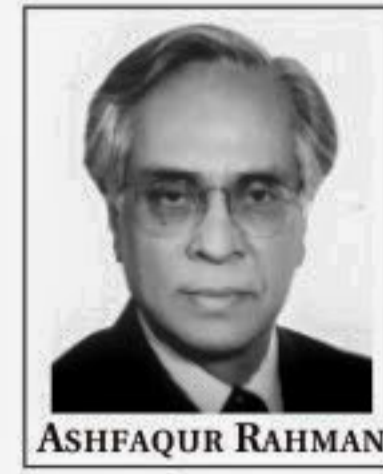


SUNDAY POUCH

Is this the Asian century?



ASHFAQUR RAHMAN

LAST month, the Asian Development Bank (ADB) released a report in its annual meeting held in Vietnam entitled "Asia 2050 -- realising the Asian century." In a breath-taking sweep of economic trends and visions it describes two possible scenarios -- first an "Asian century," which is expected, and the other a "Middle income trap."

ADB prognosticates that Asia's rise this century would be led by seven countries. They are India, China, Indonesia, Japan, Korea, Malaysia and Thailand. In 2010, these seven economies had a total population of 3.1 billion (78% of Asia) and a GDP of \$14.2 trillion. But by 2050, these seven economies alone will account for 45% of the global GDP.

Thus, under the Asian century scenario, Asia's GDP would rise to \$148 trillion and account for 51% of the global output compared to the present 27% only. On the basis of Purchasing Power Parity (PPP), GDP per capita in Asia would also rise to \$45,800, compared to the global average of \$36,600.

Global economic activity would be shifting towards Asia and contribute to half of global trade and investment.

About 3 billion more Asians would enjoy a prosperous standard of living. But on the other hand, some major economies of Asia could also fall into what ADB calls "the middle income trap." These countries would have slow growth and income levels will stagnate over the next 5 to 10 years. If this happens then Asia would account for only 30% or \$61 trillion of global GDP in 2050.

In the "middle income trap" scenario, the countries so affected would be able to achieve annual per capita income levels between \$4,000 and \$12,000 on a PPP basis. These economies will not be able to move to higher

income levels. ADB mentions the case of Brazil, which grew at 6% for 100 years then stalled for the next 50 years!

Japan, Korea and Taiwan are the few countries that have, however, escaped the trap. Unfortunately, Thailand is already enmeshed in it. Malaysia is likely to fall in the trap, if one removes the benefit it derives from the commodity price boom.

The big question is China. She has relied on her seemingly unlimited work force for growth. But now supply of labour there is almost static. So can

workforce and in health. But today South

Asia remains behind South East Asia, Latin America, Middle East and even much of Africa.

India is almost at the bottom in terms of education. Pakistan is also at the bottom of the pile in women empowerment. Bangladesh has done better on both counts. But this is because it started with a much lower base when she became independent. Sri Lanka, which has done well on social indicators, has been thwarted by

recently by the Dhaka Metropolitan Chamber, lamented that in spite of Bangladesh's steady, resilient growth led by a dynamic private sector we have not been considered. Our low cost labour, large and young population pool, growing exports and workers' remittances, low external debts and favourable sovereign ratings, have not attracted ADB. Our improving social development indicators have also not impressed it.

In 2010, Bangladesh was the country with the 21st fastest growing GDP in the world. We were also the 7th largest remittance recipient country, the 70th largest exporter, the 68th largest importer and one of the world's top 30 destinations for IT outsourcing.

Bangladesh is also strategically located as a potential hub of regional trade. Roads, bridges, ports are being built for facilitating transit routes for regional and sub-regional trade. Regional energy grids are also being developed for energy security. Another credible development in Bangladesh is that country-wide microcredit movements have broadened financial inclusions.

Bangladesh has also been consciously developing several growth visions. We have a set of growth targets under Vision 2021, a Vision for 2030 and now with ADB a vision idea for 2050.

These visions are unleashing creative talent among our population for innovation in agriculture, manufacturing and services. The strategy is to bring inclusive social and economic growth. It will promote innovation of globally competitive new products, services and production techniques.

So with less triumphalism and more focus on repairing fault-lines in their economies, Asians can still hope to grab the 21st century as their century. Watch out world, the Asians are coming!

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China jump to the high income level of Korea and Taiwan? It is perceived that she can too, because of the sheer scale of the economy, her gargantuan savings and her ability to invest in as well as improve her educational performance.

China is likely to see 7% annual productivity growth in the next 10 years. But beyond that it is difficult to predict. Also it is not clear whether China will be able to distribute her income better.

Another big question in materialising the Asian century is South Asia, which includes India and Bangladesh. They are likely to bear the main burden of Asian out performance. In the next 40 years, that is, by 2050, South Asia will be the home to at least 45% of all Asians. Therefore, in the short and medium terms, due to high levels of youth dependency, there will be low levels of savings, investment and productivity growth.

But South Asia in the long run will reap a demographic dividend. The size of the dividend will depend on achieving improvements in education, women's participation in the

politics which weakened her ability to transform her economy.

