Asia with achievements and agonies

ABDUL BAYES

ASIA is home to 520 million hungry and a hub of 600 million poor people. With extreme land scarcity and rising landlessness, rural Asia should normally be reeling under pervasive poverty. But empirical evidence does not seem to lend support to the prevailing pessimism.

As a result of triggered growth and transformation, the incidence of people living in poverty has fallen from more than 50% in the mid-seventies to 18% in 2004, and the incidence of hunger has almost halved from more than 30% to 16%. If the current trend continues, as foreseen by researchers, it will create a dramatically transformed Asia contributing roughly to 42% of global GDP by 2015. In fact, Asia will have tremendous influence on world agriculture soon.

Should Asians then celebrate the outcome? To answer to that, recently, the International Food Policy Research Institute (IFPRI) and the Asian Development Bank (ADB) jointly organised a high-level policy forum on: "Agricultural and Rural Development for Reducing Poverty and Hunger in Asia: In Pursuit of Inclusive and Sustainable Growth." We present below some observations from that forum.

Developments and drivers

Agriculture is depicted as the driver of growth and poverty reduction -- nay, the linchpin of rural livelihoods in Asia. The classic example of this comes from China and India (even Bangladesh) witnessing the largest reduction in poverty in tandem with highest growth in agricultural income.

However, in South Asia, agricultural growth was driven more by productivity gains -- a result of the green revolution, science and technology. In other places (e.g. China), policy reforms played the pivotal role, although the early inducement to increased income came from the green revolution effects.

Either way, increased agricultural growth and income helped in four principal ways: children's education for more remunerative jobs, migration, and pursuance of non-farming activities.

Non-farming activities account for more than half of the rural household income. Engagement of poor households in rural trade, transport, services, remittances, and small-scale manufacturing helped in poverty reduction. Finally, the falling prices of staple grains increased real income of the poor segments to positively affect their exchange entitlements of food.

Besides, public investment in rural areas augmented agricultural growth and rural poverty reduction. Spending on research and development (R&D) paid the highest premium, followed by that on roads and education. These had more impact on poverty reduction than the spending on anti-poverty programs -- fraught with inefficiency in targeting and misuse of funds.

Asia's agonies

But, all that glitters is not gold for some who lie far away from the poverty fence. The rate of progress was neither uniform nor inclusive across Asia. There are ample examples on this score, but we bring only a few to the fore.

As Akhter U.Ahmed and others of IFPRI note: in 1990, about half of Asia's poor lived in South Asia, 40% in East Asia, 9% in Southeast Asia, and only 0.3% in Middle East and Central Asia. Today, almost three-quarters of the poor live in South Asia, 21% in East Asia, and 5% in Southeast Asia.

There are, in fact, many "Asias" today, with East and Southeast Asia leading and South Asia lagging behind. More painfully perhaps, those lying near the poverty line performed far better than those far down the line. That is, growth in rural areas failed to grip the poorest of the poor, embracing mostly landless and illiterate households with high dependency ratio. No less disappointing is the growing inequality among rural-rural and rural-urban households.

Another syndrome is the non-inclusive character of the growth process itself -- imposing an adverse impact through different channels. For example, in India, half of the poor are found in just three states, and the most disadvantageous regions often suffer from poor agro-ecological conditions and limited market access; there are the "walking poor" who remain too far away from modern transport or roads to sell goods or access health and education services.

Again, while rural Asia marched forward some sections of the population faced marginalisation. Consider the caste system in India, which excludes the scheduled castes from reaping the rewards of the resurgence in rural areas. In Bangladesh and India, the tribal people are trailing far behind. So is the case in mountainous regions in Southeast Asia (as in Vietnam and Laos). Admittedly, government policies are afoot in these countries to mitigate the miseries of the "minorities," but they are not powerful enough to make a dent.

What about women -- the other half of the glass? In some areas, NGOs and government initiatives attempted to empower poor women economically and socially, but it still seems to be a dream. In many countries, women continue to be treated as "bread eaters" (not as "bread winners") despite the fact that, given equal opportunities and access to resources as men, they are no less efficient as their counterparts. On an empirical plane, economic growth and nutritional status of children have been positively related to the improvement of the position of women in the household. But woes await women due to socio-economic and cultural constraints in many Asian rural setting.

