

South-South Cooperation in Asia-Pacific: Emerging Trends and Potential

With the rise of emerging countries in the Asia and Pacific region as growth poles of the world economy, South-South cooperation (SSC) and triangular development cooperation (TDC) have become viable strategies for development. This Policy Brief reviews the emerging trends and patterns of SSC and TDC in the region, and outlines a policy agenda for strengthening and enhancing their effectiveness.

Introduction

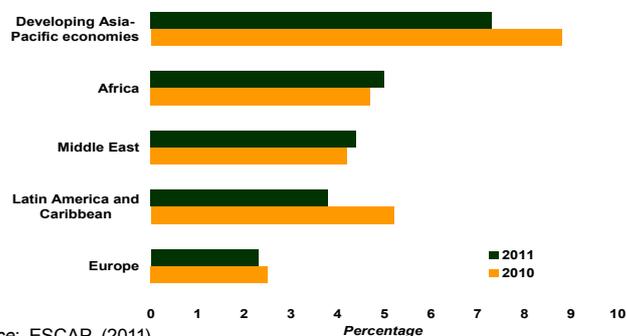
The developing economies in Asia-Pacific recovered strongly in 2010 from the depths of the economic crisis of 2008/09. In 2011, the region will remain by far the most dynamic and the locomotive of global growth (figure 1). Led by robust growth in China and India, the South has now emerged as an important player on the world economic stage. The share in their total trade of intra-regional trade among developing economies in Asia-Pacific increased from 34% to 41% between 1993 and 2009, and its share in global outwards FDI flows reached 19% in 2009, a sharp recovery from the depths of the 1997 Asian crisis (figure 2).

Given their different stages of development, the complementarities between developing economies have increased tremendously. In particular, the range of complementarities and diversity has widened in Asia. From 1980 to 2009, the spread of values of GDP per capita of Asia-Pacific developing economies has increased 90%, twice as high as in any other developing region.¹ ESCAP estimates of trade complementarity in the region suggest that important degree of complementarity exist between Asia-Pacific subregions.² South-South cooperation has now attained, therefore, new importance and viability.

The relevance of SSC arises from the replicability of development experiences. In the process of their development, southern countries accumulate valuable lessons, skills and expertise that can be valuable for other developing countries. These skills and capabilities are often more appropriate than those available from industrialized countries due to shared development challenges faced by southern countries. In addition, the technologies and expertise available from developing countries are likely to be cost effective having adapted in view of lower income in these countries.

Given such lower costs and appropriateness of skills

Figure 1. Developing Asia-Pacific is the most dynamic region of the world



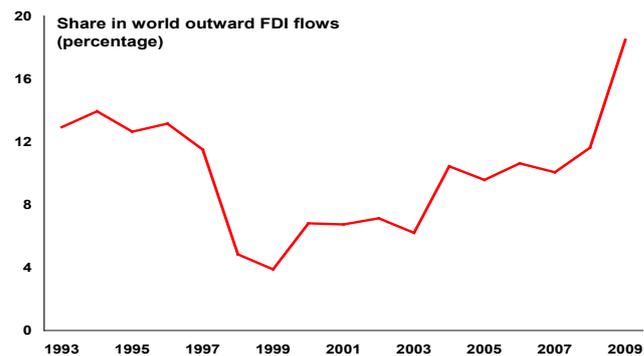
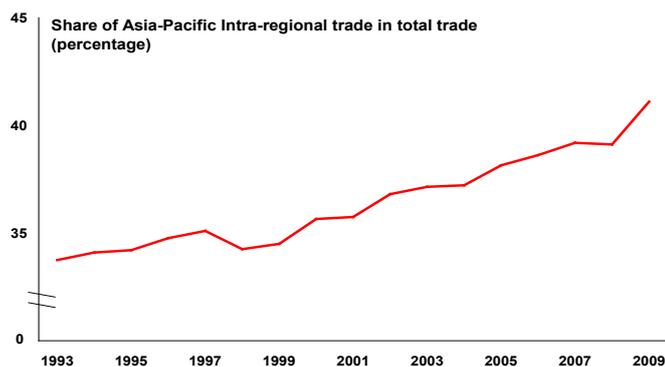
Source: ESCAP (2011).

and expertise available in the South, TDC, where a developed country finances a programme of South-South cooperation, can achieve greater effectiveness per unit of resources spent compared to traditional development assistance. For instance, given the relative cost of living and cost of skills, a capacity building program conducted in Bangkok, Jakarta, Colombo or Hyderabad would be far more cost effective than one conducted in Tokyo. Therefore, Japan has mainstreamed TDC in its development assistance programmes.

