

# Research Monitor

The bi-annual newsletter of the Global Development Network

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## SPECIAL CONFERENCE ISSUE: THE EIGHTH ANNUAL GLOBAL DEVELOPMENT CONFERENCE

*Shaping a New Global Reality: The Rise of Asia and its Implications  
Beijing, China; January 12 – 19, 2007*

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The Global Development Network is an international network of research and policy institutes dedicated to producing high-quality research for the purposes of development. This newsletter highlights research output generated by the Network, recent key events and initiatives.

### Global Development Network

Post Box 7510  
Vasant Kunj P.O.  
New Delhi 110070  
Ph: +91-11-26139494  
Fax: +91-11-26136885  
Email: [gdni@gdnet.org](mailto:gdni@gdnet.org)  
<http://www.gdnet.org>

# “The Spectacular Ascendancy of Asia”: Implications for the Rest of the World

## Conference brief



*Ernesto Zedillo, Yale University and  
Chairman, GDN*

The success of Asia’s Four Little Dragons (Hong Kong, Taiwan, Singapore, and South Korea) is now being replicated by the “Two Giants” – China and India which together account for 37.5 percent of the

world population and 6.4 percent of the world output and income. While countries of Central Asia lag behind in terms of economic growth, some of these countries have emerged on the global map as important energy suppliers. Asia is poised to become the largest nucleus of economic power, expected to contribute close to one-half of the global GDP by 2025. Nearly 600 participants from 93 countries gathered in Beijing, China for seven days of workshops, plenary and parallel sessions as part of GDN’s Eighth Annual Global Development Conference to discuss the emergence of this region, and implications for the rest of the world.

Lawrence Summers in his opening remarks highlighted what he called the “spectacular ascendancy of Asia on the global stage.” In his view, historians would note the rise of Asia and the populations lifted out of poverty as the most important event of our century. Yet, while the most recent as well as



*Lin Jianhua, Peking University  
speaks at the welcoming dinner  
hosted by the Beijing municipal  
government*

expected developments in the region were discussed, the conference took a global view, in that particular emphasis was placed on the impact of rising Asia on the rest of the developing and transition world and the challenges and opportunities this historic event presents. The plenary session on Latin America and the Caribbean highlighted both the winners and losers – while exports to China have been an important impetus in Brazil’s export growth, domestic responses from countries like Mexico to growing competition from China, calls for more creative policy changes. This includes an examination of the role of social security benefit schemes in lowering productivity in the Mexican manufacturing sector. Panelists at the session on the

prospects for the Middle East and Africa pointed out that although growing demand for the regions’ natural resources and commodities was beneficial to the region, much would depend on their ability to absorb this new “boom” and undertake much needed structural reforms in the case of the Middle East, and engage in diversification of trade in the case of Sub-Saharan Africa. In Peter Rutland’s view, while both China and Russia have experienced very different outcomes of their transition paths, recent evidence would suggest that both are converging towards a “regulated market economy”.

## The multiple facets of this reality

Discussions at the plenary sessions was supplemented by a series of parallel (break-out) sessions which reflected multiple facets of the new global reality shaped by the emergence of Asia. Topics of discussion included changes in global trade, resource flows and industrial development; implications of the new global context for labor markets, provision of healthcare and welfare; the new challenges for improving governance and reforming public services; sustaining poverty reduction programs and new strategies for achieving the Millennium Development Goals related to poverty and hunger alleviation. Several parallel sessions focused discussions on findings from new global research. At a session chaired by Lawrence Summers, Alan Winters, World Bank presented his new publication “Dancing with Giants: China, India and the Global Economy” which as the title suggests, examines the rapid growth of both countries and whether this pace can be sustained. The session “Informal Economy and Development” organized by the Expert Group on Development (EGDI), Sweden, highlighted research from publications on the informal economy and development, “Linking the Formal and Informal Economy” and “Informal Labour Markets and Development.” Issues of integration and cooperation were also very much on the agenda. The session “Pan-Asian Economic Integration” organized by the Research and Information System for Developing Countries, India, discussed efforts to build institutionalized forms of cooperation



*Justin Lin, Lawrence Summers and Alan Winters at the  
“Dancing with the Giants” session*

in the Asian region and the challenges of such integration. The session “Disparities in Development Patterns in Europe and Asia” organized by the Vienna Institute for International Economic Studies examined through a comparative perspective, commonalities and differences in patterns of regional integration in Europe and Asia. These sessions organized by our many partners, featured presentations from nearly 100 participants reflecting the sheer diversity of issues that participants represent. Papers and presentations are available online at [www.gdnet.org](http://www.gdnet.org)

### Research workshops

Nine research workshops held prior to and after the conference furthered discussion on the Asian drivers of growth as well as benefits and risks associated with their upsurge. Research workshops also provided the venue for global research teams to discuss in more detail, steps forward in their global projects. These included workshops on our projects “Bridging Research and Policy”, “Impact of Rich Countries’ Policies on Poverty: Perspectives from the Developing World” and also launch workshops for two new Global Research Projects: “Development on the Move: Measuring and Optimizing the Economic and Social Impacts of Migration” and “Promoting Innovative Programs from the Developing World: Towards Realizing the Health MDGs in Africa and Asia”. The intense process of mentoring by senior academics during these workshops provides the core of the capacity building initiative that GDN embodies.

### Other events: A landmark year for GDN

The Beijing conference also provided the venue for the most important announcement in the history of GDN made by Chairman Ernesto Zedillo – that in a mere seven years, our network is on the verge of achieving the status of an international organization. That GDN’s support base amongst nations across the world is rising was also evident – Spain has become the



*Carlos Blasco Villa, Spanish Ambassador to China signs the GDN Charter in Beijing*

latest country to join the GDN initiative. H.E. D. Carlos Blasco Villa, the Ambassador of Spain to China, signed GDN’s international organization charter on his nation’s behalf.

The conference also served as the platform for the presentation of findings from the “Moving out of Poverty” project, a global, 15 country study conducted in partnership with The World Bank and supported by the government of Luxembourg. Thirty-one finalists of the Global Development Awards and Medals Competition, presented proposals for research and expansion of development projects and completed papers to an audience of conference participants and an internationally renowned panel of researchers and development practitioners. The winners were announced at the Awards and Medals ceremony and dinner chaired by



*Teruyuki Tanabe, Barka Foundation, Japan Bank for International Cooperation with Tomasz Sadowski, winner of the Most Innovative Development Project 2006*

Teruyuki Tanabe, Executive Director, Japan Bank for International Cooperation. The GDN conference also provided the forum for GDN’s business meetings with various constituents including the Board of Directors and a meeting of the GDN Advisory Committee.

### An impressive mix of partners

The sheer magnitude and range of issues covered and voices heard would not have been possible without the support of many institutions. The GDN conference was held in partnership with the Beijing Municipal Government and Peking University and supported by no fewer than 24 different organizations. Sessions were organized by a host of institutions including the Chinese Academy of Social Sciences, China; the Brookings Institution, United States; the German Development Institute, Germany; Institute for Development Studies, United Kingdom; International Food Policy Research Institute, United States; the Japan Bank for International Cooperation, Japan; Research and Information System for Developing Countries, India and United Nations University-World Institute for Development Economics Research, Finland.