Non-inclusion also comes from the missing voices of the poor, and adds to their vulnerability and powerlessness. Voicelessness deprives them of the power to influence decisions affecting their lives, negotiate better terms of trade, interact on equal terms with generally stronger market intermediaries, and make governmental and non-governmental organizations (NGOs) accountable to them.

In pursuit of inclusive growth

By and large, rural Asia could fare better had the growth been inclusive, and it is not that the excluded ones lost access and entitlements individually or collectively. Worse to come, the economies of this region substantially suffered due to lower national output and hence lower standard of living of its population. Growth could become burdensome if not backed by proper distribution. Non-inclusiveness also bred political tensions and ignited political instability in the region.

PHOTOS:INDIA

Therefore, celebration is not the cup of tea for Asian policy makers who will have to grapple with burdensome growth even more in the future. To arrest that, the pathways out of rural poverty should have the following attributes: the poor should have access to the growth-path, pathways should be sustainable economically, politically, and environmentally, and stability (political and macro-economic), especially less volatility, in rice prices.

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Seeking smooth departure

A.B.M.S. ZAHUR

IN just seven months time the shine on the CTG has started coming of. In January, the common people welcomed the CTG because it could save the nation from certain bloodshed, chaos, and confusion due to the wrong approach of Khaleda Zia who was ready to go to any extent to retain power.

The CTG is supposed to take all appropriate steps for holding a free, fair, and credible election. The government has taken a number of steps to reach its goal immediately. But with the passage of time, some of its recent actions have caused confusion among the people. Among such actions are:

- The apparently leniency toward Jamaat-e-Islami.
- Arresting Sheikh Hasina but leaving Khaleda Zia in her residence to continue her teleconferences, visit near relations, and send a message to the people in distress through one of her faithful followers that she could not go to them personally due to her failure to obtain necessary permission from the government.
- The slow progress in checking the statements given by Mosaddeque Ali Falu, Lutfuzzaman Babar, and the ex-state minister of power, Mr Iqbal, about Tarique's involvement in extortion and corruption.
- Placing ailing Abdul Jalil, secretary general of AL, in detention, and allowing Mannan Bhuiyan, general secretary BNP, to conduct full indoor politics, and extending tight security during his recent relief operation. Moreover, the fact remains that Mr.Bhuiyan headed one of the most corrupt ministries of the BNP-led government. It gives the impression that the reformists are above the law. Are they?
- Why no progress is reported about cases of extortion and corruption against Arafat Rahman.

The investigations in the corruption cases are reported to have slowed down due to extremely poor compensation paid to the investigation officers, and the shortage of trained officers. Due to tremendous pressure of work, the quality of investigation is becoming perfunctory. Adequate compensation for the investigation officers and recruitment of more personnel have to be arranged.

The EC wants to start dialogue with the political parties on electoral reforms from September, even if the emergency continues. Both the major parties have already stated that no meaningful political dialogue is possible during emergency. However, the EC is hopeful about the lifting of emergency soon. Let us wait and see.

Even during the emergency, we are seeing the emergence of a political faction under rebel BNP leader Mannan Bhuiyan, and a new political party, Progressive Democratic Party (PDP), under one Dr. Qureshi. These groups are very active, distributing relief materials.

Mr. Bhuiyan represented BNP, but Brig. Gen. (Rtd) Hannan Shah represented Khaleda Zia. Shah did not waste a minute in informing the public that his chief could not come despite the best of intentions, because of governmental restriction. The PDP chief took the distribution of flood relief as an opportunity to publicise his party. He led a huge motorcycle procession to attract the attention of the flood stricken people. However, his show was unnecessary and odd.

The CTG has been able to show much better governance during the last six months. We have started seeing more police efficiency, somewhat improved work plan of the EC, and more efficiency in ports, particularly Chittagong port.

