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REVISITING SOUTH-SOUTH CO-OPERATION: AN AGENDA FOR THE 1990s

by

Talitha Bertelsmann
and
Claudia Mutschler



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An Agenda for the 1990s**

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Preface

The terms 'North' and 'South' have become part of political and economic discourse, at least since the 1970s. Of course, the roots of the global inequalities that spawned such terminology predate this era, and may be found, *inter alia*, in the colonial origins of many of the states of the South. Given that by the end of the 1980s, just 25% of the world's population who lived in the so-called North produced around 80% of global output, much of the debate around North-South relations has dwelt in the past on the restructuring of these ties to create a new international economic order, with a redistribution of resources from the rich to the poor on a cumulative and institutional basis.

But the terminology of 'North' and 'South' may be as misleading as it is erroneous. Not only do all the states of the South not actually fall within that hemisphere, but there is considerable diversity amidst their ranks: from micro-states to huge states like India; from the very wealthy in the Middle East, to the very poor. Just as the category includes newly industrialised and least developed countries alike, the member countries themselves display dualistic characteristics, with modernising urban sectors developing alongside rural, impoverished and neglected rural sectors, though there is often little interaction between the two. The South also comprises fully-fledged democracies alongside government that are among the world's worst human rights abusers.

As a result, although the notion of South-South co-operation belongs to contemporary political parlance, it is still as unclear as it was in the 1970s what the term is supposed to denote or create. This much is perhaps to be expected of a notion which confuses geographical and hemispheric boundaries in the search for analytical convenience and the need to make a political statement. And while South-South issues have become a cornerstone of South Africa's foreign policy, it is confusing, too, as to which body these forms of co-operation might be clustered around - whether it be the G-15, the G-77, the Non-Aligned Movement (NAM), United Nations Conference on Trade and Development (UNCTAD), or a combination of these.

The functional needs which help to inspire such co-operation require to be spelled out, particularly given the historical dependence of the South upon the North which binds them in terms of trade, investment and even transport ties. Clearly, then, the benefits of such synergy need to be assessed. Two recent developments strengthen the requirement for improved co-operation across, rather than simply up and down, the globe.

First, possibly the most notable and important of these has been the economic growth of key states, particularly in Latin America and Asia, although some African states are also beginning to exhibit signs of economic recovery. As a result, the foreign policies are no longer what they were. Fresh strategies are required for dealing with, for example, the Big Emerging Markets, those large, ambitious powers all gaining clout in their geographic neighbourhoods. This means that the fate of the South is no longer dictated solely by the perceptions and policies of the

governments of the North. For while private and multilateral financial institutions wield considerable power, the process of globalisation has arguably flattened out the playing fields between North and South.

As the World Bank noted in its recent annual report, developing countries will double their share of global GDP by the year 2000, rising to nearly one-third of global output. This presents huge opportunities for some countries.

For example, South Africa's trade share with Africa has leapt 180% between 1992-6. South Africa's trade with Brazil between 1995-6 increased by 64%, with Argentina by 35% and with Australia by 33%. Investment ties have similarly become increasingly diversified as those performing economies to the east and west of South Africa have sought to expand their portfolios. The largest foreign investment in South Africa since the 1994 elections is the R5.5 billion purchase of a 30% stake in Telkom, of which Telkom Malaysia put up R2.2 billion. The second largest was the Malaysian Group Petronos' purchase of 30% of Engen for R1.9 billion. Malaysia ranks in second place in terms of overall investments made since April 1994, after the US, but in front of the UK, Germany and Japan.

Conversely, South African investors have been looking increasingly beyond their own borders since 1994. South African mining companies will invest around 20% of the US\$ 500 million expended on African mining exploration in 1997, while their interest in other areas, particularly Latin America and Asia, remains high.

Second, there has been demonstrable progress towards the establishment of regional economic groupings, largely on a hemispheric basis, and cutting across previous Third and First World (or North and South) divisions. The environment for regional initiatives has changed significantly over the past 20 years. The closed regionalism of the 1970s and 1980s, which was used often as a bulwark against interaction with the developed economies of the North, has been replaced by a more open model aimed specifically at better integration of markets. It is apparent that regional integration has the greatest likelihood of success where there is a large internal market, where the proportion of goods imported from the region is greater than the proportion of those from the outside, where there is a great diversity of production structures among member states, and where there are low transport costs among states. These guidelines raise questions, and interesting possibilities, about how the Southern African Development Community (SADC) should overcome some of its inherent disadvantages, perhaps by linking up with regional structures elsewhere.

These two developments have hastened the need for greater functional collaboration in the fields of trade and investment, in the management of mutual hemispheric environmental and security issues, and in the fields of transport, fishing, maritime management, as well as diplomatic and government co-operation.

The 'Looking Sideways: The Specifics of South-South Co-operation' conference was thus convened with the purpose of moving beyond the rhetorical: instead it was designed with the practicalities of engagement across the globe in mind.

This conference and the Report were the result of many able efforts, including those of Talitha Bertelsmann, Caroline de Pelet Abraham, Antoinette Handley, Patricia Jacobs, Anne Katz, Pippa Lange and Claudia Mutschler. The South African Institute of International Affairs (SAIIA) is grateful for the support given by the Embassy of Chile and the Australian High Commission, and especially Ambassador Dr. Jorge Heine and High Commissioner Ian Porter, who not only made this event possible, but provided the catalyst for doing so. The logistical support of Standard Bank is also gratefully acknowledged. Please note, however, that nothing in this *Report* should be taken to represent the views of these bodies, nor of the SAIIA and its members.

Greg Mills
SAIIA National Director
November 1997

Trade and Investment, Regionalism and Transport

Alec Erwin, the South African Minister of Trade and Industry, opened the conference by remarking that the potential for South-South co-operation has to be viewed within the context of wide-ranging and rapid economic and political changes occurring in the world economy. These changes are altering the opportunities for growth and development profoundly, and presenting new challenges to the developing world. Indeed the impact of these forces in the world economy has wrought significant and differential developments in the South, sufficient to signal an emerging shift in the balance of global economic power.

Trade and Investment Co-operation in the South

According to Erwin, current estimates suggest that by the year 2020, China, India, Indonesia, Brazil and Russia will enjoy a 50% greater share of world trade than Europe. Their current degree of industrialisation, large populations and very considerable resource endowment all point to the ability of these countries to generate and sustain higher growth rates. He argued, therefore, that it is highly probable that the impetus for future growth in the world economy will come from the South.

The impact of globalisation has also thrown up new challenges for forging common positions on development and social issues among developing countries. Notwithstanding the high rates of economic growth which some countries in the South have experienced in the past five to ten years, the economic and social inequalities in the global economy have grown more acute for those countries which have not been able to benefit from the opportunities presented by the globalising world economy. The threat of marginalisation from the world's economic processes looms large for a significant part of the developing world. Erwin warned that the consequences of such marginalisation are not only acute for the countries concerned, but also for neighbouring developing countries that are 'breaking out of the shackles of underdevelopment'. The issue of South-South trade and investment co-operation has become an increasing economic imperative for those developing countries which seek to prosper and develop in the globalising world economy.

Rules-Based Multilateral Trading System

Hence, Erwin stressed the importance of South-South co-operation in the context of the emerging rules-based multilateral trading system. The scope of the mandate of the World Trade Organisation (WTO) is extremely broad, allowing for significant intrusions into the realm of domestic economic regulations and thus constraining the use by states of economic instruments to pursue their developmental agendas.

Further, while the multilateral trading system seeks to remove the scope for arbitrary action by the powerful and replace it with a more predictable and judicious

trading system, generally the agenda and pace of developments in the WTO remains shaped by the developed countries. The Uruguay Round left developing countries disadvantaged, as the resultant tariff structure retains constraints on market access for many of the exports from the developing world. Non-tariff barriers also continue to restrict trading opportunities, while developmental concerns have been hitherto underplayed in the WTO.

Erwin believes that the preparations for the WTO Singapore Conference did much to mobilise a response to the 'new issues' by developing countries. However, their co-operation was largely defensive and lacked a coherent strategy for engaging the multilateral system so as to address the concerns shared by many developing countries. A large number of trade and investment issues which are currently being deliberated within the WTO will impact on trade and investment co-operation in the South. Thus, Erwin contends, the key challenge for developing countries is to develop strategies to address these issues in the multilateral arena through a process of critical dialogue. Further, he holds that the prospects for South-South trade and investment co-operation could be seriously undermined if greater collaboration does not take place in the multilateral sphere, where the establishment of a universal rules-based trading system is proceeding apace.

For example, Erwin referred to the important discussions that are under way to review the WTO provisions on regional trade agreements. The outcome of these discussions will have a significant impact on such agreements among developing countries, to whom such initiatives represent important if not prerequisite strategies for ensuring a more equitable integration into the globalised world economy.