# The Rise of Asia and the Global Economy

*The GDN conference in Beijing opened on the evening of January 14, 2007 with a dinner hosted by the Beijing municipal government. Lawrence Summers, Harvard University, United States delivered the welcoming address wherein he outlined three aspects of the rise of the Asia which will impact the global economy. The following is an excerpt from his speech at the conference.*

I have been asked to reflect on the Asian miracle and what it means for the world. [Before I reflect on the Asian miracle, I would like to refer to the Industrial Revolution which was indeed a revolution] – living standards in the 18th century



*Lawrence Summers,  
Harvard University*

were not twice as high as they had been in Athens 2000 years earlier. Yet, because of the Industrial Revolution, within a single human lifespan (then only about 40 years), it was possible to imagine that living standards would increase by 50%. As the revelation took place and spread to the United States, it became possible to envision that within a single human life span, living standards could increase by as much as a factor of four or five in those countries that were affected. Think about what is happening in Asia today, centered on China but followed by India. At a growth rate of per capita living standards of 6.5 % which is less than the average of the last ten years for China, living standards do not double in a single human life span, they do not rise five fold in a human life span, they rise 100 fold within a single human life span. This is an event effecting a third or more of humanity. This is an economic event that exceeds very substantially the impact of either the Renaissance or the Industrial Revolution. When historians record the history of our time, 300 years from now, the end of the Cold War will be at most a third story in that history. Events in the Middle East will be the second story. When the history of our times is written, the events in Asia, the changes in the lives of so many people so quickly and its ramifications for the global system will be the most important story. It is certainly the most profound development that should engage those concerned with development. It is three aspects of what the rise of Asia will mean for the global economy that I want to speculate briefly on.

## **The global flow of capital**

The net flow of capital is and is forecast to be, on an expanding scale, substantially from Asia to the industrialized core. As

the worlds' largest borrower, the United States, is the worlds largest power, while the most rapidly growing country China is its largest exporter of capital. This paradox should engage us because one wonders how sustainable and desirable it is. China has now accumulated a trillion dollars, developing Asia has accumulated two trillion dollars, the vast majority of which is held in United States treasury bills or close substitutes at a yield in real terms that does not reach 2%. Considering the opportunities in these countries for productive investments and productive consumption to enable people to enjoy today, the fruits of a prosperity that is coming, we have a scenario where two trillion dollars is invested at a zero real return. To be sure, adequate reserves for insurance are an imperative. As secretary of the treasury, I advocated the accumulation of reserves so as to avoid the kind of liquidity crisis Asia experienced a decade ago. But we are now way past that point. This flow of capital raises a long run question for the countries that are recipients of this capital – for how long can the United States run a deficit as large as it is running? Will there still be a confidence to lend when two trillion becomes four trillion dollars? Will there be the willingness to accept the exports from Asia and imports to United States that are concomitant to this large capital imbalance? How best can this issue be addressed?

## **The global flow of goods and services**

The second issue, is less an issue for rising Asia as it is for the rest of the world – the profound distributional consequences that this rise probably has had and is likely to have in the future. For the global distribution of income, the rise of India and China is by far, the best thing that has ever happened. Globally, the situation of humanity is improving and the situation amongst the most poor on the planet is improving most rapidly. The citizens of India and China, and other emerging nations, are emerging as enormous winners. At the same time, those with the wherewithal to take advantage of these opportunities are also winners. These include financial institutions; multinational corporations, those with the ability to create ideas, and with sophisticated products to sell. But there is a vast global middle, the people of Michigan, Mexico, Morocco for whom this is a phenomenon of globalization. The vast global middle that doesn't have the capacity to be at the cutting edge to take advantage of this transformative change but at the same time, is not one to compete on price with labor in China or India. What this

means for them and how they are going to respond cannot be ignored by those who are concerned with the future of the global system. The question of what the impact of these changes will be on the vast global middle and how that impact can be cushioned should be the second really large question associated with Asia's rise. There are fewer ideas here and the impatience of polity in many places is increasing.

### The global flow of influence and power

History suggests that whenever there is an important change in the distribution of relative economic strength, the geopolitical consequences are profound. I am continually struck by how much effort in Asia is directed at understanding American and European perspectives, and in understanding perspectives within international organizations. I wish efforts of comparable intensity were undertaken in the United States and Europe to understand the hopes, fears and aspirations and worries of these rapidly transforming societies. We have not yet made, an important change in our thinking towards recognizing that it is probably not going to be about our impact on rising Asia, but about rising Asia's impact on us. We need to understand this much better than we do. It is also not just about the impact of rising Asia on the United States or the industrialized world, but is about the impact of rising Asia on the remainder of the developing world that remains very much part of the global middle.

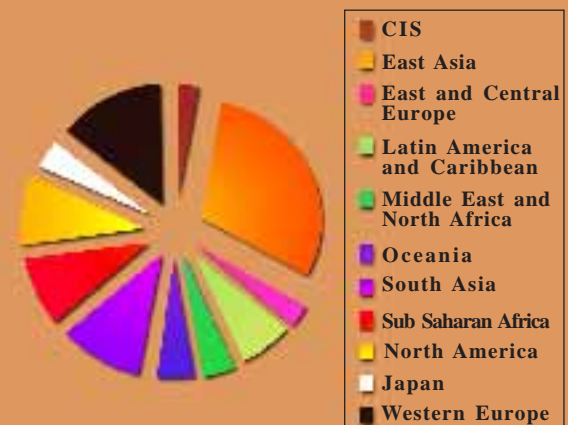
*Lawrence Summers is the  
Charles W. Eliot University Professor,  
Harvard University, United States*

## Conference participants at a Glance

### Regional distribution

GDN's traveling conferences attract participants from all over the world. Five hundred and fifty two participants represented 92 countries. Thirty percent of all conference participants came from East Asia, This was followed by Western Europe with 14 % and South Asia with 11 %. Nine percent of participants were from Sub-Saharan Africa and 7% from Latin America and the Caribbean. Participation from the local research community has traditionally been a strong feature of our conferences and Beijing remained no exception. A significant proportion of Chinese researchers travelled from research institutes outside Beijing, to attend the conference.

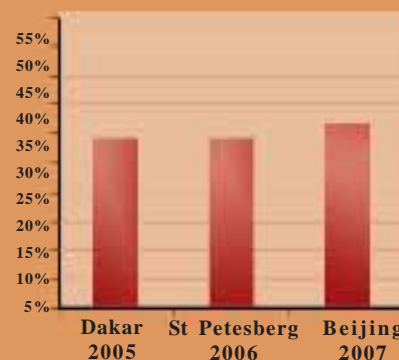
Chart 1: Regional distribution of conference participants



### Promoting a multidisciplinary approach

At GDN we believe that efforts to address development challenges must be informed by knowledge based on a variety of methodological approaches. Thus, promoting multidisciplinary research in our activities is of crucial importance. While previously, GDN activities have been dominated by researchers from the economics discipline, the proportion of participants representing other social science disciplines at our conferences for example, has been rising.