However, in some sectors, such as education, trade, civil aviation, health, and industry, no visible improvement has been noticed. The work of two ministries (Ministry of Law and Ministry of Home Affairs) has started to slow down appreciably. This may be because of exhaustion due to overwork. Thus, the chief adviser is advised not to explore any more new areas for reform. The CTG should concentrate more on the existing work to finish it as early as possible.

The CTG will have to lift the emergency to allow political activities like holding of council meetings by political parties. It may be a little risky. On the other hand, the political parties may behave more sensibly, in their own interest, if the ban is lifted. Furthermore, for fruitful discussion with the EC the parties need a free and peaceful political environment.

Installation of different equipments by the EC may not delay the election. In fact, the time for finalisation of the tender process can be reduced for greater public interest. The people of Bangladesh, the important donors, and friendly democratic countries are all anxiously waiting for a free, fair, and credible election in Bangladesh in December 2008, the smooth departure of the CTG, and establishment of a democratically elected government.

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Paying tax: A national obligation

RIPAN KUMAR BISWAS

THANKS to an English daily newspaper for quoting one of his comments regarding tax paying, in which M. Saifur Rahman, who served as finance minister for 12 years in various terms until October 28, 2006, alleged that people were not paying the taxes that could reduce the country's dependency on foreign aid, while he conveniently forgot to pay his own taxes.

And his supremo, Begum Khaleda Zia, former premier of Bangladesh and the chairperson of Bangladesh Nationalist Party, forgot to mention her wealth accrued in 1980, 1981, 1982, 1986, 1987 and 1991, while she had enjoyed the support of a huge office set-up during her tenure.

She recently submitted an income tax return to the National Board of Revenue (NBR) to legalise about Tk 2 crore undisclosed money, however it is not clear whether she ever paid any tax or not.

Khaleda showed her honorarium and allowances as prime minister and as the leader of the opposition during the last 15 years, travel allowance and entertainment allowance, money from her late husband's life insurance, pension and other allowances, and money received as house rent from the Gulshan house (1982 to 2007).

While submitting her wealth report, worth Tk 35 million, to the Anti-Corruption Commission (ACC), Khaleda's counsel Ahmed Azam Khan said that she gave the statement because she was respectful toward the law.

However, her arch-rival, Sheikh Hasina, has been temporarily freed as the Supreme Court issued a rule on August 14 on the ACC to explain within four weeks why its notice issued on July 17, asking Hasina to submit her wealth statement, would not be declared illegal.

As democracy is defined as a system of government where the people are in control of how the government operates, what laws it passes, and how things get done, they have every right to know how their elected legislature is running the country.

To be respectful to the law in a democratic country everyone, from top level executive to bottom level worker, is bound to show his or her earnings and savings. It is meaningless to expect the general people to be fair when top people are not.

Since its independence in 1971, Bangladesh never saw any example from those who were in the driving seat of different government and non-governmental organisations that could motivate others.

The people usually know about the corruption of the lawmakers, high level government officials or business tycoons when they are no longer in power.

"It will be audacity if the commission asks the advisers of the caretaker government to submit their wealth reports," the chief of ACC Lt. Gen. (rtd.) Hasan Mashhud Chowdhury said at a press conference on August 2. He further mentioned that submission of their wealth statements depends upon the advisers, but the commission doesn't have any intention of asking.

The White House published on April 13 the taxable income of the president and Mrs. George Bush for the tax year 2006 as $642,905. The 2006 income included salary earned as president and investment income from the trusts in which their assets are held.

They also contributed $78,100 to churches and different charitable organisations, including the Crawford Volunteer Fire Department, the Federal Government's Combined Federal Campaign, Operation Smile, Martha's Table, the Salvation Army, Susan G. Komen Foundation, and the Yellow Ribbon Support Center.

Giving a chance to legalise undisclosed money until September 30, the NBR is now showing 58 percent growth in income tax collection and has achieved a 13.5 percent revenue growth in the first month of 2007-08. More than Tk 2,331 crore has been legalised, with 13,187 persons and companies paying taxes for legalising their undisclosed money, and the government earning Tk 424 crore till August 13.

