



European
University
Institute

ROBERT
SCHUMAN
CENTRE FOR
ADVANCED
STUDIES

WORKING PAPERS

RSCAS 2013/65
Robert Schuman Centre for Advanced Studies
Global Governance Programme-64

Financing for Development
and the New South-South Cooperation Agenda:
Trends, Actors, and Policies, with a Focus on Myanmar

Andrea Goldstein

European University Institute
Robert Schuman Centre for Advanced Studies
Global Governance Programme

**Financing for Development
and the New South-South Cooperation Agenda:
Trends, Actors, and Policies, with a Focus on Myanmar**

Andrea Goldstein

EUI Working Paper **RSCAS** 2013/65

This text may be downloaded only for personal research purposes. Additional reproduction for other purposes, whether in hard copies or electronically, requires the consent of the author(s), editor(s). If cited or quoted, reference should be made to the full name of the author(s), editor(s), the title, the working paper, or other series, the year and the publisher.

ISSN 1028-3625

© Andrea Goldstein, 2013

Printed in Italy, July 2013

European University Institute

Badia Fiesolana

I – 50014 San Domenico di Fiesole (FI)

Italy

www.eui.eu/RSCAS/Publications/

www.eui.eu

cadmus.eui.eu

Robert Schuman Centre for Advanced Studies

The Robert Schuman Centre for Advanced Studies (RSCAS), created in 1992 and directed by Stefano Bartolini since September 2006, aims to develop inter-disciplinary and comparative research and to promote work on the major issues facing the process of integration and European society.

The Centre is home to a large post-doctoral programme and hosts major research programmes and projects, and a range of working groups and *ad hoc* initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration and the expanding membership of the European Union.

Details of the research of the Centre can be found on:

<http://www.eui.eu/RSCAS/Research/>

Research publications take the form of Working Papers, Policy Papers, Distinguished Lectures and books. Most of these are also available on the RSCAS website:

<http://www.eui.eu/RSCAS/Publications/>

The EUI and the RSCAS are not responsible for the opinion expressed by the author(s).

The Global Governance Programme at the EUI

The Global Governance Programme (GGP) is research turned into action. It provides a European setting to conduct research at the highest level and promote synergies between the worlds of research and policy-making, to generate ideas and identify creative and innovative solutions to global challenges.

The GGP comprises three core dimensions: research, policy and training. Diverse global governance issues are investigated in *research* strands and projects coordinated by senior scholars, both from the EUI and from other internationally recognized top institutions. The *policy* dimension is developed throughout the programme, but is highlighted in the GGP High-Level Policy Seminars, which bring together policy-makers and academics at the highest level to discuss issues of current global importance. The Academy of Global Governance (AGG) is a unique executive *training* programme where theory and “real world” experience meet. Young executives, policy makers, diplomats, officials, private sector professionals and junior academics, have the opportunity to meet, share views and debate with leading academics, top-level officials, heads of international organisations and senior executives, on topical issues relating to governance.

For more information:

<http://globalgovernanceprogramme.eui.eu>

Abstract

This paper examines financing for development trends, actors and policies since the 2002 Monterrey Conference and the new role acquired by the South-South dimension. In particular, we highlight the changing role of South-South cooperation, to reflect tectonic shifts in the global economy and as reflected in the new discourse on global development that has emerged since the 2011 Busan High-Level Forum on Aid Effectiveness and the 2012 Rio+20 UN Conference on Sustainable Development. We complement the analysis of major policy statements and the application of relevant principles with a case study on how the different geographical (North-South, South-South, triangular) and functional (ODA, FDI, trade, remittances, etc.) dimensions of development finance are playing out in Myanmar, arguably the last country to open up to political and economic liberalization.

Keywords

Sustainable development, development finance, development cooperation, South-South, Myanmar

Introduction*

This paper examines financing for development trends, actors and policies since the 2002 Monterrey Conference and the new role acquired by the South-South dimension. In particular, we highlight how the role of South-South cooperation is changing, to reflect tectonic shifts in the global economy and as reflected in the new discourse on global development that has emerged since the Busan High-Level Forum on Aid Effectiveness (December 2011) and the Rio+20 UN Conference on Sustainable Development (June 2012). We complement the analysis of major policy statements and the application of relevant principles with a case study on how the different geographical (North-South, South-South, triangular) and functional (ODA, FDI, trade, remittances, etc.) dimensions of development finance are playing out in Myanmar, arguably the most important country to open up to political and economic liberalization in recent years.

The Context: Development Resources since the 2002 Monterrey Conference

In March 2002, the International Conference on Financing for Development adopted the Monterrey Consensus.¹ On that occasion the international community recognized the need of collective approaches to mobilize and increase the effective use of financial resources and achieve the national and international economic conditions needed to fulfill internationally agreed development goals, including those contained in the Millennium Declaration, to make the twenty-first century “the century of development for all” (¶ 3).

Through the Consensus, developed and developing countries committed “to mobilizing domestic resources, attracting international flows, promoting international trade as an engine for development, increasing international financial and technical cooperation for development, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems” (¶ 4).

Official development assistance (ODA) was recognized as a critical component of development for regions and countries with the least capacity to attract investment. These include least developed countries, small island developing states and landlocked developing countries. The 2008 Doha Declaration on Financing for Development reaffirmed the basis tenets of such new framework for development cooperation.

In the decade since 2002 major institutional changes – in particular China’s entry in the WTO – and technological advances – such as the widespread diffusion of ICT – have increased the global importance of emerging economies, especially from the Asia-Pacific region.² The financial and economic crisis has resulted in a further acceleration in the transformation of the economic landscape. The recession has been shorter, and the recovery stronger, in emerging economies than in traditional industrial ones. The G20 (with the participation of Argentina, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea, and Turkey) has replaced the G8 as the premier forum for international economic cooperation. The on-going process of reform of the Bretton Woods institutions

* At the time of writing, the author was an independent consultant, temporarily based in Myanmar on a short-term technical assistance mission funded by the Italian Development Cooperation. He benefited from exchanges with former colleagues at the East and Northeast Asian sub-regional office of the UN Economic and Social Commission for Asia and the Pacific and seminar audiences at European University Institute in Fiesole, IAI in Rome, ISPI in Milan, and Club du CEPPII in Paris. The usual caveats apply.

¹ The Monterrey Consensus is a commitment to a broad-based development agenda that takes into account poverty reduction and environmental sustainability as well as economic growth. The text is available in full at: <http://www.un.org/esa/ffd/aconf198-11.pdf>

² See in particular OECD (2010), Global Development Outlook: Shifting Wealth.

is also giving emerging economies a greater weight in the governance of the International Monetary Fund and the World Bank. In 2012, for the first time-ever, it was decided to seat a major international development organization – the Green Climate Fund – outside of the traditional North Atlantic countries – in Songdo, South Korea.

From a quantitative standpoint, to list only a few major variables, since 2002 the weight of major emerging economies³ has grown:

- from 18.4% to 24.6% of global GDP (constant 2000 US\$);
- from 25.3% to 34.4% of global trade – the ‘critical engine of growth’ according to the Consensus⁴;
- from 11.7% to 43% of global private capital flows.

Concurrently, the relative importance of the resources that the Monterrey Consensus identified as crucial to ensure progress towards attaining the MDGs has also changed. While global GDP has grown by 23.7% since 2002, trade has increased by 31.7%, private capital flows by 133.8%, and remittances by 161.4%.

The geography of poverty has also changed, in two apparently contradictory directions. On the one hand, the majority of the world’s poor are now to be found in middle-income countries⁵; on the other hand, fragile and conflict-affected states are those characterized by the highest relative incidence of poverty⁶.