Regional Economic Arrangements

South Africa's co-operation with its SADC counterparts illustrates many of the complexities of developing South-South trade and investment to cope with present economic realities. Erwin underscored that South Africa's fate in the globalised economy is, in a very real sense, linked to that of its neighbours. Erwin warned that South Africans can neither hope to be an island of prosperity in a sea of poverty nor to compete effectively in global markets while ignoring their regional partners. Hence, South Africa's policies are aimed at restructuring and deepening a pattern of regional linkages which were established during the colonial period and subsequently evolved during the post-colonial period and the years of destabilisation in Southern Africa.

The political transition in South Africa dramatically altered regional dynamics and improved the prospects for growth in trade and investment flows in the region. The SADC Trade Protocol (1996) initiated a process to establish a free trade area within eight years. South Africa has agreed to construct this protocol in an asymmetrical manner in order to provide some cushioning to its neighbours in terms of market access. Bilateral trade agreements have been concluded with various neighbouring states to address pressing trade issues. However, Erwin stressed that the provisions of these trade protocols will not necessarily produce a more balanced pattern of trade flows. Thus, the promotion of investment is an indispensable component of South Africa's strategy to enhance the productive capacity in neighbouring countries and to ensure a more integrated and sustainable pattern of economic linkages in the region.

Cross border Spatial Development Initiatives (SDIs) are concerted efforts to mobilise capital around infrastructure, transport and the beneficiation of the region's mineral wealth. They represent innovative investment and development partnerships between the private and public sectors, which allow for more effective mobilisation of capital than would have been possible through state resources only. The aim of these initiatives is to tackle critical bottlenecks so as to realise the economic potential of these countries.

Patterns of Regionalism in the South

An international consensus is emerging that regionalism is one way to reap the benefits of global interdependence and face new challenges which transcend national boundaries. Boris Yopo, Special Advisor to the Chilean Ministry of Foreign Affairs, echoed Erwin's assertion that regionalism is on the rise in the 1990s. The unparalleled integration of production processes, flows in goods, services and capital across national boundaries in the contemporary world economy has resulted in the growth of extensive trading, and in some cases, investment links with other developing countries, particularly in the South. Hardly a month passes without a trade pact being signed or a new initiative announced in some part of the world. According to Yopo, 120 regional Free Trade Agreements were concluded between 1947 and 1997, of which around 50 have been signed in the last 7 years.

Regionalism is certainly not a new phenomenon. Yet, views on regionalism have evolved in line with changing historical circumstances and economic and political ideas. Yopo holds that the 'new' integration schemes are based on across-the-board and accelerated liberalisation, reciprocity in the concession of preferences, the simultaneous search for special trade relations with third countries, institutional flexibility and collective leadership by the governments involved rather than autonomous technical secretariats.

In all cases, regionalism is viewed as a pre-condition for securing effective competitiveness, better positions in global markets and increased negotiating capacity in the field of international economic and political relations. Development options which emphasise autarchy and national self-sufficiency have been discarded almost everywhere. Instead, wider markets are recognised as attractive to investors and become effective instruments in the competition for goods, services and capital in world markets.

Like-Mindedness

Yopo stressed the psycho-social angle of integration. Central to the success of regional integration attempts is what a number of analysts refer to as the 'like-mindedness' of partners. Consultation and collective actions by states become possible when countries tend to be 'like-minded' with respect to their values and interests, when they pursue common goals in the international agenda, and when concerted action proves to be a more effective strategy in achieving specific policy objectives at a regional and international level.

Yopo argues that the new regional and sub-regional initiatives of the 1990s are informed by both economic and political like-mindedness. Many of the initiatives are closely linked to policies of structural reform and the opening of economies to international trade and investment. Further, this new wave of regionalism is in many cases also strongly linked to processes of democratisation. Political affinities play an important role in the establishment of schemes. Restricting membership to democratic governments acts as a safeguard against coups, while high level political engagement among democratic leaders has proven to be critical in achieving the goals and resolving disputes among members of the schemes. This wave of integration is thus premised on both economic and political complementarities.

This is not to underestimate the obviously important differences in the level of development among the countries and the degree to which foreign policy orientations might vary on specific issues. Thus, coalition building seems more likely when it is restricted to some fundamental values that allow for a gradual growth of interdependence and mutual trust.

It is imperative to understand, however, that co-operation is not only a political phenomenon. It also requires high levels of social and economic interaction. To allow such interaction, geographic distances and physical obstacles have to be overcome by good and efficient transport and communication facilities.

Hard and Light Regionalism

Yopo noted that one of the interesting features of regionalism in the 1990s is the distinction between 'hard' and 'light' regionalism. Examples of 'hard' regionalism projects include Mercosur, SADC, and, most prominently, the European Union. These arrangements serve geographically proximate member states and are premised on eventual deep consolidation of the region. 'Light' regionalism projects, on the other hand, are co-operative alliances outside the immediate geographic orbits of the participating countries. Realising that inter-state co-operation and economic agreements need not be restricted to neighbours, countries are increasingly pooling their resources and organising themselves into coalitions and like-minded groupings to promote and defend specific interests in the multilateral arena. The Cairns Group, consisting of countries as geographically diverse as Argentina, Malaysia and New Zealand, and the Valdivia Group, which includes Chile, South Africa and Australia, are examples of this new type of regionalism that has emerged in the 1990s. This group was created in the 1980s to bring about the liberalisation of the world agricultural market during the Uruguay Round of GATT multilateral trade negotiations, while the Valdivia Group was established in 1995 to address co-operatively the international environment and related science and security issues. Erwin pointed out that while important steps have been taken to initiate these quasi-global linkages, much more needs to be done to improve their political effectiveness.

Politics of Building Horizontal Co-operation

Building and consolidating horizontal linkages between regional groupings is thus one of the major challenges for the South in the 1990s. Yopo elaborated on the delicate politics required to build such linkages successfully.

Building shared interests helps to limit or resolve differences among member countries. Further, a sense of identity among political leaders and a commitment to act within established networks are important components of any coalition of countries pursuing common objectives. Thus, schemes of 'light' regionalism need to emphasise consultation and exchange of views in order to improve knowledge and identify common interests in participating countries. To keep the momentum going, progress has to be made on an agenda that is relevant to all participating members.

Yopo maintained that it is necessary to consolidate what has been achieved thus far, and to extend the agenda gradually to other subjects where common interests are also visible. Adopting far-fetched or over-ambitious blueprints at the outset can be counterproductive. Likewise, admitting additional countries may complicate the decision-making process and the achievement of goals within the group. It may therefore be prudent to avoid an early widening of an initiative, unless the political will, capabilities and resources, and a minimum compatibility - the pre-requisites for successful action on a collective level - are evident. In any event, ground rules should be established to ensure that possible future participation by other countries is consistent with the declared principles and goals of the grouping.

It is important to establish working programmes and goals that are achievable in specific periods of time, and include a minimum institutional framework to facilitate the co-ordination and following-up of decisions made by members of the group. Flexible institutional arrangements are required in the short term in view of the scarce economic and political resources available to engage in a new process of international co-operation. It is important to avoid early bureaucratization of the process. Instead, Yopo recommended that groupings should opt for a strategy of building blocks, which seems better suited for countries which do not have a long history of mutual knowledge and co-operation.

In conclusion, Yopo stressed that the success of the enterprise depends on the relative importance that the governments involved grant to 'horizontal co-operation' and on their capacity to design a realistic agenda, with objectives that are both relevant to the group, and achievable within a limited period.

South Africa and South-South Co-operation

In response, Willem Bosman of the South African Department of Foreign Affairs emphasised the importance of a positive mind-set with regard to the notion of the South, because otherwise it would be futile to start dreaming of positive structures through which co-operation could be channelled. In Bosman's words, 'we need a South-bias'.

The concept of the 'African Renaissance' demonstrates, in this sense, the priority of South-South relations for South Africa. Bosman maintained that South Africa's

commitment to the South is backed up by the country's membership of and role in, various African and Southern arrangements. South Africa is a full member of the SADC and plays a leading role in the organisation, especially since taking over chairmanship of the grouping in 1997. South Africa is a member of the SACU which introduced a culture of customs unionism to the region. Further, by supporting the Abuja Treaty, South Africa clearly signalled its desire to consolidate South-South linkages in Africa. Also, South Africa's participation in, and membership of, groupings such as the IOR-ARC, UNCTAC, NAM, ZPCSA and Lomé indicate South Africa's commitment to South-South dialogue.

While stressing the importance of a mind-shift, Bosman reiterated the centrality of like-mindedness to the success of co-operation attempts. He stressed that a country's choices are influenced by, and depend on, the country's characteristics and priorities. Thus, coalitions need to home in on common interests and be specific in what they want to achieve. He warned that mechanisms do not function effectively if they are too large and their agenda is too broad.

