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**ASIA, THE ROLE OF THE UNITED NATIONS AND ECONOMIC  
GLOBALIZATION**

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**Introduction**

The second half of the 20<sup>th</sup> century saw the genesis of modern Asia's economic ascendancy. It began with the miracle of post World War II economic development in Japan in the 1950s and 60s; followed by the remarkable growth of the so-called “newly industrialized economies” of the Republic of Korea and South-east Asia; and, later, by the impressive growth of China and India. This has been broadly coterminous with the 60-year-old history of the United Nations, where the Asian Group now has 54 countries, and with the process of globalization. The 21<sup>st</sup> century will undoubtedly see its full efflorescence - provided good governance, education, health, the environment and infrastructure needs receive the priority they deserve. Given the growing economic content in political power and other non-military aspects of security, a shift of the centre of gravity of global power may well be possible.

A distinctive feature in this economic resurgence of Asia is its widespread impact on other regions in today's globalized world. It has transmitted impulses of economic growth by creating markets for Asian produced commodities and services and generated outflows of foreign direct investment to other regions. It has created domestic markets within Asia by increasing the purchasing power of consumers and the demand for goods, services and investment from other regions to Asia insulating those regions from domestic recession and imparting greater stability to world business cycles. In general terms, it has integrated Asia more closely with the global economy. It is a tide that is lifting all boats. Perhaps, before too long, Asia will be better represented among the G 8 in recognition of this continent's rising role as an important powerhouse in the global economy.

The contrast with the era of post Industrial Revolution growth in the West is clear. The resources, both material and human, from Asia contributed undoubtedly to the development of the West. But a reverse flow of development was confined to trade in a limited range of goods. This was in an era of laissez-faire capitalism and in a less integrated and less globalized world when beggar-thy-neighbour policies prevailed unlike in today's World Trade Organization (WTO) regulated free trade. Decolonization followed by globalization has led today to inter-dependence among equal partners in a rule-based multilateral system with the UN at the apex. Global norms, voluntarily accepted by nation states in human rights, trade, health, labour, migration, intellectual property rights, the environment and other relevant areas have since shaped development economics and the models that are being pursued today. Limited resources especially in energy are also a constraint while huge leaps in technology have become a shared asset. This has benefited entire populations in Asian countries leading to a dramatic reduction in extreme poverty and empowering vulnerable groups such as women. It has also introduced UN-driven concepts of sustainable development, transparency, accountability, corporate social responsibility and other benchmarks against which Asian development models and state behaviour are being rigorously monitored and evaluated by the international community and civil society within Asian countries themselves.

The challenge before growing Asian economies, therefore, is to use this unique opportunity to craft a modern vision of development for themselves while integrating their economies more closely in a globalized world through mutually beneficial multilateral and co-operative models. This has also to be achieved within the framework of the United Nations Millennium Development Goals (MDGs) to which world leaders committed themselves in 2000 at the Millennium Summit in the United Nations. And all this is being enacted in a compressed time frame of a few decades in contrast to the two centuries or so that it took for Western economic development to reach its present stage. That Asia's economic development has been so impressive in this changed historical context while being called upon to meet the highest criteria set by the world community, by competitive markets and by the people themselves, is a tribute to her industrious and innovative human resources.

### **Asian Economic Prospects**

The Asian Development Outlook launched by the Asian Development Bank (ADB) in Hong Kong in April 2006, projects that the region will achieve growth rates of 7.2 % in 2006 and 7 % in 2007 marginally down from 2005. That is in contrast with the global economic growth forecast of 3.2% for 2006 and 3.3% for 2007 in the World Bank's latest publication on Global Economic Prospects. Emphasizing the important linkage with the global economy, the ADB publication states that a key determinant in Asia's growth will be the strength of the global economy. This will continue to be moderate with the US as the main engine of global economic growth expected to grow at 3.1% in 2006 and the recovery of Japan continuing at around 2 %. Politically too, the Human Security Report 2005 published by the University of British Columbia in Canada, contrary to public perceptions fuelled by the media, portrays a global security environment with an actual decline in armed conflicts, sharply reduced crises, declining refugee numbers and human rights abuses.