New actors and stakeholders, including global funds (such as the Global Fund to Fight AIDS, Tuberculosis and Malaria), civil society organizations, the private sector, and philanthropic institutions have emerged. Trade is increasingly conducted within sophisticated global supply chains governed by multinational enterprises, with major implications for global development and policy-making. Principles and rules have been introduced to govern private capital flows – from instruments to flight against corruption and money laundering to mainstreaming responsible investing in financial markets.

Against this background, South-South has emerged as a major axis of global economic interactions. This holds true for a broad variety of variables, from trade and investment, to migration and students’ circulation. While in the Consensus the reference to “South-South cooperation, including through triangular cooperation, to facilitate exchange of views on successful strategies, practices and experience and replication of projects” is somehow buried in the text at ¶ 19 on p. 8. By the time of the United Nations Conference on Sustainable Development in 2012 (so-called Rio+20⁷), the tone had changed: the Leaders’ statement see South-South cooperation, as well as triangular cooperation, as “provid[ing] much needed additional resources to the implementation of development programmes” and “recognize the importance and different history and particularities of South-South cooperation” (¶ 260, p. 49).

³ Defined as those included in the MSCI Emerging Markets Index – namely China, Indonesia, India, Korea, Malaysia, the Philippines, and Thailand in Asia-Pacific; Brazil, Chile, Colombia, Mexico and Peru in the Americas; and Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa and Turkey in EMEA – plus Argentina, Hong Kong, China, and Singapore.

⁴ Their share of world trade increased by an average of 0.8 percentage points a year in 1991 to 2011. The global recession accelerated things. Since 2008 the rise has been twice as fast, at 1.5 percentage points a year.

⁵ See Andy Sumner (2012), “Where Will the World’s Poor Live? An Update on Global Poverty and the New Bottom Billion”, Center for Global Development, Working Paper 305.

⁶ See Homi Kharas and Andrew Rogerson (2012), *Horizon 2025: creative destruction in the aid industry*, Overseas Development Institute.

⁷ *The World We Want* is a commitment to sustainable development and to the promotion of an economically, socially and environmentally sustainable future for the planet and for present and future generations.

Development Assistance since the 2002 Monterrey Conference

A specific feature of the Monterrey Consensus was the recognition that achieving the goals of the UN Millennium Declaration in developing countries requires a substantial increase in aid and that donor countries should allocate 0.7% of gross national product (GNP) to ODA, a commitment first pledged in a United Nations resolution in 1970⁸ and constantly disaffected. This numerical commitment remains a valuable framework for international action on poverty reduction and the failure to fulfill it has attracted considerable attention.

In 2010, the Development Assistance Committee (DAC) of the OECD announced the highest volume of ODA in history: US\$128.7 billion. In 2010, most of the DAC nations met important aid commitments, with several European donors surpassing the goal of 0.7% of GNP. The United States achieved the highest aid volume of any nation, although its ODA-to-GNP ratio was only 0.21%, compared to the overall DAC average of 0.32%. EU members accounted for well over half of global ODA in 2010. Nonetheless, a comparison of the 2010 ODA outcome with promises made in 2005 shows a shortfall of US\$19 billion.

Growing, albeit still insufficient, ODA flows have been accompanied by a redefinition of the concept and practice of development co-operation policy, together with a profound reconsideration of its objectives, measurements, content and financing modes. It is now widely agreed that donor resources needs to be aligned with developing country priorities and development strategies must be locally owned if real and lasting results are to be achieved. In this regard, the “contractual relationship” between donors and recipients contains mutual obligations, thereby promoting mutual accountability. Other features of the emerging model of development assistance are predictability of flows (especially for infrastructure projects), coordination of donor resources and interventions, harmonization of auditing systems, untying of aid, and transparent transactions.

Policy coherence for development is another concept that has gained ground. While considerable progress has been made in building the resilience of least developed countries to internal, external and structural challenges, they still face many constraints. In today’s interdependent world economy, domestic and foreign policies – such as trade, investment, agriculture and fisheries, taxation, security, innovation, migration, climate and environment – can stimulate or hinder growth and development in developing countries and impact on poverty reduction. Poor countries need both improved market access and financial investment to enhance their potential for increased trade. More generally, development co-operation efforts need to be supported by mutually reinforcing policies across a wide range of economic, social and environmental issues to ensure greater results and impact⁹.

A focus on results and peer pressure respond to attacks that sustain that ODA tends to create dependency¹⁰. While access to ODA helped bridge the stimulus or funding “gap”, it may have retarded policy reform and institution-building. In a less confrontational way, recipient countries make the case for continued aid flows, accompanied by non-aid forms of development finance and enhanced mutual accountability. The expectation is to see predictable and catalytic development assistance as “a

⁸ “International Development Strategy for the Second United Nations Development Decade”, UN General Assembly Resolution 2626 (XXV), 24 October 1970, ¶ 43. See “History of the 0.7% ODA Target”, *DAC Journal 2002*, Vol. 3, No. 4, pp. 9–11.

⁹ The OECD Development Strategy emphasizes the role of mutual learning, knowledge-sharing and whole-of-government approaches to act on global issues such as the fight against illicit flows, the promotion of fiscal transparency and budgeting, and improving policy frameworks for investment.

¹⁰ See Dambisa Moyo (2010), *Dead Aid. Why Aid is Not Working and How There Is A Better Way for Africa*, Farrar, Straus and Giroux. New York.

powerful driver of development progress, helping countries to strengthen essential capacities, institutions, services and infrastructure, and attract broader sources of development finance”¹¹.

Another criticism is that in recent years ODA from DAC members has over-emphasized social policies and governance issues, while neglecting cross-sector investment, in particular for infrastructure and energy. The economic and financial crisis could also be used as a pretext for limiting aid – which would be very unfortunate since least developed countries face economic crises all the time. Donors acknowledge that transparency would enhance public support for ODA and thereby reduce that risk.

South-South and Triangular Cooperation

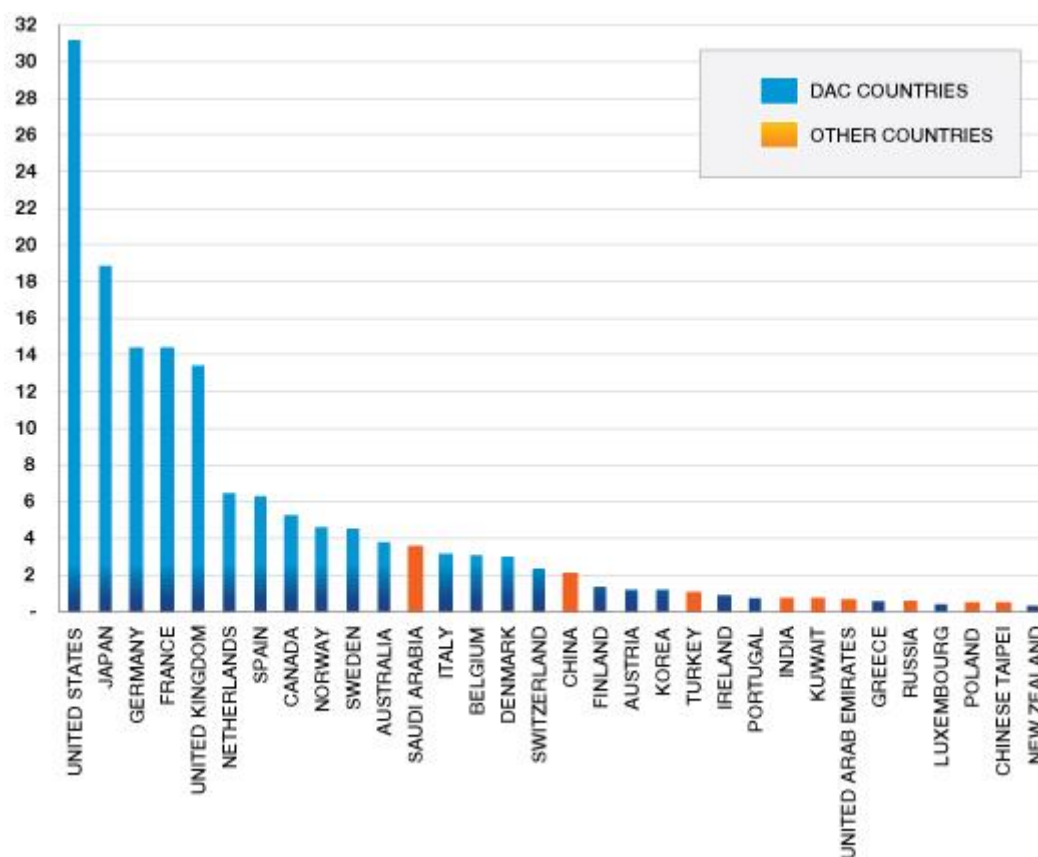
Many countries of the Global South have lifted more and more of their own citizens out of poverty and have, in turn, taken on shared responsibilities in the pursuit of common development objectives, economic growth and poverty reduction in developing countries. These nations have accumulated experiences and recorded successes in development-related areas and can provide valuable impetus, ideas and means for other countries in the South to address similar concerns and challenges.