Ties that Bind: The Role of Transport in Southern Hemisphere Co-operation

The intricate linkages between trade and investment on the one hand and adequate infrastructure on the other, were alluded to in Erwin's reference to the spatial development initiatives. While it is true that horizontal co-operation is, in essence, a political phenomenon, it is no less true that it requires high levels of economic and social interaction to concretise the political rhetoric. Geographic distances and physical obstacles have to be overcome by good and efficient transport and communication facilities to allow the consolidation of groupings.

Moreover, as a result of the changes in the world economy and the new world order, the Southern Hemisphere is beginning to increase its participation in the world's economic development. According to Lucio Caceres, the Uruguayan Minister of Public Works and Transport, this new economic development will present opportunities for co-operation between the countries of the Southern Hemisphere as new trade and transport opportunities appear.

Caceres identified a number of reasons why transport across land, air and sea would in future move away from its current concentration on a North-South axis, instead and strengthen South-South linkages, potentially tying in Mercosur, South Africa, ASEAN, Australia, New Zealand and the South Pacific continent. The first of these was that the Southern Hemisphere's demographic patterns will lead to higher food production and consumption rates; the second, that higher rates of economic growth in recently industrialised countries will create greater demand for raw materials, but will also lead to an increased flow outwards of manufactured goods; and third, that that flow will increase under GATT/WTO.

Thus, Caceres noted that the physical support of infrastructure and transport will have to be flexible so as to support these flows in accordance with the demand. An efficient, cheap, safe and sustainable transport system that includes all modes of transportation is required for this commercial activity. Centres which are nodal to such transport systems are likely to achieve disproportionate significance.

Caceres pointed out that Uruguay, for example, plays an important role in the commercial flows of Mercosur, as the gateway to the River Plate basin. Uruguay's market, geographic location and infrastructural facilities equip the country to play a central role in Mercosur, similar to that of Belgium or the Netherlands in the European Union. Uruguayan port facilities enjoy a substantial comparative advantage as they have recently undergone an extensive upgrading process which has significantly reduced port costs in comparison with its neighbour's ports.

Further, according to Caceres, investment opportunities in the field of transport and infrastructure abound. It is up to the South to recognise these opportunities and to capitalise on the new infrastructure requirements that face the region. South-South co-operation in such investment and construction projects could be beneficial. The French writer Marcel Proust said that the history of discovery did not comprise looking for new landscapes, but rather having new eyes to see. The South should be looking, with new eyes, to economic and trade co-operation in the Southern Hemisphere.

Southern African Transportation Systems

In response, Stephen Gelb, of the Development Bank of Southern Africa, highlighted the dominance of the South African transport network in Southern Africa. He pointed out that South Africa is responsible for 90% of the SADC region's port traffic, 86% of the region's rail freight, 60% of the region's road network and 65% of the region's rail network.

This dominance, which in the past was increased by destabilisation and a resultant 'path dependent' pattern of reliance on South Africa, found its roots in the transport structure of typical primary commodity exports, that is, from the source to the coast. SADCC, formed in the 1960s, aimed to reduce the dependency of the region on South Africa. 77% of the SADCC project budget went to transport initiatives such as the Beira transport corridor. But these initiatives had only limited success.

The early 1990s saw an important shift in approach to infrastructure development in the region with the transformation of SADCC to SADC in 1992. In this time the region has moved to a situation where economic realities rather than political considerations dominate, with the result that the environment is now more conducive to (and indeed new global economic realities demand) region-wide rather than state-centric development approaches to transport. The focus is now on development corridors which aim to integrate the adjacent countries into the global economy by unlocking the development potential of the region, instead of mere state-centric transport corridors.

The Maputo Corridor, linking South Africa's economic hub - the Gauteng province - to the Maputo port, is the most advanced of these initiatives. The project will tackle bottlenecks and so unlock the economic potential of Mozambique and the Mpumalanga province. The corridor is the result of a creative partnership between the private and the public sectors, allowing for the more effective mobilisation of capital than would be possible through available state resources.

Mining and the Environment

Prospects of Mining Co-operation in the Southern Hemisphere

Iván Valenzuela, of CODELCO Chile, presented mining as an excellent vehicle to advance South-South trade and co-operation. He noted that many Southern countries have strong mining resources and skills which have allowed South-South mining ventures to grow enormously in recent years. South-South mining co-operation is thus already beginning to complement the North-South ties.

Mining production is fast becoming a Southern Hemisphere pursuit as the significance of mining to developed Northern Hemisphere economies has been substantially reduced. In addition to increased production, exploration in the South has also surpassed that in the North.

As most of the financing still comes from the North, for Southern miners often only the cost of labour and cost of sales (general and administration) is returned to the country, while the profit margins return to the North. Thus, Valenzuela maintains, developing the local infrastructure to capture some of this value would appear to be a sound approach, and he argues that co-operation among Southern miners and suppliers is certainly the best method to achieve the goal more quickly.

More co-operation is difficult to initiate and maintain, especially given the distances which separate Southerners and the fear that co-operation will undermine the competitiveness of individual companies. Yet, according to Valenzuela, experience shows that South-South mining co-operation is feasible if three key areas of development are addressed.

1. *A Voice in International Power Corridors*

Valenzuela holds that Southern countries must develop an effective voice in the corridors of world power to protect their advantages in the mining sector. Southern representation in the areas of world environment, trade and aid decision-making is insufficient, resulting in accords being agreed in an *ad hoc*, uncentred, uncoordinated fashion. This is clearly not to the advantage of the South.

A coherent approach is needed to allow the South to develop a voice that will allow the South to implement the best possible environmental practices, to cope with international trade liberalisation, and to ensure equitable aid packages.

Valenzuela noted, however, that mining co-operation is dependent not only on the will and the skill of the mining protagonists, but also on the level of development of the county in question. Structural and financial support from governments, trade aid and the international trade environment all play an important role.

2. *Cost Management*

Cost management remains a priority for all miners in an effort to make mining production profitable. Valenzuela identified a number of areas where cost management could give Southern miners the cutting edge.

For example, much of the material in *mining stores* is sourced from the North and very often more is stored than is required. External factors, such as difficulty in obtaining parts due to distance, climate or bureaucratic isolation, can also increase store costs dramatically. Valenzuela suggests that Southern miners co-operate to form joint purchasing ventures to minimise costs through selective buying and high quality stores management techniques. Isolation could be tackled through multilateral agreements and fast track frameworks. Moreover, Southern miners are well positioned to assist suppliers in developing plant and equipment that is appropriate for Southern conditions, which are often more isolated, hotter and currently include a less skilled labour force than Northern conditions. Southern suppliers similarly have a better understanding of the customer operating environment than those in the North.

Another example is *labour costs*. In mining-driven economies the issue of labour productivity carries a significant political baggage, making choices difficult for management. Some companies end up retaining large work forces when mining or processing practices change, reducing competitiveness in terms of production. In Valenzuela's opinion, a more subtle consequence is that the company management will be stretched thin, and so be unable to spend the necessary time on worker development. Attention to the improvement of the personal and vocational skills of workers, and the consequent development of confidence and self respect in the workforce, are prerequisites to the achievement of high standards in safety, environmental management and production. Southern companies can share experiences to develop effective skill/rewards practices and an awareness of the benefits of adopting appropriate labour levels.

Thirdly, *energy management* is an important area of synergy. Collaboration and research funding for projects to improve efficiency would benefit the Southern miners, the Southern balance of payments and reduce greenhouse gas emissions in the South. Southern miners could also co-operate in transporting concentrate to a location where it can be processed at a lower cost. An ideal location would be a country with good port access, clean, inexpensive hydroelectric power and a competitive labour cost. Limited government intervention and low bureaucracy would complete the ideal picture, which would provide improvements in cost, power use and customer service for Southern miners.

A fourth area of cost management co-operation is investment into *research and development* (R&D). In the past the South benefited from the North's large investments into R&D and technology. However, as mining is fading in importance in Northern countries, many R&D institutions are also fading. The South's investment rate in R&D is far below its rate of new mining production. For example, Valenzuela pointed out that Southern miners are overlooking the need to research the positive and negative impacts of metal production and metal use on human biology and the environment. Yopo held that the initiation and implementation of

such long term research efforts offers prime opportunities for co-operation between Southern partners.

3. *Sustainable Development*

Another area of possible South-South co-operation is finding means towards sustainable development, critical to securing the continued right to operate. Valenzuela pointed out a number of considerations which could affect sustainable development.

The 'green' concept of doing more with less should be intrinsic to the South's mineral industry's search for cost reduction. Southern miners need to move less dirt, resulting in lower chemical, energy and transport costs and lower waste management costs.

Second, sustainable development is not solely dependent on the quality and cost of production. To sustain development, the customer base must grow. To achieve a broader customer base, the products must either supply the needs of more customers, or create greater demand from the same number of customers. At present Southern miners are poorly positioned to achieve this, as they are far from their Northern markets, separated from their end-client by refiners and fabricators and, possibly most important, the South often has a producer mentality which focuses on operations rather than customers.

