

2. ETHICAL DIMENSIONS OF ECONOMIC DEVELOPMENT

“Modern high-tech warfare is designed to remove physical contact: dropping bombs from 50,000 feet ensures that one does not “feel” what one does. Modern economic management is similar:..from one’s luxury hotel, one can callously impose policies about which one would think twice if one knew the people whose lives one was destroying.”

*Joseph E. Stiglitz (2002), Globalization and its Discontents,
Norton, New York*

2.1 Introduction: Ethics in Economic Development

In simple terms, by *ethics* we mean moral principles. Economic development deals with the welfare of the people in terms of higher incomes and better standards of living. This may not be equally distributed within nations and across nations. Ethical dimensions of economic development deal with the promotion of morally desirable outcomes, such as equality of opportunity to individuals within the country and across the countries. It implies, in short, more equitable distribution of income, elimination of poverty, hunger, and discrimination of all sorts based on caste, class and gender.

Many economists, starting with Adam Smith, have discussed the ethical dimensions of economic prosperity.¹ Karl Marx,² and A.C. Pigou³ dealt extensively with the ethical dimensions of economic growth. However Simon Kuznets⁴ was the first economist to theorize the link between income inequality and economic growth. The desirability of lower income inequalities is based on ethical considerations. Amartya Sen is another welfare economist who has brought out the ethical dimensions of economic development more explicitly in recent years. Starting with *The Theory of Social Choice*,⁵ many of his writings argue that economic development should address the problems of deprivation of all kinds. He argues that, “welfare economics could be substantially enriched by paying more attention to ethics.”⁶ However, as has been pointed out by him, it is difficult to explicitly

¹ Smith, Adam. 1975. *The Theory of Moral Sentiments*, original reprinted in D.D. Raphael and A.L Macfie (Ed.), Oxford Clarendon Press.

² Marx, Karl. 1887. *Capital*, First English Edition, Progress Publishers.

³ Pigou, A.C. 1952. *The Economics of Welfare*, 1952, Macmillan, London.

⁴ Kuznets Simon. 1966. *Modern Economic Growth – Rate, Structure and Spread*, Yale University Press, New Haven.

⁵ Sen, A.K. 1970. *Collective Choice and Social Welfare*, San Francisco, Holden Day.

⁶ Sen, A.K. 1996. *On Ethics and Economics*, Oxford University Press.

separate the behaviour patterns of individuals that include ethical considerations from those which do not include them. These problems are inherently complex. Hence, we cannot assume that economic development automatically leads to the ethically desirable sharing of prosperity.

Equally important is the fact that economic prosperity has, on several occasions, led to desirable distribution of income and the elimination of extreme deprivation. The traditional theory of economic development is based on the premise that an increase in per capita income and an economic shift from primary sectors to secondary and tertiary sectors will increase labour productivity in both agriculture and industry sectors.⁷ Another important aspect has been that agricultural development has either preceded the shift to industrial development, as in the West, or taken place simultaneously along with industrial growth, as in the case of some countries of Southeast Asia. Such a situation removes the constraint of food shortages in the economy. Keeping food prices low and making food affordable has been crucial to the success of economic development.⁸ Broadly speaking, this was the experience of the West in the early nineteenth century and that of the Southeast Asian nations in the twentieth century.

With the exception of some island nations and ‘city states,’ the development of agriculture, bringing abundant and cheap food, has preceded industrial development in many countries, particularly the populous ones, including Japan.⁹ Hence, economic development represented by growth in Gross Domestic Product (GDP) per capita was assumed to be ethically correct. As a country gets richer everyone is expected to share in the prosperity.

In the words of Mahbub ul Haq, “No sustainable improvement in human well being is possible without growth. But, it is also wrong to suggest that high economic growth rates will automatically translate into higher level of human development.”¹⁰ Per capita income may increase, and the GDP growth might be impressive, but many people may still remain poor, hungry, malnourished, and live without the minimum basic amenities of housing, sanitation and safe drinking water. Sometimes only the rich benefit, as the poor do not get to participate in income generating economic activities. Lack of education, skills and assets are the major handicaps of the poor. In addition, discrimination by class, race, caste, community and gender, widen the income differentials and perpetuate poverty and hunger.

⁷ Fei, J.C.H. & Ranis. 1966. “Agrarianism, dualism and Economic Development” in Adelman I and Thorbeck E, (ed.) *The Theory and Design of Economic Development*, John Hopkins University Press, Baltimore.

⁸ Hayami, Y. and Ruttan, V. 1985. *Agricultural Development – an international perspective*, The John Hopkins University Press, Baltimore.

⁹ *ibid* 8.

¹⁰ Mahbub ul Haq. Human Development Centre. 2003. *Human Development in South Asia 2002*, Oxford University Press.

However, there is no automatic built-in mechanism in the development process that reduces inequalities, and enables equitable sharing of the fruits of development. A close examination reveals that economic development in itself may not be the main force behind the reduction in income inequalities. A combination of economic development and deliberate policy efforts for re-distribution of incomes and removal of deprivation is called for.

A number of income transfers and social security measures, such as unemployment payments, free food, free housing, etc., which rich governments undertake on ethical grounds help in the reduction of income inequalities, poverty and hunger. Similarly, massive investments in conservation, and plantations of secondary forests, etc., take place to address problems of overexploitation of natural resources and environmental degradation. This has broadly been the experience so far.

Simon Kuznets was the first to examine the unethical impact of economic development and theorized that in the initial stages of development income inequalities first widen, and then narrow as economic development progresses.¹¹ This is shown in the famous inverted U-shaped curve that results when we plot income inequality on the “Y” axis and economic growth on the “X” axis for a cross section of data for several countries in the world in different time periods. Recently this theory was extended to environmental degradation, theorizing that in the initial stages of development environmental resources get degraded, but better conservation leads to better environmental resource bases in the developed countries compared to developing countries. When we plot concentration of pollutants on the ‘Y’ axis and income per capita on the “X” axis we get a similar inverted U-shaped curve which shows that in the initial stage of development, pollution increases and then comes down after reaching a certain threshold of development, or per capita income level. Several economists have applied this to cross section data.¹² While the curve seems to hold good for some nations, it may not hold good for others. The Asia-Pacific experience does not fully support the theory, as we shall elaborate on latter in the discussion.

It is often the policy direction of governments to reduce inequality, remove absolute poverty and hunger, and improve the environment we live in. By itself, pure economic growth in terms of Gross Domestic Product (GDP) is unable to take care of all the ethical dimensions of equity. The global economic development pattern has been significantly changing since the nineteenth century. In the nineteenth century, economies grew slowly and largely with their own internal strength and domestic market demand. For many small and big countries in Southeast Asia,

¹¹ *ibid.* 4.

¹² Sen, Gupta, Ram, Prasad. 2001. *Ecology and Economics: An approach to Sustainable Development*, Oxford University Press.

export markets and the global economic situation became the engine of growth¹³ for a significant part of the twentieth century. In the twenty-first century, as the economic growth of developed nations has slowed down, the factors of production have become more mobile. Capital has become mobile internationally, and industries have moved globally in search of cheap labour. Trans-national corporations have grown in strength. The ethical dimension of international trade has become important in the process.¹⁴ Thus, besides the deliberate policy direction given to economic development internally, the protection against external exploitation by respective governments has come to matter.

The ethical balance sheet of economic development has, on the one side, reduction in poverty and inequality, improvement in living standards and larger freedom of mobility enjoyed by the factors of production, such as capital and labour, and the possibility of achieving growth and sustaining it despite a small domestic market demand. The other side of the balance sheet has growing inequalities within a country and across countries, absolute deprivation and poverty of some who cannot participate in the growth process, increasing risk of domestic jobs and incomes fluctuating along with the global economic fortunes, and the preoccupation of governments with the magnitude of growth and not so much with the quality of life of millions of people.