The role of major emerging economies is therefore also growing in the case of global development finance¹², and ODA flows in particular. Although differences in reporting standards and transparency requirements make it very difficult to come to a precise estimate, the nine largest non-DAC actors that report to the DAC had roughly US\$8 billion in gross ODA in 2010 (Figure 1). In fact, in some cases, such ODA flows exceed the contributions made by individual DAC members. In 2010, Saudi Arabia’s gross ODA exceeded the volumes of 12 of the 23 DAC countries. In the same year, China provided slightly less than Switzerland, Turkey a bit more than Ireland.

¹¹ See OECD (2012), *Draft Summary Record of the 19th Meeting*, Working Party on Aid Effectiveness, DCD/DAC/EFF/M(2012)4/PROV.

¹² In the case of trade, developing countries now export more to other developing countries than to rich ones. In 2002 developing countries bought only 40% of total developing-country exports; the rest went to rich nations. In 2010 the share was split evenly. Now the developing-country share is larger. See World Bank (2013), *Global Economic Prospects*, Trade Annex.

**Figure 1. Gross ODA in 2010
(Current US\$ billion)**



Large emerging donors including Brazil, China, India, Turkey and South Africa prefer to engage in partnerships with other developing countries under the framework of South-South Cooperation (SSC). It is important to note that SSC is not a new form of development co-operation, since its foundations were laid in the Declaration on Promotion of World Peace and Co-operation adopted at the Bandung Conference in Indonesia in 1955. For the next quarter of century, SSC existed as an expression of political solidarity and aspiration of developing countries, periodically reaffirmed through statements of the G-77 and UNCTAD and initiatives such as the Bangkok Agreement and the Global System of Trade Preferences (GSTP). Following early bilateral initiatives such as the Tribhuvan highway (linking Kathmandu to the Nepal-India border¹³) or the TAZARA railway (built by the Chinese in record times to connect land-locked Zambia to the Indian Ocean bypassing then-Rhodesia and South Africa, the Buenos Aires Programme of Action (BAPA) for Promoting and Implementing Technical Cooperation among Developing Countries was adopted in 1978.

SSC, however, experienced a major set-back during the 1980-90s, as the financial crisis led to the adoption of Structural Adjustment Programs mandated by the international financial institutions. The Washington Consensus, no surprise here, gave very scarce drift to SSC. While the state-led and introverted model of development clearly showed its limits, with few role models and success stories for the rest of the South, the SSC discourse remained heavy on political rhetoric and light on economic reality¹⁴. Insufficient differentiation between countries in terms of resource endowments, technologies

¹³ The Indian technical and economic co-operation (ITEC) program under the Technical and Economic Co-operation Division of the Ministry of External Affairs has been in operation since 1964.

¹⁴ The tragic irony could possibly not be lost of adopting the BAPA (which considers strengthened technical cooperation among developing countries as “an important component of any future strategy that seeks [...] to enhance (*sic*) human

and expertise combined with the lack of communication and transportation linkages to limit the range and depth of mutually beneficial exchanges. The South Commission Report in 1990 well summarized the situation, seeing the South as “existing on the periphery of the North, mostly weak and powerless in the world arena”¹⁵.

SSC of the 21st century takes place in a new environment, partly summarized by the above-mentioned statistics. More broadly, the emergence of the Global South as a dynamic, competitive supplier of goods and services means that “role models” are now available (sometimes even too readily, as exemplified by the catchphrase “Beijing Consensus”), as are education, science and technology in parts of South, allowing beneficial technological transfers and South-South migration, including of highly-qualified individuals. The positive side of major gaps between and within the countries is the presence of increasing complementarities, coexisting with growing experience in meeting challenges of governance (e.g. performance of public administration, delivery of services)¹⁶. Nonetheless, countries in the Global South also have to confront the poverty problem at home and it is far from sure that public opinion will not come to question SSC if and when domestic growth slows down.

In addition SSC providers may implement triangular programs and projects with DAC Donors. SSC is based on a combination of geographic proximity, cultural affinity, and similarities of development context. This helps lower transaction costs and provides policy experiences and technical solutions that are better suited to the socioeconomic context of recipient countries. Also SSC and triangular cooperation can have a more holistic approach to development by combining assistance with trade, investment, technology and capacity development. Some DAC donors have taken the lead in devising and implementing triangular cooperation – Japan in particular¹⁷.

In the 2008 Accra Agenda for Action, countries and organizations recognized the importance of SSC to international development co-operation and acknowledged that much can be learned from the experience of developing countries (¶ 19). It emphasized that SSC can be a valuable complement to North-South co-operation and encouraged donor countries and organizations to support SSC through triangular co-operation. Following Accra, a group of countries formed the Task-Team on South-South Co-operation (TT-SSC) to promote an evidence-based dialogue on how SSC can support the achievement of sustainable development results. The analytical work produced by the TT-SSC indicates that the effectiveness of South-South and triangular co-operation stems from its flexibility and capacity to adapt development experiences and practices to particular national contexts. These partnerships are often based on trust and long-term relationships, aiming to ensure equality among partners and to generate mutual benefit.

IBSA – the political grouping of the largest non-Western democracies (India, Brazil, and South Africa) – provides an example. It supports poor nations through the IBSA Facility Fund for Alleviation of Poverty of Hunger, used to implement cooperation projects in LDCs and countries recovering from conflicts. To support activities, each IBSA country contributes US\$1 million per year to the Fund, that. So far the Fund has implemented four projects, including the construction of a sports complex in Ramallah, a solid waste collection project in Haiti, the refurbishment of health units in Cape Verde, and an additional one in Guinea-Bissau.

(Contd.) _____

dignity and progress” (BAPA, ¶ 14) in a country that in 1978 was one of the worst offenders of the principles of the Universal Declaration of Human Rights.

¹⁵ South Commission (1990), *The Challenge to the South*, Oxford University Press.

¹⁶ Nagesh Kumar (2009), “South-South and Triangular Cooperation in Asia-Pacific: Towards a New Paradigm in Development Cooperation”, *UNESCAP, Working Papers*, No. WP/09/05.

