

South-South Cooperation in Times of Global Economic Crisis

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For South-South cooperation, the current moment of global economic downturn is one of anxiety. South-South cooperation was born with the Non-Aligned Movement. It went through a latent period, but re-emerged in the 1990s and early 2000s. The momentum gathered when a handful of middle-income countries such as Brazil, India, Mexico and South Africa were set to improve their position as global players. They had developed some relatively successful social programmes, which they sought to share with other developing countries. Considering that conventional North-South cooperation had turned out to be of limited effectiveness, South-South cooperation gained further impetus.

As countries of the South start facing the domino effect of financial and economic crises in the North, one may reasonably ask: what will become of South-South cooperation? Will it be put on the back burner? Will it become stronger? This One Pager discusses some scenarios and argues that the very principle of South-South learning is likely to survive.

One of the possible scenarios is that of doom. As economies shrink and costs have to be cut, it is very likely that developed countries will reduce their official development assistance (ODA). For instance, Japan, Finland, Sweden and Norway significantly reduced their ODA immediately after their economies faced turmoil in the early 1990s. Norway cut its ODA by 10 per cent, Sweden by 17 per cent and Finland by 62 per cent (see Roodam, 2008).

Why would South-South cooperation suffer from falls in ODA? Is the cooperation not between countries of the South? In theory, yes. In practice, South-South cooperation projects have been increasingly funded by so-called triangulation initiatives. Under triangulation, a developed country funds cooperation projects between two or more developing countries. Japan, for instance, has led the developed world in funding triangulation. Another example is the United Kingdom's support to a [cooperation programme on social development](#) between African and Latin American countries.

The distribution of ODA among different sectors may also change. ODA will go to temper the damage done to economies as a result of reduced consumption in the North. Social sectors will most likely be at the end of the priority list. The resources allocated for triangulation by developed countries are also likely to be reduced.

Political variables will also enter into the analysis of future scenarios. The revitalisation of regional integration initiatives such as the

Southern Common Market (Mercosur), and the creation of new ones like the Union of South American Nations (Unasur), are an indication of commitment to further cooperation. Many Latin America countries, however, are facing presidential elections in the near future. Will the fate of South-South cooperation be determined by political expediencies? On the one hand, for example, Brazil's current administration has greatly expanded South-South cooperation initiatives towards Africa and Latin America, particularly in the fields of social protection, HIV/AIDS and agriculture. Other political parties might have their own motivations to promote South-South cooperation, such as gaining international influence and legitimising their own policies at home. Thus, in the event of political re-orientations, South-South cooperation efforts may well survive.

There is another reason for hope. Chile and Uruguay, for instance, are examples of countries that have not been affected by the crisis to the same extent as their neighbours, Brazil and Argentina. According to data on real GDP growth from the International Monetary Fund (IMF), in 2008 the Argentine and Brazilian economies grew by 6.5 and 5.2 percentage points respectively, but that growth is likely to slow to 3.6 and 3.5 per cent in 2009. Chile and Uruguay will not lose more than 1 percentage point in economic growth this year. These countries may possibly enhance their involvement in South-South cooperation.

Another possibility is that even those countries that have been hit by the crisis may engineer some creative solutions to share with their peers. For instance, recent government figures indicate that Brazil lost 654,000 jobs in December 2008 alone. In Brazil, creative social programmes such as *Bolsa Família* and the national HIV/AIDS initiative indicate the country's accumulated human capital and institutional capacity. The current crisis may pave the way for new solutions, which later could be shared with other countries of the South.

Regardless of which scenario prevails, the bottom line is that developing countries have learned that they can turn to each other for assistance and mutual learning. That cannot be erased by the current crisis. If anything, it will be reinforced, since industrialised nations will be too busy fixing their own problems and developing countries may be left on their own. If that holds true, South-South cooperation is here to stay.

References:

- IMF (2009). World Economic Outlook (October 2008). IMF Website, <<http://www.imf.org/external/datamapper/index.php>>.
Roodam, D. (2008). 'History says Financial Crisis Will Suppress Aid'. Centre for Global Development Website, <http://blogs.cgdev.org/globaldevelopment/2008/10/history_says_financial_crisis.php>.