Third, Southern miners need to develop creative ways of sharing the wealth created by the country's patrimony. Sustainable development requires that a lasting improvement be made to the local, regional and national communities in return for the removal of profit from their mineral resources. Direct hand-outs discriminate between immediate owners and the general local community, causing friction and potential disruption of the project. Direct payments to the governments in the form of tax are sometimes hidden from public view and dissipated within the bureaucracy. Valenzuela warned that miners, communities, government and non-governmental organisations need to work out the right solution or risk the effects of the so-called 'Dutch disease'. (Dutch Disease describes a situation where a mineral boom raises a developing country's exchange rate to the point where other industries suffer capital flight to mining, which leads eventually to stagnation or negative growth of the economy.) Thus one of the challenges is for an economy to develop away from a mining focus to a broader base by nurturing alternative industries.

Valenzuela pointed out, fourth, that mining demands the development of infrastructure including roads, ports and telecommunications. More far reaching, however, is the development of local business services including banks, contractors, equipment, fuel and all kinds of suppliers. In this way, supply policy grounded in the concept of sustainable development can strengthen the chain of investment within the country. This in turn has a stimulating effect on the economy, assisting in diversification, economic stabilisation, reduction of unemployment and ultimately reduction of risk, which will reduce the cost of capital in the long term for the whole market.

Fifth, in the past, mining based economies, especially in lesser developed countries, were scrambling to attract finance for projects. Since then sustained demand and the reopening of economies in Latin America, parts of Africa and Asia have swung the pendulum so that returns from both debt and equity in Southern mining have become attractive. In this way Canada has become a key source of world mining funds.

Increasingly, Southern countries are supplementing Northern financing, showing that local financing, even on a small scale, can make a difference to a mining economy. The development of pension funds in countries like Chile, Peru and Brazil, for example, has created a surge in local capital. Yet these funds are not able to take full advantage of local mining investment opportunities due to limited availability of local stocks and debt, and the illiquidity of local markets. While it is clearly not possible for a commercial entity to float on a small or illiquid stock exchange, there is no reason why bond issues or non-voting shares could not be made available. Valenzuela cited a Chilean example in this regard.

In Chile, the cash cost of copper is low, but total cost is almost double the cash cost, due to debt servicing. Further, the value of debt servicing and the profits are being removed from the country, so the return on Chile's mineral patrimony is only half of the available value. If Southern miners were able to develop their new projects on local as well as international exchanges, they could create a 'virtuous cycle'. This cycle and its benefits have been put into practice by an agreement between an Australian insurance institution (AMP Society of Australia) and the state copper mine of Chile (COLDECO). Together they have formed a Chilean company called *Los Andes* which aims to become listed on the Santiago stock exchange, allowing the resources of Chilean investors to have wider direct access to the profit and debt value arising from projects on shore. Valenzuela believes that *Los Andes* is a model for future ventures which could enhance sustainable development through wealth sharing.

The Logic of Business

In response, Dr. Nick Segal of South Africa's Anglovaal Corporation outlined the nature and process of mining exploration in Africa. He was sceptical about the exact nature of South-South links and what inter-governmental (rather than private sectoral) co-operation could bring. He noted that mining deals are highly international, cutting across any political or geographic divides that might exist. They are just as likely to be North-South or South-North as South-South, given that the logic that lies behind this interaction is business, which could have a South-South dimension, but not necessarily so. However, he conceded that the South does share a perspective on the world which may be qualitatively different from that of the North.

Setting an Agenda for Environmental Co-operation

The South is not an easy entity to grapple with. The Southern Hemisphere could hardly be described as a composite whole. It is certainly notable for its variety in almost every sense imaginable. In Chris Laidlaw's words, 'we appear to have little

in common other than the fact that our bath water swirls in a different direction as it disappears down the drain to that of the Northern Hemisphere'.

According to Laidlaw of the World-Wide Foundation for Nature in New Zealand, global forces are re-arranging the international pecking order and there is a growing realisation among the Southern countries that they need to work together more assiduously to protect their many shared interests.

He termed the South the 'new world'. While the North's natural resources are severely depleted, the greater presence and intactness of nature and all that it represents to the human spirit sets the Southern Hemisphere apart. It is a comparative advantage that, at the end of the twentieth century, has a very definite economic as well as psychological dimension.

But Laidlaw warned that the South is in danger of throwing away that comparative advantage by repeating the mistakes of the North. That newness and freshness - the environmental integrity - is coming under relentless pressure as those who are in the business of supplying Northern markets with natural resources turn their attention to this part of the world as their traditional supply lines for products dry up.

In environmental terms, the biggest dilemma facing the global community is that Southern countries want compensation in one form or another if they are to forgo what for many of them is a 'bonanza'. This problem acts as an obstacle to almost every proposal for action at the global level. Any environmental agenda for the South must take this factor into account and admit from the outset that the conservation ethic may be alive but not particularly well. Laidlaw contended that these differences of perception will take time to converge. It may be another generation or two in most developed countries before there is a sufficiently well established middle class whose quality of life is being compromised to provoke them into demanding - politically - that their local backyard be cleaned up.

Market Forces

The most startling development in recent years has been the extraordinary faith placed in the healing powers of market forces by societies, rich and poor. The South has its full share of enthusiasm for the magic of the market. In Laidlaw's words, 'governments have voluntarily retired to the sidelines - or have ... been pulled off the field by the blandishments of Bretton Woods reformers as a condition of structural adjustment programmes'. Many government are now unwilling to intervene, or incapable of doing so, to manage the impact of deregulation on some of the most vulnerable pressure points - and poor people and the environment are inevitably the short term losers.

Again, the right of individual countries to take action, whether unilaterally or as part of a collective, to protect the local environment has been eroded by the trend towards freer trade. The argument is that such action can restrict free trade. Laidlaw argues that not enough thought has yet been applied to accommodating genuine measures to protect the environment with the new trade arrangements. 'The South will be the loser in the rush to purify the arteries of international capital

flows.' Better co-ordination of regional policy making is necessary if workable solutions are to be found. Totally unfettered trade and a healthy environment may not be as compatible as has been assumed.

Investing in the Environment

Perhaps the most urgent item on the environmental agenda in the South is the need to respond to the needs of rural people. People need food, fuel and building materials, yet these needs often compromise the natural values of the local environment. Laidlaw called this competition between people - and particularly poorer people with no options - and the natural environment a 'one-way contest' that is probably the most overwhelming challenge facing the South at the moment: '... you cannot have an environmental agenda that does not deal with agriculture. Unless you transform the agricultural base, make it more intensive and more efficient you will be destroying forests, eroding soils, and poaching water... You can not raise the quality of the natural environment without dealing with rural poverty.'

A large part of the answer to this dilemma lies in qualitative and quantitative investment from outside, yet aid budgets are continuously being cut as free market logic dictates that 'charity begins at home'.

Laidlaw held that for the next phase of the 'green' revolution, the South must look to the private sector. The best the governments can do is to create the pre-conditions through tax and other incentives to induce the transformation in attitude needed. In other words, the market must be given a reason to act on behalf of the rural poor, and the environment will inevitably benefit.

The South also needs a greater understanding and acceptance of the concept of sustainable resource use. The South has limited bargaining power when it comes to the crunch of sustainable development. In future, there will be a temptation among the countries of the South to disengage completely from the sustainability debate, which could have potentially disastrous consequences for the environment all over the globe.

South-South Co-operation

The Southern countries have much in common that should aid co-operation. Laidlaw noted that countries in the South are fairly isolated, have relatively low population densities, a reasonable level of infrastructure development, an interesting mix of interests between indigenous peoples and more recently arrived groups, and above all, a relatively high appreciation of the profundity and value of the natural environment. This last factor is a significant one: it means that the people of the South are sufficiently aware of the importance of their natural heritage to feel instinctively that they want to preserve it, and governments for their part are conscious of this deep-seated feeling.

There are several eco-regions of major importance to the world's biodiversity in the South. Every one of these natural assets is under direct threat from one source or another - from farmers, loggers, foreign fleets, tourism developers, from housing encroachment, and other urban spread, from poachers and polluters of various kinds, and from alien invaders. One of the most pressing tasks and perhaps the most obvious baseline for collective co-operation in the Southern Hemisphere, is the preservation of the natural assets of Antarctica and the biodiversity of the Southern Ocean. The South needs targeted research programmes to build up information bases and to utilise political and consumer power to apply systematic pressure in a coherent manner on countries of the region.