¹⁷ Japan began to practice SSC in 1954 and reflected its importance in the 2003 ODA Charter, emphasizing the need to cooperate with other advanced developing countries in Asia. As of November 2009, JICA had concluded Partnership Programs involving Pivotal Countries (i.e. emerging donors) with 12 recipient countries

South-South and Triangular Cooperation at the UN and the World Bank Group

The UN has continually been supporting various activities to promote South-South Cooperation in the form of policy support and capacity-building activities among others. Under the guidance of the High-Level Committee on South-South Cooperation (HLC/SSC)¹⁸, SSC has been prioritized as a key modality for promoting collaborative initiatives at the national, regional and interregional levels. In 2003, the UN General Assembly decided to declare 19 December, UN Day for South-South Cooperation. The Triennial Comprehensive Policy Review (TCPR) adopted by the UN General Assembly in 2007, reaffirms the increased importance of SSC, and encourages the funds, programs, specialized agencies and other entities of the UN system involved to mainstream support to SSC and triangular cooperation. It also requested the UN development system to intensify its information sharing and reporting on support to and results achieved through SSC, including triangular cooperation.

The Nairobi Outcome Document on South-South Cooperation was adopted in 2009. It urges UN funds, programs and specialized agencies to take concrete measures to support South-South cooperation by acting as catalysts for cooperation and strengthening the capabilities of regional organizations. Within the UN system, a number of UN bodies (UNDP, UNCTAD, UNIDO, UNESCO, WHO, FAO, etc.) have strategic and operational mechanisms to promote SSC to address their respective institutional and capacity development mandates (Table 1). For FAO, for instance, this expertise will strengthen the role and impact of SCC support to NPFS (National Programs for Food Security) and RPFS (Regional Programs for Food Security), in terms of an increased number of experts and technicians, and technical coverage, and it is expected to lead to the rapid improvement in the livelihood of small-scale rural producers. In the case of UNEP, SSC is pivoted around technology transfer, capacity-building in environmentally-sound use of technologies, and sustainable management of natural resources.

¹⁸ Which replaced the High-Level Committee on the Review of Technical Cooperation among Developing Countries at the UN General Assembly in 2004.

Table 1. South-South Cooperation within the UN System

FAO	FAO is committed to making SSC a key component of its SPFS (Special Programme for Food Security) activities. While practical constraints like language barrier, remuneration, etc. are being addressed, the SSC initiative has the potential of reaching out quickly to large numbers of people at a relatively low cost with appropriate technology. Up to April 2010, 40 agreements have been signed and over 1,400 experts and technicians had worked in the field. Strategic SSC Alliances are being developed with selected countries in support of NPFS (National Programmes for Food Security) and RPFs (Regional Programmes for Food Security). In March 2010, China and FAO established a USD 30 million trust fund in support of SSC in selected countries, under which new SSC agreements are under signature process between the first group of African countries and China. Similar agreements have been signed with Indonesia and Argentina and are under discussion with India and Morocco.
ILO	The 100 th session of the International Labour Conference in 2011 called upon the ILO to facilitate the exchange of experiences and good practices, the transfer of knowledge and by mutual agreement, the transfer of technologies among member States including the promotion of South-South and triangular exchange of experiences and expertise. Argentina, Brazil, and Mexico have signed a G20 Declaration of Brasilia on 10 May 2011, in which they committed to strengthen South-South, Triangular and North-South cooperation as well as the sharing of knowledge on social protection. The Social Protection Floor Advisory Group, chaired by Michelle Bachelet, acknowledged that some low-income countries need external support to build social protection and recommend an intensification of South-South, triangular and North-South cooperation in the area of social protection. "South-South and triangular cooperation: Implementation of gender sensitive Social Protection Floors at country level" supports selected countries from the South in designing and implementing national social protection floors. This project is the result of collaboration between the UNDP Special Unit for South-South Cooperation and the ILO. Five countries have been initially selected: Benin, Burkina Faso, Cambodia, Lao PDR and Togo.
UNEP	The SSC Exchange Mechanism is a new online database that aims to strengthen partnerships between sustainable development initiatives and projects in developing countries. The Reducing Emissions from Deforestation and Forest Degradation (REDD) Programme supported the first South-South Exchange on Participatory Governance Assessment (PGA) for REDD+.
UNESCO	The International Centre for South-South Cooperation in Science, Technology and Innovation was inaugurated in Kuala Lumpur in May 2008. The Centre facilitates the integration of a developmental approach into national science and technology and innovation policies, and provides policy advice. In parallel to organizing capacity-building activities and exchanging best practices, the Centre conducts research and tackles specific problems in science, technology and innovation policy-making in developing countries.
UNHABITAT	UN-Habitat has been committed to promoting SSC and triangular collaboration as a means of delivering on the commitments contained in the Habitat Agenda and the implementation of the Millennium Development Goals and targets. SSC and triangular cooperation allow for capacity-building, sharing of knowledge and technology transfer. Strengthening this cooperation could help all involved partners contribute to addressing the national, regional and global developmental goals. For the first time, the Government of India is committing funds to UN-Habitat for the reconstruction of 16,800 houses in Sri Lanka damaged and destroyed by three decades of conflict. China has been working with UN-Habitat in Africa to provide technical assistance, training and facilitating city-to-city exchange. In the Lake Victoria Region, for example, 45 mayors, town clerks, urban planners and other professionals from 17 cities paid visits to Shanghai, Hangzhou, Shaoxing and Zhangjiagang before the Fourth World Urban Forum in Nanjing. As a follow up, seven officials member delegation from Shanghai's Yangpu District visited East Africa to look for cooperation opportunities. As for technical assistance, the Yangzhou Municipality has supported the building of a housing complex in Dar es Salaam for female-headed households. Four engineers and construction managers worked to provide technical assistance for the project in Dar es Salaam where solar heaters and solar street lights were also provided.
UNICEF	In 2007, UNICEF's Regional Office for East Asia and the Pacific, in consultation with Plan International and UNESCO, launched the Asia-Pacific Regional Network for Early Childhood (ARNEC) – a platform for South-South exchanges on early childhood development programs and policies. In November 2010, China hosted a High-Level Meeting, which adopted the Beijing Declaration on South-South Cooperation for Child Rights in the Asia and Pacific Region.
UNIDO	South-South Cooperation Centers have been established in China (Beijing 2006) and India (New Delhi 2007). Plans are underway for similar centers in Brazil, Indonesia, Iran, Morocco, and South Africa. Incepted in 2008, the Global South-South Development Expo (GSSD Expo) is the first exhibition of its kind for South-South solutions and a major stage to share development successes, explore new avenues for collaboration, forge innovative partnerships, and launch new South-South and triangular cooperation. The South-South Initiative on Cotton aims at building productive capacity in 11 African countries: Benin, Burkina Faso, Cameroon, Chad, Ivory Coast, Mali, Nigeria, Senegal, Tanzania, Uganda, and Zambia.
WFP	The Centre for Excellence against Hunger, located in Brasilia, provides governments the opportunity to develop and improve their programs by accessing a global platform to exchange information about school meals and good practices of their own school meals programs. The ability to share Brazil's experience with other nations, and bring together the best practices and programs from across the world is at the heart of the Centre of Excellence.

In 2011 the Joint Inspection Unit (JIU) carried out a system-wide review of the existing UN institutional arrangements in support of SSC and TC.¹⁹ While the review found that both have made their way, albeit slowly, across the UN system, it highlighted the need to improve overall system-wide policy frameworks, governance, coordination, structures, mechanisms and dedicated resources if the efforts are to attain full impact. Moreover, the Special Unit for South-South Cooperation (SU/SSC) should prioritize its activities and resources in line with its extended mandate.

