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3

South–South Cooperation: What Prospects for a New Bandung Consensus?

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Introduction

As we approach the closing days of the twenty-first century, the balance of power in the world economy looks quite different from what existed barely 20 years ago. The shift from bipolarity to multipolarity has ushered in a new set of international alignments, potentially making a definitive break with some of the post-World War II institutions and practices. The emergence of China and India as powerful economic giants, the proliferation of new trilateral formations such as the Brazil, Russia, India, China (BRICs) alliance, the India–Brazil–South Africa dialogue (IBSA) forum, a profoundly transformed G-20 forum in the wake of the global financial crisis, presents both challenges and opportunities to the developing countries (Wilson and Purushothaman, 2003; National Intelligence Council, 2008). Indeed, over the last decade, Africa's relationship with Asia has expanded as evident from the frequent summits between Asian and African countries. The precursor for renewing the spirit of the 1995 Bandung conference was the April 2005 Asian-African summit held in Jakarta, Indonesia.[1] This was followed by the forum for China–Africa Cooperation (November 2006), the first India-Africa summit (April 2008), the Tokyo International Conference on African Development (June 2008) and the Korea-Africa Summit (November 2009). By 2010, China will overtake the US as Africa's largest trading partner (UNCTAD, 2007a).

The increasing economic diplomacy between Africa and Asia is being complemented with similar initiatives to expand economic and political relationships with Latin America, the Near East and the Arab World. For example, the first trade ministerial conference of African and South American countries (ASA) was held in Marrakech, Morocco on 19 June 2008 and adopted the 'Marrakech Plan of Action' which laid out a roadmap for the promotion of Africa and South America economic relationship.[2] The ministerial meeting was an outcome of two meetings of the heads of state and governments from Africa and South America (the Abuja meeting of November 2006 and the Caracas meeting of September 2007) (AU, 2006). The second Latin America–Africa summit was concluded in October 2009; the summit launched a 'Bank of the South' with a starting capital of US$20 billion, and 'Radio of the South' whose aim is to promote the union of the peoples of the South through information exchange and cross-national collaboration (Pearson, 2009). In an unusual move, Turkey also held its first Turkey-Africa Economic Forum in 2008, a sign that new forms of trilateral arrangements are being made by developing countries to navigate successfully the challenges of globalization.

In addition to these global power shifts, the current global financial crisis could open up new opportunities for African countries to restructure their economies away from the prying power of the North. But this will depend on how African countries might want to relate to the so-called BRIC countries, and the Next Eleven (N-11) groups of countries that form the second tier of emerging developing countries. The central question raised in this chapter is the following: how can African countries (and developing countries in general) harness these new relationships with emerging powers to construct alternative global economic and governance architecture favourable to them? After all, Africa is not without any bargaining power given the role energy security plays in the foreign policies of China, India and the rest of the industrialized world.

Before exploring the future of South–South Cooperation (SSC) in the context of the new environment, it is important to take stock of what has been achieved so far and what remains to be done to fully realize SSC arrangement in a meaningful way. We need to have a retrospective view as well as a prospective view.

SSC in historical context

In the early 1960s and 1970s, and in the context of the Cold War between the West and the Soviet Union, there were attempts to forge Tri-continental Movements of governments involving the countries of Asia, Africa and Latin America to advance the economic interests of developing countries and to protect their respective national sovereignty. The oldest of these groupings was the Non-Aligned Movement (NAM), comprising more than a hundred countries (Willet, 1978; Morphet, 2004: pp. 517–537). And in 1964, the G-77 was formed as the largest Third World coalition in the UN, providing a forum for the developing world to articulate and promote its collective interests relating to the global economy. The establishment of an equitable international trade regime has been a central issue on the development agenda of the group, and in the mid-1970s, the G-77 pushed in the UN General Assembly for a New International Economic Order (NIEO) (Narlikar, 2006: pp. 1005–1029).

Among the major achievements of the G-77 were: the successful negotiation of the Generalized System of Preferences (GSP), a scheme designed to allow trade preferences to be extended by developed countries to developing ones on a non-reciprocal basis. The Integrated Programme for Commodities, which includes the Common Fund, a fund designed to compensate developing countries in the event of shocks in the commodities markets, was another. Other landmarks include the adoption by the UN General Assembly of the Declaration and Programme of Action for the Establishment of a NIEO (De Silva, 1983). However, with the onset of the debt crisis in the 1980s and the widespread application of structural adjustment programmes, which undermined national capacity, the G-77 was unable to pressure developed countries to level the playing field in international trade and decision-making in key organs of the world system. With a divided Third World, many of the proposals, such as commodity price stabilization, were never fully implemented.

