



SID-NL Lecture Series 2013-2014

“South-South Alliances and Triangular Cooperation”

On **28 October** 2013, SIDNL welcomed Dr Renu Modi (University of Mumbai) to give a lecture on increasing cooperation between countries in the global South, mainly focusing on relations between India and Africa. What is the future of this cooperation and what can we learn? Moderator Peter Konijn (Knowing Emerging Powers) chaired the discussion with the audience.

Introduction

In the second lecture of the 2013/2014 SID Lecture Series ‘Dispersed Power in a World in Transition’, Dr Renu Modi focused on the increasing cooperation between countries in the global South. Dr Modi, who is a Senior Lecturer at the Centre for African Studies at the University of Mumbai, gave a sharp outline of developments in the past decades which have led to a redefinition of the paradigm of development cooperation. The focus was on relations between India and Africa in particular, although she sometimes generalised her findings to a wider context.

After giving a brief historical overview of the changed landscape of development cooperation and patterns in international trade, anticipating the emergence of a new ‘second world’, Dr Modi’s main argument was that emerging countries collectively bolster world economic growth, while lifting other developing countries out of poverty. The increased mutual cooperation is a fundamental shift from traditional development aid such as the strategies propagated by the OECD, which find their roots in the liberal paradigm of the Washington Consensus. Where the West talks of ‘aid’, the South prefers ‘sustainable economic engagements’ at times facilitated by concessional lines of credits, duty free preference schemes and other measures. Dr Modi looked at the changed landscape from several perspectives; she also discussed the consequences and lessons for Western countries. What does the increased South-South cooperation tell policy makers in the West? Should they redefine their strategies?

The lecture finished with a lively debate. Questions were asked about the role of regional organisations as opposed to the nation state, the (absence of) conditionality in the South-South discourse and whether the increased cooperation in

the South encompassed more than solely economic exchange.

A new ‘second world’

Dr Modi used three striking examples to show the remarkable transition of the South in the globalisation discourse. In 1993, the South Centre published a report on development in the global South. As Dr Modi explained, the authors of the publication asserted that ‘the only thing that holds the nations of the South together is a common debt trap’; there was hardly a condition for collective action, despite the existence of the G77- the group of Southern countries formed to create a political and economic counterweight against the West. The report went as far as to say that the South was ‘rather a myth than a reality’. Not much later, politics in the then Third World was described as ‘a quagmire of corruption, decadence and vice’, arguing that ‘without liberal democracy, non-Western countries only had barbarism’. The idea was that the future had come and gone: the South had missed its opportunity for development.





The world could not have looked more differently just less than two decades later. In 2010 Robert Zoellick, the then-President of the World Bank, claimed that a world order had emerged in which countries such as Brazil, China, India and several other nations would gradually become more powerful. He saw emerging countries as the 'new poles of growth' on which the North, South, East and the West are points on the compass and not economic destinies'.

According to Dr Modi it was not a coincidence that this development commenced at the end of the twentieth century. With the fall of the Soviet Union in 1991 the bipolar character of world politics disappeared, making space for a more multi-polar world order. Since then, the economic growth of countries such as China and India, lifting millions out of poverty, has demonstrated that the 'one size fits all' economic development paradigm of the Washington consensus, as propagated for years by the World Bank, did not deliver on its promises. The 'second world', until the fall of the Soviet Union referring to the socialist countries, was now open to the new developing countries too. Many new alliances were formed outside of traditional power blocs, most notably those within the global South.

Emerging partners

These new power blocs are sometimes said to create a new form of development aid. Contrary to traditional development aid, which is based on a vertical approach in which the West imposes its conditions on the South as a precondition for aid, the 'new economic engagements' among countries in the Global South is based on a horizontal approach. The countries in the South, which are sometimes referred to as 'emerging donors', are according to Dr Modi therefore rather 'emerging partners'.

What do these new emerging partnerships look like? The most important characteristic is a very pragmatic one; where Western countries talk about aid, the new partners from the South prefer sustainable business and capacity building facilitated through concessionary lines of credits and duty free preference schemes amongst other measures. Africa has a large supply of natural resources. Many of the newly emerging partners need to source these commodities for their domestic consumption. There has been a sharp increase in oil production in countries such as Kenya, Uganda, Tanzania and Ghana. Simultaneously, Africa has shown a remarkable improvement in its regulatory environment. As a consequence, Foreign Direct Investment (FDI) is on the rise. Although currently

most of the benefits associated with these investments flow to paying off the debt to OECD countries, the flow of FDI is predicted to increase further, creating an even more favourable business climate in several African countries.

Dr Modi alerted that these stories may create a false picture of Africa as a passive actor, which it is not. Attesting to this claim is the example of an Indian company which leased 300.000 hectares of farmland in Ethiopia. Although the deal itself was legal, the Ethiopian government considered that the Indian company did not fulfil the conditions laid out in the contract—namely the development of the leased land as per the agreed schedule and consequentially slashed its land concessions by two thirds in 2011! Since then there has been a rethinking about the policies related to FDI in land both by the investors as well as the host governments that will reshape investments in this sector in the years ahead.