The nations of Asia-Pacific fall on both sides of the ethical balance sheet. Particularly interesting are the cases where high GDP per capita has resulted in an ethically desirable impact, such as in Singapore, Hong Kong and Taiwan. It has had ethically undesirable impacts in others, such as the Philippines and Indonesia. Some countries, such as India, have benefited only marginally. Some countries have had sustained development, while others had short-lived gains. Equally interesting are the cases where equality has been achieved despite low per capita income, as in the People's Republic of China.

The aim of this chapter is not to trace the reasons and analyse the governance issues, but to record the outcomes and analyse whether economic development has been largely based on ethical considerations, or not. This analysis is based on the assumption that economic development is desirable and that it has to be achieved along with ethical considerations of sharing and caring. We study the per capita income growth of various countries in the Asia-Pacific region along with some ethical parameters such as reduction in inequality, poverty, levels of hunger and gender inequality. The pattern of growth and international trade policies that have been perceived as ethically correct, along with those that have been largely perceived as ethically wrong, are briefly analysed.

¹³ World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*, Oxford University Press.

¹⁴ World Trade Organization. 1995. *Results of the Uruguay round of Multilateral Trade negotiations – The legal texts*, WTO, Geneva.

Understandably, the fruits of growth are enjoyed by all in those countries where domestic governance spreads the fruits of development by giving opportunities to most people to participate in the growth process. Economic development has had positive ethical impact in the countries that have already achieved a considerable level of literacy and health. Countries that have wide ranging social security arrangements experienced widespread positive impact of economic growth and less of the negative impact of the economic slowdown. The adverse impact of economic growth has been experienced in those countries where governments give precedence to magnitude of growth over spreading the benefits of development and helping the removal of absolute poverty, reducing the risks of job loss and assisting in gaining bargaining strength.

Pure economic growth by itself may be neutral to rich and poor, but the way it is achieved, through domestic or export markets, the basic skill levels and educational endowments of the population, and the type of government interventions, could tilt the balance in favour of the poor, or away from the poor. Some countries have been pro entrepreneurs and others have been equally sensitive to labour problems. Some countries liberalized slowly and took maximum advantage of the international markets through a managed currency regime. Others followed complete liberalization without caution and suffered when the currency was left freely floating.

This chapter first examines the positive and negative impacts of economic growth on the nations of the Asia-Pacific region. Sometimes periods of economic growth may lead to increase in income inequalities, poverty and hunger, when prices of essential commodities go up and growth is highly localized. This chapter will try to present the measurable and ethically desirable dimensions of development revealed in reduction in income inequalities, poverty, hunger, and gender discrimination. These parameters are studied along with the annual compound rate of growth in Gross Domestic Product at the aggregate and per capita levels. The changing international economic environment of trade is also examined from the ethical perspective. Globalization that facilitates export-led growth, the financial crisis that hit Asia, and finally, the recent economic slowdown of the 21st century, form the backdrop of our analysis.

2.2 The Positive Impact of Economic Growth and Development

To segregate the achievers from non-achievers in the developing block, we can look at per capita income levels. The level of per capita income is normally used as a guideline of a country's economic performance, the larger the per capita income, the richer the country; and vice versa. Faster growth in Gross Domestic Product, and an increase in per capita income levels, normally leads to the economic well being of the population. This appears to be true for most rich nations where people enjoy higher standards of living. The Asia-Pacific region has a large number of countries in the developing block and a few countries, like Japan, Australia and New Zealand, in the developed block. (Table 2.1)

Table 2.1. Basic statistics about countries in the Asia-Pacific region

	<i>GDP per capita 2,000 US\$</i>	<i>Land Area km sq</i>	<i>Population 2000</i>	<i>Poverty %</i>	<i>HDI rank (out of 173 countries)</i>
Afghanistan	523	652 090	26 550 000		
Australia	23 838	7 682 300	19 182 000		5
Azerbaijan	506	86 600	8 049 000	68	88
Bangladesh	373	130 170	131 050 000	36	145
Bhutan	532	47 000	805 000		140
Brunei	13 719	5 270	338 000		32
Cambodia	297	176 520	12 021 230	36	130
China	824	9 327 420	1 262 460 032	5	96
Cook Islands	4 521	230	19		
East Timor		14 870	871 000		
Fiji	2 395	18 270	811 900	25	72
Guam		550	154 500		
Hong Kong, China	24 218	1 075	6 797 000		23
India	459	2 973 190	1 015 923 008	35	124
Indonesia	994	1 811 570	210 420 992	27	110
Iran, Islamic Rep.	1 649	1 622 000	63 664 000		98
Japan	44 830	364 500	126 870 000		9
Kazakhstan	1 512	2 699 700	14 869 000	35	79
Kiribati	561	730	90 700		
Korea, Dem. Rep.		120 410	22 268 000		
Korea, Rep.	13 062	98 730	47 275 000		27
Kyrgyz Republic	885	191 800	4 915 000	51	102
Laos PDR	450	230 800	5 279 000	46	143
Macao, China	15 244	20	438 000		
Malaysia	4 797	328 550	23 270 000		59
Maldives	1 933	300	276 000		84
Marshall Islands	1 602	180	52 000		
Micronesia, Fed. Sts.	1 735	702	118 100		
Mongolia	428	1 566 500	2 398 000	36	113
Myanmar		657 550	47 749 000		127
Nauru	2 829	20	11 000		
Nepal	241	143 000	23 043 000	42	142
New Zealand	17 548	267 990	3 830 800		19
Pakistan	516	770 880	138 080 000	34	138
Palau	6 726	460	19 000		
Papua New Guinea	927	452 860	5 130 000		133
Philippines	1 167	298 170	75 580 000	37	77
Samoa	1 440	2 830	170 000		101
Singapore	28 230	610	4 018 000		25
Solomon Islands	643	27 990	447 000		121
Sri Lanka	860	64 630	19 359 000	25	89
Tajikistan	386	140 600	6 170 000		112
Thailand	2 805	510 890	60 728 000	13	70
Tonga	1 768	720	100 200		
Turkmenistan	1 377	469 930	5 198 940		87
Uzbekistan	485	414 240	24 752 000		95
Tuvalu	1 931	30	11 000		
Vanuatu	1 177	12 190	197 000		131
Vietnam	356	325 490	78 522 704	51	109

Source: World Development Indicators, 2002, CDROM version; United Nations Statistical Yearbook 2001, CDROM version, Freedom House 2002; UNDP Human Development Report 2002.

The per capita income of Japan (in US dollars) is the highest in the region at 44,830, followed by USD 23,838 for Australia and USD 17,548 for New Zealand. Among the other Asia-Pacific countries, some like Singapore, Brunei, Hong Kong, Taiwan¹⁵ and South Korea have per capita incomes higher than Australia and New Zealand, though they are not considered to be part of the developed block. Malaysia also enjoys fairly good levels of per capita income at USD 4,797. The rest of the countries in Asia-Pacific are mostly poor. At the upper end of the poor nation group are those with a per capita income ranging from USD 3,000 to 1,000. In 1999, the island nations, including Cook Islands, Fiji, Maldives, Marshall Islands, Federal states of Micronesia, Papua New Guinea, Nauru and Tonga, and countries such as Philippines in Southeast Asia and Kyrgyz Republic in Central Asia were in this range. Thailand, with USD 2,805 per capita income and Nauru with a per capita income of USD 2,829 are at the upper end in this group. The Philippines is at the lower end with a per capita income of USD 1,167 per annum. Australia and New Zealand have not been considered in our further analysis below.