Despite limited success in moving forward the global governance reform agenda, the G-77 remains the most important bloc representing the interests of developing countries in the multilateral system. The group has gained momentum in recent years, a rallying point for developing countries in the context of the struggle to democratize the international trading system. Third World resistance against the North's economic domination came to the fore during the infamous 1999 WTO ministerial meeting in Seattle (Narlikar and Wilkinson, 2004: pp. 447–460).

SSC in the post-1980s: the North in retreat

With the accession to power in the early 1980s of two conservative governments in the UK and the US (Margaret Thatcher and Ronald Regan), the international climate for an enabling SSC turned negative. In an address at the 1981 NAM meeting in Mexico, President Regan told Third World delegates that they should give up their rhetoric on a new international economic order and instead try 'to pull themselves out of poverty with their own bootstraps' as much of the western world had done (Wiarda, 1982). In fact, the climate for multilateralism turned negative throughout the 1980s and the 1990s. In the economic front, the developed countries, led by the US, forged ahead to construct a new global trading regime in the context of the Uruguay Round (UR) of trade negotiations (1986–1994) that favours an open and liberalized trading system and for the removal of any trade preferences that were previously accorded to developing countries under the GATT agreement. In addition, the UR of GATT negotiation included more in-depth strategic issues of interest to developed countries, such as promoting the rights of international investors through the Trade-Related Investment Measures (TRIMs) agreement and protecting corporate 'intellectual property' through the so-called Trade-Related Aspects of Intellectual Property Rights (TRIPs). These and many other UR agreements were designed to place wider obligations and constraints on all member states' international trade practices, but also with regard to their internal domestic policies (Raghavan, 1990). The UR set up the WTO in 1995 in Geneva for the monitoring, supervision and enforcement of such trade and trade-related agreements throughout the world.

The fact that Third World countries were always too politically, economically and culturally heterogeneous to join forces as a bloc based on common interest did not help their case in these negotiations. The final text, negotiated between the TRIAD (US–Japan–EU) was presented to them as a *fait accompli*. No sooner had the ink dried on the final text of the UR document that developing countries realized the underlying strategic aims and the grossly imbalanced nature of the package of agreements they had been persuaded to sign. It became clear that the US and the EU had skillfully evaded the extensive and rapid liberalization terms they were imposing on other countries while inserting in the text targets and exemptions for themselves, allowing them to maintain various protective terms and protectionist devices within their own economies, and especially for their more vulnerable sectors, such as agriculture, textile and other less competitive products. The grossly imbalanced nature of the new trading regime thus became one of the important impetuses for Third World activism in the subsequent WTO ministerial conferences in the years following the UR (Das, 1998; Draper and Sally, 2005). This confrontational position by developing countries was further aided by the growth of global civil society movements mobilized against neoliberal globalization.

South–South tactical alliance within the WTO

The current surge of interest in enhanced SSC is different from the past in that it appears to be largely anchored, not in a defensive outlook, but in the assessment that the opportunity for defining the destiny of developing countries is better now than at any time in the recent past. The intensifying South–South strategic engagements in recent years in the context of the G-20, the IBSA dialogue, the G-77 and the NAM, are in response to the inflexibility of the developed countries to democratize the Northern-dominated global economic systems and institutional regime (i.e. the IMF, the World Bank and the WTO).

The two defining moments of this Third World activism were the 1999 WTO ministerial meeting in Seattle and the 2003 WTO's 5th ministerial meeting in Cancun, Mexico. Following the 1999 debacle in Seattle, developing countries came together more and more in various new groupings to promote their views on key issues and processes in Geneva as these arose (Narlikar, 2003). In addition to some of the major developing countries, such as India that had traditionally played leading roles in GATT and WTO, a core of Caribbean and African countries participated in these proactive tactical alliances in preparation for the 2003 ministerial meeting in Cancun, Mexico in August 2003 (Keet, 2002).

Led by emerging economic powers, namely Brazil, India and South Africa (SA), a group of G-20+ developing countries (also referred to as G-22) refused to accept a draft ministerial text put forward by the US and the EU, which they believed did not reflect the special needs of developing countries. Instead, the G-22 submitted a key paper on agriculture which calls for an end to export subsidies for farmers that encourage dumping, and for a cap on direct payments, within a specific time frame. Moreover, the G-22 refused to extend the remit of the WTO into new areas such as investment (Bernal et al., 2004).

