

INTERVENTION ON REGIONAL AND SOUTH-SOUTH COOPERATION

**Dr. Paul Oquist, Minister, Private
Secretary for National Policy, Presidency,
Republic of Nicaragua**

Mr. Chairman-

One of the main motivations for the search for regional and South-South solutions is the fatality that world-side organizations somehow adopt the agenda of the hegemonic coalition of countries or get marginalized by parallel actions. Regional groupings without the presence of those countries thus represent a form of liberation from that situation.

The Chiang Mai plus 3 US\$120 billion dollar lender of last resort fund operates without the procyclical conditionalities the IMF imposed in the South East Asian crisis. This facility is commonly viewed as the precursor of an Asian Monetary Fund given the difficulties in transforming IFI governance.

The Bank of the South and the Bank of ALBA will utilize a part of national reserves of associated countries for their own national development according to their own priorities rather than contributing to the net capital outflow from the South to the banks of the North at currently low interest rates, a flow that in the past two years totaled US\$1.5 trillion according to UNDESA, as was mentioned this morning.

The SUCRE as a Bank of ALBA exchange currency for regional trade operates at the margin of the dollar world reserve currency. Likewise, the current experimental use of the Chinese Yuan in Guangdong and the delta of the Yangste River for trade and reserve purposes with Hong Kong SAR, Macao SAR, ASEAN as a group and in individual agreements with Malaysia and Indonesia, as well as South Korea and the extra-regional partners of Belarus and Argentina is a move from dollar based trade.

Regional and bi-national mechanisms for the conciliation of trade can lead to annually balanced rather than perennially imbalanced trade, using regional or national currencies. Current bi-lateral trade compensation agreements using national currencies include agreements between China and Brazil, Argentina, Uruguay and Paraguay. Brazil and Argentina also have such an agreement among themselves. In this mechanism, the party with a surplus is compensated in the national currency of the party with the deficit which is then used to finance imports that balance out the trade annually and stimulate foreign trade among them.

South-South cooperation tends to operate on the basis of different principles: Complementarity, recognition of asymmetries and compensation for them as part of solidarity. An outstanding example are the Oil Agreements with Venezuela whereby 8 ALBA countries and 19 PETROCARIBE countries get half their oil bill financed for 25 years, 2 years grace period and 2% interest per annum. Least developed ALBA countries only pay back half that loan in that the ALBA fund pays the other half. This converts the national countervalue of half the oil bill which for small, poor countries is the greatest brake on growth into development finance for social and economic infrastructure and poverty reduction without extraneous conditionality. It is a compensation for asymmetries designed to reduce inequalities. This is the most promising, and at

the same time one of the least reported, innovations in development finance in recent times that has the potential to accelerate global poverty reduction if other oil exporting countries would adopt similar policies, or if an international facility with the same effect were to be established.

All of Nicaragua's innovative social programs are financed through ALBA funds, while the transformation of the energy matrix to alternative energy by almost doubling our generation capacity in 10 years is being financed by Brazil with private sector participation.

It is probable that the sum total of these measures, that are not plans but rather on-going processes, will in time transform world cooperation, trade, investment, reserve currency and aggregate capital flows to the point that the countries that now resist new arrangements will themselves convene a Bretton Woods II to attempt to redress the impact of regional mechanisms. In any event the world will emerge from the current crisis more regionalized and less globalized than it when it began.