As governments have retreated, business and industry are becoming the essential delivery mechanism in this part of the world. Laidlaw stressed that it is overwhelmingly important that they be given the right kind of messages and incentives by the market and by government if they are to deliver better environmental results. This point was reiterated by Robyn Stein, of Bowman Gilfillan Hayman Godfrey, in her response. Sustainability in any sector, whether it be forestry, fisheries, tourism, manufacturing or the delivery of services, will not be achievable until the private sector regards sustainability as compatible with the market and within legislative structures.

Triangulation of Efforts

Laidlaw concluded that traditionally business has complained about the burden of excessive regulation, government has complained about the unwillingness of business to carry its share of the environmental costs, and the environmentalists have attacked both government and business as spineless evaders of responsibility. Thus, more often than not, the legs of the environmental tripod have been at odds with each other, to the obvious detriment of the environment.

Now, however, there are some very encouraging signs that positive collaboration between the three parties is feasible. Some corporations are being propelled into better environmental practice by consumer demand. Others see long term strategic market advantage in moving now rather than later. Environmental performance certification is one tangible sign of progress. It is being driven by market awareness of the difference between the senseless exploitation and the careful stewardship of natural resources. In other words, enlightened self interest is serving as the best form of motivation. All of this shows, in both Laidlaw and Stein's opinions, that a great deal can be done by establishing achievable targets that all three groups can accept.

The Maritime and Security Domain

Fishing in the Southern Oceans

Facing the possibility of the global depletion of important fishing resources, conservation has become the top priority of the fishing industry today and a focal point for South-South co-operation. In his discussion of the problems in fishing management (the measures which allow an optimum yield for consumption without endangering the precious marine eco-system), Dr Eduardo Hooft, from the University of Mar del Plata in Argentina, pointed out that the need for fishing management in the Southern Oceans has local, regional and international roots.

Traditional Areas of Dispute

According to the 1982 Law of the Sea Convention (LOSC), a 200 mile Exclusive Economic Zone (EEZ) was granted to every coastal state, within which this state has complete sovereign rights for exploration and exploitation. However, the state is also given the responsibility for the conservation and administration of natural resources, both living and not living, in this area. Domestic disputes can arise - as they did in Argentina between the national government and the provinces - over exactly where their respective rights and obligations lie. Whereas economic gains are top priority for the fishermen, the state normally has to ensure that conservation too is addressed.

On a regional level, disputes may arise when EEZs seem to overlap or when, as in the case of Argentina and Uruguay, coastal territories are not clearly defined. Because conservation policy and fishing quotas between countries differ due to domestic policy, one country's best intentions could undermine the efforts of its neighbour. The same applies for international disputes, as the Falkland Islands tensions between the United Kingdom and Argentina clearly demonstrate.

Efforts Towards Co-operation

Given that fish are migratory and do not observe territorial boundaries, Dr Hooft pointed to the need for multilateral agreement on the protection of resources under the EEZs. Once again he stressed that co-operation should happen on both a regional and an international level.

Efforts towards conservation have in recent years been made on several levels. Regionally Argentina and Uruguay have resolved their territorial disputes and created a Common Fishery Zone (CFZ) in which joint efforts are being made towards conservation and equal fishing rights. On the international level, conservation co-operation was consolidated through the United Nations Conference on Environment and Development (UNCED) in 1992. The conference adopted 'Agenda 21', which recognises the need to maintain and restore the living resources of the high seas (all waters falling outside the EEZs are referred to as

high seas) and the EEZs in order to make possible a maximum sustainable yield, taking into account environmental and economic factors as well as the interaction between species. Argentina and the United Kingdom further reached agreement on co-operation around the Falkland Islands on the conservation of endangered species. Joint research projects are undertaken and vessels that fish in the area are obliged to give notice every day of the location and time of their catch.

Illegal Fishing in the Southern Oceans

However, the extent to which conservation efforts between countries can be successful is always hampered by illegal fishing vessels. Poachers can ruin the best efforts for the conservation of a certain species, as protected species normally fetch a high price on international markets due to their rarity. Dr Awie Badenhorst, from the Sea Fisheries Research Institute in South Africa, pointed out that since 1996 there have been many sightings, reports and observations of illegal vessels in the EEZ of the Prince Edward Islands. It is estimated that these vessels could have taken as much as 5,000 tonnes of Toothfish valued at US\$20 million, whereas the legal fishermen were only allowed to remove around 2,400 tonnes of the fish in the interest of ensuring the sustainable utilisation of the resource.

We cannot disengage our sensibilities towards the environment when examining the issue of fishing resources and the need for controls. Sketching the extent of South Africa's and other Southern Ocean states' jurisdiction and also the history of fishing, whaling and seal harvesting, Badenhorst painted a frightening picture of the impact of a lack of resource management in fishing our oceans. Any attempt to counteract illegal fishing depends fundamentally, however, on political will at a national as well as a multilateral level. Effective management of such stocks rests on resource management, and this hinges, in turn, on the availability of the correct scientific knowledge, as well as the tools of effective counteraction, including the ability to police and to enforce effective punitive measures. There is, however, no easy way to police fishing. The Southern Oceans cover such a vast territory that the illegal boats simply cut their lines and flee if they see someone approaching. Britain and France have sent their warships to seize poachers' boats and to defend their EEZs, New Zealand has sent surveillance planes to the Antarctic, Australia has held talks with all interested parties, yet none of these measures seems to be halting the increase in illegal fishing. Other points arising in discussion were the possible collaboration of navies of the Southern Oceans in applying punitive measures, and the objection that navies must give priority to their national defence obligations.

A Role for Maritime Co-operation

Commander Richard Sherwood, of the Royal Australian Navy, noted that there was no real maritime tradition in the Southern Hemisphere. However, there was a growing realisation of the importance of the sea as the 'great global common', due to advances in information technology, increasing numbers of nation-states and the importance of trade as an engine of economic growth. Maritime navigation remains central to global economic activity, in which transportation by sea is increasingly

playing an important role. Two key commodities that are viewed as essential to growth - oil and iron ore - are transported by sea, and the sea routes through the Southern Oceans, and especially around the Cape of Good Hope are being used with increasing frequency. A new, non-military trend is emerging in the security agenda, as it changes to accommodate new concepts. These include freedom of movement for both people and commerce, the extension of national values into the broader community, and the protection of national institutions and the community at large from intimidation.

In recent years there have been several attempts at increased regulation of the seas. While much of this regulation remains national in character it is increasingly a response to international and regional treaties, conventions and the like. The Law of the Sea Convention (LOSC) is now looking at more integrated ways of managing the oceans. Notably, much of what has come out of years of discussion was proposed by the developing nations of the world, who were questioning the right of the developed (primarily Western) group of nations to have unfettered use of the seas. There is, therefore, great scope for South-South maritime co-operation, as the countries of the South share common concerns and common interests.

With this in mind, there are six areas where a 'softly-softly', 'bottom-up' or building-block approach may be used to alleviate some of the pressures in the maritime domain, which would create further channels for Southern co-operation without requiring too much institutional intervention.

1. The Protection of the Marine Environment and Marine Scientific Co-operation

Commander Sherwood referred to some 13 Regional Seas Programmes of co-operation already in place globally. He pointed out, however, that these programmes in the main had yielded results only in training and education. Opportunities for further co-operation exist within the Indian Ocean Rim and the Asian-Pacific Economic Co-operation (APEC) region. Other opportunities may exist in the field of regional management of oil and chemical spills and ship-sourced pollution. This is particularly relevant to the nations of Southern Africa, given the high density of seaborne tanker traffic in the region's seas.

2. The Safety of Navigation and Protection of Sea Lines of Communication

An increase in trade amongst nations, according to Sherwood, has placed a larger demand on energy and other raw materials which can be shipped only by sea. Some of this cargo is classified as dangerous and hazardous, and although improved technology allows for the apparently safe trans-shipment of what are normally seen as volatile substances, there is a higher risk. Globally there is concern about the standards of shipping vessels and crew competency. Due to an oversupply of merchant craft, safety measures tend to be cut in order to reduce costs and to remain globally competitive. An initiative to implement universal port controls can force vessels to comply with certain minimum standard. This leaves substantial room for regional co-operation, as regional efforts can be made towards inspection and the confiscation of unfit ships.

3. *Search and Rescue*

A great deal of progress has been made in the area of co-operation in search and rescue, culminating in a conference held in South Africa in September 1996. Several minor problems still remain to be addressed. The exchanging of information on national Search and Rescue (SAR) procedures, and preparing and conducting exercises are other useful means for encouraging a spirit of co-operation and building trust among nations with an interest in the safety of life on the world's oceans.

