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**IMPLEMENTING THE MONTERREY CONSENSUS IN THE ASIAN AND THE  
PACIFIC REGION: AN AGENDA FOR SOUTH-SOUTH REGIONAL  
DEVELOPMENT COOPERATION**

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# **IMPLEMENTING THE MONTERREY CONSENSUS IN THE ASIAN AND THE PACIFIC REGION: AN AGENDA FOR SOUTH-SOUTH REGIONAL DEVELOPMENT COOPERATION**

## **I. Introduction**

The Report of the International Conference on Financing for Development, incorporating the 'Monterrey Consensus', is one of the landmark documents of the new Millennium. It fulfills the long-standing demand of the developing countries to bring the issue of 'Financing for Development', to the central focus of the debate on development and international action. The Monterrey Consensus has also the distinction of recognizing the importance of the linkages, among trade, development, technology and financing and of setting up priorities for national action, international action and inter-country co-operation.

The Monterrey Consensus has rightly reiterated the thesis that 'Development' is the 'joint responsibility' of the developed and the developing countries and has therefore rightly urged the developed countries to fulfill their commitments in regard to resource transfer and providing market access. It also urges the developing countries to realize their responsibilities and take the necessary initiatives to fulfill them.

Implementation of the Monterrey Consensus Requires concerted action at the national level, international level and at the level of the multilateral institutions. Six specific areas of action have been identified in the Monterrey Consensus. They are the following: (i) Mobilising Domestic Financial resources for Development; (ii) Mobilising International Resources for Development: Foreign Direct Investment and Other Private Flows; (iii) International Trade as an engine for Development; (iv) Increasing International Financial and Technical Cooperation for Development; (v) External Debt; (vi) Enhancing the coherence and consistency of the International Monetary, Financial and Trading Systems in Support of Development.

In each of the above said six areas of action, there is scope for regional cooperation with a view to enhancing the effectiveness of the national actions and complementing the initiatives taken by the multilateral agencies in implementing the Monterrey Consensus. Further the issue of enhancing the cohesiveness and consistency is relevant for all the areas of action and hence it needs to be addressed under each of the action areas. The purpose of this

paper is to provide a conceptual and policy oriented profile of the contours of south-south cooperation in the ESCAP region, in a framework of internal consistency and mutual coherence, with special focus on the objective of implementing the Monterrey Consensus. In view of the vastness and also complexity of the subject, the paper would be synoptic in nature, while at the same time providing an inventory of ideas for further research and innovative policy initiatives at the national levels and also for new work-programme for the ESCAP Secretariat.

The paper has deliberately kept empirical data to the minimum with a view to focusing on the analytical contents of the various proposals put forward in the paper.

## **II. South – South Regional Development Cooperation- A Profile of the Rationale:**

South-South Development Cooperation has been advocated as an important development strategy for the developing world since the decade of the 1960's. While S-S Cooperation is not a substitute for N-S Cooperation, it has its own rationale and efficacy. This advocacy for South-South Cooperation began on two inter-related premises. Firstly, it was believed that North has been exploiting the resources of the South for its own benefits and as such, South-South Cooperation would enable the South to harness its resources for the benefit of its own teeming poor millions. Secondly, it was argued that South-South Cooperation would provide to the South the strength of collectivism for bargaining its positions in the multilateral fora of negotiations. The experience of the past few decades has clearly brought out that both these contentions have been realistic and that S-S Cooperation has now emerged as a positive strategy of development and international relations.

S-S Cooperation in trade and development has also the effect of fostering greater and more effective participation of the Northern countries in the development process of the Southern countries on the terms and conditions that are beneficial to the people of the South.

The compulsions of S-S development Cooperation got intensified in the late 1970's and early 1980's, when the North was caught up in an environment of unprecedented stagflation and hence was unable to function as an engine of development for the South. Many expert groups and commissions, such as Brandt Commission and South Commission, which were set up during this period had stressed the need for inducting new development dynamism in the countries of the South, in the framework of N-S partnership and S-S Cooperation. The initiatives of the United Nations System, taken in the 1970's and 1980's, also underscore the advantages of the paradigm of effective development cooperation among the developing countries. The UN resolution of one percent of GNP as aid target for the Donor developed countries (1971), the UN resolution for New International Economic Order (1974), the emergence of GSP for improving market access for the goods of the developing world (1971 onwards), the intensive debate on Code of Conduct for multinationals and such other initiatives of multilateral character,

had recognized the importance of the thesis that the benefits of overall development at the global level should be equitably shared in such a way that the living standards of the people of the developing world are improved. It was also believed that S-S cooperation would provide an effective framework for improving the capabilities of the developing world to "appropriate" larger share in the benefits of global trade and development.