Social and environmental factors domestically, together with fuel prices globally, will of course act to slow down growth rates. The trade surplus of developing Asia with the rest of the world in 2005 was \$ 192 billion. The same ADB source forecasts that developing Asia will continue to maintain a large current account surplus with the rest of the world in 2006 and 2007. The "Economist" journal shows foreign reserves of developing Asian economies amounting to well over \$2000 billion. UNCTAD's World Investment Report shows that Asia and Oceania received \$ 148 billion as FDI in 2004 - \$ 46 billion more than the previous year with China and Hong Kong accounting for 2/3rds of this. Significantly also Hong Kong, China, India, the Republic of Korea and Singapore contributed towards the \$ 69 billion flowing out of Asia as FDI in other regions.

The economic prospects for Asia are therefore excellent and sustained growth in the short to medium term can be confidently expected. However challenges - both external and internal - such as political upheavals including a proliferation of weapons of mass destruction (WMD) and catastrophic terrorism, a disorderly unraveling of global payment imbalances, uncontrolled pandemics like avian flu or SARS, yet higher oil prices and a surge in trade protectionism - as recently seen in Europe and the US - must be anticipated and strategies formulated to avoid and/or overcome them. Domestic factors such as economic nationalism within Asian countries, overheated economies, governance issues, human rights and political violence must always be kept in mind.

With this optimistic scenario how can Asia ensure that it follows a model of development that lifts the living standards and quality of life of all her people and is consistent with the norms of the UN and the pressures of globalization? Will Asia avoid the mistakes of other models of development? The core message of the Report of the High-level Panel on Threats, Challenges and Change to the United Nations in 2004 is that the collective security of the world rests on the tripod of peace and security, development and human rights. That message is equally

applicable for national and regional security in Asia. An objective assessment of a new Asian vision and model requires an analysis of the warp and weft of the Asian development experience as security concerns, human rights and governance are interwoven with development.

### **Security**

Let us first take security. The 2005 Yearbook of the Stockholm International Peace Research Institute (SIPRI), in what is widely regarded as a definitive survey of international security, identified 19 major armed conflicts in the world in 2004 - all of them intra-state. Of these 6 were in Asia and involved conflicts between Governments and non-state actors. Despite the intra-state character of these conflicts, international dimensions are inevitably present complicating the search for solutions. The potential of these conflicts spilling over national borders and causing regional instability - as with the Liberation Tigers of Tamil Eelam's activities in Sri Lanka spreading to the Indian state of Tamilnadu - cannot be ruled out. There is also the distinction between stated grievances and 'real' agendas when, as Paul Collier has noted, greed takes over from grievance to sustain conflicts.

The existence of such conflict is often a reflection of progress in state formation and economic development. The need to address minority grievances - whether perceived or real - through forms of devolution, democratic governance and equitable development is self-evident. The potential for inter-state conflict however remains in Asia - such as in the Korean Peninsula, in Kashmir and over Taiwan - with the concomitant dangers of extra-regional intervention and the use of nuclear weapons. This is all the more reason why diplomacy and careful political management by the leaders of Asian nations is so important as a more durable path to the security and stability that is essential for development.

The trap of weapon-based security has not been easy to escape. SIPRI estimates show that after years of high military expenditure East Asia's increase in 2004 was 2.7% including a 7% increase by China while South Asia's increase of 14.3% was the highest for any region largely due to India's defence budget increase. And yet as a percentage of the global military expenditure of \$ 975 billion (at constant 2003 prices) Central, East and South Asia accounted for 15.6% while the figure for the USA alone (because of Afghanistan, Iraq and the battle against terrorism) was 47% and Europe 26%. It is important that, in terms of opportunity costs, Asia should lower its burden of military expenditure to allocate resources for urgent socio-economic needs. This is of course related to the security environment but 'modernization' is frequently the reason given for increased purchases of weaponry in arms races that go on in peacetime. Greater transparency in arms purchases and accountability to the public will help correct misallocation of resources where this may take place. Significantly China and India have adopted a no first use of nuclear weapons policy and this is praiseworthy. Strengthening export controls and strict compliance with existing treaties will help prevent the proliferation of weapons of mass destruction as well as small arms and light weapons especially to non state actors.

### **Human Development**

Now let us examine some aspects of development. A major contribution by the United Nations is the use of the Human Development Index (HDI) to capture more accurately the impact of development on people enlarging their choices in life. Pioneered by the late Mahbub-ul-Haq the HDI data is available for 177 countries and takes account of life expectancy at birth; adult literacy rates and the combined gross enrolment ratio for primary, secondary and tertiary educational institutions; and Gross Domestic Product (GDP) in purchasing power parity (PPP) US dollars. By this index of human well-being there are in the

High Human Development category of 57 countries or areas, apart from Japan of course, 8 other Asian countries and areas including Hong Kong, Singapore and the Republic of Korea. In the Medium Human Development category of 87 countries there are 31 Asian countries including China, India, Pakistan and Iran. Finally, in the Low Human Development category of 32 countries there are two countries from West Asia.