The World Bank launched the South-South Knowledge Exchange Hub, funded by the South-South Facility, in 2008. An interesting experience was carried out in Mongolia to enhance capacity to diversify the economy.²⁰ Mongolia has successfully transitioned from a centrally planned to a market economy but remains overly dependent on its mining industries. Chile and Kazakhstan were selected as appropriate knowledge-sharing partners on account of having large mineral sectors and successfully implemented policies and reforms to diversify and develop clusters. Learning activities were held for key government officials, policymakers, and other stakeholders to learn about policy options and assess specific needs. Activities included workshops and case studies, videoconferences with research institutions through the Global Development Learning Network, and five-day study tours to Chile and Kazakhstan. An assessment revealed strengthened capacity in a number of key institutions and a dynamic network of stakeholders who help advance the economic reform agenda.

New Governance Structures

Acknowledging the changing development environment, the Third High-Level Forum (HLF) on Aid Effectiveness, held in Accra in September 2008 formally recognized the contributions made by all development actors and especially “the role of middle-income countries as both providers and recipients of aid” and stressed “the importance and particularities of South-South Co-operation”.²¹ The Fourth HLF, held in Busan in December 2011, went a step further to actively embrace and engage new development partners to play a greater role in promoting South-South and triangular cooperation as a complement to North-South development cooperation.

Busan has brought with it complexity and ambiguity which, while at times challenging, better reflects the world in which we live. Cognizant of the need of reshaping the functioning of the OECD Development Assistance Committee (DAC), the new Global Partnership for Effective Development Cooperation (GPEDC) sets a new path to stronger partnerships between developed and developing countries. Backstopped by the DAC and the United Nations Development Program (UNDP), the GPEDC was formally established on 28-29 June 2012 at the final meeting of the Working Party on Aid Effectiveness (hosted by UNESCO and the UN Development Group).

On that occasion, the GPEDC mandate and light global arrangements to support the monitoring of the Busan commitments were agreed. Three ministerial Co-Chairs were appointed: Minister of Finance Ngozi Okonjo-Iweala of Nigeria; Minister of State for National Development Planning Armida Alisjahbana of Indonesia; and Secretary of State for International Development Andrew Mitchell of the United Kingdom. For the new partnership to be successful it will be imperative to make non-DAC donors comfortable that the emphasis is on coordination to achieve shared principles, common goals and differential responsibilities, not on cooperation or harmonization of approaches.

As noted, at the UNCSD in June 2012 global Leaders expressed support for SSC, as well as TDC, which provide much-needed additional resources to the implementation of development programs. They acknowledged the importance and different history and particularities of SSC and that it should

¹⁹ South-South and triangular cooperation in the United Nations system, JIU/REP/2011/3

²⁰ The following is based on South-South Knowledge Exchange Hub (2010), Enhancing Capacity to Diversify the Mongolian Economy.

²¹ OECD (2008), The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

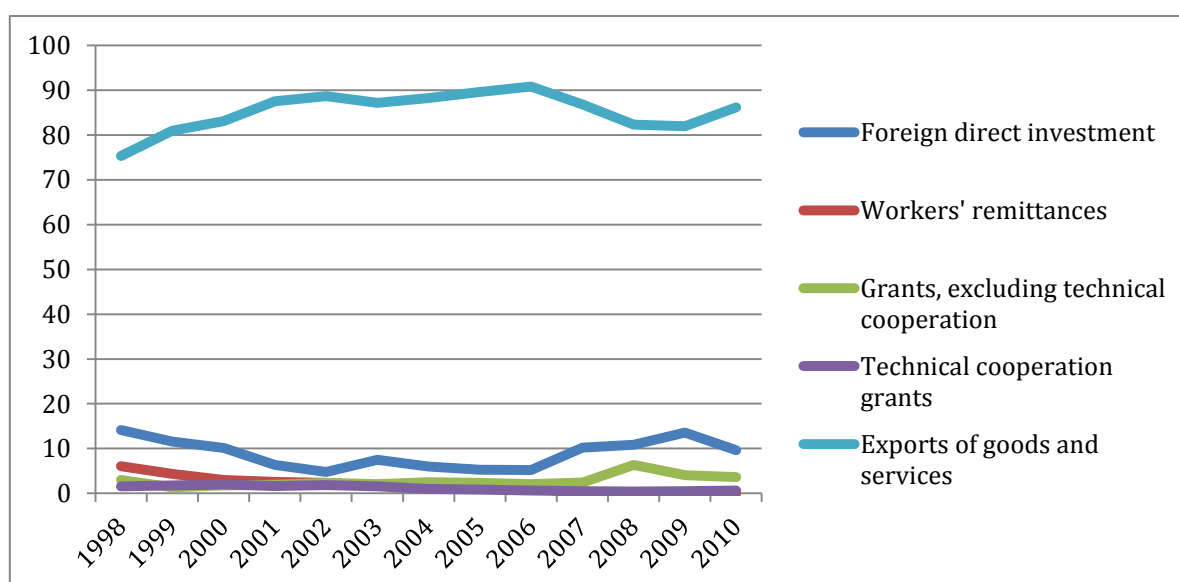
be seen as an expression of solidarity and cooperation between countries, based on their shared experiences and objectives. It is now a core element of the global development discourse that SSC complements, rather than substitutes for, North-South cooperation and that both support a development agenda that addresses the particular needs and expectations of developing countries. In this context the role played by middle-income developing countries as providers and recipients of development cooperation receives specific attention. Traditional donors are keen to collaborate to what are often called pivotal countries – that, by virtue of their capacities and experience in promoting SSC, are positioned to play a lead role in the promotion and application of SSC, mainly by sharing their capacities and experience with other developing countries in their region or in other regions.

A number of other recent developments – such as the establishment of the Green Climate Fund at COP 16 in Durban in 2011 to achieve the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC) and the decision to locate the GCF in Songdo, taken at COP 17 in Doha in 2012 – are also relevant in this context. With a governance structure as yet untried, participating developed countries agreed to raise US\$100 billion per year from public and private sources to help developing countries fight climate change. The G20 has made Knowledge Sharing one of the nine pillars of the Multi-Year Work Plan initiated in Seoul in 2010²².

South-South and Triangular Cooperation in action: the case of Myanmar

Over the past few years, Myanmar has emerged as a crucial playground for development cooperation. In March 2011, President Thein Sein embarked on an ambitious program of political and economic reforms aimed at securing national reconciliation, ending longstanding Western sanctions and integrating Myanmar with the global system. During the past decade, the composition of development finance flows (including trade) has also sensibly changed, as the sanctions froze ODA while non-OECD Asian countries that refrained from imposing them increased their FDI outflows to, and imports from, Myanmar (Figure 2).

Figure 2. Composition of development finance flows to Myanmar (percentage)



²² Helmut Reisen (2010), “How should the G20 promote efforts for South-South cooperation and trilateral activities?”, in Thomas Fues and Peter Wolff (eds.), *G20 and Global Development*, GDI.