Chart 2: Percentage of non-economists at GDN conferences 2005 – 07



# Prospects and Challenges for Asian Development

The GDN conference opened with a discussion on the “Two Giants” – India and China with an overview of the most recent as well as expected developments in these two countries and the region as whole. The discussion covered a range of issues – how did India and China get where they are? Is the growth of both these countries sustainable? What are the implications of the Giants rise for the rest of the world? And finally, are we being too optimistic in our assessment of the “rise of Asia” all together? Can the emergence of India and China be seen as synonymous with the rise of Asia as a region?

## Twenty-two years of good growth: The Indian story

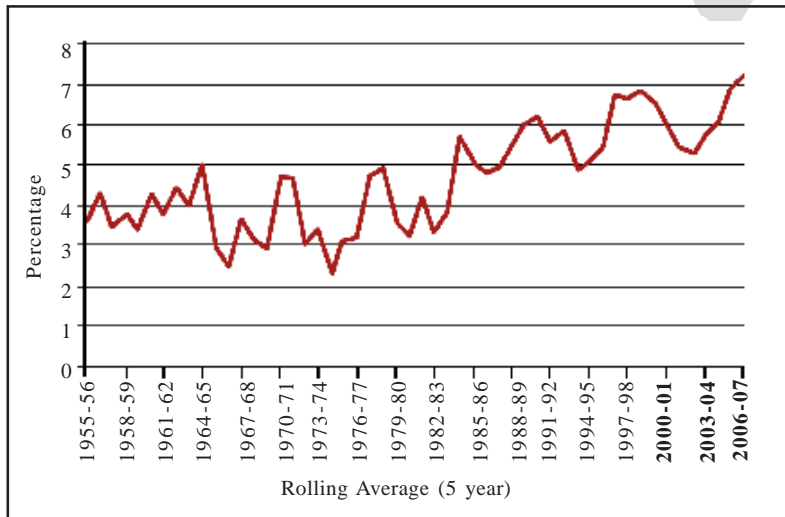
In his presentation, Shankar Acharya provided an overview of the Indian growth experience. In the first 30 years after independence (1950-1980), the Indian economy grew at 3.6% and GDP per capita, at 1.4%. Growth accelerated in the 1980s but fiscal problems and a burgeoning balance of payments crisis led to the famous Manmohan Singh reforms of 1991. India witnessed a significant increase in economic growth with these reforms and economic growth went up to 6.7% only to subsequently decline because of a slowdown in reforms and the East Asian crisis. The year 2002 was a year of remarkable resurgence with GDP growth averaging 8%. The last thirty years’ experience according to Acharya suggests that very few developing countries have



Shankar Acharya, Indian Council for Research on International Economic Relations

sustained decent per capita growth for two decades or more . Specifically, out of 117 developing countries with population over half a million, only 12 countries achieved per capita growth of more than 3% per year in 1980-2002, with at least 2% growth in each decade of

Chart 3: India’s GDP Growth



Source: Acharya (2007) presentation at the Eighth Annual Global Development Conference, China

**CHAIR**  
Ernesto Zedillo, Yale University, United States

**PANELISTS**  
Shankar Acharya, Indian Council for Research on International Economic Relations, India  
Linda Yueh, Oxford University, United Kingdom  
David Dollar, World Bank, China

the eighties and nineties. This includes both China and India. Acharya outlined several other drivers of the recent economic surge in India – a more open economy; the growing middle class which is no longer merely an advertising jingle; India’s young workforce; the rise of strong companies in the modernized capital market; recent economic policies and a supportive international economic environment.

## The phenomenal rise of China

China’s growth in the period from 1979-2000 has been phenomenal, with GDP doubling every seven years and the country having rapidly overtaken several OECD countries in terms of real GDP. As Yueh discussed, China is the fourth largest economy, the largest emerging market and a leading



Linda Yueh, Oxford University

destination for inward FDI. China is fairly unique in that it is a transition economy and also a developing economy which therefore has to contend with the dual challenge – dismantling state owned systems while trying to reduce poverty. This makes for

a surprising success story which Yueh attributes to three drivers of economic growth. The first – a gradual liberalization and increased marketization of select sectors such as housing etc; second – factor reorientation and factor accumulation;



*TN Srinivasan, Yale University, asks a question*

third – technical progress since the mid 1990s which includes expenditure in R&D to stimulate intensive growth. Yueh believed China’s high growth rate can be sustained depending on its ability to introduce other reforms including reorienting the economy towards consumption; restructuring state-owned structures and using interest rates to moderate investment to fuel the “second industrialization”. The creation of strong institutional foundations and coordination of policies in an increasingly decentralized structure will allow for this growth to be sustained. Improving income distribution will also be important in China’s ability to sustain growth. While, poverty has fallen dramatically over the last two decades, income distribution remains more unequal than in capitalist America.

### Two giants or not?

“The prevailing fashion of bracketing India’s rise with China’s exceptionally dynamic development under rubrics like ‘China and India Rising’ may mask more than it reveals” argued Acharya. If India’s development in the last 25 years has been good, China’s has been extraordinary. Furthermore, while India has been a gradual “globalizer”, China’s surging development has been far more

intensively based on global trade and capital flows.” According to Acharya, China has been a far more enthusiastic globalizer and has taken advantage of international opportunities in the last 15 years. India in turn, has opened up more hesitantly. Over the last 25 years, China’s per capita growth rate has been almost double India’s while the latter’s has been propelled more by domestic consumption. Acharya remained pessimistic of the sustainability of 8% economic growth citing renewed fiscal stress from populism, infrastructure bottlenecks, labor market rigidities, low productivity in agriculture which still employs 60% of the labor force; low human resource development and slow pace of economic reforms. While “hard issues” such as weak institutional foundations and social and income related inequality remain in China’s gradualist, transition path, China’s growth prospects are increasingly affected by and also drive the global economic environment.

### The “other 850 million”

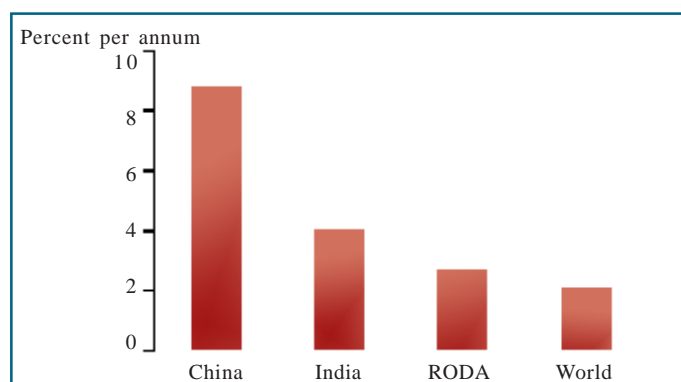
So where does the rest of Asia stand in relation to the growth experiences of its most populous members? David Dollar, in his presentation pointed out that the Rest of Developing Asia (RODA) was an extremely heterogeneous group whose recent growth performance would suggest that it does not have a weight in the global economy. China and the United States combined generated nearly half of all global GDP

growth in the period from 2000-2005. India, with 16% of the global population, generated 9% of GDP growth. RODA, with 14% of world population, only generated 7% of growth. The figure is almost identical for Latin America. These numbers suggest that the rise of China is a real phenomenon and the rise of India has good potential, but talk of “Asia rising” may be misleading. For Asia, outside of China and India, economic performance has been only slightly better than the world average. Reasons for China’s improved performance over the RODA include higher levels of education, an early acceptance of globalization and as revealed by a World Bank sponsored series of investment climate surveys – better investment climates in comparison to other countries.