At the lower end of the poor nations group are countries both big and small characterized by per capita incomes below USD 1,000. The range is from USD 170 in Tajikistan to USD 950 in Turkmenistan, and from USD 824 in China and USD 459 in India. Countries, such as Nepal, Cambodia and Bangladesh are at the bottom. Thus, with few exceptions, most of the countries in the Asia-Pacific region are poor. For most countries in Asia-Pacific the major contribution to GDP comes from the service and industrial sectors (over 60% in most cases). A few countries, such as Laos, Cambodia, Nepal, Bhutan, Kyrgyz Republic, derived more than 35 percent of their GDP from agriculture. With the exception of Bhutan, all the countries dependent on primary sector had low annual per capita incomes of less than USD 300. This clearly shows that the shift from agriculture to organized manufacturing or service sectors brings about development. However, there is also a shift that occurs between agriculture and the unorganized service sector. Due to high levels of urbanization with inadequate industrial base, this normally perpetuates poverty.

Most of the countries recording a per capita GDP of more than USD 1,000 did not have any poverty. However, the most notable exceptions were Thailand and the Philippines with per capita incomes of 2,805 and 1,167 USD, and 13 percent and 37 percent, respectively, of their population below the poverty line. Other notable exceptions were Fiji Islands and Kazakhstan. On the other hand, Mainland China achieved a poverty level as low as five percent with per capita income of just USD 824. With some exceptions, the levels of poverty are coming down with economic growth. Some countries, such as Thailand, have reduced poverty levels over

¹⁵ We have considered Hong Kong and Taiwan as separate entities from Mainland China as the path of economic development has been different from each other, though they may be considered as part of China.

a period of time, but this fall in poverty has been much slower than in the high-income countries of Southeast Asia mentioned above. We elaborate below on some of the success stories of Southeast Asia.

*The Asian Miracle of growth, equality and elimination of poverty*¹⁶

Eight countries of Asia-Pacific, referred to as High Performing Asian Economies up to mid-nineties, essentially benefited from linking themselves to Japan. They are: Singapore, Hong Kong, Taiwan, South Korea, Mainland China, Malaysia, Thailand and Indonesia. The performance of the first five of them is notable in that they had rapid and sustained growth rates for three decades or more before achieving high levels of income comparable to developed countries. These countries also achieved unusually low and declining levels of inequality during the period of rapid economic growth, contrary to the historical evidence of Kuznets. These economies were able to reduce levels of poverty substantially. Other benefits, such as declining infant mortality rates and improving life expectancy, also occurred along with the rapid economic growth prior to the mid-nineties. The share of agriculture, and the overall productivity in agriculture, also increased substantially over the three decades from the sixties to the nineties. This shift occurred much faster than it had in Western economies in the nineteenth century. (See Tables 2.2 and 2.3)

Exports grew rapidly and became the engine of growth. High rates of savings, 25 to 40 percent, and investment in physical capital on one hand, and heavy investment in free education and human capital formation on the other, helped in to promote equity and reduce poverty levels. (See Tables 2.4 and 2.5)

In these successful economies, not only was there an investment in education made as a percentage of GDP, (3-5 percent), the allocation of budget to primary education compared to secondary education was also higher. Enterprise and pre-employment on-the-job training was quite systematic in these countries and helped human capital formation and the reduction of income inequalities. In short, government policies systematically and successfully monitored all areas of economic growth starting from health and human capital formation to financial investment and the establishment of trade links. Thus, these eight countries of the region contributed to the Asian Miracle up to the mid-nineties.

¹⁶ This section is based on the findings of the World Bank publication, *The East Asian Miracle: Economic Growth and Public Policy* (World Bank Policy Research Reports) OUP, 1993.

**Table 2.2. Asia-Pacific Region – Growth Rate of Per Capita GDP
(% per year)**

Sl. No.	Country	1997	1998	1999	2000	2001	2002	2003*	2004*	GNP, \$, 2001
1	East Asia	6.1	2.0	6.5	7.4	3.8	5.9	4.8	5.6	
2	China, People's Rep. of	7.8	6.8	6.2	7.3	6.8	7.2	6.7	7.0	890.0
3	Hong Kong, China	4.2	-5.8	2.4	9.2	-0.3	1.3	0.7	2.8	25 920.0
4	Korea, Rep. of	4.1	-7.4	10.2	8.5	2.4	5.7	3.4	4.7	9 400.0
5	Mongolia	2.5	3.9	1.9	-0.2	-0.1	3.1	4.2	4.4	400.0
6	Taipei, China	5.8	3.6	4.6	5.0	-2.9	4.0	2.6	3.3	13 380.0
7	Southeast Asia	2.4	-8.6	2.5	4.6	0.0	3.4	3.0	3.9	
8	Cambodia	-1.1	-2.4	4.2	5.0	3.7	2.0	2.4	2.9	270.0
9	Indonesia	3.2	-14.6	-0.7	3.3	1.9	2.2	–	–	680.0
10	Lao People's Dem. Rep.	4.3	0.9	2.6	3.9	3.8	3.8	4.1	4.6	310.0
11	Malaysia	5.0	-9.7	3.7	4.9	-1.7	2.1	2.3	3.1	3 640.0
12	Myanmar	3.9	2.0	8.9	11.7	9.1	–	–	–	–
13	Philippines	2.9	-2.8	1.2	2.3	1.1	2.4	2.2	2.3	1 050.0
14	Singapore	5.2	-3.5	5.7	7.7	-5.2	5.4	2.3	4.2	24 740.0
15	Thailand	-2.3	-11.5	3.4	4.5	1.2	4.1	3.9	4.6	1 970.0
16	Vietnam	4.1	2.2	2.3	5.1	4.8	5.3	5.8	5.9	410.0
17	South Asia	2.6	4.0	3.9	2.7	3.4	2.5	4.1	4.4	
18	Afghanistan	–	–	–	–	–	–	–	–	–
19	Bangladesh	3.5	3.4	3.6	4.6	5.8	2.8	3.8	4.2	370.0
20	Bhutan	4.2	3.5	4.4	2.4	3.0	4.6	–	–	640.0
21	India	2.9	4.5	4.2	2.6	3.8	2.6	4.4	4.7	460.0
22	Maldives	8.1	7.6	5.1	2.7	1.7	2.6	2.6	1.3	2 040.0
23	Nepal	2.7	0.8	2.2	3.7	1.5	-2.8	-0.6	1.4	250.0
24	Pakistan	-0.7	1.1	1.8	1.6	0.2	1.4	2.3	2.8	420.0
25	Sri Lanka	5.0	3.4	2.8	4.5	-2.8	1.8	3.8	4.3	830.0
26	Central Asia	2.3	2.0	4.3	7.6	13.2	9.1	6.6	6.7	
27	Azerbaijan	4.8	9.0	6.5	9.3	9.5	9.7	8.6	7.1	650.0
28	Kazakhstan	3.3	-0.2	3.7	10.2	13.8	9.6	6.1	6.6	1 360.0
29	Kyrgyz Republic	8.3	0.5	2.3	4.6	4.5	-1.3	–	–	280.0
30	Tajikistan	0.1	3.7	2.3	7.5	–	–	–	–	170.0
31	Turkmenistan	-14.1	4.0	12.4	13.9	16.9	–	–	–	950.0
32	Uzbekistan	3.3	2.8	2.9	2.6	–	–	–	–	550.0
33	The Pacific	-5.1	-3.0	3.5	-2.4	-1.9	-1.3	0.1	–	
34	Cook Islands	–	1.2	7.8	14.5	9.6	4.0	1.5	3.2	–
35	Dem. Rep. of Timor-Leste	2.8	0.0	-18.4	14.3	6.2	-8.8	-10.1	–	–
36	Fiji Islands	-2.6	0.3	8.2	-3.7	3.9	3.9	5.2	3.1	2 130.0
37	Kiribati	3.8	3.1	4.4	-1.1	-0.1	1.2	0.9	–	830.0
38	Marshall Island, Rep. of	-11.3	-0.6	-1.5	-0.7	0.7	2.6	1.6	–	2 190.0
39	Micronesia, Fed. States of	-4.8	-3.1	0.0	4.2	0.8	0.6	2.2	–	2 150.0
40	Nauru	–	–	–	–	–	–	–	–	–
41	Papua New Guinea	-7.8	-5.8	4.2	-4.3	-6.4	-3.6	-2.1	-1.2	580.0
42	Samoa	0.3	1.9	2.1	5.0	4.1	-0.7	1.6	–	1 520.0
43	Solomon Islands	-4.3	-2.6	-3.6	-15.6	-12.6	-6.7	-0.8	–	580.0
44	Tonga	-0.6	1.7	2.4	6.2	0.1	1.3	2.1	2.2	1 530.0
45	Tuvalu	2.1	13.5	1.7	1.7	2.7	0.7	0.7	–	–
46	Vanuatu	2.2	1.7	-5.6	0.0	-5.3	-2.8	-1.3	–	1 050.0
	Average	4.6	0.4	5.2	6.0	3.2	4.9	4.4	5.1	

Source: Asian Development Bank, Asian Development Outlook 2003.