South-South Cooperation in Asia-Pacific

Developing countries of the region, such as China and India, have undertaken SSC activities since the 1960s as a part of their solidarity with co-developing countries and despite their resource constraints. Over time, SSC activities have expanded to a significant scale in terms of its proportion in national income as well as in proportion of the global development cooperation effort, especially in the context of stagnating DAC development assistance. China and India, for example, are beginning to spend around 0.07 per cent of their national income on SSC-related activities, which is significant given their still relatively lower per capita income (table 1). It is likely that the scale of SSC in Asia-Pacific will continue to increase

Figure 2. Growing share of Asia-Pacific South-South in trade and investments



Source: ESCAP based on data from International Monetary Fund, *Direction of Trade Statistics* (August, 2010) and ESCAP (2011).

in view of robust growth of these Asian giants and the ambitious commitments they are announcing. While China and India remain major contributors to development cooperation in the region, other countries such as Republic of Korea, Malaysia, Singapore and Thailand have joined them and it is expected that their cooperation activities will expand in the coming years.

However, the scale of SSC should not be judged in terms of traditional aid indicators. Given their developing country status, southern countries have limitations in providing concessional loans and grants. Their major contribution is in the form of capacity-building and sharing development experiences, and the scale of those tends to be underestimated given the low costs of expertise and equipment in these countries.

Some Promising Areas of South-South Cooperation

Agricultural research and biotechnologies to achieve food security: Agricultural R&D can help boost food security by breaking yield barriers, creating plant varieties tolerant to salinity and alkalinity, and developing low-input agriculture tailored for small and marginal farmers. Encouraging experiences from countries like Brazil, China and India with food-energy integrated systems are now available and could be replicated. Similarly, success stories such as the agricultural transformation based on Asia-African cooperation through the New Rice for Africa (NERICA) programme should be further promoted and extended. SSC in this area could also cover education and training, joint R&D, exchange of experiences and technologies, cooperation in biodiversity conservation, protection and evolution of biosafety norms.

Cooperation in Medicines and Public Health: The global pharmaceutical industry continues to neglect the development of drugs and vaccines for diseases such as malaria and TB that are prevalent only in developing countries, despite the strengthening of international IPRs regime under the WTO TRIPS Agreement. R&D institutions in developing countries need to network and cooperate to develop drugs and vaccines against such diseases. Additional funds should be directed to R&D

conducted in developing countries to build capacities and strength R&D cooperation in the South.

Boosting ICT connectivity: Information and communications technologies (ICT) have opened up a world of possibilities. For the poor, who are buying phones for the first time, ICT can be a tool for a better life. But significant inequalities exist. Smaller economies in the region have on average less than 28 mobile phone subscriptions per 100 persons, compared with an average of 99 in high-income countries. To reduce such imbalance, country groupings such as ASEAN, SAARC and ECO have cooperation mechanisms for improving subregional connectivity. Countries should take advantage of SSC to share knowledge and resources, and maximize the use of existing investments.

Reducing the Risk of Disasters: Development cooperation for disaster risk reduction has been driven by the realization that, only by joining forces, countries can avoid the large scale human sufferings caused by natural hazards. In light of that, regional entities have taken a number of initiatives to strengthen cooperation for better preparedness and management of disasters. Countries can further engage in SSC for disaster risk reduction through sharing knowledge, developing common frameworks for action, and by pooling resources such as satellites and space information and products.³

Building Development Friendly Global Economic Governance: ODA, SSC and TDC focusing on trade and investment are critical to assist developing countries in achieving their development goals and in becoming independent of external aid. A proactive SSC is crucial in making the global economic governance responsive to the needs of the developing countries. Hence, their coalitions of developing countries such as G-77 and those in WTO negotiations need to go beyond only reacting to the proposals brought to the table by developed countries. They could begin to set the agenda.