### Global imbalances

As Dollar pointed out, the rise of China raises issues of global imbalances – in the last few years, China has built current account surpluses and trade surpluses that are increasingly difficult to justify for a country with such high levels of poverty. The United States on the other hand, is faced with rising fiscal deficits. The unpleasant way of resolving this could be through global economic slowdown and a fall in commodity prices. International cooperation between China and the United States is imperative in resolving these global imbalances.

**Chart 4: Growth rates of per capita GDP, 1990 – 2005**



Source: Dollar (2007) presentation at the Eighth Annual Global Development Conference, China

## Latin America: Renewed Concerns about Growth and Poverty

*Despite many initiatives, poor growth performances and slow progress in poverty reduction have continued to plague the Latin American region. In light of Asia's dramatic rise, questions are being asked about why the region's growth has stagnated and the implications of developments in Asia, for the region. In analyzing the prospects of the region and its relationship with Asia, panelists very much focused on how Latin America can avoid a "third wasted decade".*

### Brazil and China: Future prospects

Illan Goldfajn began with an overview of Brazil's economic growth highlighting that GDP growth in the last thirty years has been slow, GDP per capita has virtually stalled and inequality levels remain high. However, in the context of an increasingly open economy, trade between Brazil and China is an important contributor to Brazil's economic growth. Brazil's exports to China are concentrated in five commodities (soybeans, iron ore, steel, soy oil, and wood) while 26.5% of Brazil's textile imports and nearly 40% of apparel articles come from China.<sup>1</sup> According to Goldfajn, since 2000, exports to China have been an important determinant of GDP growth and from 2000-2005, China exports contributed 12% to GDP real growth in Brazil. Evidence suggests that this increase in exports to China is not just limited to commodities trade, in Goldfajn's view, this trade pattern is



*Santiago Levy, former Deputy Minister of Finance, Mexico*

likely to change as the country will soon be exporting Embraer planes to China.

### Mexico: Understanding low productivity

Focusing on the case study of Mexico, Santiago Levy pointed out that despite many initiatives GDP per capita and productivity growth in Mexico have

remained disappointing. Over the last decade the average annual rate of GDP growth was 2.1% and this has fallen to 0.4% over the last five years. Growth of labor productivity has also been slow – the average annual rate over the period, 1988-2004 has been 1.3%. While many reasons have been given for this decline in Mexico's growth, Levy sought to put forth a "complementary hypothesis" focusing on the structure of social welfare programs which in his view

**CHAIR**  
Eliana Cardoso, Foundation  
Getulio Vargas, Brazil

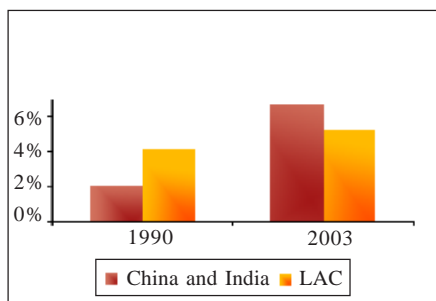
**PANELISTS**  
Illan Goldfajn, Pontifical Catholic  
University of Rio, Brazil  
Santiago Levy, Former Deputy  
Minister of Finance, Mexico  
Marcelo Olarreaga, World Bank,  
Colombia

encourage informality thereby lowering productivity. Incentive structures which have segmented the labor market, amount to a tax on formal employment and a subsidy to informal employment. Returns to capital favor investments by small informal firms and has created a scenario where more than 10% of formal sector workers transit to informality each year and almost two-thirds of firms in Mexico are illegal. Wage labor is often not registered in such set-ups to avoid social security benefits. Thus, an incentive structure tilted in favor of informality allows for firms and workers to shift workers in this direction thereby lowering productivity and reducing competitiveness.

### Complementarities and competition

China and India's presence in the world economy relative to Latin America and the Caribbean countries has become increasingly apparent. As Marcelo Olarreaga pointed out in his presentation, China and India's share of world GDP has almost doubled from 1990 – 2003. The same trends can be witnessed in world trade merchandise and share in world services exports. China and India's share of world FDI net inflows has doubled from 1990 and now the two countries are equal to Latin America. A crucial area of concern in this debate has been the impact of Chinese competition on Latin American trade. As Table 1 below reveals, this is a problem only in the case of countries having a high degree of conformity in

**Chart 5: Share in World GDP**

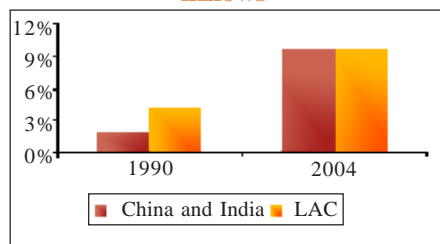


Source: Lederman, Olarreaga, Perry, "Latin America and the Caribbean's response to the growth of China and India: overview of research findings" (2006)

<sup>1</sup> Development, Industry and Commerce Ministry, Brazil



**Chart 6: Share in world FDI net inflows**



Source: Lederman, Olarreaga, Perry, "Latin America and the Caribbean's response to the growth of China and India: overview of research findings" (2006)

their exports to those of China such as Mexico which has a high coefficient of conformity and specialization. Olarreaga pointed out potential negative impacts

and India.

### Challenges ahead

Yet, as the panelists pointed out, the region faces serious challenges in its efforts to deliver on growth promises and benefit from greater interaction with Asia. In Goldfajn's view, much will depend on the regions ability to increase investment levels in education. In Brazil for example, 11% of Brazilians over the age of 15 are illiterate. A comparison with China's experience in promoting education reveals that while the secondary school (15-17 years) enrollment rate is 45.34% in Brazil, China's secondary school enrollment



Marcelo Olarreaga, World Bank

creative policymaking. Olarreaga outlined several policy implications for the Latin American and Caribbean region – promotion of bilateral trade, FDI and innovations flows with China, focusing on the region's comparative advantage towards natural resources and scientific knowledge and resisting protectionist forms.

Levy pointed out that Mexico's response to the rise of Asia saw policy focus on building oil reserves and increasing investment levels and not on examining social welfare programs which increase informality and reduce productivity. Implicit in discussions on the Latin American region was a warning to countries in Asia such as China engaged in a process of equalizing wealth distribution – the Latin American experience has revealed that countries face crucial choices between growth and development.