The caucusing by the G-22 was complemented and supported by parallel caucusing of other developing country groupings. The AU formed an alliance with the Latin America and Caribbean Group (GRULAC), the Caribbean Community (CARICOM) and with the LDCs – 61 WTO member countries in all. In addition, 33 developing countries (G-33), including six members of the G-22, formed an alliance which called on the meeting to agree to a mechanism that would allow developing countries to designate products of special interest to poor farmers that would be exempt from WTO rules (so-called Special Safeguard Measures). The significance of the G-33 alliance is that its main concern is not agricultural trade liberalization, as in the case of the G-22, but the countries' right to prevent Northern agricultural export dumping, and damage to their small farmers.

All in all, the massive mobilizing by developing countries during the preparatory process for the Fifth Ministerial Conference shaped the outcome of Cancun. They stood together in Cancun on their separate and combined demands to be fully recognized in the WTO agreements. They demanded on receiving 'Special and Differential Treatment' in recognition of their lesser levels of development; they opposed the introduction of the so-called 'Singapore issues' on the free movement and operations of international investors (Primack and Bilal, 2004). This was the first time the developing countries came together to stop a multilateral trade negotiation dead (Keet, 2002; Palley, 2003). More importantly, the alliance of the G-22 countries pooled together technical expertise and political will to strengthen the cohesiveness of the Group. By the end of the meeting, Egypt, Indonesia and Nigeria had joined the group and the G-23 represented well over half of the world's population.

SSC at a crossroad: new challenges

The emergence of a coterie of middle-income developing countries actively challenging the position of the powerful developed countries of the North is an especially significant event (National Intelligence Council, 2008). Two prominent formations of recent years include the so-called BRICs and IBSA (see Chapter 6 in this book). The shift from a bipolar to a multipolar world implies more room to manoeuvre for individual African countries or collectively as each economic bloc – that is, North America, the EU, and Asia – compete fiercely to have access to African energy and other raw material resources.

As the BRICs become dominant in the global economy, it makes it imperative that they assume a bigger representation and voting power in all areas of global governance. If that happens, so goes the argument, these emerging powers could become a force in re-balancing the 'unbalanced' rules in global economic governance. This will in turn provide 'policy space' for developing countries. Because of the dependence of China and India in particular on African oil and mineral resources to fuel their respective economies, they will have to take into account the particular interests of developing countries in their engagement with the G-7 countries. In this section, the potential impact of these new trilateral formations on expanding policy space for developing countries is examined.

IBSA

IBSA emerged in early 2000 as a result of the disappointment with the lack of progress of multilateral trade negotiations, particularly in the aftermath of the WTO fiasco in Seattle. It was built on the close consultations process established during Cancun (Taylor, 2002: p. 15) by a selective group of self-appointed elites from the leading Third World countries, particularly IBSA, in an effort to present a unified Third World position as well as promote preferential trade between *Mercadeo Comun del Sur* (MERCOSUR), Southern Africa Customs Union (SACU) and India. The formal launch of this tripartite alliance took place in Brasilia in June 2003, a year after Luiz Ignacio Lula da Silva, the Workers' Party leader, was elected president of Brazil (Draper et al., 2004; Mokoena, 2007: pp. 125–145; Sotero, 2009).

The three countries have much in common with each other economically and socially. The combined GDP of these countries is some US$1.3 trillion dollars. This is only about three percent of global GDP but, with a combined population of more than 1.2 billion people, these economies together constitute enormous markets for each other's investors-producers (Draper et al., 2004: p. 6). Inter-IBSA trade has been expanding rapidly over recent years, reaching about US$10 billion dollars in 2007. At the same time, the three countries continue to maintain strong economic and political ties with the US. Given this kind of economic relationship with each other and with the US, the members of IBSA are less rhetorical in their goals and statements, and more focused on a practical relationship that produces tangible results for each other.

Over the past five years, IBSA have walked away from their strong multilateralist position in trade negotiations by securing bilateral deals in the WTO negotiations. This was quite evident when it comes to the negotiation on agricultural liberalization (Bernal et al., 2004). While Brazil has taken an offensive position in the Doha Round on the issue of agricultural market access (being a member of the Cairns Exporting Countries grouping); India has been less inflexible since it is a country constituted of poor subsistence farmers who could easily be wiped out by indiscriminate liberalization of the agricultural trade regime. SA, on the other hand, is somewhere in between, mostly supporting its big farmers who happen to be white. If and when Brazil reaches an accommodation with the big agricultural exporting countries, this may jeopardize the future of IBSA (Mokoena, 2007: pp. 125–145).