4. *The Sustainable Use of Living Marine Resources*

As Dr Hooft also pointed out in his paper, fisheries resources in many parts of the globe have either reached, or are reaching a point of maximum utilisation. However, it is believed that the Southern Oceans provide one of the earth's few remaining regions of virtually unexploited fisheries resources. Illegal fishing has become a major problem in this area, as vessels move towards the South in order to take a greater catch. Sherwood argues that the countries of the South have to co-operate to address this problem, as many of the species in the Southern Oceans are highly migratory and do not fall under any single specific jurisdiction at all times. Solutions to problems associated with the sustainable management of living marine resources will require not only political will, but also innovative solutions. Necessary measures include closer co-operation and the implementation of common fishing vessel registers, the use of compulsory identification and satellite transponders on fishing vessels, enhanced co-operation in port state controls to inspect fishing vessels, thus effectively denying illegal fisherman a market for their catch, and enhanced co-operation in surveillance and possibly even in enforcement.

5. *Illegal Activities at Sea*

Two activities that are gaining prominence in debates about global security are piracy and illegal drug trafficking, although in terms of its effects on the broader global community drug trafficking is by far the more serious problem. Dealing with these problems obviously requires the co-operation of a number of parties, and good intelligence networks and exchanges of information. Due to its busy sea routes, the Southern Hemisphere is currently, and will in the future be, bearing the brunt of this problem.

6. *Naval Co-operation*

The scope for naval co-operation is broad and provides some potential building blocks for South-South co-operation according to Sherwood. Exchanges between navies can range from low key activities such as port visits, fleet reviews, personnel exchange, navy to navy talks and multi-lateral naval conferences through to the more ambitious activities such as information/intelligence exchanges, the development of joint doctrines, bilateral and multilateral exercises, naval peacekeeping and co-operation in dealing with illegal activities on the high seas

such as piracy, to the 'top end' activities involving combined operations such as enforcing United Nations Sanctions and Sea Lines of Communication (SLOC) security. Continued contact between navies can help to enrich maritime co-operation and understanding between navies globally. All navies share a number of duties of surveillance and enforcement on the high seas, and these could be much more effective, both regionally and globally, if they were carried out with much closer co-operation in terms of programming and information management.

In response, Rear-Admiral Trainor, from the South African Navy, emphasised the need for an intra-state approach to developing an effective maritime policy, in which inter-departmental co-operation was the first building-block in a process that may ultimately be extended beyond national to regional and hemispheric boundaries. He argued that the ability to manage maritime resources depended in a pivotal way on the presence of authority, which in the South African context was vested in the SA Navy.

States naturally tend to recoil from too close a relationship with each other. For countries to become military allies, they must be politically and ideologically very close. Even commercial relationships tend to remain guardedly competitive. It seems as though different, closer relationships are developing in the fields of conservation, pollution and resource management, although even there things are not always straightforward.

Trainor also pointed out that a common problem for armed forces in times of peace is funding. Funds are usually in short supply and armed forces, therefore, tend to reserve the money they are given by government to prepare for their primary role. There is then a reluctance in the armed forces to devote funds to secondary or peace-time roles. This creates a dilemma for naval planners who would like to advance the cause of maritime co-operation. A partial solution would be the funding of some peace-time tasks outside the normal defence budget.

Setting a Security Agenda for the South

The 'New' Security Agenda

The end of the Cold War has seen the emergence of a changed security agenda more suited to a world where states and societies are increasingly subject to different vulnerabilities. To a large extent, the emergence of new areas of concern can be attributed to globalisation. Vulnerabilities go beyond financial and military spheres, to include issues such as food and energy security. Ambassador Sardenberg, the Secretary for Strategic Affairs in Brazil, noted that security is, however, only one dimension of a larger agenda encompassing the affairs of the South, a concern that was reflected in the conference programme. He noted, too, that in the absence of global military confrontation of the characteristic type of the Cold War, countries feel more at ease organising their own security policies. However, in a transnational and globalised world, countries of the South still require improved systems of information gathering and sharing. Underscoring Sherwood's notion of a 'softly-softly' approach to co-operation, Sardenberg argued the need for an approach which would include co-operation and frequent consultation, but with minimal institutionalisation.

One of the main issues of concern in the 'new' security agenda is the proliferation of transboundary or transnational crime. International security is thus bound up with domestic security, which confuses the nature of the action that should be taken against perpetrators. Often these threats can be dealt with from within the context of public safety and co-operation among states, by including the armed forces in the role of public safety agencies.

Constraints on Co-operation

While the world today seems to be more at ease with the end of the Cold War tensions, uncertainties still proliferate, Sardenberg claimed. In the past, analysts attributed these uncertainties to the interplay of national sovereignties. However today, in a globalised world, we know that the interplay between states alone cannot account for the high degree of uncertainty with which all members of the international community must live. The speed of economic and technological change surely contributes to the impression of instability, as well as of fleeting opportunities.

There remains some ambiguity in the modern world: on the one hand countries try to keep up with international technological advances within the military sphere, recognising that without the most modern equipment the country will find itself on the edge of military security. On the other hand, numerous international efforts towards the non-proliferation of weapons of mass destruction and arms control are evident. Sardenberg gave as examples attempts at a world-wide ban of Anti-Personnel Landmines, the Comprehensive Test Ban Treaty and the Biological Weapons Convention. The dilemma for the South lies in keeping up with the North in the development of new weapons and at the same time encouraging the North to adhere to international treaties of common concern.

Regional integration efforts are playing an increasingly important role in the security agenda. The countries of Mercosur, the SADC and Australia and New Zealand show a keen interest in the stability of their regions. Given the progress being made in this direction, they seem to be in a position to assist in re-structuring thinking on the security of the South as a whole. However, vast differences remain between the countries of the South, which makes it increasingly difficult to establish a common security agenda. These differences are further complicated by regional tensions and conflict and domestic instabilities. In addition, there is no established tradition in the South for the joint treatment of international security issues. Countries of the South still have strong links with those of the North, which sometimes hampers the forging of new Southern links.

The Zone of Peace and Co-operation

Despite these constraints, there is growing realisation of the need for Southern co-operation. The Zone of Peace and Co-operation of the South Atlantic is a case in point. The increased interest in the organisation being shown by South Africa may enable it to become the main vehicle for co-operation in the South. According to Sardenberg, the Zone is correctly structuring itself on twin pillars of peace and co-

operation, two complementary and essential considerations. Sardenberg noted that while peace is a complex concept, co-operation on political, economic and cultural fronts contributes to regional security.

As the name suggests, the members of the Zone are endeavouring to build a new, common space of peace and security, and to develop a sense of belonging to the South Atlantic region. A new type of regionalism means the strengthening of southern political and economic ties at the advent of the 21st century.

The Zone is a representative forum which encourages the discussion of fundamental issues such as the non-proliferation of nuclear weapons, co-operation for peace-keeping in the region, freedom of navigation and control of maritime traffic, control of the illicit traffic in narcotics, as well as environmental protection, and scientific and technological research. The environmental dimension is particularly relevant, given its multiple aspects which extend from the protection of marine resources to combating ocean pollution, depletion of the ozone layer, greenhouse effect, climate change, desertification and deforestation.

Nuclear Disarmament

In response, Brian Absolum, the High Commissioner of New Zealand, stressed the centrality of the issue of nuclear disarmament to the agenda of the South. There is much scope for effective co-operation and for 'adding value' in this area, given that the entire hemisphere is covered by four existing Nuclear Weapons Free Zones. This was recently achieved by the conclusion of the Antarctic Treaty, which brought the fourth zone into existence. Whilst all the agreements differ, they do have a common core: they all prohibit the acquisition, manufacture and stationing of nuclear weapons and they all aspire to a world free of nuclear weapons.

The next step is co-operation between the four zones on global disarmament initiatives, which concept was endorsed by the United Nations General Assembly in December 1996. Following the adoption of the UN resolution, the parties can begin to seek ways of working together on political linkages between zones and on promoting and enhancing shared objectives. The mechanics of co-operation do, however, need to be developed further. The UN resolution encourages competent authorities party to the treaties to provide assistance to states, parties and signatories to facilitate the accomplishment of the resolution's goals. The competent authorities might establish a consultative mechanism, and develop communication links and data bases to enable ready exchange of documents and of experiences in administering the zones, identifying problem areas and verification. There also remains scope for Southern co-operation within the four zones, to make sure that Southern priorities receive attention in international fora.

New Global Security Challenges

Asking the question 'Do national security policies really address new global security challenges?', Jakkie Cilliers, from the Institute for Security Studies in South Africa, reiterated that a new security agenda had been set in the post Cold War world. He

outlined a 'threatening' security agenda for the world, which has become more unstable and dangerous since 1989 than in the past 50 years. The 'new' security agenda often referred to during the conference, includes wide-ranging issues: from the illicit drug trade and illegal migration to concern over the environment and the massive increase in population growth world-wide. The agenda also includes global economic challenges and the risk of marginalisation, light weapons proliferation and finally the reform of the UN. These new, largely non-military sources of insecurity have challenged the traditional Clausewitzian conceptions of security. Cilliers emphasised that amongst these challenges, poverty remains the main problem facing the South. He also questioned the South's ability to respond to new threats.