There are various factors that provide strong rationale for S-S development cooperation. The challenges of development in the different developing countries are similar. Persistence of poverty and poor living conditions, widening gap between the rich and the poor, existence of poor levels of economic and social infrastructure, prevalence of diseases and poor health conditions, etc. characterize this similarity. The Millennium Development Goals (MDG's) recently spelt out by the UN, recognize the significance of this similarity of concerns of the developing countries. Further, in the paradigm of S-S cooperation, the developing countries could focus their attention on these concerns of their people by learning from each others' experiences.

In the recent decades of development experience, it is observed that some developing countries have made rapid strides of progress and socio-economic transformation. They have graduated from the stage of capital importing countries to the status of capital exporting countries. They have also realized rapid technological transformation by constantly improving their domestic capabilities to adapt old technologies and to innovate for new relevant technologies. They have brought about new institutions that are relevant to their socio-economic and cultural settings. S-S Cooperation would facilitate the development process in the laggard members of the South, when there is effective partnership between the more advanced members of the South and the latter.

In the newly globalising world, where market forces are given the driver's seat in the development process, adopting new frameworks of intra-South consolidation and harmonisation of strategies can strengthen the competitive capability of the south. The challenges of competition in the global markets can be effectively met only when the countries of the South endeavour to remove the various inadequacies that prevail in their "competition-capability" by adopting the strategies of cooperation in production, trade, services and financial systems.

**Box No.1**  
**South-South Cooperation and Capacity Development**

Francois Ekoko and Denis Benn

*South-South Cooperation can change the entire framework of North South relations. Networking has already proved to be a cost effective means of tapping the potential of almost five decades of Southern development experience in fields ranging from entrepreneurship through reproductive health. South-South cooperation has not yet taken on the scope or momentum that its logic indicates.....*

*...South-South Cooperation therefore implies:*

- a) An effective, visible, multifaceted leadership both at the policy and political levels;*
- b) A Consultative dialogue among Southern actors*
- c) Adapted and flexible methodologies to deal with changing targets;*
- d) Sufficient Resources (Human and Financial)*

*... South- South Cooperation by no means excludes the North. "Triangular cooperation Arrangements" have emerged as an innovative modality for Technical cooperation. One such venture, undertaken in 1993, emerged from the Tokyo International Conference on African Development (TICAD) and has since become known as the TICAD process- in which Japanese resources have been used to promote exchanges between African and Asian Countries, in particular cooperation among private sector bodies.*

*... An analysis of the evolution of South-South cooperation indicates three trends. The first refers to the explosion of networking made possible with the advent and "democratization of access" to information and communication technology, largely the internet. The second relates to the mobilization of southern countries and institutions around strategic issues, mainly globalization, global governance and financing for development. The last concerns seeking a reclamation of a "middle ground" between the traditional form of technical cooperation and the "soft" South-South cooperation in an effort to capture the best of both.*

*Each of these trends call for developing an appropriate South-South cooperation pattern. The first has an obvious framework in the network pattern; the second is suitable for the catalytic pattern; the third corresponds to triangular cooperation.*

*Triangular Cooperation rests on four principles rarely observed:*

- The development priorities between two or more developing countries are identified and set by them;*
- The options for solving the particular development challenges are decided by the countries involved;*
- The development activity is managed by the developing countries;*
- Developed countries provide financial resources or other inputs.*

S-S regional cooperation eminently serves the objectives of an effective development strategy. It is useful in the process of evolving the right kind of prioritization in resource allocation and of encouraging the use of "appropriate technology". For developing countries, human resource development assumes a place of special significance. Social aspects of development, such as education, health, gender equity, women's empowerment and social equity, also require focused attention. Analytical literature brings out that S-S cooperation would facilitate evolution of a development strategy that would focus on effective participation of the people to deal with the concerns of their well being.

Most of the developing countries have the agricultural sector as the dominant sector. The process of development cannot ignore the strategic importance of agriculture. In the present context of liberalization of the agricultural trade, as per the time bound programme of WTO Agreement on Agriculture, the countries of the South, have a lot to benefit, if they coordinate their strategies in regard to production, marketing and agriculture-related services. It is only through mutual consultations and coordination that the developing countries could identify the strategies of negotiations that would benefit most their agricultural sector. Such an approach would be especially relevant in the context of expanding entry of multinationals in the agricultural sector, - from seeds to marketing activities - which has raised many fundamental questions on issues, such as long term livelihood security of the farmers. Further, in recent year's, bio-technology has emerged as a prime engine of transformation in the agricultural sector (and also other spheres such as medicine, health). The South should engineer the direction of the R&D activities and their applications, in the bio-technology sector in such a way as to benefit its people rather than benefiting the multinational operating in this sector.