Although IBSA has tried to present itself as a counter-hegemonic bloc, it is very hard to hide its reformist impulse, choosing instead to reform the current international governance structure, rather than advocating to fundamentally transform it.[3] For example, India's foreign policy has moved away from the moral rhetoric and strong anti-America stance of merely a decade ago (Ganguly, 2003: pp. 41–47). US–India Civilian Nuclear Cooperation and India's increasing role in multilateral forums has positioned India differently from being a champion of the Third World. The same can be said about Brazil and SA. Moreover, the three members of IBSA, while coming together on many issues, are also competitors with one another as they each seek broad Third World support as well as the support of the United States in their quest to secure a permanent seat in the UN Security Council (Alden and Vieira, 2005, pp. 1077–1095).

There is also growing scepticism about the legitimacy of IBSA to represent the regional interests of non-members. None of the three leading countries has been publicly appointed to represent the interest of developing countries in their respective regions and its leadership role is fiercely contested. Brazil's self-proclaimed leadership of South America is being contested by oil-rich Venezuela and Chile. In Asia, we cannot ignore the competition between India, China and Japan. In the case of SA, for example, many African countries are suspicious of SA's motives and its championing of the New Partnership for Africa's Development (NEPAD) and the African Renaissance to promote its leadership status on the continent. Therefore, the most resistance to reform of the present Security Council comes not from the current Permanent Five (P-5), but from the contenders who are unlikely to gain permanent seats if reforms are carried out. These countries include Argentina, Mexico, Pakistan, Nigeria and Egypt. In the case of Africa, for example, the AU preference is for a rotating incumbency of a permanent seat for Africa.

Engaging the BRICS

The term BRICs was first coined by the investment bank Goldman Sachs in 2001, signifying the rising importance of Brazil, Russia, India and China in the world economy. By the end of this decade, the share of the BRICs countries in global GDP would rise sufficiently to make it clear that the global governance of the world economy would need to change radically in order to incorporate them (Goldman, 2001). Thus, the BRICs have the potential to form a powerful bloc to bring about structural change in global economic governance (see Chapter 6 in this book).

Despite the potential of the BRICs to represent the interests of developing countries, the kind of united front among developing countries that we witnessed in Cancun cannot always be granted in each and every issue of interest to the majority of poor countries. The interests of the bigger developing countries within the G-77 (i.e. the IBSA) are not always compatible with the interests of the least developed countries. The 'emerging countries' are much more focused on specific issues that affect them rather than rallying behind every issue of interest to the developing countries as a whole. This internal division is as much a product of globalization as was the initial impetus for the formation of the G-77.

In short, the emergence of new middle powers in the world economy may not necessarily produce policy space for developing countries. As the G-77 becomes more diverse in terms of different levels of economic and political power, the emerging Southern powers are increasingly likely to follow their own paths, and perhaps less likely to rally behind every issue that is of interest to the members of the G-77. India, Brazil, China, Russia and SA are ready to flex their economic muscle, not with the aim of making the world a better place for poor countries, but rather to maximize their own autonomy vis-à-vis the dominant Western powers with whom they have stronger economic, political and strategic relationships that they can ill afford to abandon. India, Brazil, SA and China can either turn out to be 'spoilers' or 'defenders' of Third World interest.

The strategic challenge: the future of South–South relations

Counter-hegemonic strategies aimed at strengthening the position of developing countries in the global system will require actions at multiple levels: national, sub-regional and continental level. Central to this counter-hegemonic project in the South is the existence of an activist and democratic developmental state that would assert its development role within the context of a common national vision (Wade, 1990; Mkandawire, 2001). As Rodrik (1994a and 1999) and others have pointed out, developing countries that experienced rapid economic growth over the past 20 years are those which first developed their domestic markets adequately enough to compete in the world economy, and not necessarily those countries that indiscriminately opened up their economies to foreign trade and investment. These countries grew faster under protective barriers, and only later did they begin to liberalize. In short, if the market is to function effectively, it requires elaborate state guidance.

South–South tactical alliance to reform the global governance architecture

Three critical areas around which South–South tactical alliance can be forged in order to create new conditions that take into account the interest of developing countries are discussed here.