Note: * Estimates.

Table 2.3. Asia-Pacific Region – Sectoral Shares of GDP

Sl. No.	Country	Sector Share 2001 (% Per Year)		
		Agriculture	Industry	Services
1	East Asia			
2	China, People's Rep. of	11.3	64.5	24.1
3	Hong Kong, China	0.1	12.9	86.8
4	Korea, Rep. of	5.2	44.8	50.0
5	Mongolia	26.8	27.9	45.2
6	Taipei, China	2.5	33.3	64.3
7	Southeast Asia			
8	Cambodia	39.6	24.0	31.5
9	Indonesia	16.2	43.7	40.2
10	Lao People's Dem. Rep.	50.5	23.2	25.6
11	Malaysia	8.7	41.1	50.2
12	Myanmar	–	–	–
13	Philippines	20.0	34.0	46.0
14	Singapore	0.1	31.3	68.6
15	Thailand	10.4	44.2	45.4
16	Vietnam	22.7	36.9	40.4
17	South Asia			
18	Afghanistan	–	–	–
19	Bangladesh	24.1	25.2	47.0
20	Bhutan	32.9	30.7	36.4
21	India	23.9	26.7	49.5
22	Maldives	9.5	15.1	75.4
23	Nepal	38.0	23.4	38.6
24	Pakistan	24.6	25.2	50.2
25	Sri Lanka	20.1	27.4	52.4
26	Central Asia			
27	Azerbaijan	15.2	35.3	40.2
28	Kazakhstan	8.7	30.7	49.2
29	Kyrgyz Republic	50.2	18.7	31.1
30	Tajikistan	–	–	–
31	Turkmenistan	25.0	35.0	32.0
32	Uzbekistan	30.1	19.9	50.0
33	The Pacific			
34	Cook Islands	11.9	8.1	80.0
35	Dem. Rep. of Timor-Leste	–	–	–
36	Fiji Islands	16.6	26.6	56.8
37	Kiribati	–	–	–
38	Marshall Island, Rep. of	13.8	16.0	70.2
39	Micronesia, Fed. States of	–	–	–
40	Nauru	–	–	–
41	Papua New Guinea	31.3	35.0	33.8
42	Samoa	17.4	24.8	57.8
43	Solomon Islands	32.4	7.2	60.4
44	Tonga	28.0	15.0	57.0
45	Tuvalu	–	–	–
46	Vanuatu	17.9	9.1	73.0

Source: Asian Development Bank, Asian Development Outlook 2003.

**Table 2.4. Asia-Pacific Region – Gross Domestic Saving
(% of GDP)**

Sl. No.	Country	1997	1998	1999	2000	2001	2002	2003*	2004*
1	East Asia								
2	China, People's Rep. of	41.5	39.8	39.4	38.0	38.6	38.7	38.2	38.6
3	Hong Kong, China	31.6	30.5	30.9	32.9	31.6	33.9	34.0	33.5
4	Korea, Rep. of	33.7	34.4	32.9	32.4	30.2	29.2	28.0	29.0
5	Mongolia	–	–	20.0	32.4	26.0	23.7	–	–
6	Taipei, China	26.4	26.0	26.1	25.4	23.9	25.4	25.7	25.8
7	Southeast Asia								
8	Cambodia	10.2	8.3	9.7	10.7	10.2	10.0	9.7	9.4
9	Indonesia	31.5	26.5	19.5	25.1	24.9	21.1	20.1	19.7
10	Lao People's Dem. Rep.	8.8	13.6	13.2	15.1	15.4	16.1	19.6	18.3
11	Malaysia	43.9	48.7	47.4	47.1	42.2	41.8	42.1	43.0
12	Myanmar	11.8	11.8	13.0	12.3	–	–	–	–
13	Philippines	18.7	21.6	26.5	24.8	17.0	17.3	19.5	21.0
14	Singapore	50.5	51.7	48.8	47.9	43.6	44.2	47.1	47.3
15	Thailand	33.6	36.1	32.8	31.0	30.0	30.5	28.7	29.6
16	Vietnam	21.4	17.8	26.3	25.5	27.4	29.2	28.3	25.8
17	South Asia								
18	Afghanistan	–	–	–	–	–	–	–	–
19	Bangladesh	18.6	20.4	20.8	22.1	20.8	23.6	22.7	23.0
20	Bhutan	21.3	12.5	12.9	16.8	20.2	20.0	–	–
21	India	23.1	21.5	24.1	23.4	24.0	24.5	24.1	25.2
22	Maldives	45.9	46.7	44.2	44.2	44.9	45.8	44.9	43.6
23	Nepal	16.0	16.2	17.1	18.8	19.0	17.4	17.0	17.0
24	Pakistan	11.8	14.7	11.7	14.1	13.9	15.4	15.2	16.0
25	Sri Lanka	17.3	19.1	19.5	17.4	15.3	15.8	16.5	17.0
26	Central Asia								
27	Azerbaijan	11.1	2.7	13.4	18.3	19.7	17.5	–	–
28	Kazakhstan	16.0	15.0	13.8	20.1	22.2	–	–	–
29	Kyrgyz Republic	14.3	-8.2	1.2	14.4	16.8	16.0	–	–
30	Tajikistan	–	23.3	19.4	–	–	–	–	–
31	Turkmenistan	–	–	–	–	–	–	–	–
32	Uzbekistan	14.9	9.9	10.5	16.5	–	–	–	–
33	The Pacific								
34	Cook Islands	–	–	–	–	–	–	–	–
35	Dem. Rep. of Timor-Leste	–	4.0	-13.0	-50.0	-49.0	-39.0	-29.0	–
36	Fiji Islands	7.6	4.2	12.4	8.6	–	–	–	–
37	Kiribati	–	–	–	–	–	–	–	–
38	Marshall Island, Rep. of	–	–	–	–	–	–	–	–
39	Micronesia, Fed. States of	–	–	–	–	–	–	–	–
40	Nauru	–	–	–	–	–	–	–	–
41	Papua New Guinea	21.5	22.6	13.3	25.3	–	–	–	–
42	Samoa	–	–	–	–	–	–	–	–
43	Solomon Islands	–	–	–	–	–	–	–	–
44	Tonga	-22.2	-29.6	-18.4	-10.6	–	–	–	–
45	Tuvalu	–	–	–	–	–	–	–	–
46	Vanuatu	19.5	21.3	19.2	19.3	19.1	–	–	–

Source: Asian Development Bank, "Asian Development Outlook 2003."

Note: * Estimates.

Table 2.5. Changes in Selected Indicators of Poverty

<i>Economic</i>	<i>Year</i>	<i>Percentage of below the poverty</i>			<i>Number of poor</i>		
		<i>First</i>	<i>Last</i>	<i>Chang</i>	<i>First</i>	<i>Last</i>	<i>Percent Chang</i>
Indonesia	1972-82	58	17	-41	67.9	30.0	-56.0
Malaysia	1973-87	37	14	-23	4.1	2.2	-46.0
Singapore	1972-82	31	10	-21	0.7	0.2	-71.0
Thailand	1962-86	59	26	-30	16.7	13.6	-18.0
India	1972-83	54	43	-9	311.4	315.0	1.0
Pakistan	1962-84	54	23	-31	26.5	21.3	-19.0
Sri Lanka	1963-82	37	27	-10	3.9	4.1	5.0

Source: World Bank "East Asian Miracle" 1993.