**Table 1: Chinese trade competition: Impact on Latin America**

	Coefficient of Specialization*	Coefficient of Conformity*	Average of both indexes*
Paraguay	0.08	0.02	0.05
Venezuela	0.10	0.03	0.06
Bolivia	0.12	0.04	0.08
Chile	0.14	0.04	0.09
Argentina	0.20	0.08	0.14
Columbia	0.25	0.12	0.18
Brazil	0.30	0.21	0.26
India	0.42	0.25	0.34
Mexico	0.52	0.54	0.53

\*Average 2002-2004

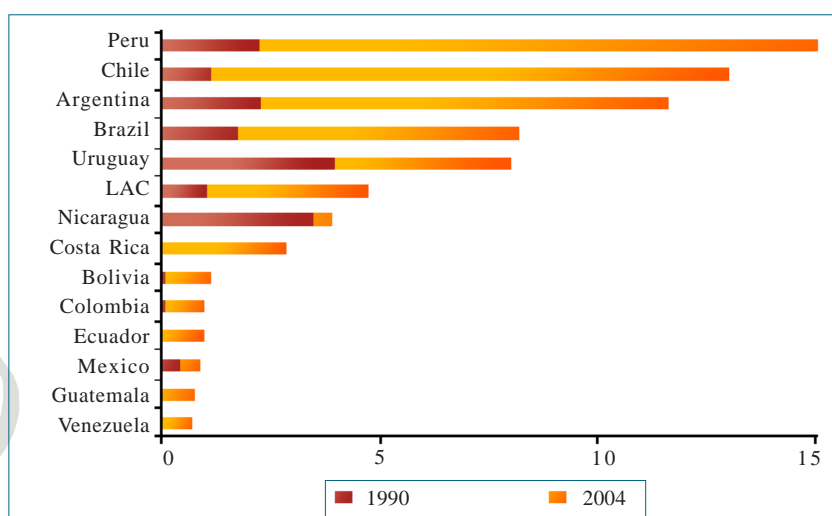
Source: Goldfajn, (2007) presentation at the Eighth Annual Global Development Conference, China

in some industries in Latin America and the Caribbean in textiles, telecommunications and electrical equipment.

Some displacement by India has been witnessed in sectors including industrial engineering, professional and legal services, research and development and technical services. Yet, many opportunities remain – the volume of exports from Latin America and the Caribbean to China and India has been rising. LAC exports would be 2% lower if China and India home markets had grown at just world average rates according to Olarreaga. There is no aggregate evidence of displacement of inflows of OECD FDI into LAC by China

rate is 94.30%.<sup>2</sup> Other challenges include the ability to take advantage of rising global liquidity to repay debts and accumulate assets, avoidance of distorting exchange rate systems and more

**Chart 7: Share of LAC exports to China and India**



Source: UN Comtrade

<sup>2</sup> IBGE and National Bureau of China cited by Goldfajn (2006)

# Global Demand for Natural Riches: Opportunities for Structural Transformation in Africa and the Middle East

*The increased global demand for natural resources primarily as a result of rising Asian consumption may create new opportunities for traditional suppliers of these resources. The resource-rich Middle East and North Africa (MENA) countries are experiencing significant increases in the volume of trade with the fast growing Asian economies. Yet, this relationship with Asia poses several challenges. Complementarities between Africa and Asia raise questions on the prospects that Africa would diversify exports; the varied channels, FDI, trade and aid, through which this impact is transmitted; and whether surging oil prices caused by high Asian demand have in fact put issues of structural transformation in the region low on the agenda of policymakers in the region.*

## Increased trade between Africa and Asia

In Ernest Aryeetey's view, there are three main channels through which the interactions between Asia and Africa can be seen – trade, Foreign Direct Investment and aid flows. Despite Africa's small share in global trade, the region's trade with India and China has grown tremendously in the last decade. Obvious complementarities between Africa and China exist. While Africa imports manufactured goods such as textiles, machinery, transportation equipment, and other manufactured goods, China's and India's imports from Africa include mainly raw material – oil, non-oil minerals, metals and agricultural raw material. These trends are driven mainly by rising demand from industrial sectors and purchasing power in both China and India. As Aryeetey points out, comparative advantage would suggest that Africa will continue to export natural resources and import processed or manufactured products. However, there are some signs that some countries, in particular, South Africa and Nigeria, are increasing exports of processed/ manufactured goods and can advance this trend if properly directed. Ibrahim Elbadawi, in his presentation argued that this poses a challenge to African nations as China's trade policy in particular, discourages imports of these manufactured goods. Recent years has also seen a tariff

escalation on African exports to India and China. Intense competition from lower priced manufactured imports from China and India are pushing African manufactures in some industries such as textiles, out of business. Overall, however, increased global demand for African exports has served to improve the terms of trade.

- ▶ Bilateral trade between India and Africa rose from \$967 million (1990/1) to \$9.14 billion (2004-2005)
- ▶ Trade between China and Africa has quadrupled in the last 5 years to reach \$40 billion (2005)

*Source: Aryeetey, (2007) presentation at the Eighth Annual Global Development Conference, China*

## Trade and aid flows

While in China, FDI has focused mainly on manufacturing, in Africa, the emphasis has been on extractive sectors. From India FDI flows into Africa through informal trade links. Elbadawi argues that Chinese FDI into Africa is limited to long-term state investments rather than joint ventures and does not trickle down or lead to

technological improvements in recipient countries. Instead, these are very much focused on areas of strategic and industrial importance to China. As Aryeetey pointed out, official economic support to Africa stood at \$1.2 billion in 2002. Nevertheless, the increased demand for African exports, increased flows of FDI and aid create immense possibilities for engaging in global trade and investment while also confronting the region with crucial challenges in its ability to channel the positive impact into diversifying the region's export base.

## “The Lost Decade” and growing Asian demand

According to Tarik Yousef, Dubai School of Government, UAE, economies of the MENA region have been distinguished by high levels of government intervention, a preference for redistribution and equity in economic and social policy and an interventionist state which plays a crucial role in service delivery. This particular approach seemed to deliver in the first three decades from the 1940s with the region experiencing high socio-economic development levels, low levels of poverty and relatively low income inequality. The crisis of the 1980s resulting from falling oil prices and a more competitive international environment shattered this model and brought to the forefront the need for

### CHAIR

Samir Makdissi, American University of Beirut

### PANELISTS

Ernest Aryeetey, Institute of Statistical, Social and Economic Research, Ghana

Ibrahim Elbadawi, World Bank, United States

Tarik Yousef, Dubai School of Government, United Arab Emirates



Tarik Yousef, Dubai School of Government

structural reform. This was however marked by hesitancy, slowness and in some cases, outright reversals of initial commitments to economic and political reforms. Thus, the result was the “lost decade” of the 1990s. At the dawn of the new millennium the need to accelerate the pace of reform coupled with a concern with the trajectory of economic policy reemerged. This new reform agenda had one very important and new component – governance issues, the demand for better institutions, transparency and accountability and the opening up of the political sphere. Yousef asserts that in fact, by 2003, it was quite common for

analysts to herald the dawn of a new era. However, the unexpected and spectacular rebound of oil prices, unforeseen supply shocks, much of it credited to Asia’s increased demand, has meant that most oil producing countries, particularly in the Gulf, have been able to get along by implementing incremental reforms as opposed to much needed structural transformation.

### Challenges ahead

“The emergence of Asia creates new political and geopolitical dynamics that the region has to contend with. MENA already provides three-fourths of Asia’s energy needs and this is projected to rise to four-fifth in another decade. Thus, the challenge for the region will be its ability to engage in processes of structural changes at a time where budgetary constraints are not binding. As Elbadawi pointed out, the rise in oil prices and ensuing boom presents resource rich countries with the challenge of better managing the boom this time around to avoid “inefficient specialization” and collapse when the boom ends. With respect to diversified

economies lacking natural resources, Elbadawi argued that the need was to maintain competitiveness in labor intensive manufacturing, through competitive exchange rate policies and improved productivity. There is a greater willingness on the part of Asia to engage with MENA countries in areas of cooperative investment in energy resources and beyond. In the last year alone, there was a 60% increase in the volume of trade between Saudi Arabia and China. How these countries will initiate reforms while staying competitive remains of great interest.