Democratizing the current global governance architecture

The current structure of global governance does not allow for the effective participation of African countries in norm setting of key financial, monetary and multilateral institutions. African countries still lack democratic representation in the decision-making processes of the post-war international institutions, such as the UN Security Council, the IMF and the World Bank (Khor, 2000: pp. 101–104). For example, almost a quarter of the IMF's membership comes from SSA (45), yet the total voting power of this bloc is only around 4.4 per cent. Even in those decisions that affect SSA countries directly, these countries do not have enough voting power to sway the decision in any direction, and often have to rely on the support of other developing countries to muster a sufficient vote to enhance or defend their position.

The Commission on Global Governance and other similar international panels have made many innovative proposals on how to democratize the current undemocratic global governance architecture (Bradford and Linn, 2007). Unfortunately, the major shareholders of the IMF and the World Bank have been unwilling to let go of the levers of power they have vis-à-vis other developing countries in these institutions. The current financial crisis provides an opportunity for developing countries, particularly the emerging Southern powers, to use their financial muscle to pressure the dominant powers to agree on a new equitable global governance architecture (Helsinki Process, 2005). The recent transformation of the G-20 as the main forum where key issues of global economic governance are discussed in the aftermath of the global financial crisis does not really represent a radical departure from the past. Time will tell if the G-20 forum is going to deliver real and tangible structural change in the governance of global economic relationships to the satisfaction of the majority of poor countries.

Re-balancing the 'unbalanced rule' in the current international trade regime

The battle over reforming the international trading system must be taken to a different level and the time to do that is now! Despite the elimination of many of the barriers that have restricted international trade in goods, significant barriers to trade still persist, often to the detriment of the poorest countries. These barriers include: basic issues such as market access, terms of trade distortions, commodity price volatility and trade patterns, phasing-out export subsidies and trade distorting domestic support measures in agricultural exports, and special and differential treatment for poor countries. These concerns were supposed to be addressed under the so-called 'Doha Development Round' (DDR). Sadly, after almost eight years of on-and-off negotiations, the DDR of trade negotiations collapsed on the evening of 29 July 2008 when the developed countries refused to agree on a proposal to reduce their 'agricultural subsidies' as well as to agree on the Special Safeguard Mechanism (SSM) which developing countries want to protect their farmers from sudden surges of agricultural imports.

Indeed, with a level playing field, trade can be a much greater force than aid in reducing poverty in Africa. Yet, the developed countries have consistently refused to level the playing field. The disastrous collapse of the EU-Africa Lisbon summit in December 2007 over disagreement on the heavily EU-biased Economic Partnership Agreement the breakdown of the DDR in July 2008 can only help to further solidify the growing perception of globalization as colonialism. Without re-balancing the 'unbalanced rules', African countries cannot expect to benefit from expanded global trade.

Streamlining 'conditionality' in the aid architecture

Since the end of the Cold War, the international aid system has grown increasingly monolithic. Both bilateral and multilateral aid policies were brought into alignment with a cluster of neoliberal precepts (i.e. the Washington Consensus) and macroeconomic approaches (structural adjustment) orchestrated by the IMF and the World Bank. And as more and more African countries ran into difficulty to service their outstanding debts, conditional lending became the main instrument to open up African markets, dismantle many aspects of the African state and institute minimal democratic procedures deemed essential for the well functioning of the market.

Despite implementing far reaching economic reforms, such as improvements in the regulatory framework for FDI, few African countries have achieved compelling results in terms of any of the indicators that measure real, sustainable development. Instead, most have slid backwards into growing poverty, inequality, ecological degradation and de-industrialization. Adjustment has been achieved by curtailing investment in education, in social services to the poor and in the productive sectors of the economy. Moreover, the expected surge of FDI into Africa as a whole has not occurred, notwithstanding the recent Asian investment surge in resource-rich African countries (UNCTAD, 2007a).

The cumulative impact of externally imposed 'conditionality-driven' economic prescriptions in Africa has been the progressive erosion of policy space as African governments become more and more accountable to external creditors than to their own citizens. This is in stark contrast to the successful globalizers of East Asia who were able to engineer their development independently while moving in a market-oriented direction under the guidance of a strong and capable 'developmental' state (UNCTAD, 2007c).

There is, therefore, an urgent need to enlarge the range of country policy options and choices. First, there is a need for more transparent donor conduct regarding the content and mechanics of 'conditionality'. Second, donor governments have to cede some influence over their programmes to national institutions if the views of African partners are to be taken seriously. This is a major challenge to some aid agencies, especially those whose decisions are highly constrained by their own domestic politics. It is also a challenge to the culture of aid agencies, which have been accustomed to controlling the ways in which their aid is used in Africa.

