

Inequality major hurdle in Asia's race to prosperity

5:30 AM Wednesday Aug 3, 2011

Asia could be as wealthy as Europe by mid-century, but only if it tackles key challenges from inequality and corruption to climate change, an Asian Development Bank study shows.

On present trends, Asia will make up half the world's economic output by 2050, and another three billion people will have joined the ranks of the affluent, their incomes matching those of Europe today, the report says.

But the bank's study also points to a paradox – the fact that the world's fastest-growing region, dubbed Factory Asia, is still home to almost half the world's absolute poor, who earn less than US\$1.25 (\$1.43) a day.

Asia's decades-long march to prosperity, the study says, is being led by seven economies with more than three billion people between them – China, India, Indonesia, Japan, South Korea, Thailand and Malaysia.

Asia's combined GDP – also including poorer nations such as Laos and Pakistan – may rise from US\$17 trillion last year to US\$174 trillion in 2050, with per capita GDP of US\$40,800 in present terms.

But in order for Asia's rise to be sustainable, the study warns, the diverse region must emulate the past successes of top performers Japan, South Korea and Singapore by promoting inclusive and equitable growth. "Asia is in the midst of a historic transformation."

The report, *Asia 2050: Realising the Asian Century*, was commissioned by the Manila-based Asian Development Bank and launched by its president, Haruhiko Kuroda, in Tokyo.

Kuroda points out that developing Asia led the way out of the global financial crisis and recession with a V-shaped recovery.

The study says: "By 2050 its per capita income could rise sixfold in purchasing power parity terms to reach Europe's levels today."

It would make three billion additional Asians affluent by present standards.

"By nearly doubling its share of global gross domestic product to 52 per cent by 2050, Asia would regain the dominant economic position it held some 300 years ago, before the industrial revolution."

However, the study says that Asia's rise is by no means inevitable.

"Many see the ascendancy of Asia – or the Asian Century – as being on autopilot, with the region gliding smoothly to its rightful place in destiny," Kuroda says.

"But complacency would be a mistake. While an Asian Century is certainly plausible, it is not preordained."

The report warns that emerging economies face the risk of being stuck in the "middle-income trap" as bursts of rapid growth, driven by export-based manufacturing, are followed by periods of stagnation or decline.

The report highlights other key challenges – rising inequality within and between countries, poor governance and corruption in many of them, and intensifying regional competition for finite natural resources.

In the worst case, it says, Asia could face "a perfect storm" of bad macro-economic policies, unchecked financial sector exuberance, conflict, climate change, natural disasters, changing demography and weak governance.



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To make Asian growth sustainable, the study says, its countries must address poverty, equality of access and opportunity, and focus on education, entrepreneurship, innovation and technological development.

Climate change is "a wildcard for Asian development", says the study, which emphasises that Asia is already hit by more storms, floods and other natural disasters than any other region.

Global warming threatens to melt the glaciers that run from the Himalayas and other mountain ranges to feed Asia's major rivers, which provide water, food, fish and power for 2.8 billion people.

"Climate change will affect everyone.

"With over half the world's population, Asia has more at stake than any other region," said the study.

"The anticipated affluence of some three billion additional Asians will put tremendous pressure on the earth's finite natural resources.

"Out of self-interest," said the study, Asia "will need to take the lead in radical energy efficiency and diversification programs by switching from fossil fuels to renewable energy." AFP