## Transition Countries: Responses to Rising Asia

*The emergence of Asia as a new economic and political power presents both opportunities and challenges for the transition countries of the Commonwealth of Independent States (CIS) and Eastern Europe. The emergence of China on the world stage raises questions of the very different outcomes of the transition paths of both Russia and China and highlights interesting ideas of a possible convergence of both countries to a “regulated market economy” according to Peter Rutland. Also discussed were growth performances of transition regions and Asia and the possible forms of interaction between the two.*

### Stylized facts versus reality

Peter Rutland in his presentation compared the remarkable transition from socialism to capitalism for both Russia and China and argued that for most of the 1990s, Russia and China seemed to be headed down very different paths. While Russia was democratizing in a

sense, it was failing economically while China on the other hand was not democratizing, but was succeeding economically. Despite such divergent paths, since the 2000s, both appear to have converged on a “regulated market” consensus revealing that while initial paths remain different, they share very common goals. In Rutland’s view “both China and Russia present a common

lesson for theorists of globalization: that the world is not “flat,” and that strong states can find a niche role in the new global economic order.” Instead, the different paths of Russia and China show that leadership choices mattered. Stylized facts would point to contrasting reform paths – while Russia was primarily concerned with politics first and adopted a rapid, top-down

**CHAIR**  
Wang Hui, Tsinghua University, China

**PANELISTS**  
Padma Desai, Columbia University, United States  
Peter Rutland, Wesleyan University, United States  
Vladimir Popov, New Economic School, Russia

reform model along the lines of “shock therapy” with considerable Western influence, China adopted a gradual, controlled transition with no influence from the West. The result? Russia democratized and experienced various collapses while China experienced amazing levels of growth

### **Towards the “regulated market”**

However, Rutland argues, reality would suggest that Russia was less radical than it appears. Despite a nominal shift to 80% private ownership, in practice, ownership structure remained as “opaque, hybrid and volatile” as in China which remained more radical than Russia in some key aspects, specifically, reforms in the farming sector and openness to foreign investment. The



*Vladimir Popov, New Economic School*

gradual, without instant deregulation of prices or mass privatization and characterized by a strong industrial policy. Recent Chinese success from 1979 onwards is based on the achievements of the Mao period (1949-76) that is, strong state institutions, efficient government and an increased pool of human capital. In the longer or the millennium perspective,

relatively more integrated into the world economy, the post-Soviet, East and Central European countries are shedding their socialist, non-competitive past at varying speeds. While the end goals may differ, all three regions face policy challenges and need fast-paced structural reforms. In Padma Desai’s view given the Central European countries’ preoccupation with fulfilling the requirements of joining the European Monetary Union, interactions with Asia remains limited – the goal is more oriented towards building relations with Europe. An analysis of macroeconomic and financial indicators from 2000-05 reveals that Asia leads in almost all the indicators while the post-Soviet states have recorded good progress as well. Countries of East and Central Europe however, remain the poor performers. The challenge for the post-Soviet group includes controlling inflation fed by oil-export earnings and diversifying the economy, while for East and Central Europe the challenge is to control inflation and fulfill the Maastricht criteria to qualify for entry into the European Monetary Union.

#### **Common features of the “regulated market economy”**

- ▶ Commitment to preserving integrity of state sovereignty and national identity.
- ▶ Leaders are focused on economic growth as a major goal.
- ▶ The market mechanism is the most effective tool for economic growth.
- ▶ The market has its limits, and must be policed by the state.
- ▶ Liberal democracy is inappropriate/ unnecessary, and open public contestation between rival members of the ruling political elite is kept to a minimum.
- ▶ The new middle class produced by the economic boom serves as a social basis for regulated market regimes.

key issue therefore is not the pace or sequencing of reform but the need to maintain political power and state capacity which involved the (i) preservation of political institutions (ii) need for public support, and (iii) mechanisms to ensure the orderly progression of leadership.

### **The “Beijing consensus”**

Chinese policy since 1979 in the view of Vladimir Popov has been based on principles that are not compatible with the Washington Consensus and owes much credit to long-term continuity in development policy. Chinese reforms were

Popov argues that the extraordinary success of China before the Opium wars (mid XIX century) and after the liberation (after 1949) owes much to “institutional continuity – the ability to proceed along the evolutionary path without the break-up of traditional structures”.

### **Interactions between transition states**

Given the rise of Asia, what can be the impact of the region on East and Central Europe and the post-Soviet states? While the Asian region comprises lower per capita economies which are

## Governance and Civil Service Reforms in South and South East Asia

*Governance has long been a challenge for many developing countries, and this remains true for countries in South and Southeast Asia. This session jointly organized by our Regional Network Partners - the South Asian Network for Economic research Institutes (SANEI) and the East Asian Development Network (EADN) - presented reform experiences of both regions towards discussing challenges and progress in reforming governance systems.*

### **Pakistan: missed opportunities for reform**

Nadeem Ul Haque characterized the Pakistani experience as one with declining quality in the public sector, growing polarization with political uncertainty, dominant role of the state with the centralization of finance and administration systems and missed opportunities for reform. Motivated by budgetary considerations, the emphasis of many countries in the region has been on downsizing and introducing procedural changes without radically altering the outmoded incentive system which in many countries is now characterized by declining real wages, wage compression, a non-merit promotion and reward system. Corruption indexes in Pakistan remain high, the rent seeking architecture is intact and hence there remains little confidence in reforms and the possibilities of economic change. In Ul Haque's view, results from the incentives literature would suggest that for a reform effort to succeed, public sector human resource management would have to be reformed at an early stage to establish productivity incentives in the public sector. These would include introducing substantial autonomy to organizations in their work, incentive

schemes and human resource management along the lines of the now well accepted concept of central bank independence.

### **Thailand: corruption and business activities**

Deunden Nikomborirak focused on the experiences of Thailand in building better and more accountable governance systems. Nikomborirak referred to a study by the International Institution for Management Development which revealed that corruption and bribery remain prevalent in Thailand. This indicator appears to correlate roughly with the level of income of each country. However an examination of the bureaucracy's efficiency with regards to facilitating business activity, reveals that the country's score is at par with Taiwan and South Korea whose level of income per head are significantly higher. "These indicators show that the Thai civil service operates in an environment where corruption and bribery are rampant and where bureaucracy is subject to considerable political influences. Nevertheless, these negative factors have not posed serious obstacles to business activities" suggested Nikomborirak. Other barriers in the way to civil service reform include lack of

access to information and transparency and lack of public participation in the administrative procedures of the bureaucracy. The Thai experience reveals that there are several crucial steps to lay a firm foundation for better governance. These include greater access to public information; establishment of clear governance rules for administrative procedures; greater public disclosure of all rules and regulations and encouraging greater public participation in key policies.