Regional, South–South levels

Strengthening regional economic integration and South–South trade

Regional integration and cooperation are important aspects of 'strategic integration'. Such policies should support the goal of increased international competitiveness, for example, by promoting regional production chains and also nurturing the development of regional markets in order to reduce demand-side constraints on growth (UNCTAD, 2009). National efforts in 'strategic integration' when complemented with strategic tactical alliance with other developing countries, that is BRICs, G-77, IBSA and so on, can create the necessary policy space for African countries to manoeuvre and to chart their own development path. Among the strategies that should be put in place by Southern governments at regional level are the following:

Establish a bank of the South at regional level

The global financial crisis presents an opportunity for the countries of the South to establish a regional lender of last resort to mobilize regional savings to defend regional markets. Such an idea was touted as early as 2000 by the former Japanese Vice-Finance Minister Eisuke Sakakibara (Sakakibara, 2000). And in the aftermath of the 1998 Asian financial crisis, the ASEAN+3 countries reached an agreement to pool their financial reserves in case of a financial emergency. It make no sense for surplus countries to continue to finance the US budget deficit by continuing to purchase US Treasury bills and other instruments instead of using these reserves to create a new Southern institution that would play as lender of last resort.

The most ambitious proposal so far has been the establishment of the Bank of the South, championed by the government of Venezuela. The initiative, which sees the need to deploy the swelling G-15 surpluses to establish a lender of last resort, should be seen as part of a larger ongoing process of financial integration among developing countries, whose other manifestations include the strengthening of South–South capital flows, growing trade between developing countries and a marked rise in South–South cross-border banking activities.[4] During the second Africa-South America summit held in Margarita Island, Venezuela, the heads of state of Argentina, Chile, Bolivia, Brazil, Uruguay and Venezuela signed a document to form the Bank of the South which will have a starting capital of US$20 billion. Venezuela will contribute US$4 billion, as will Brazil and Argentina, with other countries also contributing according their capacity (Pearson, 2009: p. 2). A similar initiative is needed in Africa, with oil and gas exporting countries such as Algeria, Nigeria, Angola and Sudan taking the lead by contributing to an initial capital of up to US$5 billion to establish the bank.

The Bank of the South will have its headquarters in Caracas and offices in Buenos Aires and La Paz. It will lend to member countries and can lend to a range of organizations, including private companies, cooperatives and state organizations, but taking into consideration the extent to which they generate food, energy, health, natural resources or knowledge sovereignty. The Bank of the South will have three functions: (i) mobilize developing country savings to help bridge the development finance gap; (ii) provide technical assistance in identifying and preparing infrastructure and other projects for implementation; and (iii) use the pool of funds to help countries fight back currency speculative attacks and insulate them from external shock (G-15, 2007) (see Chapter 2 in this book). In Africa, a proposal to create an African Finance Corporation to bridge the gap in infrastructure finance on that continent has been under discussion. Countries like Nigeria, Angola, Sudan, and SA can take the lead to replicate the South American experience and establish an African Bank that would serve as a lender of last resort.

Establish regional payment and clearing house

The reliance on the dollar and Euro as the main currencies for the settlement of trade transactions between developing countries themselves (in addition to the use of the dollar and the Euro as reserve currencies) has many disadvantages. In the African context, while many regional economic communities have registered some success in consolidating the regional integration agenda – that is common passport and labour mobility in the ECOWAS region – the prospects for monetary union are many years away. It is therefore imperative that regional groupings come up with interim measures that would facilitate South–South trade without having to rely on the dollar or the Euro as the only means to facilitate trade.

Africa has been the first continent to innovate with such an idea. The Preferential Trade Area (PTA) Clearing House, which became operational in February 1984, was the first step towards establishing a PTA Payments Union and, eventually, a Monetary Union. Under this scheme, member countries were supposed to use national currencies in the settlement of payments during a transactions period of two calendar months, with only net balances at the end of this period requiring settlement in convertible currencies (through the Federal Reserve Bank of New York). Intra-regional settlements are expressed and recorded in terms of the PTA unit of account (UAPTA), which is equal to the IMF's SDR. Temporarily operating through the Reserve Bank of Zimbabwe, the Clearing House was supposed to be fully autonomous by January 1992 (Martin, 1990: pp. 173–174). Indeed, the UAPTA was a great innovation, but it was allowed to die a slow death unceremoniously. The current global financial crisis opens up an opportunity to revisit this issue once again.

