Global development beyond the North-South paradigm

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When the leaders of the world’s largest economies (G20) met in Washington in 2008, this initially sent out a financial policy signal: globalised interdependencies would not permit any ‘go-it-alone’ approaches by the G8 during the crisis. At the Pittsburgh meeting in 2009, the G20 asserted its position as ‘the premier forum for our international economic cooperation’ in place of the G8. This sea change also proved the traditional North-South paradigm outdated and may, sooner rather than later, turn out to be as significant as the collapse of the bipolar world order after the fall of the Berlin Wall.

**Alliances and agendas**

In the G20, industrialised countries and emerging economies do not meet as blocs representing the North and South. In the search for solutions to global problems, interests and alliances cut across traditional groupings (see, for example, the debates about ‘surplus countries’ or Anglo-American vs. continental European regulatory concepts).

The emerging economies in the G20, too – which the China-based Boao Forum terms the Emerging Eleven (E11) – could scarcely be more disparate. Argentina, Brazil, China, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa and Turkey represent a broad spectrum of social models, regional interests and economic capacities. Their per capita incomes (GDP/PC) range from USD1,000 (India) and USD3,300 (China) up to USD19,000 (Korea, Saudi Arabia). Turkey, Mexico and Korea are also members of the OECD. Brazil, China, India and G8 member Russia meet as the BRIC countries. In regional organisations (NAFTA, APEC, OSCE), the old G8 and new G20 countries work together as equals. Major democracies India, Brazil and South Africa have formed a transcontinental forum (IBSA).

Precisely because of this representative diversity, the expectations of what the G20 can achieve go beyond crisis management and financial market reform. In principle, the emerging economies want to take on responsibility for other global tasks (climate, security) as well, but do not necessarily view the G20 as the appropriate framework for this. When it comes to economic development in the poorer countries, however, a different situation applies: this topic already featured on the G20 agenda during the crisis, and as a logical consequence, a G20 working group on development was established in Toronto in 2010.

This new development policy format challenges all the G20 members’ previous roles, policy strategies and instruments. If this challenge is utilised as an opportunity, it could generate important impetus for a new understanding of development policy as global public policy,

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manifesting in a fresh approach to bilateral development cooperation within the G20, in the G20's position in poorer developing countries, and in the shaping and implementation of global agendas.

The industrialised countries: Rethinking development and cooperation

With the embedding of the development agenda in the G20’s core economic and finance policy mandate, the industrialised countries within the G20 will have to focus to a greater extent on the economic dimension of development once more. An MDG agenda that concentrates too narrowly on ODA financing of development outcomes in sectors such as education and health could be turned around. Attention would then increasingly shift towards development interests that go further than combating absolute poverty and addressing the needs of the poorest countries. To date, very few developing countries have been able to escape the ‘middle income trap’ by pursuing a knowledge-based development path. Besides ODA, other instruments such as trade, direct investment and technology transfer, as well as government bonds and the valorisation of national resources, should be applied in a more pro-active and coherent manner.

Aid effectiveness, which focuses on ODA and low-income countries (LICs), must be placed in a different context, with aid effectiveness being redefined as development effectiveness. DAC donors’ efforts to standardise and rationalise their ‘aid industry’ are based on a North-South paradigm and found their most ambitious expression in the Paris (2005) and Accra (2008) agreements. However, the relevance and implementation of this agenda are being challenged more strongly than ever by the re-emergence of a political economy of aid, the growing importance of non-public sources, and the dramatic proliferation and fragmentation of the ‘aid industry’ – despite the DAC’s exemplary transparency and openness.

The emerging economies: Entering the new world of global development

For the emerging economies, G20 membership mainly challenges their previous understanding of their role as countries and representatives of the (poor) global South. Their economic and geopolitical interests which brought them into the G20 only converge with the interests of the LICs to a limited extent. To prevent an ever-widening gap between roles and realities, the emerging economies must face up to and attempt to shape this changed situation – not only in their roles as recipients and donors of official development cooperation. Their own future development pathway, too, is no less relevant to the safeguarding of global public goods, overcoming of poverty or the promotion of good governance in other developing regions than the pathway pursued by the ‘old’ G8 members.