The on-going reform process (that included the liberation of Nobel Prize winner Daw Aung San Suu Kyi) is unique in that the government is mostly composed of men (and very few women) associated with the repressive military regime that has ruled Myanmar since the 1960s. If it succeeds, in a few years it may turn the country into the most democratic one in the Greater Mekong region.²³

Possibly for the first time in the history of global aid, traditional and emerging development partners start off the block on a ground of parity. In fact, if any country has a small lead, it is a Southern one – China – rather than a Northern donor as it is most often the case. China was the main economic partner of the regime and in addition acted as Myanmar's minder on the United Nations Security Council – deflecting criticism and blocking resolutions in the wake of heinous human rights abuses. Its engagement was functional to access to Burmese natural resources (natural gas, gems, timber and rubber) and in exchange guaranteed material privileges, windfall profits and monopoly rents to the Tatmadaw (the army) and the crony businessmen and politicians linked to the Union Solidarity and Development Party (USDP).²⁴ That model, however, produced little economic growth and even less social development: be it in terms of access to electricity, land, public transport, telecoms, health and education, the Burmese now rank among the worst-served peoples in the world. Against this background, popular resentments towards the Chinese presence in, and economic exploitation of, Myanmar started rising a few years ago, something that China, despite historical precedents, failed to notice.²⁵ The Latpadaungtaung copper project near Monywa, in northwest Myanmar's Sagaing Division, symbolized the grim experience of Chinese business practices. The mine operators, state-owned Wan Bao Company (a subsidiary of arms manufacturer North China Industries Corp.) and the Union of Myanmar Economic Holding Limited (owned by the Myanmar military), stand accused of stealing thousands of hectares of land and provoking major environmental pollution.²⁶ The junta also became increasingly uncomfortable with both its dependence on China for trade, aid and arms transfers and China's growing commercial influence in Myanmar.

President Thein Sein unleashed the pent-up pressure for change in recognition of the very concrete risk of missing the bandwagon of one of the world's fastest-growing regions – once Southeast Asia's most prosperous country, Myanmar now has the lowest GDP per capita and human development index within ASEAN. Thein Sein has sidelined the USDP and those around it, dismantling the system of monopolies and access to licenses, permits and contracts that sustained their political and economic power. He also halted until 2015 construction of the Myitsone hydroelectric dam on the Ayeyarwady river, a Chinese project in Kachin State that ignited controversy for its economic, social and environmental impact. It was set to flood an area the size of Singapore and export to China 90% of power generated, despite only a quarter of the domestic population having access to electricity. Taking that decision, Thein Sein "asserted his credentials in Myanmar as a man prepared to listen to his own

²³ Although on 31 March 2013 the Freedom House website was still not accessible from Myanmar.

²⁴ Beijing "desires Burma as a vassal state for the construction of deep-water ports, highways and energy pipelines that will provide China's landlocked south and west access to the sea, from where China's ever-burgeoning middle class can receive deliveries of oil from the Persian Gulf". See Robert Kaplan (2010), *Monsoon: The Indian Ocean and the Future of American Power*, Random House.

²⁵ See Hongwei, Fan (2012). The 1967 anti-Chinese riots in Burma and Sino-Burmese relations. *Journal of Southeast Asian Studies*, 43, pp 234-256. Another Burmese complaint concerns China nationals that buy property, particularly in the Mandalay area, by assuming the identity of deceased Burmese. Already under the British, thousands of Indians succeeded in gaining ownership of the most productive farmland and the Burmese (who expelled them at independence) are afraid that the same may be happening again.

²⁶ A protest was brutally suppressed on 29 November 2012 and dozens of monks suffered horrendous injuries. A government investigation commission charged with assessing the Latpadaungtaung controversy and protests released its final report in March 2013. The report states that the mine operators should be permitted to proceed with expansion plans, despite acknowledging an adverse environmental impact and the creation of few jobs for locals. According to the report, however, expansion should be conditioned on adequate compensation to locals for land taken during the commencement of mining operations in 2010 and for any additional takings resulting from the forthcoming expansion.

people and stand up to the exploitative Chinese. It was an astute domestic political move and a milestone in the country's unfolding reform programme".²⁷

Global business is giddy at the thought of making quick money in what is deemed world's biggest remaining "virgin market." During the sanctions era, all major Asian economies (such as China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Thailand, and Vietnam) were active through a combination of aid and economic support, with a relative high degree of tying in their cooperation. Japan is rapidly ramping up its presence in the country with a heavyweight deployment of government assistance and corporate investment.²⁸ The Japanese International Cooperation Agency (JICA) – which did not withdraw from Myanmar after 1988 and has been continued to regard the Government as the direct counterpart for conducting Official Development Assistance – is working in cooperation with some of the country's largest conglomerates (Mitsubishi, Marubeni and Sumitomo) and the Ministry of International Trade and Industry to build Thilawa. This large industrial zone on the outskirts of Yangon, the country's long-neglected commercial capital, will also include banks, schools, hospitals, and a satellite city. JICA is also involved in other projects ranging from the Yangon urban development plan, electricity supply and a scheme to overhaul the country's banking system.²⁹ The Japanese government is also studying plans for mass transit systems, the rehabilitation of four power plants that provide electricity to Yangon, the construction of a second bridge over the Bago River and the addition of six berths to the port near Yangon that will serve the Thilawa project. It has already forgiven all outstanding debt and, in order to challenge China's dominant position, is willing to lend to Myanmar on terms that are near giveaways: loans with an interest rate of well under 1% payable over 50 years, with no payments due for the first 10 years.

For Japan, eager to extend its extensive network of factories in the region, Myanmar is not simply a golden opportunity; the fact is, there's almost nowhere else where it can tap into a cheap and disciplined labor force and create a manufacturing and industrial base similar to those established in Thailand and Indochina when they were at a similar stage of development (and salaries equally low). Relationship between the two countries are longstanding — and checkered. While Japanese occupation during World War II was brutal, Aung San, the country's independence hero (and father of Daw Aung San Suu Kyi), trained in Japan before leading efforts to oust the British. Even today, many Japanese harbor sentimental feelings toward Myanmar, in part because of a popular 1956 film, "The Burmese Harp"³⁰, in part because Burma shipped rice in the lean years after World War II.

China is more focused on extracting natural resources, generating electricity, and exploiting Myanmar's geographical position. China needs a port on the Indian Ocean in order to alleviate its 'Malacca Dilemma' – 85% of China's energy is transported through the Malacca Straits, a route controlled by Singapore-based US forces. The twin oil and gas pipelines linking the Burmese coast into China would provide an alternative route and the Kyaukphyu port on Ramree Island in Rakhine State (exclusively for trans-shipping crude oil³¹) complement China's 'string of pearls' (navy bases), along with Hambantota in Sri Lanka and Karachi in Pakistan. In addition, Beijing, which shares a disputed and porous border with Myanmar, is concerned with the armed conflict in the North (the Kachin and Karen ethnic groups) and drugs trade.

²⁷ "Less thunder out of China," *The Economist*, 6 October 2012.

²⁸ "Japan eyes place on Myanmar starting block", *Financial Times*, 30 September 2012 and "Long Reliant on China, Myanmar Now Turns to Japan", *The New York Times*, 12 October 2012.

²⁹ As of 2012, JICA has financed its projects through grants (US\$2.3 billion) and loans (US\$5 billion), dispatched over 1,800 Japanese experts to Myanmar and received over 5,200 government officials and technicians as trainees in Japan.

³⁰ In which a Japanese soldier dons the robes of a Buddhist monk and remains behind after the war.

³¹ The 1,100-kilometer-long oil and natural gas pipelines enter China at Ruili, Yunnan Province. The oil pipeline has a designed annual transport capacity of 22 million tons, while the natural gas pipeline has a designed annual transport capacity of 12 billion cubic meters.

