

# ***South Views***

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## **China's boost to South-South cooperation**

**By Martin Khor**

**Two new Chinese funds totalling US\$ 5.1 billion to help developing countries tackle climate change and development problems could be a game changer in South-South cooperation and international relations.**

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China gave a big boost to South-South cooperation when its President, Xi Jinping, made two unprecedented mega pledges totalling US\$5.1 billion to assist other developing countries, during his visit to the United States in September.

Firstly, he announced that China would set up a China South-South Climate Cooperation Fund to provide RMB 20 billion or US\$3.1 billion to help developing countries tackle climate change. This announcement was made at the White House at a media conference with US President Barack Obama.

Secondly, at the Development Summit at the United Nations, Xi said that China would set up another fund with initial spending of US\$2 billion for South-South Cooperation and to aid developing countries to implement the post-2015 Development Agenda.

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The sheer size of the pledges gives a big political weight to the Chinese contribution. President Xi's initiatives have the feel of a "game changer" in international relations.

It is significant that Xi used the framework of South-South cooperation as the basis of the two funds.

In the international system, there have been two types of development cooperation: North-South and South-South cooperation.

North-South cooperation has been based on the obligation of developed countries to assist developing countries because the former have much more resources and have also benefitted from their former colonies as a result of colonialism.

Indeed, developed countries have committed to provide 0.7% of their GNP as development aid, a target that unfortunately is being met by only a handful of countries.

South-South cooperation on the other hand is based on solidarity and mutual benefit between developing countries as equals, and without obligations as there is no colonial history among them.

This is the position of the developing countries and their umbrella grouping, the G77 and China.

Xi himself, at a South-South roundtable he chaired at the UN, described South-South cooperation as "a great pioneering measure uniting the developing nations together for self-improvement, is featured by equality, mutual trust, mutual benefit, win-win result, solidarity and mutual assistance and can help developing nations pave a new path for development and prosperity.

"As the overall strength of developing nations improves, the South-South cooperation is set to play a bigger role in promoting the collective rise of developing countries."

In recent years, as Western countries reduced their commitment towards aid, they tried to blur the distinction and have been pressing big developing countries like China and India to also commit to provide development aid just like them, within the framework of the OECD, the rich countries' club.

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However, the developing countries have stuck to their political position: The developed countries have the responsibility to give adequate aid to poor countries and should not shift this on to other developing countries. The developing countries however will also help one another, through the arm of South-South cooperation.

This has increasingly led some of the developed countries to vaguely threaten to reduce their aid commitment, unless some of the developing countries also pay their share. For them, South-South cooperation is just too vague and too small.

This perception has been changed by the two Chinese pledges, both interesting in themselves.

It is noted by many that the \$3.1 billion Chinese climate aid exceeds the \$3 billion that the United States has pledged (but not yet delivered) to the Green Climate Fund (GCF) under the UN Climate Convention.

Major developing countries have been pressed to contribute to the GCF but they have correctly argued that the GCF is a fund meant for developed countries to meet their historical responsibility to assist developing countries. Developing countries can choose to help one another through the avenue of South-South cooperation.

China has now taken that South-South route by announcing it will set up its own South-South climate fund, with the unexpectedly big size of \$3.1 billion, an amount larger than any developed country has pledged at the GCF. Last year, when China initially announced a similar fund, the sum mentioned then was only \$20 million.

With such a large amount, the Chinese climate fund has the potential to facilitate many significant programmes on climate mitigation, adaptation and institutional building.

As for the other fund announced by President Xi, the initial \$2 billion is for South-South cooperation and for implementing the development agenda just adopted by the UN. The agenda's centrepiece is the sustainable development goals. Xi mentioned poverty reduction, agriculture, health and education as some of the areas the fund may cover.

This new fund has the potential of helping developing countries learn from one another's development experiences and practices and make leaps in policy and action.

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Xi also said an Academy of South-South Cooperation and Development will be established to facilitate studies and exchanges by developing countries on theories and practices of development suited to their respective national conditions.

The next steps to implement these pledges would be to set up the institutional basis for the funds, and design their framework, aims and functions. It is a great opportunity to show whether South-South cooperation can contribute as positively as North-South aid.

After all, South-South cooperation is meant to complement and not to replace North-South cooperation.

Of course, aid is not the only dimension of South-South cooperation, which is especially prominent in the areas of trade, investment, finance and the social sectors.

The regional trade agreements in ASEAN, East Asia, and the sub-regions of Africa and Latin America, as well as the trade and investment links between the three South continents, have shown immense expansion in recent decades.

Recently, the world imagination was also captured by the creation of the BRICS Bank, the Asian Infrastructure Investment Bank and the Chinese One Belt One Road programme, which all contain elements of South-South cooperation.

South-South cooperation in aid, however, is symbolically and practically of great importance, as it tends to assist the more vulnerable--- including poor people and countries, and fragile environments including biodiversity and the climate undergoing crisis.

Let's hope that the two new funds being set up by China will give a much-needed boost to South-South cooperation and solidarity among the people.

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