Financial crisis of Mid-Nineties and the Economic slowdown of 21st century

In the mid-nineties, the economies of Asia-Pacific were booming with prosperity and growth and recording substantial gains in per capita income, while the rest of the world had low levels of growth. And, along with the Asian Miracle countries, some of the Central Asian countries of the former Soviet Union also experienced high levels of growth in the mid-nineties, ranging from 7 to 10 percent per annum.

However, this phenomenal growth was short-lived and problems started with the East Asian financial crisis in 1998. All the countries in Southeast Asia, including China, suffered. The major reason was excess investment beyond the expected increase in demand. The second reason was the excessive dependence on exports and less on domestic demand. The return on investment was low. Excess capacities built led to financial crises, banks that had lent to industry incurred massive losses, and currencies had to be devalued. Industries closed down, causing massive job losses and widespread unemployment in almost all the countries of Southeast Asia. Some of them, like Indonesia, could not recover because political problems accentuated the economic problems. China recovered soon and was again on the path of growth. The size of domestic markets and the capacity to internalize the shocks brought on by the crisis helped China to some extent. India was not affected by the financial crisis largely because of lesser dependence on exports, which is demonstrated by the changes in the annual rate of growth.

Because of its importance in the region, Japan's economy has an impact on the other high performing countries of Asia-Pacific. The GDP growth of Japan, the region's most developed country, was sluggish for quite some time throughout the nineties, the average rate of growth being no more than 1.1 percent. The economy became further sluggish by the turn of the century, and the growth rate fell to below one percent. The major problem plaguing Japan was weak domestic consumption growth and a strong yen that made the cost of production very high. Hence, Japan

shifted its export manufacturing to other countries with cheaper sources of labour in order to maintain its competitive edge. Then, Japan was indirectly hit by the Asian economic crisis as well as the downturn that set in since 2001. The financial institutions that had lent money for investment in neighbouring Southeast Asian countries incurred losses, forcing some of them into bankruptcy. The subsequent fall in demand made some of their overseas manufacturing units incur heavy losses. Unemployment rates increased to 5.5 percent in December 2001, a fifty-year high, and then declined later to 5.2 percent. The atmosphere of caution and saving continued as the fear of unemployment, previously unknown to the Japanese, gripped the nation.

In Japan, with the onset of the financial crisis, inflation was at its lowest and interest rates were zero, thus, benefiting consumers. Because social security measures were in place and public amenities such as education and health care were in place, the impact of the crisis was not too severe, though, at the bottom level, poverty might have deepened as in the case of all other developed countries of the world. However, there was no visible distress apparent in the standards of living of the majority of people. The case of Japan shows that even developed countries did not escape the crisis. A similar situation affected Australia as well as New Zealand, but Japan is more important to the economies of Asia-Pacific than the other two developed countries.

When the financial crisis occurred, some defective policies of Asian countries came to the fore. Economies such as Indonesia virtually disintegrated under pressure. The Philippines could not catch up with the rest despite its proximity and affinity to the fast growing countries in the region. The impact of the Asian crisis had heavy social costs even to the Asian tigers of yesteryear. One of the significant problems was a reduction in purchasing power and consumption expenditures of the average household. Earlier, safety nets provided by firms in Korea, and informal safety nets in Indonesia and Thailand via high levels of savings, took care of small downturns of the economy. However, the sudden drastic drop in income and the bankruptcy of many firms, undermined these safety nets. Even the high growth economies had not provided for long-term social security of their people. Food prices increased in many countries, particularly in Indonesia and Thailand, hurting the poor. Unemployment increased in all of the countries. It was not possible for governments to provide fiscally sustainable safety nets to all the affected persons. The budgetary cost of such programmes was estimated to be about 6 percent of the GDP.¹⁷

The recovery process after the financial crisis was also not without a price. In Southeast Asia, governments and public sector banks supported the growth prior to the financial crisis when expansion of production was given priority over

¹⁷ Gupta Sanjeev, C McDonald, et al. 1998. Mitigating the Social costs of economic costs of reform programmes in Asia, IMF, Washington.

sound economics. After the financial crisis and massive devaluation of currencies in 1998-99, many governments undertook financial restructuring. In the process, many banks went bankrupt and many companies closed down. The real economic factors at play were the existence of excess capacities and lack of demand. The fiscal factors were the imprudent lending by banks to the better performing companies, and government support to those with higher market share and not to those with better profitability and a sound financial base. The overall lack of financial transparency and fiscal indiscipline resulted in the crisis. Poor governance, imprudent lending practices, and some amount of corruption, aggravated it. There was unemployment. Imports became very expensive, hurting consumption. Labour unions were forced to accept wage cuts to keep jobs. Many countries shifted to a free floating exchange system that could act as watchdog of exchange rate imbalance. The recovery process was slower and more painful to the smaller economies such as Hong Kong, Singapore, South Korea, and Indonesia, the so-called tigers of the nineties, than for a big country like China. China recovered faster than others; it could easily reduce the wages in its State-owned industries. Also, export advantage could be restored through a managed exchange rate regime. Unemployment did not increase in China, but increased sharply in post devaluation Southeast Asia.¹⁸ State controlled economy helped China tide over the crisis. The crisis also induced China to undertake some financial reforms that would help the country in the long run. (See Table 2.6)

The countries of Central Asia recorded strong and consistent growth trends, ranging from 7 to 10 percent. The State with lowest growth rate was Uzbekistan at 4.5 percent. The only exception was Kyrgyz Republic that has had wide fluctuations from 9 percent to -0.5 percent in the past 5 to 6 years.

The terrorist attacks in USA in 2001, and the Afghanistan and Iraq wars, destabilized the world economy further for several reasons, including a drop in tourism, restrictions on trade, and domestic job protection policies of the developed countries. Thus, exports declined in all the developing countries, hurting incomes. Though there has been recovery in recent years the unit value of exports has declined, even when the rate of growth of exports was not very low. The terms of trade have been unfavourable to developing countries. Compared to India, China could maintain better growth by making its exports more competitive. Again, the experience of the new millennium has been mixed for the countries of Asia-Pacific. The Pacific island nations have recorded very little growth, or even recorded negative growth, due to a decline in tourism and other factors that made imports more expensive.¹⁹

¹⁸ Asian Development Bank. 2003. Asian Development Outlook 2003, Oxford University Press.

¹⁹ *ibid* 16.