An Agenda For Co-operation

Government and Diplomatic Co-operation

Ian Forsyth, from the Department of Foreign Affairs in Australia, noted that there are a range of issues on which new ways of co-operation need to be developed, including UN reform, the protection of Antarctica and fishing resources, the banning of all forms of whaling, conservation of the Albatross, better aviation links, and international security. He argued that there is scope to develop coalitions of interest groups across issues, and such alliances might provide a way of multiplying the effectiveness of small- and medium-sized countries in international negotiations.

The South is, however, a geographic construct which, overall, manifests few common political, cultural economic or social factors. Whilst there are many opportunities and even needs for Southern co-operation, Forsyth cautioned that this will not happen simply on the basis of geography, but rather on a common commitment to promote jointly shared national interests.

Backdrop to Co-operation

Southern co-operation is suggested in an age during which we have seen the end of the Cold War. Traditional groupings that grew out of the bi-polar world no longer have the same foundation for their coalitions. In addition there has been a dramatic increase in regional groupings, with interactions between these groupings becoming an increasing challenge for governments in the future. Governments have to contend with rapid global growth, an international trend towards economic diversification, and the task of competing for the limited amount of foreign investment available. In addition, the world is taking on new issues of moral concern, including the environment, disarmament and various social issues. Given this background, countries find it increasingly important to build coalitions in international negotiations. Forsyth held that while a number of Southern coalitions have hitherto worked with considerable success, scope remains for even greater and stronger alliances.

Existing Coalitions

Among the coalitions that have been successful is the Cairns group of agricultural 'fair-trading' countries. Agriculture is an area in which the international policy environment has, since the establishment of the GATT in 1947, been dominated by the protectionist policies of the most industrialised countries. For over forty years, these countries showed little inclination to subject their agricultural sectors to the same disciplines that existed or were being negotiated for other sectors of their economies. The Cairns group, comprising Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, Thailand and Uruguay, came into existence during the Uruguay Round

of Multilateral Trade Negotiations. (South Africa is also on course to join the grouping in the near future.)

Another group of interest is the Valdivia Group, which was established in 1995 to cultivate links on international environment issues across the Southern Hemisphere. The members are exclusively from the Southern Hemisphere, and include Argentina, Australia, Brazil, Chile, New Zealand, South Africa and Uruguay.

Forsyth further stressed the importance of regional organisations that are excellent examples of Southern co-operation. However, he pointed to the need for further interaction and co-operation between the regional organisations of the South. Such dialogue is important to ensure that these regional organisation do not become excessively inward looking, but rather that they develop in a way that reinforces the multilateral trading system.

Regionalism and South-South Co-operation

In response Abdul Minty, from the South African Department of Foreign Affairs, picked up on the importance of regionalism as a building block towards active participation within the global market. The critical challenge facing emerging regional groupings among developing countries would be for these economic co-operation arrangements to be extended to create links *between* such regional groupings. There is already a clear commitment and initial progress in forging such South-South linkages between SADC and Mercosur. The South firmly believes that this area of co-operation represents one of the most promising and fruitful arenas of South-South co-operation, which should be strongly promoted among developing countries.

The pace of development and progress in South-South co-operation is often frustrated by the unco-ordinated interventions of different multilateral organisations. There remains considerable scope for greater co-ordination and coherence in the policy and actions of the multilateral organisations. The South cannot afford this lack of co-ordination, and a concerted and continuous effort must be made to encourage the co-operation between the WTO, UNCTAD, the International Labour Organisation (ILO), United Nations Development Programme (UNDP) and Bretton Woods institutions. Minty concluded by suggesting that the United Nations has an especially important role to play in helping co-operative efforts to address the issues of global development on one hand, and global security on the other.

Conclusions and Recommendations

North-South vs South-South

Ian Porter, the Australian High Commissioner, remarked on the conference's awareness that areas of common interest among Southern Hemisphere countries are growing. They are already formidable, but the changing nature of trade and investment flows creates a fluidity in international relations which means the rapid expansion of areas for co-operation. Whereas the South once looked upon the North for everything from cultural inspiration to trade, to learning, to technology,

this is no longer the case, partly because experience has taught that the benefits of doing so do not represent either a panacea or the smoothest road to development.

Although it is true that some coalitions based on Southern issues are losing their common purpose, this is also true of many of the coalitions and groupings formed to serve the interests of the so-called West and the developed countries. The major trading patterns are in reality still centred on the North - Japan/US and US/EU - and it is in the interest of the Southern Hemisphere to counter the trade practices of Europe and the US.

The real issue for policy-makers is to identify the trends and the issues that frame international affairs and to reap benefits from them. While Yopo of Chile was able to provide a most impressive look at shared interests among Southern Hemisphere countries, the question remains whether these have been pursued vigorously enough and whether policy makers should be allowing these interests to evolve naturally or seizing the initiative.

Porter selected the following issues as examples of questions that had arisen during the conference. First, there is a lack of people-to-people exchange in the South: the tourist flows between Southern Hemisphere countries are extremely low. In fact, all of the countries of the Southern Hemisphere look mainly North for holiday destinations. He asked whether this had something to do with prejudices based on history, and what governments should do in this case.

Secondly, Porter asked how much the people of the Southern Hemisphere know about one another. Can one study African history in an Australian University? Is there more focus on past colonial oppressors than on neighbours? Can governments do something about educating people 'sideways'?

Many countries of the South have similarly structured economies. It has been shown that lowering trade barriers between such economies leads to rapid increases in their exports of manufactured goods. However, not much time and effort has been spent in co-ordinating trade policies in the South in order to reap the maximum benefit. Porter concluded by noting that the conference had highlighted the opportunities for co-operation and recommended that efforts should be made towards even closer co-operation.

Multi-Lateral Organisations

In his summation, Ambassador Heine remarked that the discussions had focused on structures located somewhere between the quasi-global institutions like the NAM and UNCTAD, and geographically contiguous entities like SADC, Mercosur and CER in Australasia. One example of this is APEC, another - although more limited in its mandate - is the Valdivia Group (1995). The advantage of this 'light' regionalism (and therefore the 'softly-softly' approach to co-operation), is that the entities inspired by it are both more flexible and more manageable than the larger, somewhat unwieldy bodies mentioned above, and at the same time, their alliance has not been imposed by territorial vicinity, but conceived by choice.

The New South and the Deep South

A central analytical challenge, according to Heine, is to come to terms with the fast-growing and significant economies of the South. Various terms have been proposed to describe this new phenomenon: some analysts take a 'US College football league' approach to the global political economy and identify the 'Big Ten' emerging markets of the South; others call it the New South, which emphasizes the difference between the old, impoverished, assistance-pleading, Third World description and the new emerging markets. The Deep South is another term being used for the potentially stronger economies of the South. The term refers to the countries located to the South of the Tropic of Capricorn - Australia, New Zealand, Chile, Argentina, Uruguay, Brazil and South Africa. These countries share not only a specific location but a number of common features as far as the political economy is concerned: they all display open, export-oriented economies with a strong emphasis on mining and agricultural production.

Physical distances need no longer be an insurmountable obstacle to closer links between people, firms or countries. As the Northern markets turn more and more to protectionism, the Deep South and the New South provide interesting alternatives to the long-lasting fixation on Northern markets.

Foreign policy is about choice: all countries have limited resources in terms of negotiators to deploy, delegations to send and agendas to develop. If, however, immediate regional concerns should include the wider perspective of the Deep South, the Southern Hemisphere stands to gain much. Of course, businesses are not in business to co-operate, but to compete. Yet there are many areas in which Southern companies, and especially mining companies, must co-operate with each other to prosper. To get the right mix between co-operation and competition would seem to be the challenge and the opportunity in the South.

Finally, Heine stressed that South Africa can play a pivotal role in the Deep South through its participation in various regional organisations and multi-lateral fora, because of its political legitimacy and its geographic position - at the very mid-point between Australasia and South America.

In Conclusion

Although the notion of the South has become part of the modern lexicon, what actually do countries of the South have in common beyond a rhetorical commitment to political solidarity? What can they do together that they cannot achieve with the North? Is it, as Chris Laidlaw put it, simply that the bath water goes down the plughole one way in the South, and the other in the North? Further, have the dual processes of globalisation and regionalisation rendered the concept of the South redundant today? These were the questions posed by Greg Mills.