### **Institutions as a "luxury good"**

Surjit Bhalla held the view that institutions (which lead to good governance) are at best, a "luxury good" which while more prevalent in rich countries, does not cause growth; instead it is more likely that as countries become richer, they want to acquire better institutions. For Bhalla, the middle class causes growth. As they benefit from market – democracy reforms, they push for more reforms.

#### **CHAIR**

Chalongphob Sussangkarn,  
Thailand Development Research  
Institute, Thailand

#### **PRESENTERS**

Nadeem Ul Haque  
Pakistan Institute for  
Development Economics,  
Pakistan

Deunden Nikomborirak  
Thailand Development Research  
Institute, Thailand

Surjit Bhalla  
Oxus Research and Investment,  
India

#### **DISCUSSANT**

Lloyd Fernando  
Marga Institute, Sri Lanka

*Saba Anwar is an economist working with  
the Pakistan Institute for Development  
Economics, Pakistan*

# Demographic Change and Poverty Amongst the Elderly in Transitional China

The GDN conference provided the venue for the final round of the 2006 Global Development Awards and Medals Competition. Over 600 submissions were received this year and three selected finalists in the category for the Japanese Prize for Outstanding Research on Development presented their papers at a session on January 14, 2007. Juhua Yang received the first prize for her proposal which examines the impact of demographic change on poverty amongst elderly people in China. In doing so, Juhua became the first winner of this prestigious prize from the People's Republic of China and the third woman to receive the award since the competition's inception in 2000.

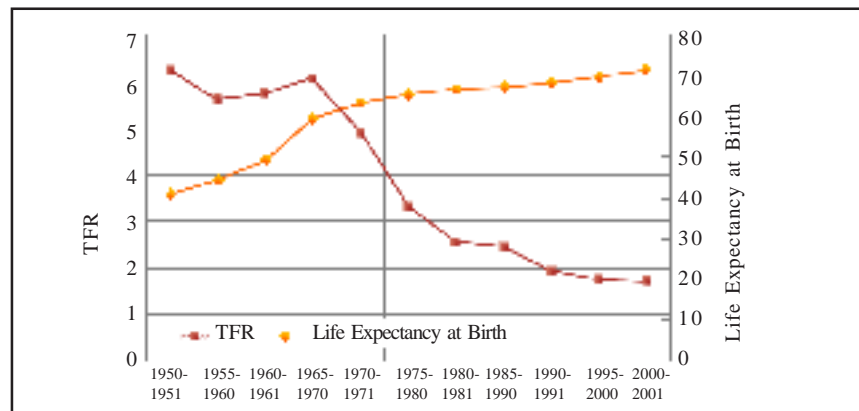
## A double edged sword

Since the late 1970s, owing to the one-child policy and socioeconomic development, Chinese society has experienced profound changes in population from high fertility and mortality rates, to very low fertility and mortality rates. Population change acts as a double-edged sword: providing opportunities for economic growth and individual development, while putting tremendous pressure on public support systems for the elderly. This paper explores the relationship between population change and poverty of the elderly (here understood to be from 65 years or older.) Population change is defined as reduced fertility, enhanced longevity, and changing population age structure and distribution at the macro and household levels. The population change-elderly poverty issue is not unique to China, but shared by and has implications for other low fertility societies or those undergoing demographic change. While the particular circumstances are local, the challenge remains global. Understanding the population-poverty relationship in a developing setting with low fertility rates is an extremely important factor in understanding the problems of demographic change.

## “Getting old before rich”

The most salient change in demography is the rapid reduction of total fertility rate (TFR, defined as the number of

Chart 8: Total Fertility Rate and Life Expectancy at Birth: China 1950-2005



Source: World Population Prospects: The 2004 Revision (UN 2005)

children per women). Before the 1970s, China's TFR was high (5-6 children), but dropped sharply in the 1970s (about 3 children), and further dropped to the replacement level in the 1990s (1-2 children), although there remains controversy on the exact value of the current TFR. Conversely, Chinese life expectancy at birth has increased from 40 years in 1950 to 72 years in 2005.

Reduced fertility, decreased mortality and improved life expectancy have jointly changed the population age structure by raising the proportion of the elderly in the total population and generating the phenomenon of rapid population aging. In 1982, the elderly population aged 60 plus accounted for 5 percent of China's total population, 8 percent in 1990, and over 10 percent in 2000. Similarly, people aged 65 plus accounted for 7 percent of the total population (an indicator of an aged

population) in 2000, and over 8 percent in 2005.<sup>3</sup> What is particularly unique in the context of China is the rapid pace of population ageing while incomes remain low. In 18 years, China has become an aged population even as it remains relatively poor with GDP per capita being only \$800, a phenomenon called *wei fu xian lao*, (“getting old before rich”).

## Population change and elderly poverty

By 2000, the proportion of the elderly aged 60 plus living in poverty accounted for 17.5% of the elderly population and the absolute size of elderly living in poverty is over twenty million.<sup>4</sup> Although these figures might vary greatly across studies, the share of the elderly living in poverty is higher than for all segments of the population barring the youth. Population change

<sup>3</sup> Zhang, W. (2007) Available at [http://www.cpirc.org.cn/news/rkxw\\_gn\\_detail.asp?id=7888](http://www.cpirc.org.cn/news/rkxw_gn_detail.asp?id=7888)

<sup>4</sup> Qiao, X., Zhang, K., Sun, L., and Zhang, L. (2005). ‘An estimate of the elderly population living in poverty in China’, *Population Research*, 29(2), 8-15

at the macro level affects the elderly poor through two mechanisms. First, current population characteristics have substantially increased the demands of the elderly for public support in the form of pension, health insurance and daily healthcare services and/or improvements in living standards. Such demands vary depending on age groups, location – urban or rural, regions and sex. This in turn has put great pressure on China’s public support system. Second, given the unprecedented proportion of the elderly in the population, government capacity to meet the demands of the elderly is low. While negative outcomes of the one-child policy were anticipated, such population ageing was predicted to occur only 40 years later by 2020 by which time China would be well prepared to deal with the unwanted consequences associated with ageing. In the present scenario China is neither prepared for such population characteristics institutionally, nor has experience or sufficient capacity to deal with this situation. In the absence of an accelerated accumulation of resources for old-age support, conflicts are emerging.

### **Dynamics at the household level**

Household-level changes in fertility, mortality, age structure and migration may have mixed effect on poverty reduction and in the quality and quantity of personal care. In the scenario of low fertility rates, there is less labor force and a smaller pool of children to share the responsibility of parental support, but a higher proportion of elderly in households demanding support. Migration increases the geographic distance between parents and offspring, making it less convenient for children to support parents. These have weakened China’s long tradition and system of old age support by family members. A gap thus emerges between the demand for and supply of caring support for the elderly. This, together with the gap at the macro level, could reduce the quality and

quantity of personal care for the elderly. Conversely, it can be argued that low fertility rates may reduce the household investment in children, and enhance married children’s ability to support parents and similarly, migration improves the ability of adult children to support parents financially. Nevertheless, given new household dynamics, whether or not these demographic changes necessarily alleviate poverty of the elderly requires further consideration.