New types of cooperation: no conditionality

In addition to trade, a critical aspect of the new forms of cooperation is an increase in investments as well. These investment are based on the idea of reciprocity and equality; no conditions are put on investments. But what exactly is it that the new partners do differently? Dr Modi pointed out that China, for example, makes a huge difference in infrastructure on the African continent. She rhetorically wondered how a landlocked country such as Uganda is supposed to export its products to the seaport via neighbouring Kenya without good road connections between the two neighbours. She pointed to the fact that infrastructure projects needs to be undertaken with a regional perspective and involve all the partner countries, otherwise Kenya in this case, does not have a direct incentive itself and therefore will not be an active partner. China has stepped in to fill the infrastructure gap in several such cases and subsequently reaps the benefits too, facilitating exports from land locked countries and building good relations for future trade, investments in the recipient countries.

Western countries have criticised this approach for undermining the concept of 'good governance', but the Western approach of conditionality is now not accepted anymore. These days African bankers do not meet in Washington but in Beijing; 'the host with the most'. China has been active in countering Western arguments on conditionality, pointing out that the Western approach of the past decades has been by and large counterproductive. Nigeria, for example, has



received over 280 billion Dollar in development aid over the past three decades. The outcome has not been sustainable development. Many of the policies in developing countries were not designed to ensure maximum positive effects for the population but rather to receive as much donor money as possible.

Nevertheless, Dr Modi asserted, both the West and the South have a lot to learn from each other. Emerging countries would do wise to closely scrutinise what was wrong with the traditional paradigm of international economic development to avoid making the same mistakes. Simultaneously, the West could take an example to the new South-South cooperation and realise that there are opportunities for the West as well. Conditionality was perceived as neo-colonialism and the neo-liberal reforms, enforced with the promise of money, were counterproductive. Perhaps South-South cooperation can show the West how to do things differently. After all, as Dr Modi cryptically ended her Lecture, 'until lions will learn how to write, hunters will write their stories'.

Discussion

In the discussion that followed one participant wondered why Dr Modi seemed to emphasise the role of the nation state, without giving any attention to supranational regional organisations such as ECOWAS, COMESA and the African Union. What is the role and future of these intergovernmental organisations?

Dr Modi acknowledged the importance of regional cooperation, not only as such but in particular in the context of South-South cooperation. For emerging partners such as China and India, working together with separate African countries simply is impossible; they are too small. Thus, a large part of for example Indian funding is done through regional organisations and the African Union. This goes for China as well.

Another question was on the conditionality of aid which is usually used by Western donors to enforce good governance indicators. Although the participant acknowledged the hypocrisy and regular failure of conditionality, he stressed that on the other hand they could still serve to put pressure on governments to respect and stimulate democratisation, the separation of powers and the rule of law. The question was whether emerging partners give any attention to good governance at all and if not, whether they should.

Dr Modi pointed out that although the impact of conditionality is intended to be positive, the emerging partners prefer to the principal of non-interference. Domestic problems, they reason, should

be resolved internally. They strongly believe in the idea that democratisation and the strengthening of the rule of law cannot be imposed from above but should develop from within. This tendency can be seen in Sudan; during the genocide, many Western oil companies left the country. China and India stepped in immediately; they just wanted to do business. Similar developments can be seen in other African countries such as Zimbabwe. They have left good governance a matter of the sovereign state.

The next question addressed the extent and areas of cooperation between countries in the South. Is it currently only business? And in which areas could the cooperation between countries in the South be further developed? What is to be expected from technological exchange?

According to Dr Modi, the intensification of cooperation on several areas has already taken place and is likely to increase further in the near future. India for example has a relatively advanced technological sector. Last year, 8000 African students went on exchange to India to benefit from its expertise. A similar development can be witnessed in other areas, simply because Africa lacks a high number of good science schools. An example is knowledge on the use of solar energy, from which many African countries, with their warm climates, could greatly benefit. The other way around there is a lot of technological assistance going to Africa. India has contributed to the establishment of many scientific institutes in Africa, for example for agricultural, ICT, mining and mineral development; it is left to the African Union to decide where they should be located thus the initiatives from the South are consultative and supply driven. So, yes, an intensification of cooperation in other areas can be witnessed.

One participant was very critical about this 'intensified cooperation'. Speaking from a Rwandan perspective, he wondered whether it was not too optimistic to see South-South cooperation as the new 'silver bullet' in development, pointing out that many of the programs on further cooperation are simply not working.

Dr Modi explained that her assertions were not to be understood as a one-sided story; her lecture aimed at directing the attention to the emerging trends, which see a strong increase in South-South cooperation. India, for example, does not invest significantly more in healthcare, yet it is a major partner in promoting healthcare in African countries through the Pan-African network, setting up specialist hospitals in collaboration with local partners.



Similarly, while countries such as Brazil and South-Africa offer help, they have the largest inequality in the world. Yet, she stressed, it is exactly the fact that these countries have shared/ common developmental challenges and experiences that they are so well-suited to assist each other.

This was the second lecture in the 2013-2014 Lecture Series 'Dispersed Power in a World in Transition, organised by the Society for International Development in cooperation with NCDO and VU University (International Office).

Contact: Society for International Development (SID NL)
Zeestraat 100, 2518 AD The Hague, The Netherlands

Website: www.sid-nl.org

E-mail: info@sidnl.org

 SID Netherlands  sidnl