Given this general state of affairs, is there any reason to hope that this century will be the Asian century?

There are plenty of reasons yet to feel optimistic. The Asian countries will however need to do the following. First, they need to craft better policies. Second, they need to quicken the pace of implementation of these policies. Third, it is imperative that more interstate cooperation on these policies take place, especially those that relate to climate change effects and maritime safety. There has to be progress in reducing regional trade and investment barriers.

Asia must look at and go for more open international trading system which has served the region well in the past fifty years.

Now what about Bangladesh? She has not been included in the ADB seven countries that will drive Asian re-emergence by 2050. Can she not aspire to be in the same league as India and Indonesia?

The governor of Bangladesh Bank, in a scintillating seminar organised

PM's call to opposition

Let the BNP reciprocate gesture

PRIME Minister Sheikh Hasina's statement that her party does not hold a rigid position on the caretaker issue is a welcome attitude on the part of the ruling party to a matter of urgent national concern. Following her recent expression of view that future elections cannot be held under a caretaker system in light of a recent Supreme Court decision on it, she has now invited the opposition BNP to come forward with its formula on a resolution of the problem. As for the BNP, which has called a hartal today over the issue, its position is clear: it wants the caretaker system to stay and considers any move to scrap it as a 'conspiracy' on the part of the ruling Awami League.

We take this opportunity to reiterate the need for a thorough, purposeful discussion in Parliament of the crisis the nation now faces over the caretaker issue, particularly since in slightly over two years the country will be going to the polls again to choose a government. Since the prime minister has signalled a flexible approach to the matter at hand it is for the BNP to reciprocate the gesture. They should give the fullest chance to a process of dialogue. Political agitation on the streets was necessary at certain points of time, especially in popular struggles against dictatorship and autocracy. But when a democratically elected parliament is at work, there is absolutely no reason for political parties, who have their own lawmakers in the legislature, to ignore Parliament in favour of settling scores on the street. Such an attitude can only worsen an already confrontational situation.

Both the ruling party and the opposition must realise that their animosity toward each other is having a negative effect on citizens' lives. Let the BNP go back to the JS and present its case before the nation. And let the government and the opposition together (and government functionaries should avoid speaking out on the issue in discordant or contrary voices) settle on a formula that will revive popular confidence in democratic politics.

Random parking menace

Stop sitting on recommendations

MINDLESS parking of vehicles on city roads has become a civic menace to say the least. The problem has come to such a pass that even pedestrian movement along commercial buildings or shopping complexes has become extremely difficult, at times even risky. We watch with trepidation the vehicle owners pulling up into an empty space readily available and keeping the vehicle parked for hours together. Hundreds of cars and other private and commercial vehicles are illegally parked all over the city, occupying at least two-thirds of the road space, creating unbearable traffic blockage.

Most traffic personnel remain occupied controlling traffic movements at busy intersections, they are thus unable to act against illegal parking. Moreover, extremely inadequate number of wreckers, four at the moment, out of which two are functional at anytime is a hindrance to law enforcement, but is it all down to wreckers? For, one can see visible manifestation of poor law enforcement featured by random parking and stopovers at will. Sometimes the traffic policemen are seen stopping transports with scant regard for the flow of traffic.

A penalty of meagre Taka 200 for illegal parking or towing a car away once in a while can only touch the fringe of the problem.

Admittedly, the manpower strength of the DMP (traffic) is far too inadequate for the magnitude of public mobility and the huge number of vehicles of different descriptions plying the streets. Furthermore, there are logistical constraints. Resultantly, there is not only poor law enforcement but also allows scope for corruption. Therefore, the manpower and logistical deficits will have to be addressed.

The predicament is mainly due to lack of authorized parking lots. In most cases, the owners have let out spaces meant for parking to variegated businesses. Even the basement spaces have been rented out for other purposes. So there is an issue of recovering designated spaces lost to other trades. Coupled with that, new parking lots, both underground and multi-storied need to be built up through bank financing.

Letting out parking lots can itself become good business, along with smoothening traffic all around.

MAHMOOD HASAN

THE "rich men's club" met under the Presidency of Nicholas Sarkozy at the tourist resort of Deauville, France (May 26-27) in the backdrop of some tumultuous developments around the world. It was the 37th Summit of G8.

Some of these developments will have profound implications for international peace and security as also for the world economy. The "Arab Spring," earthquake and tsunami in Japan, killing of Osama bin Laden, Hamas and Fatah getting together, indebtedness of some EU members, and of course the presidential election in 2012 in France.

The two-day event ended with several Declarations. Significant among those are two documents: "G8 Declaration: Renewed Commitment for Freedom and Democracy;" and the "Declaration of the G8 on the Arab Spring." The first document, which has 93 paragraphs, deals with all the issues, like solidarity with Japan; global economy; nuclear safety; climate change and biodiversity; accountability on development; peace and security; and the internet.

The "Arab Spring," which has bouleversed entrenched regimes in Tunisia and Egypt has thrown the G8 capitals into a Catch-22 situation. There is no sign this spring is coming to an end soon. Bahrain, Syria, and Yemen continue to be in the throes of democratic transition, while Libya faces the worst kind of civil war. Anti-Ghaddafi forces are being aided and abetted by G8, albeit by Nato, in pursuance of UN Security Council Resolution No. 1973.