**Table 2.6. Asia-Pacific Region – Growth Rate of Merchandise Exports
(% per year)**

Sl. No.	Country	1997	1998	1999	2000	2001	2002	2003*	2004*
1	East Asia	10.1	-5.3	5.7	22.0	-5.8	12.0	8.3	9.2
2	China, People's Rep. of	20.9	0.5	6.1	27.9	6.8	22.3	10.0	12.0
3	Hong Kong, China	6.3	-8.5	-0.6	16.0	-5.8	4.9	6.5	6.2
4	Korea, Rep. of	6.7	-4.7	9.9	21.2	-14.0	7.5	8.0	8.0
5	Mongolia	34.5	-18.8	-1.7	18.0	-2.4	-3.9	8.0	8.0
6	Taipei, China	5.4	-9.5	9.9	21.8	-17.3	6.4	7.4	7.8
7	Southeast Asia	4.5	-7.4	9.2	19.5	-10.3	4.9	6.8	8.7
8	Cambodia	81.0	13.0	17.9	53.2	9.8	6.0	7.0	6.5
9	Indonesia	12.2	-10.5	1.7	27.6	-12.3	1.1	3.0	5.5
10	Lao People's Dem. Rep.	-1.4	6.4	1.5	2.6	-0.3	2.7	5.2	5.6
11	Malaysia	0.7	-7.3	17.2	17.0	-10.6	6.1	8.1	10.2
12	Myanmar	8.7	4.3	36.0	36.8	30.0	-	-	-
13	Philippines	22.8	16.9	19.1	9.0	-16.2	12.2	6.0	7.0
14	Singapore	-0.2	-12.0	5.4	20.0	-11.0	3.2	7.5	10.2
15	Thailand	3.8	-6.8	7.4	19.5	-6.9	5.8	6.6	7.5
16	Vietnam	24.6	2.4	23.2	25.2	6.5	7.4	9.1	8.4
17	South Asia	4.8	-0.1	4.4	17.2	1.1	7.0	13.6	14.7
18	Afghanistan	-	-	-	-	-	-	-	-
19	Bangladesh	14.0	16.8	2.9	8.2	11.4	-7.6	9.5	10.5
20	Bhutan	1.7	12.1	-5.9	9.1	-12.9	-1.8	-	-
21	India	4.5	-3.9	9.5	19.6	0.1	11.4	15.1	16.6
22	Maldives	12.3	6.6	-4.3	18.8	1.4	18.1	-	-
23	Nepal	10.2	11.9	18.2	37.5	4.6	-18.0	5.0	10.0
24	Pakistan	-2.6	4.2	-10.7	8.8	9.1	2.2	12.0	10.0
25	Sri Lanka	13.3	3.4	-3.9	19.8	-12.8	-2.4	6.5	9.0
26	Central Asia	4.7	-17.1	6.4	45.2	-1.3	8.2	6.5	2.8
27	Azerbaijan	2.4	-16.2	51.3	83.1	9.0	12.7	9.8	-5.9
28	Kazakhstan	9.7	-14.9	2.0	55.1	-2.8	12.0	5.1	4.3
29	Kyrgyz Republic	18.8	-15.2	-13.5	10.4	-6.0	3.7	13.9	-
30	Tajikistan	-3.1	-21.4	13.7	18.3	-17.3	11.0	11.3	10.5
31	Turkmenistan	-54.2	-20.7	93.3	111.7	4.7	8.9	-	-
32	Uzbekistan	-4.4	-19.6	-8.3	0.9	-2.9	-5.7	-	-
33	The Pacific	-14.8	-14.2	9.8	-0.6	-12.6	-9.7	-	-
34	Cook Islands	-39.5	-10.0	41.2	38.6	100.9	-39.1	-	-
35	Dem. Rep. of Timor-Leste	17.1	27.1	-14.8	-90.4	-20.0	25.0	20.0	16.7
36	Fiji Islands	-21.1	-13.4	19.2	-4.2	-8.4	3.6	9.2	8.3
37	Kiribati	16.2	-6.0	55.3	-31.5	-38.2	9.0	20.8	-
38	Marshall Island, Rep. of	-29.0	-47.2	-4.0	22.2	15.9	-	-	-
39	Micronesia, Fed. States of	-17.1	6.7	-9.4	-11.0	26.4	-1.2	-	-
40	Nauru	-	-	-	-	-	-	-	-
41	Papua New Guinea	-14.8	-16.1	9.1	7.3	-13.7	-14.7	-	-
42	Samoa	45.1	28.7	-3.5	-24.9	10.8	-9.4	-	-
43	Solomon Islands	-4.0	-9.7	6.5	-53.8	-32.6	7.7	7.8	-
44	Tonga	4.4	-10.1	1.6	-9.5	9.5	48.6	-	-
45	Tuvalu	-	-	-	-	-	-	-	-
46	Vanuatu	22.7	1.6	-24.0	2.0	-24.4	7.0	20.1	5.0
	Average	7.7	-5.9	6.8	21.1	-6.9	9.4	7.9	9.3

Source: Asian Development Bank, Asian Development Outlook 2003.

Note: * Estimates.

2.3 Non Industrialized Economies of Asia Pacific and the negative impacts of Poverty

The ultra poor, with an income of less than a 1 USD a day, constitute a high percentage of the population (between 30-40 percent) in developing countries such as India, Nepal and Pakistan. Poverty is fairly high in Bangladesh and Laos, as well. The national estimates of poverty are different (See Table 2.7). They are high in countries like Bangladesh, Nepal, Philippines, Cambodia, Mongolia, Maldives, and Vietnam at 30 to 50 percent. Indonesia and Sri Lanka also show more than one-fifth of their populations below the poverty lines specific to their countries, though they do not fall in the category of countries having high level of population earning less than 1 USD a day. Official poverty is lower in India at 26 percent, whereas the international estimate is higher.

Table 2.7. Poverty, illiteracy, and health in Asia-Pacific

Sl. No.	Countries	Population below income poverty line (%)		Probability at birth of not surviving to age 40 (% of cohort) 1995-2000 ^a	Adult Illiteracy rate (% age 15 & above) 1999	Population not using improved water sources (%) 1999	Under-weight children under age five (%) 1995-2000 ^b
		\$1 ^a day (1993 PPP USD) 1983-99 ^b	National poverty line 1984-99 ^b				
1	Bangladesh	29.10	35.60	21.40	59.20	3.00	56.00
2	Bhutan	–	–	20.20	–	38.00	38 ^d
3	Brunei Darussalam	–	–	3.20	9.00	–	–
4	Cambodia	–	36.10	24.40	31.8 ^c	70.00	52.00
5	China Mainland	18.50	4.60	7.90	16.50	25.00	10.00
6	Taiwan	–	–	–	–	–	–
7	Hong Kong	–	–	2.00	6.70	–	–
8	India	44.20	35.00	16.70	43.50	12.00	53 ^b
9	Indonesia	7.70	27.10	12.80	13.70	24.00	34.00
10	Japan	–	–	–	–	–	–
11	Korea, DPR	–	–	–	–	–	–
12	Korea, Rep.	<2	–	4.00	2.40	8.00	–
13	Lao PDR	26.30	46.10	30.50	52.70	10.00	40 ^b
14	Malaysia	–	15.50	5.00	13.00	5.00	18.00
15	Maldives	–	–	12.50	3.80	0.00	43.00
16	Mongolia	13.90	36.30	15.00	37.70	40.00	10.00
17	Myanmar	–	–	26.00	15.60	32.00	39.00
18	Nepal	37.70	42.00	22.50	59.60	19.00	47.00
19	Pakistan	31.00	34.00	20.10	55.00	12.00	26 ^b
20	Philippines	–	36.80	8.90	4.90	13.00	28.00
21	Singapore	–	–	2.30	7.90	0.00	–
22	Sri Lanka	6.60	25.00	5.80	8.60	17.00	34.00
23	Thailand	<2	13.10	9.00	4.70	20.00	19 ^d
24	Vietnam	–	50.90	12.80	6.90	44.00	39.00

Source: UNDP – Human Development Report – 2001.

On the whole, poverty levels are high in South Asia compared to other parts of Asia-Pacific. The major problem is dependence on the primary sector. While the primary sector provides 20 to 30 percent of the GDP, the people dependent on the sector constitute as much as 60 to 70 percent of the population. Also, productivity in agriculture is low, with an average level compared to industry. The second reason for the high poverty levels is casual labour employment and self-employment in unskilled work. Literacy rates and skills are very low for poor people, so they cannot be easily shifted to more productive employment. Livelihood opportunities are limited in developing countries.²⁰

Poverty is concentrated mostly in the South Asian region. When economic development and GDP growth largely encompass only the organized sector, a large majority of people are left out of the prosperity. Poverty and deprivation are mostly caused by the neglect of the governments to invest in human resource development to bring these people into the economic mainstream.²¹ More rapid growth of industries, along with skill formation, could accelerate the shift into highly paid jobs and, thereby, reduce poverty. Other countries in South Asia, Central Asia and Pacific countries were largely unaffected by the financial crisis in 1998. Yet, since the downturn in the world economy started in 2001, things have changed and growth has slowed down in almost all counties, including India and China, the Central Asian countries and Pacific island nations. The Pacific island nations, such as the Cook Islands, showed high levels of growth (14 percent) in 2000. This eventually declined more recently. Still, most of the developing countries of the region, with the exception of Pacific islands, recorded growth rates between 5 to 9 percent, much higher than those experienced by developed countries. The countries of the Pacific islands have consistently suffered negative growth since the turn of the century mostly due to the downturn in tourism.