South-South Cooperation (SSC) is often invoked as an old and a new paradigm. One aspect which is often overlooked in this context is that the BRIC countries’ economic influence and technological lead over many LICs are now comparable with those of the established ODA donors. The SSC paradigms (Bandung, TCDC) are 50 years old and have never been
particularly effective. What’s more, they date back to a time when per capita incomes in China and Africa, for example, were very similar. It was only with the massive expansion of FDI, long-term raw material supply agreements, credit facilities and ODA-type transfers by the BRIC countries to Africa in particular that the term ‘SSC’ has become associated with visible economic developments. However, the emerging economies apply highly disparate approaches when implementing their development assistance and foreign trade instruments. After decades of largely ideologically motivated policies, they have – since the end of the 1990s – begun to adopt a more strategic approach to external relations both regionally and globally and have improved the linkage between aid, trade and financing. Each of these countries has developed its own formats and forums which compete with each other and are largely inaccessible to third countries, making it hard to draw comparisons between them. A genuinely new joint development agenda based on equality is therefore very unlikely to emerge within the G20 without more transparency in relation to these realities and without the demystification of SSC.

Shaping development cooperation in emerging economies through shared global responsibility

Many emerging economies are becoming increasingly selective and sophisticated when forging partnerships to support their internal development. The established donors are reviewing their cooperation with the emerging economies at the same time. The majority of emerging economies in the G20 are still ODA recipients, however. Over the past decade, their share of total ODA has decreased from 10% to 5%, standing at USD5.6 billion net in 2008. Nonetheless, the G7’s and Australia’s active portfolio of cooperation (gross ODA) with the E11 in 2008 totalled USD10 billion – still a significant amount. A key factor determining whether and how future bilateral development cooperation arrangements will evolve within the G20 itself is likely to be the extent to which the two sides consider them relevant to the solution of common regional and global development issues or to the implementation of decisions adopted within the G20 framework. G8 countries are increasingly seeking to identify areas where the emerging economies could be expected to make greater contributions of their own. Within the G20, the old G8 and new G20 members could develop shared ideas of how they wish to shape this cooperation portfolio in the interests of sustainable global development that takes account of the finite nature of the planet’s resources and the development interests of all the world’s regions.

Better coordination of development cooperation in poorer countries

In 2008, the old G8 and new G20 members together contributed around USD65.0 billion (net) in ODA to non-G20 countries, of which around USD10 billion came from the emerging economies. The contributions from China and Saudi Arabia – with these two countries each contributing USD3-5 billion – exceeded those from countries like Canada, Italy and
Australia. India, Brazil, Turkey and Korea are also systematically increasing their ODA (with each providing USD0.5 – USD1 billion in 2008). In addition, there are the far larger government loans and trade agreements concluded by emerging economies with developing countries. And yet there is still no coordination between DAC and non-DAC donors in the recipient countries or at international level. This situation casts doubt on the sustainability of many investment and ODA programmes. Already during the Heiligendamm process, the G8 and Brazil, China, India, Mexico and South Africa had agreed that the time is ripe to develop the synergies between their efforts. G20 could now press ahead with the framing of joint principles and development goals among the main donors and intensify practical cooperation in the recipient countries. It could also boost the coherence of development financing instruments deployed outside the ODA framework. The old G8 and the new G20 countries should overcome their compartmentalised and somewhat defensive approaches and move towards a form of cooperation that starts with mutual information and progresses, through coordination, towards practical joint initiatives and programmes. The central role of partner governments and the opportunities afforded by creative and transparent competition should be strengthened at the same time.

Developing new ways to implement global agendas

Among the forums available for international development policy coordination, the international financial institutions (IFIs) (i.e. the IMF and the multilateral development banks – MDBs) are particularly attractive from the emerging economies’ perspective because these institutions prioritise the G20’s economic agenda. Within these forums, too, these countries are gaining greater influence through the reform of voting rights, and North-South and South-South cooperation are increasingly merging. At the same time, emerging economies are now expected to make more substantial financial contributions to concessionary funds. The OECD was an important partner for the G8 in implementing and monitoring summit decisions. A corresponding role for the OECD within the G20 framework is not yet in sight. However, the G20 could request the Fourth High Level Forum on Aid Effectiveness (HLF IV, Seoul 2011) to develop a joint Development Effectiveness Agenda which regulates markets and networks for cooperation more efficiently. Within the UN, the emerging economies are still trapped to a large extent in the North-South paradigm and the G77. The Development Cooperation Forum (DCF) has also been unable, so far, to evolve into an arena with changed roles. The debate about the development policy agenda post-2015 offers emerging economies the opportunity to contribute their own development experiences and changed roles into a new horizontal development paradigm for the UN, from which global development goals to 2030 could emerge.

However, the G20 will only transform the international development agenda if it starts with pragmatic, problem-oriented agendas and, during their implementation, identifies new approaches to partnership between old G8 and new G20 members. The outsourcing of implementation to the MDBs would appear to be a sensible approach, but does not adequately
valorise the experiences and potential capacities of the G20 countries themselves. A more attractive option would be hybrid bilateral and multilateral consortia and networks in which G20 members draw on and coordinate the comparative strengths of their bilateral programmes and institutions. This would give emerging economies in particular more scope and visibility.