Taking bribe, hiding wealth report, saving in or buying a house in a foreign country, are very common activities among Bangladeshi leaders only because there is no legal obligation to give their financial status.

To eradicate corruption from its roots, consistent and active enforcement should be started immediately. The policymakers, particularly those among the politicians, bureaucrat and businessmen, have so far responded very little to bring about positive changes in this situation, as many of them are widely perceived to be involved in the process thereof.

Setting a good example is not a "put-on." It's simply something that can positively motivate others. In exercise of its positive motivation, the present interim government can make it a legal obligation for everyone to give his/her wealth status to the government.

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Rising Gulf

NICHOLAS PITT

AFSHIN MOLAVI

AN unprecedented boom is changing the region -- and echoing far past its borders. We all know the headlines by now: the Middle East is burning, right? So it seems, as Palestinians and Iraqis wage civil war, Lebanon seethes, Syria and Israel trade barbs and Iran spits defiance. Yet beyond the smoke a very different story is emerging nearby.

In the Arab states of the Persian Gulf, times have never been better. Business is booming. And political conflict has become a foreign phenomenon, watched on flat-screen TVs in the air-conditioned living rooms of Doha, Dubai, Kuwait City, Muscat and Riyadh.

It's no exaggeration to say that the oil-rich states of the Gulf Cooperation Council (GCC) -- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates -- are enjoying a transformational moment, one that could deeply affect the region if not the world.

Buoyed by unprecedented oil prices, these states are awash with cash. In the past five years, they have earned a staggering $1.5 trillion for their petroleum, according to the Institute of International Finance (IIF). And there's no end in sight: by the close of 2007, the IIF says, the GCC will have picked up an additional $540 billion, more than the combined exports of Brazil, India, Poland and Turkey.

All that green has turned the once backward region into the world's 16th largest economy, according to IIF. And if present trends continue, the GCC zone could become the world's sixth largest by 2030. What's most remarkable, however, is how the new money is being spent.

The gulf has experienced oil booms before, but rarely managed to capitalise on them; three decades ago an oil windfall helped states modernise infrastructure and health services, but many leaders blew much of the money on defense or vanity projects, or simply hid profits in Western banks.

Today, by contrast, the gulf's far-sighted, business-minded political leaders are joining with their more mature and innovative private sectors to ensure the money is wisely spent.

Led by Dubai, which is fast becoming a modern banking and financial-services hub, cities in the region are embracing reform and charting an ambitious agenda for the future.

"A new gulf is dawning," says Edmund O'Sullivan, the Dubai-based editorial director of the Middle East Economic Digest (MEED). "And it's moving much faster and smarter than it did in the 1970s."

The revival, says Fareed Mohammed of PFC Energy in Washington, D.C., is due to "excellent macroeconomic policies, strong technocratic capacity, a vastly improved regulatory environment, a private sector willing to both invest and innovate, and strong global links in services." As he notes, "All of these ingredients have come together to support sustainable growth."

Consider the IIF estimates that $1 trillion of the $1.5 trillion windfall has stayed in GCC states, being spent on imports or development. That's a big improvement on the past, when much money was stashed in Swiss banks or squandered on weapons.

True, some of today's spending, especially on the red-hot real-estate market and extravagant tourist projects, has raised concerns. But industrial investments, which are critical to helping the region diversify its economy beyond oil, are rising.

This is especially so in Saudi Arabia, which, according to Georgetown's Jean-Francois Seznec, is on target to become the world's top petrochemicals producer by 2015. New steel, aluminum and plastics plants are also on the way.

In fact, a new breed of company is now emerging in the region, one that is highly efficient, ambitious and globalised. These new gulf firms are creating jobs, feeding the growth cycle and helping economies diversify. And they are starting to affect other economies around the world.

Leading the pack is Emirates Airline, an award-winning company that in the next decade is expected to become the planet's largest air-travel operator. (At a Paris air show in June, Airbus booked an astounding $32 billion in orders from gulf-based businesses.)

Meanwhile, the Dubai-based Emaar real-estate firm is now building projects from Casablanca to Karachi, and the UAE's Etisalat is winning telecom contracts from West Africa to Pakistan.