Strengthen South–South coordination of macroeconomic and investment policies

The legal framework and investment policies are crucial elements for creating a favourable climate for expanded South–South trade and investment. At present, however, macroeconomic trade, investment, and monetary and fiscal policies in Africa vary from country to country as is the case with many other developing regions. To date, liberalization policies have been conceived as national programmes with national goals and using national financial policies and have thus lacked a regional dimension; this has turned out to be a serious impediment to South–South trade and investment. This policy disconnect has further been exacerbated by the proliferation of bilateral trade and investment treaties over the past years, with the introduction of the Economic Partnership Agreement (EPA) of the EU (Keet, 2002).

Greater policy coordination can be achieved through existing regional institutions of the South, such as ASEAN, SADC, MERCOSUR, CARICOM and so on, especially in sharing information and coordination of policies in trade, investment and communication, as well as joint projects involving several countries. This is necessary because, increasingly, policies that used to be taken at the national level are being made at forums, institutions and negotiations at both the regional and international levels. Without a more effective collective voice, developing countries find themselves at the mercy of powerful Northern governments which hold undue influence on the domestic policies of poor countries (Khor, 2000: p. 101).

Accelerate intra South–South trade liberalization

While we acknowledge that tariff and non-tariff barriers continue to inhibit access to Northern markets, developing countries must come face to face with their own trade barriers to each other's economy. The presence of structural barriers to South–South trade requires further investigation. First, average tariffs in the South are higher on other developing country imports than those on imports from the developed countries. Second, similarity in production pattern and resource base makes export substitutes impossible. Third, infrastructural deficiencies, including financial sector development, limit South–South trade. Furthermore, in terms of export diversity, unlike emerging market economies, two-thirds of developing countries depend on primary commodities for 50 per cent or more of their export earnings (UNCTAD, 2009). Therefore, South–South trade liberalization and policy coordination are important measures to strengthen trade and investment relationships between developing countries.

South–South educational and scientific cooperation

Human resource development and strengthening research and analytical skills in many areas can be done on a regional basis, ranging from malaria eradication to trans-boundary issues such as environment and water resource management. There is still tremendous opportunity to scale up the quality of research in many sectors through strategic cooperation with Southern emerging powers, such as India, China, Brazil, Korea, to name a few. For example, the Chinese government currently offers training opportunities to up to 10,000 African students and professionals each year (FOCAC, 2006). India is also expanding its training and technical assistance programmes to African countries and currently provides 1600 scholarships each year (Katti et al., 2009: p. 4). Chinese and Indian firms and universities may not necessarily possess the most advanced technology and expertise compared to Western firms and research institutions, but what they do possess may often be appropriate to the needs of many African countries.

Measures at the national level (strategic integration)

The first line of defence against external domination of African economies is the national context. What happens at the national level, therefore, becomes more important. This requires the presence of a strong, effective and development-oriented state that is capable of articulating a national development vision that is 'empowering and liberating' in close consultation with broad societal actors at the national level.

The recent development experience of China and East Asia certainly demonstrates the importance of national policies that support strategic industries, develop internal infrastructure, invest in human capital formation to provide equal opportunity and upward mobility for all, and control financial markets (Wade, 1990; Rodrik, 1999). They were able to succeed for two reasons: (i) governments had the freedom to control basic economic policy; and (ii) the state had the administrative, legal and regulatory capacity to guide the market in a way favourable to national development (Wade, 1994; Haggard, 1994; Mkandawire, 2001).

The alternative to the dominant 'Washington Consensus' is what Charles Gore (2000) aptly refers to as 'strategic integration', and Cheru (2002: pp. xv) dubbed 'a guided embrace of globalization'. Terminology aside, the concept of 'strategic integration' draws its inspiration from East Asian developmentalism (Wade, 1990; Rodrik, 1994b; Evans, 1998) and Latin American neo-structuralism (French-Davies, 1988; Sunkel, 1993; ECLAC, 1995). The key assumption of 'strategic integration' is the belief that growth and industrialization in poor countries cannot be animated using a general blueprint as expounded by the advocates of neoliberal globalization (Bhagwati, 2002). Instead, policy measures have to be adapted to initial conditions and the external environment, based on an analysis of the strengths, weaknesses, opportunities and threats that each country is confronted with. In addition, a policy of strategic integration must include appropriate macroeconomic, structural and social policies.