### **III. Initiatives for Development Cooperation in the ESCAP region:**

The ESCAP region has recognized the importance of development cooperation at the regional level since the 1960's. The formation of ASEAN, SAARC, ECO, regional groupings of Pacific Island countries, Closer economic relations agreement between Australia and New Zealand, launching of Bangkok Agreement, setting up of BIMST-EC, setting up of SAARC Chambers of Commerce, ASEAN Chambers of Commerce, G-77 Chambers of Commerce etc. stand testimony to the process of development cooperation within the ESCAP region.

Establishment of the Asian Development Bank in 1965, with active initiative of the ESCAP (the then ECAFE), has further strengthened the capability of

the region to fully harness the potentials of development cooperation in the region. ESCAP has been making significant contributions to the process of ECDC and TCDC programmes of the UNDP and has endeavoured to bring the least developed and land-locked countries of the region into the mainstream of regional development cooperation. ESCAP has taken many initiatives of cooperation, on the various issues of relevance to the development process, such as HIV/AIDs, ICT, and also specific areas of relevance to the implementation of the Millennium Development Goals.

The Greater Mekong Sub-regional programme and the comprehensive approach to business sector development called HI-FI, initiated by ESCAP, stand out as model programmes of sub-regional cooperation.

The initiatives of the ESCAP need to be further expanded and strengthened in the background of development in the globalising world with market-driven paradigm of development. In the following paragraphs, we present a profile of some new directions and programmes for regional development co-operation, with particular focus on the task of implementation of the Monterrey Consensus.

#### **IV. Some Principles for New Directions.**

The track record of the ESCAP region for effective development cooperation is indeed remarkable and fruitful. But still there is lot of scope for harnessing the full potential of cooperation for mutual benefit of the countries of the region. Here are some of the Principles for carving out new Directions and setting out New Visions.

In particular, we spell out five Principles of Regional Cooperation that would immensely enhance the scope and intensity of cooperation in the Region. These are the following:

- 1. Collective Action in Managing the Financial Resources For Development;**
- 2. Integrated Approach for Trade, Technology and Investment;**
- 3. Harnessing New Indigenous Resources of Development;**
- 4. Strengthening Development Capabilities with special focus on Human Resource Development and Infrastructural development;**
- 5. Moving Towards an Asian Economic Community.**

In the following pages we provide some detailed account of each of these of these approaches, with a view to identifying some concrete action programs at the national and international levels as also for the ESCAP secretariat.

##### **4.1 Collective Action in Managing the Financial Resources for Development:**

In this section we put forward the following two proposals:

1. Setting up of an Integration/Cohesion Fund for dealing with Asymmetries in the Region;

2. Integration of Capital Markets of Select Countries and select Projects;
3. Harmonization of Policies towards foreign capital flows.

#### 4.1.1 Integration/Cohesion Fund for dealing with Asymmetries:

ESCAP region is a region with wide disparities in the stages of development and in regard to the inherent capabilities to mobilize financial resources for development.

Table No.1

Regions	Per capita GNI (US \$)					
	Year 2000			Year 2002		
	Min.	Max.	Range	Min.	Max.	Range
<b>East Asia</b>	390	26830	26440	430	24690	24260
<b>South East Asia</b>	290	22780	22490	300	20690	20390
<b>South Asia</b>	130	2130	2000	190	2170	1980
<b>Central Asia</b>	180	1250	1070	180	1520	1340
<b>Pacific DMCs</b>	420	7220	6800	520	6820	6300

The table given above brings out the extent of the disparities in the per capita GNI in each sub region and also between the sub regions of the ESCAP region, in the years 2000 and 2002. Such disparities exist in regard to various other parameters, such as, population, trade, investment, savings, education, health etc.

These disparities would continue to persist unless some proactive measures are taken in coordinating the strategies of resource mobilization in the different parts of the region. There are also wide disparities in regard to access to international resources. There is an analytical question as to whether trade liberalization in a region characterized by asymmetries would lead to convergence of income levels over time? The empirical evidence on this issue seems to be mixed one.

The contents of the Box. No.2 given above bring out that trade liberalization may not be enough for generating impulses of development in a region

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