power politics; nor are smaller developing countries oblivious to this. As Agarwal sets out, some of the greatest barriers to trade are found among Southern countries. The manner in which some of the more systemically significant developing countries are behaving does not reflect an overriding focus on contributing to global public goods, unless such activity is of direct benefit to them. In and of itself this is not problematic. After all, the primary responsibility of powerful and weak states alike is to secure their country's security and welfare. It is, however, also incumbent on the more powerful to work towards structures that as far as possible provide for the global good; this is the concept of 'responsible stakeholders' used by Bob Zoellick in reference to the role that China should adopt as its power grows.

Chaturvedi's chapter on typologies of SSC explores its meaning and how it can be distinguished from North–South cooperation. He argues that the philosophy behind the two styles emerges from notions of mutual growth in the former and philanthropy in the latter. Nevertheless, while SSC is characterized in theory by mutual respect, equality and a 'win-win' approach, these ideas may be difficult to implement in practice. There is too little empirical evidence to allow for a thorough comparison of the two forms of cooperation. Additionally, SSC is not exposed to global scrutiny in the same way as are development aid flows from the OECD-DAC. Thus, it is crucial to build a database of development partnerships, which would improve transparency, although it would also have to be linked to an evaluation system. As Herbert and Mackie note in their chapters, the lessons from traditional aid partners are not only about volumes of aid, but also the efficacy of aid. Chaturvedi emphasizes that in the debate on effecting development, more focus needs to be placed on the 'low profitability of modern tradable items' as a factor limiting growth. This means making efforts to improve production practices. He cautions that 'political rhetoric on SSC may not survive long if [cooperation] fails to stimulate growth across the South'. Southern development partners need to consider their own benchmarks for effective and timely delivery, but they should provide a framework for the assessment of SSC.

Agarwal's chapter focuses on trends in trade and investment flows within the South. He makes a number of recommendations to improve and increase trade and capital flows between Southern nations,