The central concern of 'strategic integration' is policy autonomy. As Martin Khor (2001: p. 37) has succinctly argued, 'developing countries must have the ability, freedom and flexibility to make strategic choices in finance, trade and investment policies, where they can decide on the rate and scope of liberalization and combine this appropriately with the defense of local firms and farms.' This policy space is needed in order for developing countries to exercise institutional innovations that would enable them to experiment with alternative development strategies that are pro-poor, and environmentally and socially sustainable. If any government does not have such freedom to define its own development path, it will never be able to give meaning to the concept of citizenship, democratic representation and the full realization of economic, social and cultural rights (Mkandawire, 2001; UNCTAD, 2007c). Among the measures that support 'strategic integration' are :

Pro-poor macroeconomic policy

For economic growth to be pro-poor, maintaining a stable macroeconomic policy – reducing fiscal deficits and inflation – is critical for generating growth and for ensuring the full utilization of production capacity and encouraging the pace of domestic capital formation. This requires the adoption of a range of measures to improve the supply capabilities of the economy and specific sectors within it, to assist domestic private agents to acquire increased international competitiveness. Such policies could include: targeted subsidies, lower interest rates, protection of infant industries through import and export controls, maintaining exchange rate stability and instituting managed liberalization as opposed to indiscriminate liberalization of the domestic economy. Monetary, trade and financial policies can also be supplemented with human resource and infrastructure development that support the productivity of local enterprises (Haggard, 1994; Rodrik, 1994b; Wade, 1994).

Moreover, the policies adopted should support 'strategic opening to world markets' as opposed to 'indiscriminate opening' as advocated by the apologists of neoliberal globalization. Such opening to external markets should be decided on the basis of how they support the national interest in terms of promoting economic growth and structural change (Rodrik, 1994b: pp. 35–39; Wade, 1994; Mkandawire and Soludo, 1999; Cheru, 2002). It would involve a mix of sectorally neutral as well as selective policies. In other words, strategic integration involves deliberate state intervention to strengthen national political capacity in the face of a polarizing logic of world order, which undermines such capacity.

Creation of strategic alliances between government and business

Successful developing countries have been those that have shaped a constructive, mutually supportive relationship between the public and private sectors, rather than the ones that opted for the primary of the market or the primacy of the state. Therefore, transformational change in Africa requires the simultaneous participation of the three major elements of society: the private sector, the developmental state and civil society (Johnson, 1987; Cheru and Bradford, 2005). The role of the developmental state is to articulate a common vision of national development objectives and to outline strategies on how these can be achieved through formal and informal ties with the private sector (Haggard, 1994, p. 94). The state, in consultation with private sector actors, puts in place a range of policy measures designed to improve the supply capabilities of both private enterprises and publicly-owned strategic industries to identify and acquire competitive advantages. Such measures might include: technology policy; financial policy; human resource development; physical infrastructure development; and industrial organization and competition policy. In short, the aim is to manage the state-market-society nexus as effectively as possible. This of courses requires the enhancement of state capacity rather than state minimization.

Social policy and distributional dimension

Social policies need to be integrated into national economic policies, and this would in turn serve to legitimize the role of institutions/governments. The main focus for a more equitable and inclusive growth process is wide asset ownership and the expansion of productive employment. Important policies in this regard include; agrarian reform and rural development policies; investment in education and critical infrastructure; targeted social protection and social insurance; support for small and medium enterprises, particularly through financial policies; and broad-based human development through social provisioning of basic needs and health services (Haggard, 1994, pp. 91–93; Rodrik, 1994b, p. 16; UNCTAD, 2007b, pp. 57–74). Similar policies were credited for the spectacular economic growth that the East Asian countries experienced in the early stages of their development. The main focus of the strategies has been to develop the domestic market adequately, and support key sectors so as to adopt competitive market-viable behavior within an initially protective framework, before opening them up to external market forces. In other words, if the market is to function effectively, it requires elaborate sate guidance.

In summary, securing policy space by developing countries is an outcome of clear and deliberate strategic national policies. Through well-crafted domestic policy measures, developing countries can be in a position to dictate the behavior of the dominant Western powers so that their investments contribute to the long-term development of poor countries. Formal SSC and regional integration should, therefore, be viewed as a complement rather than a substitute for individual country-owned development strategies.

Notes

1 Consult the official website of the Asian-African Summit for a full set of documents: http://www.asianafricansummit2005.org.
2 1st Trade Ministerial Conference of Africa and South America, 'Marrakech Declaration', 19 June 2008 (mimeo)
3 See 'Agenda for Co-operation', released after the Ministerial meeting in New Delhi; www.mre.go.br.
4 See Chapter 4, Global Development Finance, 2006, World Bank for further details on this trend.

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