Inequality

Income disparities prevailing within a country do not seem to have much of a bearing on the level of economic development of that country. Countries with higher levels of income disparities, (more than 0.40 in terms of Gini ratio), include Malaysia, with the highest disparity at 0.49, and Japan, with the lowest disparity at 0.24. The Philippines, Thailand, China, and others are in the range above 0.40, while India, Pakistan, Bangladesh and Sri Lanka are in the middle range between 0.30 and 0.40 (See Table 2.8). In recent years, inequities in consumption expenditures have increased compared to previous periods, in some of the low-income countries of the region. This is because of the problems related to the economic slowdown and the fall in price for agricultural commodities.

²⁰ World Food Programme. 2001. *Enabling Development – Food Assistance in South Asia*, Oxford University Press.

²¹ Dréze Jean and Amartya Sen 2002. *India Development and participation*, Oxford University Press.

Gini Co-efficient trends in South Asia

<i>India</i>		<i>Pakistan</i>	
1992	0.338	1991	0.31
1997	0.378	1998-99	0.41
<i>Bangladesh</i>		<i>Sri Lanka</i>	
1992	0.283	1990	0.301
1996	0.367	1995	0.344

Table 2.8. Income inequalities represented by shares and Gini ratio

Sl. No.	<i>Countries</i>	<i>Inequality measures Richest 10% to poorest 10%</i>	<i>Inequality measures Richest 20% to poorest 20%</i>	<i>Inequality measures Gini index</i>
1	Bangladesh	7.30	4.90	33.60
2	Bhutan	-	-	-
3	Brunei Darussalam	-	-	-
4	Cambodia	11.60	6.90	40.40
5	China Mainland	12.70	8.00	40.30
6	China, Taiwan Province of			
7	China, Hong Kong SAR	-	-	-
8	India	9.50	5.70	37.80
9	Indonesia	6.60	4.60	31.70
10	Japan	4.50	3.40	24.90
11	Korea, Dem. People's Rep. of			
12	Korea, Rep. of	8.40	5.30	31.60
13	Lao PDR	9.70	6.00	37.00
14	Malaysia	22.10	12.40	49.20
15	Maldives	-	-	-
16	Mongolia	8.40	5.60	33.20
17	Myanmar	-	-	-
18	Nepal	9.30	5.90	36.70
19	Pakistan	6.70	4.30	31.20
20	Philippines	16.10	9.80	46.20
21	Singapore	-	-	-
22	Sri Lanka	7.90	5.30	34.40
23	Thailand	11.60	7.60	41.40
24	Vietnam	8.40	5.60	36.10

Source: UNDP – Human Development Report – 2001.

Inequality goes beyond the mere income distribution represented by the Gini ratio. Unequal access to food, nutrition, health facilities, education, skills formation and employment are far more important. Thus, the overall gap between the haves in industrialized countries and the have-nots in poor countries is glaring. It is well known that economic growth by itself cannot and does not benefit all. Hence, many countries often undertake programmes that involve income transfers to the poor.

Food subsidies, housing subsidies, unemployment dole and other social security measures, free health care, and educational provisions come under this category and help in alleviating poverty and reducing income disparities. Such safeguards are not available to the poor in Asia.

Hunger

In the Asia-Pacific region, India, Bangladesh, Pakistan, Nepal, North Korea, Laos, Mongolia, are some of the countries that suffer from the problem of hunger. In the case of North Korea, not enough food is produced. The main problem in over-populated South Asia is the prevalence of hunger despite sufficient availability of food. Science and technology, with the support of the governments, has made many of these countries self-sufficient in food grain production. Still, South Asia has more people suffering from hunger than sub-Saharan Africa. However, the depth of hunger, measured as the deviation from the required level of calorie consumption, is not as bad as in Africa. The main reason for hunger in South Asia is the widespread poverty and lack of purchasing power.

FAO has estimated hunger based on the availability of food grains and levels of poverty. For all practical purposes, hunger is usually equated to a poverty stricken population. However, the true nature of hunger is different; it cannot be equated to poverty. Hunger is more transient in nature. It hits larger numbers of people in lean seasons without work and in the years of drought when very little is produced. In 1997-99, FAO estimated that more than 40 percent of populations were hungry in North Korea, Mongolia, and Tajikistan. Cambodia, Bangladesh, Azerbaijan seemed to have more than 30 percent hungry. Most of Asia-Pacific, with the exception of a few countries, had between 15-25 percent of the population suffering from hunger. South Asia topped the list with 300 million hungry people. India had the unfortunate distinction of having 225 million hungry followed by China with 116 million hungry.²²

The major thrust to make this region hunger free should come from either making food available at affordable prices through food subsidies, or improvement in incomes through poverty alleviation programmes, or both. In some countries, vested interests and mismanagement also causes hunger amidst plenty, as in the case of India. Centralized systems of procurement have benefited a few big farmers in the prosperous states, leaving the produce of the poor in backward regions unsold. The shift to targeted public distribution of food grains at subsidised rates from a system of universal public distribution, in a bid to reduce the food subsidy, has hurt the poor in India. Inefficiency in the system and illegal diversion from the ration shops into the open market has made the safety net virtually useless to the hungry and poor.²³

²² FAO. 2002. The State of Food Security 2001, FAO Rome.

²³ MSSRF-WFP. 2001 and 2002. Food insecurity Atlas of Rural India and Food Insecurity Atlas of Urban India, MSSRF, Chennai.

The most unfortunate part of economic development of Asia-Pacific, including the phenomenal growth of some Asian tiger economies, is its failure to banish hunger altogether. The problem lies with the pattern of economic growth that excludes a large number of people from enjoying the bare minimum need of two square meals a day. Whenever economic growth fails to include all sections of the population, governments should undertake social security measures to provide food and shelter. Instead, governments, under the guise of liberalization and structural reforms, have withdrawn from this function. China is an exception in this respect. There, the underlying structure of equality and social security is more important to the goal of banishing hunger than the mere growth of per capita GDP. Though inequalities may have increased in China in the post-liberalization period as was observed earlier, poverty and hunger have been reduced substantially. Government investment on basic amenities has been declining in all Asian countries, including China. Unless a universal “right to food” becomes legislation that can be enforced, it will not be possible to banish hunger. This is a most urgent need in the Asia-Pacific region.

Gender Disparity

While gender discrimination to some degree exists all over the world, gender disparity assumes added importance in the developing world. The discrimination that exists along with large levels of widespread deprivation can make women more vulnerable, subjecting them to silent suffering.²⁴ The authors of the Human Development Report²⁵ have regularly computed the gender disparity index. The index is less than 0.50 in Bangladesh, Laos, Pakistan and Nepal. It is better in India at 0.553, but this still falls far below the standards achieved in the more gender sensitive and/or socialistic countries like Japan at about 0.92 and China at 0.715. (See Table 2.9)

It is important to get the overall status of women elevated, and rights imparted in decision-making and asset ownership. Resulting in low levels of literacy and per capita income, gender discrimination is ingrained in social attitudes. Such attitudes lead to sex selective mortality and deprivation of access to food and health care that causes larger problems, like low birth weight children. Hence, gender disparity has to be studied from several angles, such as wage differentials, juvenile sex ratios, rights to property, and women’s participation in public life, including politics. Economic development by itself cannot help this situation. More and more property-related rights and society-related positions of responsibility would improve social awareness and women’s status.