Quantitatively, Korean involvement is still in a different league, but it is becoming more and more visible. Daewoo International is building the Shwe gas pipeline and onshore terminal, in a consortium with state-owned Myanmar Oil and Gas Enterprise and others. Hyundai Heavy Industries and Samsung are to build Myanmar's first major new electricity generating station of which none of the power will be exported. Samsung CAT Company has offered to buy 70,000 tons of unpolished rice from MAPCO.³² The Korea Development Institute, a government think-tank with an influence in Seoul policy circles that is difficult to overestimate (its past President recently became Minister of Finance), is building an equivalent institution in Yangon – somehow predictably called Myanmar Development Institute. KOICA is also carrying out various knowledge-sharing activities. There is an additional element in the Myanmar strategy of Seoul and it has to do with intra-Korean policy. North Korea executed a bloody attack in then-Rangoon in 1983 that decimated the South Korean government and the junta was an ally of Pyongyang, possibly collaborating on nuclear matters. Not only the current political transition is a loss of an important support for Pyongyang (coming on the heels of regime changes in the Middle East); it also shows a possible (albeit unlikely) scenario for the DPRK itself, as President Lee made clear when visiting Nay Pyi Taw.³³

In 2014 – eight years after it was stopped from chairing ASEAN (Association of Southeast Asian Nations) as Western countries objected on human rights grounds – Myanmar will lead the group, often considered the sole source of regional political pressure on Naypyitaw. Among regional partners, Thailand naturally remains the most prominent investor-nation. Italian-Thai Development was the initial promoter of the Dawei Special Economic Zone, a gigantic project close to the border agreed in 2008 and designed around a petrochemical plan and a deep-sea port. The costs were greatly underestimated and would surpass US\$11 billion and the project has suffered numerous delays. Thailand is also the principal destination for migrant workers, including skilled professionals.³⁴ For a variety of reasons – including macroeconomic instability, lack of trust in the banking system, and the relative convenience of the informal *hundi* money transfer system – official remittances are low by Asian standards, but the potential for expansion is considerable.³⁵ In addition to raising their investments, Indonesia and Malaysia tout a blunter line on anti-Muslim, anti-Rohingya sentiment in Myanmar.

Beyond ASEAN, India, which shares a history of British colonial rule and a 1,463km border, reversed initial support for Myanmar's democratically-elected winners of the 1990 election in favor of "pragmatic engagement" with the junta.³⁶ Nonetheless, after a decade-and-a-half of playing catch-up with China, its bilateral trade still amount to less than a fifth of Myanmar-China commerce. Sittwe Port's modernization and the dredging of the Kaladan River, India's biggest investment so far, was agreed in 2008 but began only in late 2010.³⁷ Bangladesh says it wants to increase trade and buy some of Burma's new offshore natural gas and Laos has agreed to build a "friendship bridge" spanning the Mekong River.

³² "South Koreans to bid for Burma's unpolished rice", *Mizzima News*, 22 January 2013.

³³ "Lee urges North Korea to learn from Myanmar", *Financial Times*, 13 June 2012. The US also pointed the Myanmar example to the North Korean leadership (see "Remarks by President Obama at the University of Yangon", 19 November 2012).

³⁴ Estimates on the size of the Burmese diasporas are extremely uncertain, with the total being probably over 5 million and those in Thailand in the 2-to-4 million region. See Andy Hall (2012), *Myanmar and Migrant Workers: Briefing and Recommendations*, Mahidol Migration Center.

³⁵ See "Too many chits for kyat", *Economist*, 30 May 2013.

³⁶ Daw Aung San Suu Kyi lived in India during the 1960s as a young woman while her mother was Myanmar ambassador there.

³⁷ "Neighbors' Business Plans Stall at Burma's Borders", *The Irrawaddy*, February 2013. India recently suffered another setback when an official government study deemed two hydropower projects on the Chindwin River in Chin State "unfeasible".

Western development partners have quickly shown sometime unexpected enthusiasm to provide whatever support is needed, in the form of financial resources, technical assistance and knowledge-sharing. ODA figures in Myanmar are rapidly outdated and of little use, in view of the constantly changing situation, but first-hand observation on the ground suggests some broad trends:

- The United Kingdom, as the former colonial power, and Australia are the most engaged. They will jointly provide up to US\$500 million in development assistance from 2011 to 2015, in order to deliver better quality education for more than two million children, increased incomes for farmers, improved health particularly for women and girls, wider support for peace and development in ethnic areas, and practical support for a better-managed economy, responsible investment, Parliament and the rule of law. The Myanmar Education Consortium (housed by Save the Children International in Yangon) will support the non-government education sector—in particular in monastic and community schools—in some of the poorest and most remote areas of Myanmar. The focus is the education MDG — ensuring all children will be able to complete a full course of primary schooling. DFID and AusAID were also the first donors to announce the opening of a liaison office in Nay Pyi Taw, together with.
- The United States concluded the Partnership for Democracy, Peace, and Prosperity with Myanmar (although it still calls it Burma). USAID (whose Administrator Shah made his first-ever visit in March 2013) is working with local counterparts, as well as American private sector, universities, and non-governmental organizations to provide humanitarian, democracy, human rights, governance, and economic development assistance.
- Norwegian aid to Myanmar has seen a major increase in recent years, with democracy promotion and emergency relief been the keywords for such efforts. Norway is now contributing with expert assistance and sharing of experiences with the government in relation to the reform process. So far, the funds have mainly gone to voluntary organizations, but in recognition of the reforms Norway is planning to initiate state-to-state bilateral assistance from 2013. Myanmar has also entered the radar screen of Norwegian business: in June 2013, Telnor won one of the two new mobile telephony licenses and various firms are active in the energy and forestry sectors.
- Other European countries maintain a more cautious attitude, still largely focusing on humanitarian assistance. There are however signals of deeper engagement. Germany is implementing three projects in the context of sustainable economic development, focusing on financial sector development and small- and medium-sized enterprises, for more than €5 million annually. France has pledged €3 million over four years, focusing on agriculture, health, water, and sanitation.

Against this background, defining what is North and what is South in the complex landscape of major donors in Myanmar is not easy. The classification problem is not with the emerging donors but rather which Japan (and Korea). On the one hand, insofar as they are clearly committed to observe the DAC principles – even when doing it may jeopardize their competitive position vis-à-vis other less scrupulous countries – they can be classified in the North. On the other hand, their rhetoric constantly refer to South-South cooperation, their diagnostics “acknowledge the shortcomings of the international assistance in sustaining positive outputs of the development programs which have undermined the lives of the people our mission seeks to protect”,³⁸ and their practices assign a crucial role to cooperation with government bodies and involvement of the business sector – all features that make them similar to the emerging Asian donors.

The challenges and risks for the quasi-civilian government are numerous and it is now asking international support to implement an ambitious reform package that includes various quick-impact

³⁸ See JICA Myanmar website, which also reports that “the magnitude of opening up of the country from long time isolation and transition to a democratic state from a military regime is a historical challenge equivalent to that of Meiji Restoration of Japan”.

measures to produce tangible effects on living conditions and win the confidence of the population ahead of the 2015 elections. In January 2013, at the first Myanmar Development Cooperation Forum, partners agreed to prioritize implementation of specific policies under the government's Economic and Social Reform Framework and approved the Nay Pyi Taw Accord, a five-page non-binding agreement that sets out guidelines to ensure added value in development cooperation. The government agrees to maintain a high-level dialogue with the donors about its "people-centered" national and regional development policies. It also promises to strengthen the rule of law, respect human rights, improve public administration, and include civil society organizations in the government decision-making process. Donors for their part agree to align assistance projects with the government policies in fields such as education, health, poverty reduction and economic development.³⁹

Looking forward, the most interesting question regarding development cooperation in Myanmar has to do with the ability of China to adapt its discourse and praxis to the changing reality. For roughly a decade, government officials and the business community (comprising of both large-scale state-owned multinationals and small-scale private entrepreneurs, mostly from Yunnan in the country's underdeveloped southwestern region) simply assumed that the Burmese would welcome their presence and work. Hence the "shock" and "surprise" of scholars and officials in China when Thein Sein launched the reforms and showed his seriousness and determination by taking decisions against Chinese business interests.⁴⁰ In an era of renewed tension between America and China in the region, Beijing considers Myanmar's recent opening as a tilt towards the West, in which Beijing's loss has been Washington's gain.