Bangladesh and China are two of the fastest climbers in HDI ranking. However, while social progress has outstripped economic advances in Bangladesh, the reverse was true of China despite China's dramatic poverty reduction. The theme of the Human Development Report 2005 (HDR2005) is that the report card on achieving the MDGs makes depressing reading; that the promises to the world's poor are being broken and that the deep inequalities that divide humanity can be bridged though development assistance, international trade and security. The unpalatable truth of our unequal world is illustrated in this quotation from the HDR 2005 which states – "One-fifth of humanity live in countries where many people think nothing of spending \$2 a day on a cappuccino. Another fifth of humanity survive on less than \$1 a day and live in countries where children die for want of a simple anti-mosquito bednet." These groups of humanity co-exist in the Asian continent and within Asian countries. Thus the HDR urges countries like China and India to convert wealth creation and rising incomes into a sharper decline of child mortality and greater gender equality. We should therefore temper our pride in the economic achievements of Asian countries - and especially over the fact that many Asians are today among the richest individuals in the world.

But it is not only inequality that must be addressed. An ADB study states that at the end of 2005 of an Asian workforce of 1.75 billion, 500 million were underemployed or unemployed while an estimated 245 million are expected to join the workforce in the next ten years. Future stability and growth will therefore depend therefore on creating 750 million jobs in the next decade. There are also other areas such as the corruption that robs the public, food security, rural development, water management and traditional family structures and cultural values amongst people-related issues that must engage the policy-makers of Asia. Our vision must be for more equitable development, greater public participation and public accountability in our continent.

## **Trade**

Trade is the crucial link that connects Asia to the rest of the world but it is also a means for Asia to be self-reliant in increasing its own prosperity by fostering more intra-regional trade. Traditionally Asia has been open to trade and the great Silk Route, the ancient Arab trade in spices and gemstones and other historical examples are proof of this. The pursuit of trade has become an important element of inter-dependence and so the rules that govern trade are vital. The Doha Round of the World Trade Organization (WTO) is an opportunity for Asian countries to benefit from improving the terms of global trade opening markets, reducing subsidies and protectionist barriers and generally achieving as level a playing field as possible. Asian countries and Western industrial countries are inter-dependent in manufacturing exports especially in high-technology products but there has also been a rapid growth of intra-Asian trade as with trade among developing countries. The lowering of tariffs, cheaper transport and Information and Communications Technology has helped export growth in Asia. Asia also stands to gain from the emergence of global production systems and outsourcing but the benefits of this are not as widespread among Asian countries as it should be. The Hong Kong Ministerial meeting last December made modest progress but the failure to meet deadlines this year is of concern to Asia. Asia will stand to benefit from a speedy conclusion of the Doha Round. Another proposal is to explore the possibility of converting Asia into a single trading area – an Asian Common Market. The Prime Minister of India has proposed a Pan Asia Free Trade Agreement and this could be a good beginning. Preferential Trade Areas (PTAs) have proliferated in Asia at a bilateral level

encouraging intra-Asian trade. China today has supplanted the US as the main trading partner of the Republic of Korea while bilateral China-India trade is running at an estimated \$ 20 billion per annum.

### **Energy**

The Asian economic resurgence will undoubtedly fuel a demand for energy and some concerns are being expressed over the global environmental effects of an exponential growth in the use of fossil fuels in the giant economies of China and India alone. The discovery of vast gas and oil reserves in Central Asia and the politically imaginative plans to construct pipelines to service the needs of Asian countries will help to assuage fears of a shortage of oil and gas supplies apart from muting traditional political rivalries. While modern technology continues to discover new sources for traditional oil and gas and even coal, research goes on with regard to alternate sources of energy and India is at the forefront of this. Biogas, wind energy, solar power, thermal energy and hydro-power are areas in which research must advance in Asia. Nuclear energy is of course an option and the recent US-Indian nuclear agreement, if ratified by the US Congress, would help assure India of the development of this source of energy. Asia can set an example to the rest of the world by paying greater attention to developing energy efficient technology and environmental aspects of energy consumption such as carbon emissions pending the success of global negotiations. It is estimated that a 5% reduction in global energy use would be enough to power Australia, Mexico and the UK. With new energy sources being discovered in Asia, major Asian energy producers and consumers - especially China and India - could have a regular dialogue to stabilize the market. Asia must make greater investments in Research and Development (R&D) in energy and other fields to find indigenous solutions rather than relying on imports of expertise.