²⁴ Sen, A.K. 2001. “Gender equity and the population problem,” *International Journal of Health Services*, 31.

²⁵ UNDP. Human Development Report, various issues.

Table 2.9. Gender Development Index

<i>Sl. No.</i>	<i>Countries</i>	<i>Gender-related development index (GDI) Rank</i>	<i>Gender-related development index (GDI) Value</i>
1	Bangladesh	121	0.459
2	Bhutan	–	–
3	Brunei Darussalam	30	0.853
4	Cambodia	109	0.534
5	China, Mainland	76	0.715
6	China, Taiwan Province of		
7	China, Hong Kong SAR	23	0.877
8	India	105	0.553
9	Indonesia	92	0.671
10	Japan	11	0.921
11	Korea, Dem. People's Rep. of		
12	Korea, Rep. of	29	0.868
13	Lao PDR	119	0.463
14	Malaysia	55	0.768
15	Maldives	69	0.735
16	Mongolia	104	0.566
17	Myanmar	107	0.547
18	Nepal	120	0.461
19	Pakistan	117	0.466
20	Philippines	62	0.746
21	Singapore	26	0.871
22	Sri Lanka	70	0.732
23	Thailand	58	0.755
24	Vietnam	89	0.680

Source: UNDP – Human Development Report – 2001.

The gender disparity index measures discrimination towards women to the economic fruits of development. Hence, the gender disparity index is high for developed nations and low for less developed nations. Sometimes tribal communities exhibit less gender disparity than the most developed urban societies in developed countries, such as the USA and Japan. Unless and until intra-household subjugation of women can be measured and quantified, it is difficult to effectively represent the gender gap in all its dimensions. In the absence of more refined measurements, allowing for comparative analysis of countries around the world, the issue here is related only to the ethics of economic development, and the analysis is restricted to the index calculated by the Human Development Report.

2.4 Ethics of International trade

The World Trade Organization (WTO) has facilitated international trade and improved the export performance of many countries. However, domestic protectionism still needs to be brought down. Under the WTO rules, member

countries have to phase out non-tariff trade restrictions and provide a certain amount of market access to other countries. Still, as an international trade organization, WTO has not been able to provide a level playing ground to the developing countries. In the present context, we consider two important aspects in relation to the above:

Exporters from developed countries enjoy maximum subsidies, especially for farm products. This has been most unfair with respect to agriculture and primary products that constitute the bulk of the exports of developing nations. As per a WTO stipulation, developing countries can increase the aggregate measure of support to a stipulated percentage only from the level existing in 1990-91. At that time, the level of support for agriculture in developed nations varied from 30 percent in the USA to 65 percent in Japan. The support allowed for developing countries was still very low even after the full allowed quantity of support is taken. In the case of India, the actual support given turns out to be negative for some crops.²⁶

In WTO terminology, subsidies in general are identified by “boxes,” which are given colours: green (permitted), amber (slow down – to be reduced), and blue (subsidies that are tied to programmes that limit production). In order to qualify for the “green box,” a subsidy must not distort trade, or at most cause minimal distortion. These subsidies have to be government-funded (not by charging consumers higher prices) and must not involve price supports. “Green box” subsidies are, therefore, allowed without limits, provided they comply with relevant criteria. They also include environmental protections and regional development programmes. The blue box is an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels. It covers payments directly linked to acreage or animal numbers, but also limits production by imposing production quotas or requiring farmers to set aside part of their land. With the introduction of the green box, blue box and amber box scheme, the developed countries have actually increased their support to agriculture.

Countries using these subsidies, and there are only a handful, say they distort trade less than the alternative amber box subsidy supports available to farmers in developed countries, meaning that it is next to impossible for the developing countries to compete with the developed countries. Farmers in the developed world further enjoy non-tariff supports, such as those available in the green box, which are termed as non-trade distorting, and which include payments for not producing a commodity. Export subsidies are termed as trade distorting. Strictly speaking, all are trade distorting, but they claim to be non-distorting. Another important issue is the blocking of the actual import of goods from developing countries by bringing in non-trade related issues, such as environment-friendly goods and child labour

²⁶ Ramesh, Chandra. 2001. “Subsidies and support in agriculture: Is WTO providing level playing field,” *Economic and Political Weekly*, August 11.

free production, phyto-sanitary measures, etc. Several persons both from the developing and the developed world have criticized the unfair trade practices imposed under WTO.²⁷

Ethical Dimensions of Economic Growth in near Future

The overall economic scenario of the Asia-Pacific region for the future appears uncertain, but chances of some recovery of domestic demand, as well as export growth, has been forecast by many international financial agencies, including the Asian Development Bank.²⁸ GDP growth is modest, and the flow of FDI investment in industrial, as well as non-industrial economies, appears to be encouraging. There seems to be consistent improvement in the balance of payments position in many countries. Foreign exchange reserves, low interest rates, and low levels of inflation are conducive to investment and growth. Furthermore, trade within Asia has been reported to be increasing. Increased prosperity and growth in domestic demand would help the region. Still, there is no guarantee that poverty and inequality will decline substantially, particularly in non-industrialised low income countries unless the basic amenities and health facilities improve. (Table 2.10)

As the subsequent chapters show and attempt to reinforce, there are wide ranging aspects that affect the development process, and a conscious imparting of ethical perspectives is paramount if the goal is to be the improved well-being of the majority.

²⁷ Stiglitz, Joseph E. 2002. "Unfair trade laws and other Mischief," chapter 6 in "Globalization and its Discontents," Norton, New York.

²⁸ *ibid.* 16.

Table 2.10. Population and basic Health and Sanitation

<i>Sl. No.</i>	<i>Countries</i>	<i>Total Population (Millions) 1999</i>	<i>Urban Population (as % of total) 1999</i>	<i>Population not using adequate sanitation facilities (%) 1999</i>	<i>Under-nourished people (as % of total population) 1996/98</i>	<i>Children under weight for age (% under age 5) 1995-2000^a</i>	<i>Children under height for age (% under age 5) 1995-2000^a</i>
1	Bangladesh	134.60	23.90	53.00	38.00	56.00	55.00
2	Bhutan	2.00	6.90	69.00	–	38 ^f	56.00
3	Brunei Darussalam	0.30	71.70	–	–	–	–
4	Cambodia	12.80	15.60	18.00	33.00	52.00	56.00
5	China Mainland	1 264.8 ^b	31.60	38.00	11.00	10.00	17.00
6	China, Taiwan Province of						
7	China, Hong Kong SAR	6.70	100.00	–	–	–	–
8	India	992.70	28.10	31.00	21.00	53 ^f	52.00
9	Indonesia	209.30	39.80	66.00	6.00	34.00	42.00
10	Japan	126.80	78.60	–	–	–	–
11	Korea, Dem. People's Rep. of						
12	Korea, Rep. of	46.40	81.10	63.00	–	–	–
13	Laos	5.20	22.90	46.00	29.00	40 ^f	47.00
14	Malaysia	21.00		98.00	–	18.00	–
15	Maldives	21.80	56.70	56.00	–	43.00	27.00
16	Mongolia	2.50	63.00	30.00	45.00	10.00	22.00
17	Myanmar	47.10	27.30	46.00	7.00	39.00	–
18	Nepal	22.50	11.60	27.00	28.00	47.00	54.00
19	Pakistan	137.60	36.50	61.00	20.00	26 ^f	23.00
20	Philippines	74.20	57.70	83.00	21.00	28.00	30.00
21	Singapore	3.90	100.00	100.00	–	–	–
22	Sri Lanka	18.70	23.30	83.00	25.00	34.00	18.00
23	Thailand	62.00	21.20	96.00	21.00	19 ^f	16.00
24	Vietnam	77.10	19.70	73.00	22.00	39.00	34.00

Source: UNDP – Human Development Report – 2001.