To a large extent, the mistake "was to focus only on building relationships with government officials, without paying any attention to 'domestic political nuances'. Thus China missed the vital shifts in policies, words and political thinking that they might have picked up had they listened to voices other than the government's and engaged the country at a local level".⁴¹ China has already run into some of these issues – outright ignorance of the local context and lack of political antennae on the ground – in other developing areas.⁴² A editorial in the *Global Times* warned Chinese businesses to take local sensitivities into account when doing business in Myanmar.⁴³ Myanmar will test China's ability to learn, show respect for local customs and people, and invest more in corporate social responsibility and other forms of soft power.⁴⁴ CNPC has spent more than US\$10 million to build local schools, hospitals and infrastructure in Kyaukpyu including a reservoir and drinking water facilities for the island's five main villages.⁴⁵

While in 2011 bilateral trade between the two countries came to US\$6.5 billion and cross-border trade, straddling Kachin and Shan states, topped US\$2.2 billion in 2012, it may be too late for Beijing to regain the place of 'sugar daddy' and secure complete control over Burma's coast and pipelines. At the same time, Myanmar knows that there is no benefit in completely sidelining its powerful northern neighbor, and that should hold even if Daw Aung San Suu Kyi's opposition wins the 2015 general

³⁹ China signed the Accord. On the same day and in the same city, the armed forces of the two countries held their first Strategic Security Consultation. General Qi, the deputy chief of staff in the Chinese People's Liberation Army, met with President Thein Sein, Lower House Speaker Shwe Mann, Commander-in-Chief of the Defense Services Vice Senior-General Min Aung Hlaing, and his deputy, General Soe Win. One of main topics under discussion was the pipeline; another the security needs in Sino-Myanmar border areas.

⁴⁰ "Chinese Methods Facing Pressure", *The Irrawaddy*, December 2012. See also David I. Steinberg and Hongwei Fan (2012), *Modern China-Myanmar Relations: Dilemmas of Mutual Dependence*, NIAS Monographs # 121.

⁴¹ "Less thunder out of China", *Economist*, 6 October 2012.

⁴² In Zambia for instance, where the 2011 presidential elections were fought on this issues, although China never occupied there the same central and dominating position as in pre-2011 Myanmar.

⁴³ "Weak democracy hurts Myanmar business", *Global Times*, 29 November 2012.

⁴⁴ "China Urged to Halt Railways", *The Irrawaddy*, December 2012.

⁴⁵ "Myanmar Plans Its Own 'Mini Singapore'", *Financial Times*, 8 February 2013.

election. The debt crisis and stagnation of Western economies only add to the appeal of China in Myanmar for the foreseeable future.

Many other Asian projects are making slow progress. The long-awaited India-Myanmar-Thailand highway connection — dubbed India's Gateway to Asean — has been under discussion since 2004, but Myanmar and India have yet to sign a project agreement. Despite the public endorsement of Prime Minister Yingluck Shinawatra and President Thein Sein, no investor is willing to foot the bill on the Dawei project. Increasing Western engagement means that the window of opportunity for New Delhi or Bangkok will narrow, although they will still have geographical and cultural advantages to deploy in its less developed neighbor.

Closer cross-border economic ties between Burma and its neighbors are hindered by the same problems that make the business environment too murky for Western investors: the continuing absence of a proper legal and regulatory framework and the lack of a trained independent judiciary to enforce fair play. While Myanmar is currently adapting its regulatory framework to improve the country's attractiveness for investors, like ending some monopolies and abandoning the official exchange rate, the process is marked by a near-complete lack of transparency or consultation with stakeholders. The precarious ceasefires with ten ethnic rebel groups and the lack of the administrative skills needed to handle investment planning also pose significant risks. Interestingly, for the first time in its foreign policy history China is taking an active role in the domestic politics of a foreign country, hosting talks between the government and the Kachin rebels.⁴⁶

The Road Ahead

The global economy is going through an unprecedentedly quick phase of deep changes, exemplified by expressions such as shifting wealth or Global South. At the same time, the imperative of global development takes new urgency in the face of global challenges such as climate change, new pandemics and poverty and destitution in fragile states. As a result the development finance agenda has to adapt rapidly, with the recognition that aid is but one, albeit a necessary component, of the whole package and that new non-financing modalities have an important role to play. Against this background, SSC acquires increased centrality, through both new directions of financial flows and capacity development – the exchange of experts, technical assistance, information on best practices, and initiatives to increase joint-negotiation capacities.

Fast change does not equal the sudden disappearance of the West, as shown in the case of Myanmar, and new forms of exchange and governance must be sought. Southern countries – emerging donors and recipient countries alike – constantly mention that a true partnership would require honest dialogue based on trust, respect, and transparent mutual accountability. Knowing that political and human rights remain insufficiently protected in many developing and emerging economies and counting the number of kleptocrats at many South-South summits, it is easy to be cynical and dismiss such calls as self-serving arguments to shield SSC from the higher standards that DAC members have developed over the years and that civil society expect them to apply. But it would be a serious mistake: at a minimum SSC challenges the traditional aid approach to make it less patronizing and unimaginative, in the long run it will contribute to the emergence of a new consensus in which results, processes and capacity development receive equal drift. This will also depend on the success in making progress on specific fronts: from the establishment of pivotal countries (those that, by virtue of their experience in promoting SSC, are positioned to play a lead role in sharing their capacities with other developing countries in their region or in other regions) to the integration of TDC in national planning processes and its extension beyond government-to-government exchanges (in particular to the private sector and civil society organizations).

⁴⁶ On 5 February 2013, a Chinese foreign ministry spokeswoman told reporters that a Beijing official was a participant in the talks.

But there are important critiques to be made of SSC. Relationships like the one prevailing in Myanmar before 2011 are a far cry from the peer-to-peer relationships lauded since the Bandung conference. If SSC is to go beyond simplistic rhetoric and live up to mounting expectations, ties must also be fostered between peoples, not just governments. With due and legitimate adaptations, policy coherence must also enter into the practice of SSC – nowadays some of the prima facie most generous countries in the Global South maintain almost insurmountable barriers (including tariff escalation) to the upgrading of exports from poorer developing countries.

International organizations, including universal membership ones such as the UN system and the World Bank and clubs such as the OECD, have a leading role to play. The constantly increasing complexity of 'aidscape' makes it necessary to discuss and adapt the global governance of the aid effectiveness agenda. Harnessing and fine-tuning global and regional mechanisms for development cooperation and building strong bridges across the globe will hopefully bring increased opportunities to scale up all forms of co-operation (traditional as well as SSC and TDC) and ensure that all countries, regardless of their size or stage of development, benefit from globalization. Specific issues to be addressed include:

- the key challenges and opportunities provided by the South-South agenda for developing regions;
- the experience with regional learning processes and the opportunity for shaping common regional agendas;
- the shape of the agenda for South-South and triangular co-operation from the perspective of all development partners;
- the instruments and processes to build synergies between North-South and South-South Co-operation;
- the role of regional and global organizations to facilitate and broker South-South Cooperation and to help countries develop their institutional capacity for this agenda.

Author contacts:

Andrea Goldstein

49, avenue des Ternes

F-75017 Paris

France

Email: agoldstein@club-internet.fr