The Conference had identified a number of good reasons why the different notions of the South, on the one hand, and of globalisation/regionalisation, on the other, were not mutually exclusive, and may even be complementary. Indeed, Mills claimed, the conference had spelt out a number of criteria which could encourage regional and inter-regional co-operation. These include:

- the like-minded manner in which states, particularly developing states, had to cope with the challenges posed by globalisation. There is a need for developing states to diversify their trade and investment partners, and in doing so, their trading routes; and also to co-operate in multilateral fora, particularly concerning future trade dispensations. In this regard, economies which are structured in similar ways (that is, primary product exporters, those at the receiving end of cost structures) need not be seen as competitors, but rather as complements;
- the demonstrable progress there has been towards the establishment of regional economic groupings, largely on a hemispheric basis, and cutting across previous Third and First World (or 'North' and 'South') divisions. The environment for regional initiatives has changed significantly over the past 20 years. The closed regionalism of the 1970s and 1980s, which was used often as a bulwark against interaction with the developed economies of the 'North', has been replaced by a more open model, aimed specifically at better integration of emerging markets with the world economy. This raises questions about how SADC should overcome some of its inherent disadvantages (including the relatively small value of intra-regional trade), perhaps by linking up with regional structures elsewhere;
- the existence of other issues of mutual interest and concern, including: a threatening new security agenda, the management of the environment, fishing and marine resources, mining, Antarctica, nuclear disarmament, and so on.

A number of challenges arise in relation to the fulfilment of the criteria:

The first of these is to translate these mutual interests and the growing trend towards regionalism into improved inter-regional ties and relations. What is the best way forward, for example, for improved SADC-ASEAN/APEC or SADC-Mercosur ties, given that this is probably fundamental to the success of at least the Southern African regional integration process?

Second, in a world where one must discriminate between inter-government ties on the one hand, and business-to-business ties as well as civil society linkages on the other, how can one best facilitate contact between the non-governmental sectors, particularly in those fields which are driven by the concerns of the market?

Finally, the structures and links (such as this conference, for example) which could assist in inculcating a sense of community, need to be built upon. In other words, action is required to translate the mutual interests which are clear now, into substance.

Participants

Brian Absolum is New Zealand High Commissioner in Harare and Pretoria.

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Alec Erwin is currently South Africa's Minister of Trade and Industry (since April 1996). He is also President of UNCTAD (from May 1996) and is a member of the ANC National Executive Committee.

Ian Forsyth has, since January 1997, headed the Environment Branch for the Australian Department of Foreign Affairs and Trade.

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Dr. Jorge Heine is Ambassador of Chile to South Africa and non-resident Ambassador to Mozambique, Namibia and Zimbabwe.

Dr. Eduardo Raimundo Hooft is Professor of International Law in the Faculty of Law at the National University of Mar del Plata, Argentina and is a Member of the Commission on Decenia for International Law of the General Assembly, United Nations.

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Dr. Greg Mills is SAIIA's National Director.

Abdul Samad Minty is the Deputy Director-General for Multilateral Affairs in the Department of Foreign Affairs.

Ian Porter is the Australian High Commissioner to South Africa, Lesotho and Swaziland.

Ambassador Sardenberg is Secretary of Strategic Affairs at the Presidency of the Republic of Brazil.

Commander Richard Sherwood is the Royal Australian Navy Director-General, Maritime Studies Programme.

Rear Admiral Martyn Trainor is South African Navy Chief of Naval Support, Naval Headquarters.

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About the SAIIA

The origins of the South African Institute of International Affairs (SAIIA) date back to the Paris Peace Conference of 1919. In this fragile post-war atmosphere, many delegates expressed a strongly-felt need for the establishment of independent, non-governmental institutions to address relations between states on an ongoing basis.

Founded in Cape Town in 1934, in 1960 the Institute's National Office was established at Jan Smuts House on the campus of the University of the Witwatersrand. SAIIA's six branches countrywide are run by locally-elected committees. The current National Chairman is Dr. Conrad Strauss and the National Director is Dr. Greg Mills. The SAIIA produces a wide range of publications including *The South African Yearbook of International Affairs*, *The South African Journal of International Affairs*, *International Policy Update*, the *Occasional Paper* and *Bibliographical* series, as well as a number of specialised book projects.

The Institute has established a proud record of independence, which has enabled it to forge important links with leaders of all shades of opinion, both within South Africa and outside. It is widely respected for its integrity. The information, analysis and opinions emanating from its programmes often exercise an important influence on strategic decision-making in the corporate and political spheres.

SAIIA's independence is enshrined in its constitution, which does not permit the Institute itself to take a public position on any issue within its field of work. However, it actively encourages the expression of a diversity of views at its conferences, meetings and in its publications. Its independence is also assured by the fact that it is privately sponsored by its members - corporate and individual.

LOOKING SIDWAYS: THE SPECIFICS OF SOUTH-SOUTH CO-OPERATION

The South African Institute of International Affairs
11-12 November 1997, Jan Smuts House

PROGRAMME

DAY ONE: TUESDAY 11 NOVEMBER 1997

Welcome and Introduction: Dr Greg Mills, SAIIA, National Director

Session One: Trade and Investment, Regionalism, and Transport

Chair: Dr. Greg Mills, National Director, SAIIA

Trade and Investment Co-operation in the South

Alec Erwin, Minister of Trade and Industry, South Africa

The Pattern of Regionalism in the South: A Challenge or Complementary to South-South Co-operation?

Boris Yopo, Special Adviser to the Minister of Foreign Affairs, Chile

Respondent:

- Willem Bosman, Department of Foreign Affairs, South Africa

Ties that Bind? The Role of Transport in Southern Hemisphere Co-operation

Lucio Caceres, Minister of Public Works and Transport, Uruguay

Respondent:

- Dr Stephen Gelb, The Development Bank of Southern Africa

Session Two: Mining and the Environment

Chair: Dr Jorge Heine, Ambassador of Chile

Prospects of Mining Co-operation in the Southern Hemisphere

Iván Valenzuela, CODELCO, Chile

Respondent:

- Dr Nick Segal, Anglovaal Limited, South Africa

Setting an Agenda for Environmental Co-operation

Chris Laidlaw, World-Wide Foundation for Nature, New Zealand

Respondent:

- Robyn Stein, Bowman Gilfillan Hayman Godfrey, South Africa

DAY TWO: WEDNESDAY 12 NOVEMBER 1997

Session Three: The Maritime and Security Domain

Chair: HE Mr Ian Porter, High Commissioner of Australia

Fishing in the Southern Oceans

Dr Eduardo Hooft, University of Mar del Plata, Argentina

Respondent:

- Dr Awie Badenhorst, Sea Fisheries Research Institute, South Africa

A Role for Maritime Co-operation

Commander Richard Sherwood, Royal Australian Navy

Respondent:

- Rear Admiral Martyn Trainor, South African Navy

Setting a Security Agenda for the South

Ambassador Ronaldo Sardenberg, Secretary for Strategic Affairs, Brazil

Respondents:

- HE Brian Absolum, High Commissioner of New Zealand
- Dr Jakkie Cilliers, Institute for Security Studies, South Africa

Session Four: An Agenda for Co-operation

Chair: Antoinette Handley, SAIIA

Government and Diplomatic Co-operation in the Southern Hemisphere

Ian Forsyth, Department of Foreign Affairs and Trade, Australia

Respondent: Abdul Minty, Department of Foreign Affairs, South Africa

Conclusions and Recommendations

- HE Dr Jorge Heine, Chile
- Dr Greg Mills, South Africa
- HE Mr Ian Porter, Australia

Recent SAIIA Publications

BOOKS:

Mills G (ed), *From Pariah to Participant* (1994)

Mills G et al (eds), *South Africa in the Global Economy*

Mills G, *Maritime Policy for Developing Nations* (1995)

Mills G & J Cilliers (eds), *Peacekeeping in Africa*

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Venancio M & S Chan, *Portuguese Diplomacy in Southern Africa* (1996)

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About the Authors

Talitha Bertelsmann was born and raised in Pretoria. After having matriculated in 1992, she spent a year in France, first in Saint-Tropez, and later attending the Alliance Française on a full-time basis in Paris. On her return to South Africa she moved to Stellenbosch, where she obtained her BA, majoring in Political Science and English. Her thesis was entitled: *A Free Trade Agreement with the European Union: Should South Africa Accept?*

Her focus in Foreign Affairs and specifically the European Union stems from her keen interest in French and German and the cultural background to these languages. Political Science has always been the obvious supplement to the study of languages, which gradually evolved into her main interest. In January 1997 she began work at the South African Institute of International Affairs as the European Union Research Fellow.

Claudia Mutschler was born in Nordhorn, Germany. She obtained both her BA Journalism (1995) and her BA (Hons) Political Studies *cum laude* (1996) from the Rand Afrikaans University (RAU), Johannesburg. She is currently working towards her Masters at the same university. Her thesis is entitled *The Consolidation of New Democracies*.

In November 1996, she was appointed Anglo-American and De Beers Chairman's Fund Latin America Research Fellow at the South African Institute of International Affairs (SAIIA). Her work focuses on globalisation and regional integration in Latin America, extracting from this lessons for South and Southern Africa. She has published on these and related subjects, including journal articles and book chapters, presented papers at both international and local conferences, and contributes regularly to the local media. She has travelled in South America as part of her research.



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