Some of these businesses may be government-owned or controlled, but they are a far cry from the inefficient state-sponsored enterprises of the past. These are not sinecures for tea-sipping bureaucrats; they attract top talent, compete globally and win international awards.

They're also supporting the growth of related but truly independent gulf-based companies, such as Aramex, a regional transport company based in Dubai. Fadi Ghandour, the company's founder, directly credits his success to the "astonishing growth of Dubai as a business hub," saying that his company simply could never have grown so rapidly in his native Jordan.

On the government level, a lot of money is still being invested in safe havens like the United States (about $300 billion this time) and Europe (about $100 billion). But in the past five years, Gulf states have also invested $60 billion in the needy regions of the Middle East and North Africa and have put another $60 billion in Asia.

This has led to the creation of gulf-driven boom pockets in Egypt, Morocco and Jordan. It has also led to the creation of a New Silk Road, as trade between the GCC and Asia has quadrupled in the past decade.

Gulf investors are now lining up to buy Asian assets; when the Industrial and Commercial Bank of China held an IPO last year, for example, the biggest buyers hailed from Kuwait, Qatar, the United Arab Emirates, and Saudi Arabia.

Taken together, these trends have given the gulf a higher global profile than it has ever enjoyed. For example, the vast debts of countries like the United States are now being financed with cash from three areas of the world: China, Japan and the gulf.

This means that the GCC states have become a major force in growing concern over global imbalances. It also means that they have a clear stake in stoking global growth led by the United States, lest their own fortunes fall.

Of course, for the trend to continue, the gulf states must keep pushing reform. By enacting business-friendly laws, Dubai has already become the Hong Kong of the Middle East: a free trade hub that fuels the larger economies.

The regional heavyweight, Saudi Arabia, has also taken positive steps, dramatically trimming its debt, enacting pro-business laws and joining the World Trade Organisation last year.

The Saudi private sector has started pulling its weight; in the 1970s it accounted for less than 10 percent of the country's GDP, whereas today the figure is more like 60 per cent. And King Abdullah has launched a $600 billion infrastructure development plan, aiming to create several new multi-billion-dollar industrial, financial and manufacturing "cluster" cities. These include the $27 billion King Abdullah Economic City that could, on its completion, house 2 million people and create 1 million jobs in an area the size of Paris.

But laggards remain. Saudi Arabia's education system needs to start producing more high-tech graduates and fewer experts in Islamic studies. Kuwait seems content to follow its old model, growing fat off oil profits and investing in blue-chip companies.

And Oman, though ruled by a modernising sultan, has been slow to embrace the new turbocharged business climate. Throughout the region, says Alex Thecarides, a Geneva-based private banker, "the rule of law and transparency remain weak" and crony capitalism still holds sway: business is dominated by a closed circle of princes and merchants who prevent the development of a truly independent entrepreneurial culture.

Still, what's impressive is how even the quality of those cronies has improved, says O'Sullivan of MEED. "The majority of (the gulf's) ruling princes are modernisers with their eyes on business," he notes.

Unlike the military-minded autocrats of other Arab states, these merchant princes are adding "shareholder value" even as they grow fat off insider deals. Thus, according to the World Bank and World Economic Forum, the GCC now offers a far better business climate than the rest of the Arab world.

Of course, the other Middle East could still interfere with the gulf's progress. Conflict in Lebanon or the Palestinian territories would be unlikely to have much effect, but Iraq's unraveling has probably already limited foreign investment. And a US conflict with Iran, which sits right across the Persian Gulf from the GCC, would slow business and threaten tanker traffic in the vital Strait of Hormuz, through which 90 per cent of gulf oil passes.

That said, even conflict could have its upside: Iranian capital is already fleeing to Dubai (at last count, Dubai had 9,000 Iranian-owned businesses), and the exodus could increase in the event of war.

Absent these gloomy scenarios, the gulf boom seems likely to continue. As Sheik Mohammed, the ruler of Dubai, likes to say about his ambitious city-state, what we see today is just a slice of his master plan. It's exciting to ponder what the rest of it will bring, and the effect it will have on the gulf -- and the world.

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