Enhancing the Effectiveness of SSC and TDC: Action Points for Different Stakeholders

Governments of Cooperating Countries

Governments should assign agencies to coordinate

Table 1. South-South Cooperation activity of selected Asia-Pacific developing countries, latest available data

Country (per capita income, 2010, US\$) (Current account balance as % of GDP)	Estimated Scale, US\$ million (% of GNI) 2010	Recipient countries	Geographical focus of SSC	Scope of SSC
China ^a (4 382) (5.21)	3 749 ^b (0.08)	161	Mostly low-income developing countries in Asia, Africa, Latin America, Caribbean, Oceania, Eastern Europe; 80% to Asia and Africa	Technical cooperation, support of basic infrastructure, social welfare, humanitarian aid
India ^c (1 265) (-3.19)	785-1 000 (0.04-0.07)	158	Mostly to neighbouring countries (Afghanistan, Bhutan, Bangladesh, Nepal, Sri Lanka, Myanmar, Maldives and Africa)	60% training of civil servants, engineers; 30% soft loans to foreign government to enable purchase of Indian equipment and services; 10% project related costs abroad, very little cash grants
Malaysia ^d (8 423) (11.82)	164 ^b (0.09)	140	Africa, Asia, Pacific islands	Training, capacity building, advisory services, special projects.
Republic of Korea ^{e,f} (20 591) (2.80)	1 168 ^g (0.12)	123	40% Asia, 19% Africa	Technical cooperation, reconstruction, debt relief for HIPC; 23% health, 16% education, 13% ICT related.
Russian Federation ^{e,h} (10 437) (4.88)	400-500 ⁱ	-	CIS countries, ESCAP countries, Africa	Bilateral, trilateral and multilateral channels; debt relief, technical cooperation and humanitarian aid.
Singapore ^j (43 117) (22.21)	-	169	Asia-Pacific, mainly CLMV countries, Africa, Middle East, Eastern Europe, Western Europe, Latin America and Caribbean	Technical cooperation with a focus on capacity-building; training programmes in collaboration with developed or developing country or international organization; third country training programmes with 16 countries and 19 international organizations.
Thailand ^e (4 992) (4.64)	40 ^b (0.11)	-	Mainly CLMV countries	90% as bilateral concessional loans, infrastructure projects, cross-border public goods to facilitate trade and regional integration.
Turkey ^e (10 399) (-6.55)	967 (0.13)	131	LDCs, Africa, Asia	Economic and social infrastructure projects.

Source: OECD/DAC (2011). Aid Statistics on OECD.STAT, available at <http://www.oecd.org/dataoecd/50/17/5037721.htm>, accessed on 13 May 2011; UN-ECOSOC (2008). Trends in South-South and Triangular Development Cooperation, Background Study for the Development Cooperation Forum, April; IMF, World Economic Outlook Database, April 2011 and relevant country sources. ^a Xinhua News Agency (2011). China issues white paper on foreign aid activities, 21 April based on China (2011). White Paper on China's Foreign Aid, Information Office of the State Council, People's Republic of China, Beijing; ^b Data for 2009; ^c India (2011). Ministry of External Affairs, Technical Cooperation Division website, available at <http://itec.mea.gov.in/index.html>, accessed on 13 May 2011; India (2011). Union Budget 2011-2012, Government of India; ^d Malaysian Technical Cooperation Programme website available at <http://mtcp.mmu.edu.my/index.php>, accessed on 14 May 2011; United Nations (2011). Malaysia: The Millennium Development Goals at 2010, (Malaysia, United Nations Country Team in Malaysia); ^e OECD/DAC (2011). Aid Statistics on OECD.STAT, available at <http://www.oecd.org/dataoecd/50/17/5037721.htm>, accessed on 13 May 2011; OECD (2010). Development Co-operation Report 2010 (Paris, Organization for Economic Co-operation and Development); ^f KOICA (2009). Annual report 2009 (Gyeonggi-do, Korea International Cooperation Agency); ^g Data is based on OECD/DAC preliminary estimates for 2010 and excludes South Korean aid to North Korea; ^h Research Centre for International Cooperation and Development, available from <http://en.rcidc.org/>, accessed on 14 May 2011; ⁱ Data for 2008; ^j Singapore Cooperation Programme website, available at <http://app.scp.gov.sg/aboutus.asp>, accessed on 14 May 2011.