The killing of Osama bin Laden by Special US forces, violating Pakistan's sovereignty, has opened a new dimension in international law, which is deeply worrying. The principle of "hot pursuit" deep into the territory of one country by another seems to have come to be accepted. President Obama has categorically

said that he will authorise similar operations against other al-Qaeda operatives, if they are found inside Pakistan. The Declaration puts Pakistan in the same bracket as Yemen and Somalia for harbouring al-Qaeda terrorists and resolves to eliminate all terrorist threats. G8, however, has promised to support Pakistan politically and economically.

The devastating earthquake followed by tsunami in March in Japan led to a meltdown of the Fukushima nuclear power plant. It released dangerous levels of radiation, endangering the lives of many and causing serious

damage to the atmosphere. The summit emphasised the need to strictly ensure safety measures in all nuclear energy plants around the world in consultations with IAEA.

"Arab Spring" was actually the focus of the summit leaders. The opening paragraph of the Declaration reads: "The changes underway in the Middle East and North Africa (MENA) are historic and have the potential to open the door to the kind of transformation that occurred in Central and Eastern Europe after the fall of the Berlin Wall." This seems to be an ominous statement.

The scenario that was enacted after the fall of the Berlin wall (1989) and the dissolution of the Soviet Union (1991) was innovative. The West led by the US, poured financial assistance and encouraged the Eastern European countries to break their shackles with communist Moscow and become free democratic nations aligned with the West. Many are now members of Nato. After suffering from indecision and skepticism -- while Tunisians and Egyptians descended onto the streets

to overthrow their oppressive dictators -- the western capitals are now rushing in to control the events in the Arab world, because of some worrying developments.

The uprising in the Middle East is slowly shifting the power equations between the Arabs and the Israelis. Washington is deeply worried about these trends.

Egypt has already persuaded Hamas and Fatah to bury the hatchet and sign a reconciliation deal for the next elections. The Palestinians are now united. Further, there are fears that Egypt may get "Muslim Brotherhood," an unknown political outfit, as the next

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democratically elected government. Clearly the G8 does not want the "Arab Spring" to bring about regimes in the region that are hostile to Israel and jeopardise its security. Hence, the offer of \$20 billion for reforms in Egypt and Tunisia over the next two years.

Interestingly dealing with the Palestine-Israel conflict, the Declaration does not mention the "1967-borders" formula which President Obama forcefully enunciated on May 19 and again on May 21 at AIPAC. That was probably because the belligerent Israeli Prime Minister Benjamin Netanyahu has rejected the formula altogether.

Financially, several European Union members are under tremendous strain because of massive sovereign debts, threatening the survival of the Euro. Ireland, Spain, Portugal and Greece have become deeply indebted countries and have been kept afloat by massive doses of IMF loans. G8 leaders pledged to continue fiscal policy reforms to tackle the bankruptcy issues. The issue of succession to post of

IMF chief also came up for discussion, though informally. It appears that the French Finance Minister Christian Lagarde will sail through to the post.

What was intriguing was the creation of "e-G8 Forum" to discuss how to stop the "abuse" of the internet. The techniques used by young Arabs to rise against their dictators have caused alarm in Western capitals. In Egypt the use of internet and mobile phones to assemble people at Tahrir Square for protests had been extremely effective in sustaining the movement and finally toppling the regime.

G8 issued a separate Declaration on Internet. Governments now want curbs on the use of this extremely popular technology, which is developing rapidly. While the CEOs and developers of these technologies vehemently oppose government curbs, governments seem to be heading towards some form of restrictions on the use of internet to stop its "abuse."

The debate on internet is interesting. While the West upholds openness, transparency, freedom of opinion, and right to information, it is finding it difficult to justify the proposed curbs.

President Nicholas Sarkozy has already declared that he shall seek reelection in 2012. He hopes that hosting the G8 Summit now and G20 Summit later in November, will add feathers to his presidential campaign. His likely distracter, the socialist candidate Dominique Strauss Kahn, former chief of IMF, is now sitting in jail in New York on sexual assault charges.

G8 is one of the most powerful groups, with little or no accountability. These Summits actually express lofty ideas and intentions, but actually do little to resolve problems facing the world. It is a talk shop, where the leaders wine, dine and befriend each other. The only decisions that get close attention are those that concern their security and their individual national interests. This time it was the "Arab Spring."

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THIS DAY IN HISTORY

June 5

1942
World War II: United States declares war on Bulgaria, Hungary, and Romania.

1967
Six-Day War begins: The Israeli air force launches simultaneous pre-emptive attacks on the air forces of Egypt, Jordan, and Syria.

1969
The International communist conference begins in Moscow.

1975
The Suez Canal opens for the first time since the Six-Day War.

1984
Prime Minister of India Indira Gandhi orders an attack on the Golden Temple, the holiest site of the Sikh religion.

2006
Serbia declares independence from the State Union of Serbia and Montenegro.