### **Reforming global and regional institutions**

Although the focus recently has been on UN reform, there have in fact been calls for the reform of other regional institutions and international financial institutions. Clearly the institutions established in 1945 and shortly thereafter, for a world in which Asia's political and economic role was small, are out of date and must change. Demands for greater representation of countries in the UN Security Council include demands for the addition of Asian countries as permanent members. Other aspects of UN reform including the establishment of a Peace-building Commission, the Human Rights Council, the review of mandates and Secretariat reform will all feature active Asian participation to ensure that Asian interests are protected and promoted. I am glad to see business and civil society leaders from Asia among the recently appointed Board of the Global Compact - the UN initiative to advance globalization, fight corruption and promote human rights.

A High-level panel co-chaired by the Prime Ministers of Mozambique, Norway and Pakistan has just embarked on an exercise to achieve coherence, eliminate duplication and overlap within the development, humanitarian assistance and environment areas of the UN system thus optimizing the use of resources and enhancing efficiency. This must inevitably extend to other bodies such as the Asian Development Bank and ESCAP. The IMF, which has come in for criticism even from developed countries, could arrive at a more rational division of labour with the Asian regional institutions ensuring greater co-ordination in macro-economic policies.

Francis Fukuyama, having once proclaimed the end of history, has now published a book on 'State Building' which argues that building institutions within states is critical for global

stability and our ability to address global problems such as poverty, HIV/AIDS, drugs and terrorism. That is true for Asia as it is for other regions. Good leaders are important but good institutions are better because they are more durable. And so while we co-operate with the rest of the international community in the reform of global institutions we must also strengthen existing institutions in Asia either through reform or modernization and create new institutions where they are necessary to respond to new challenges. It has been proposed that Asia should have its own financial institutions and that Asian centres of excellence - universities, foreign policy training institutes and scientific research institutions - should network more closely. Huge investments will be needed in job creation and infrastructure development, some of which could serve the common needs of Asian countries and could be financed by the foreign reserves of these countries.

### **Conclusion**

Asia has the opportunity of ensuring that its economic partnerships such as APEC establish bridges among regions preventing any danger of a North/South contest. A new approach to security through economic development is emerging. At the same time we have to guard against new conflicts arising from scarcity of natural resources like water and oil. Asia can develop its own economic integration while at the same time strengthening links with other regions. Siddharth Varadarajan writing in the "Hindu" on 13 December, 2005 has suggested that "The East Asian Summit, the proposed Asian energy grid, and the Shanghai Cooperation Organization are three pillars of the emerging strategic architecture in Asia". It is vitally important in an era of globalization that this architecture should not be conceived or implemented in an adversarial spirit vis-a-vis other regions. Global problems confront us all in a number of areas especially in resources, environment challenges, labour markets and disaster management.

With regard to labour alone, orderly migration among economies encouraging labour market flexibility and more imaginative and low-cost remittance procedures for migrant workers will help both within Asia and between Asia and the industrialized countries of the West. Asian economic integration could thus help global economic growth while minimizing the danger of future conflict arising in Asia. This is best achieved within the multilateral context of the United Nations system with its universality and legitimacy, its norms, regulatory mechanisms and structures all of which are informed by a basic spirit of dialogue, compromise and common public good. As I said when I began, Asia's economic surge must be a tide that lifts all boats - the large and the small Asian nations, the rich and the poor within Asia, as well as other regions of the world. A special effort must be made in economic co-operation with Africa with whom we have strong bonds of solidarity formalized in Bandung in 1955.

Ramesh Thakur argues in his new book, "The United Nations, Peace and Security: From Collective Security to the Responsibility to Protect", that ideas are the ultimate drivers of policy. In the broad sweep of history, empires rise and fall; rulers come and go. They are remembered only if they leave behind ideas for good governance embedded in institutions, structures and practices. The Boao Forum could well become the driving force of ideas and initiatives in an integrative Asian and global process for productive and equitable economic and other models of governance.