SSC-related activities. Some examples of such agencies are: Thailand International Cooperation Agency (TICA), Malaysia Technical Cooperation Programme (MTCP) under the Economic Planning Unit, Singapore Technical Cooperation (STP), and the Korea Overseas International Cooperation Agency (KOICA). In China, the Ministry of Commerce coordinates most of the development cooperation activities. In India, the Ministry of External Affairs administers the Indian Technical and Economic Cooperation (ITEC) programme. These agencies and programmes should develop data-reporting guidelines to be followed by government and non-governmental agencies. They should also gather information from academic institutions, businesses and NGOs on their activities in other developing countries pertaining to creating productive capacities, human resource development, transfer of technology, scientific and R&D collaborations, technology licensing agreements, and trade in high technology goods and services. They should

also compile information on SSC activities assisted by traditional donors or multilateral or regional agencies.

DAC Countries

DAC countries should route a growing proportion of their development assistance through TDC, and increase their support to ongoing SSC projects to help expand their scale. As a starting point, DAC countries should report their TDC activities separately from traditional North-South ODA. Furthermore, noting that a growing number of TDC projects executed by southern contributors in Asia-Pacific also involve programme countries in other regions, such as the New Rice for Africa (NERICA) and the TICAD Asia-African Partnership, donors and their partners should scale-up and replicate these successful experiences to the benefit of other developing regions. Traditional donors and multilateral organizations should also provide assistance for building capacity of programme countries in monitoring and evaluation, at their request. For all of these interventions, traditional and

southern donors shall take note of the principles agreed in the 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action, as they are also relevant to SSC and TDC.

DCF and United Nations Regional Commissions

To facilitate inter-country comparability of SSC statistics, it is important to harmonize internationally accepted definitions of development cooperation and to develop guidelines for collection of statistics by national development cooperation agencies. The Development Cooperation Forum (DCF) of the United Nations and/or the United Nations Regional Commissions may consider developing such definitions, norms and guidelines, which should also cover technology transfer, productive capacity building projects, and preferential market access provided by developing countries to LDCs, among other aspects of cooperation, in addition to “official” SSC.

Given the significant differences between the cost of living and cost of expertise in developed and developing countries, the DCF should consider developing some country-specific conversion factors, such as ppp factor for GDPs, for converting total cost of activities undertaken by a country in internationally comparable prices to obtain the true scale of SSC and TDC.

The DCF could consider creating regional coordinating bureaus in United Nations Regional Commissions to sustain this initial effort and to develop links with national development cooperation agencies to collect internationally comparable data for dissemination. The result will be a fuller picture of global SSC and TDC and its role in development and the achievement of MDGs. The DCF and its regional bureaus could also provide technical support to governments to implement the guidelines and enhance coordination between different agencies involved in SSC.

The DCF could also compile a directory of best practices in SSC and TDC. In particular, any project assisting developing countries in building productive capacities should be highlighted, including those to develop human

productive capacities.

The DCF should also develop guidelines for reporting of TDC activities from the DAC donors and collect that information for a better assessment of TDC.

International Development Agencies and Development Banks

To promote SSC, the international development agencies and development banks may give preference to procurement in the South in their development projects. The preferences could be in the form of floating of bids in advance for Southern suppliers, which should be reopened globally only if failing to get adequate bids. The other option is to reserve a certain proportion of their procurement from Southern suppliers for delivery in other developing countries. This will prompt these agencies to develop Southern sources of supply and in the process boost SSC and TDC.

Programme countries

Programme countries should designate a government agency to coordinate their SSC activities to monitor and evaluate development cooperation projects and provide feedback for improvement. These agencies may be encouraged to collect data and share information on various SSC initiatives, including total disbursement of loans and grants, technical cooperation, trade, investment, and transfer of technology. For improving the quality of cooperation, they should assume ownership of the programmes, which is an important factor for ensuring relevant, efficient and effective development cooperation. Programme countries of the region, with the help of Southern donors and traditional donors, may consider establishing voluntarily a country-driven system for monitoring and self-evaluation of the effectiveness of SSC and TDC.

It is clear that SSC in Asia-Pacific region has come of age with the emerging economies of the region accumulating considerable expertise, investment ability and scale of

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