### **Conclusion**

Despite the rapidly rising ageing population, demographic dividend will continue for another decade. Thus, the government has the opportunity to adopt appropriate methods to deal with the unwanted consequences of population change. This involves

- ▶ Identifying demands of the elderly and consider measures such as family-based community support systems
- ▶ Improving the coverage of rural public support system, particularly for couples who follow the restrictive birth planning policy and thereby constitute the high risk population
- ▶ Complementing government support through other sources – private, traditional family support, part-time jobs for those willing and able to work
- ▶ Encouraging individual savings for old age security due to possibly reduced investment in child rearing
- ▶ Modifying retirement policies which disfavor women.

*Juhua Yang is Associate Professor, Center for Population and Development Studies Renmin University of China*

### **FORTHCOMING**

## **The 2007 Global Development Awards and Medals Competition**

GDN is currently accepting submissions for the Global Development Awards Competition, the largest international competition on development research.

**Each year nearly \$250,000 is awarded in cash and travel in the following three categories:**

***Japanese Prize for Outstanding Research on Development:*** For research proposals that offer the greatest promise for informing our understanding of development

***Medals for Research on Development:*** For completed research papers

***Japanese Prize for Most Innovative Development Project:*** For expanding development projects that are most capable of benefiting local communities

Submissions in the research categories will be accepted in any of the five themes -

- Fragile States: Addressing Vulnerability
- Household Exposure to Risk: Effects on Poverty
- The Rule of Law: Providing Security for Development
- Women’s Rights, Security and Development: Challenges and Opportunities
- National Resources: Risks and Implications for Sustainable Development

The competition is open only to researchers from developing and transition countries.

For more information on the competition and how to apply, log onto our website [www.gdnet.org/awards](http://www.gdnet.org/awards)

# Special Event: Understanding Freedom, Democracy and Development

The “Moving out of Poverty: Perspectives from the Bottom Up” global study focuses on how local institutions and social relationships affect the ability of people to move out of poverty. The study conducted by the World Bank in partnership with GDN, reached over 50,000 people covering 22 different local contexts in 16 countries, primarily in Asia and Africa. Findings from the study led by Deepa Narayan, World Bank was presented at a special session at the conference.

**CHAIR**  
Miguel Marques  
Advisor, government of Luxembourg

**PRESENTER**  
Deepa Narayan, World Bank,  
United States

**DISCUSSANTS**  
Ravi Kanbur, Cornell University,  
United States  
Ashraf Ghani, Kabul University,  
Afghanistan

## The dynamics of moving out of poverty

In her presentation Narayan outlined the hypothesis detailed in the diagram below – in an overall environment characterized by good economic opportunities, a responsive local democracy that supports economic opportunities, and where problem solving is a community effort, will provide an environment where an individual is more likely to move out of poverty as a result of his or her own efforts. In Ravi Kanbur’s view, the *Moving out of Poverty* study differs from the previous *Voices of the Poor* study brought out by the World Bank because it is a dynamic study concerned with people’s mobility out of poverty and attempts a quantitative assessment of the factors behind this movement.

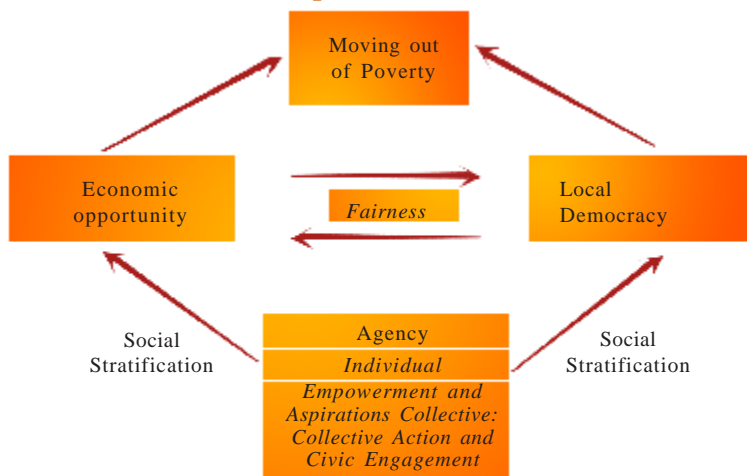
## Key findings

- ▶ In Narayan’s view, “economic opportunities are mediated by social relations and consolidated through political relations”. Policymakers need to factor in social divisions when formulating economic policy. Kanbur pointed out that this is a very important conclusion simply because pure economics cannot necessarily capture these dynamics in the relationship between opportunity and the ability to move out of poverty.
- ▶ Providing cheap and reliable transport is crucial in opening up new economic opportunities. The greater the expansion in opportunities, the less important will be social relationships in economic transactions.
- ▶ “Liberalization from below” will ensure the poor benefit directly from their participation in economic activities. This includes improving the investment climate for the poor, and protecting and deregulating assets of the poor, investing in organizations and corporations of the poor and democratizing local democracy to spur economic dynamism. Local democracy is crucial for the provision of basic services but is often captured by the elite. It has a crucial role to play in actively encouraging poor people’s businesses. However, Ashraf Ghani did issue some caution here. He argued that the centralization-decentralization debate has caused a false distinction and raises questions of alignment with different government levels and decision making.

It is crucial that checks and balances in the system remain to ensure proper coordination with central policy.

- ▶ Gender inequity is pervasive and should no longer be treated as a private issue. Gender equity is a crucial text of good governance and healthy democracies. In Ghani’s view, there is a need to tease out the gendered nature of opportunities particularly in the context of mobility which more often than not, is a very much male pattern of mobility.

### Conceptual Framework





# Capacity Building and Mentoring: Pre and Post Conference Workshops

## Workshop Brief

### **Impact of Rich Countries' Policies on Poverty: Perspectives from the Developing World January 12 – 13, 2007**

Over the last two years, thirty country study teams in this GDN research project have worked towards analyzing and quantifying the impact of rich countries' trade, migration and capital flow policies on poverty in developing countries. The final workshop of the project held in Beijing focused on publication strategies and outcomes. Research teams (1)



*Isher Ahluwalia, Indian Council for Research on International Economic Relations, and Ramona Angelescu, GDN*

presented drafts of their reports on research results (2) received feedback from mentors, specially invited experts and steering committee members on report editing and preparing their papers for publication. Selected studies from the three policy areas - trade, migration and capital flows will be published in a consolidated volume edited by T.N. Srinivasan, Yale University, Robert Lucas, Boston University and Lyn Squire, GDN. The publication will be available in early 2008. Seven of the migration papers have also been submitted for publication in a special edition of an international migration journal. Authors of the remaining studies are also seeking independent publication of their completed reports. Final reports will be available on GDN's website.

### **Bridging Research and Policy January 12 – 13, 2007**

This workshop is the culmination of an international study on "bridging" issues undertaken by the Global Development Network's Bridging Research and Policy project. The workshop included presentation of a synthesis report and



*Eric Livny, Economics Education and Research Consortium*

discussions of possible areas of action based on the findings of the study, as well as an illustration of specific approaches used to address some of the challenges found in the research literature. It has effectively brought this stage of the GDN's work on "bridging" to completion. Workshop participants discussed the prospect of a new international non-government organization - BridgingResearchandPolicy.org being established to support capacity building at the regional level, drawing on many of the lessons learnt to date through the efforts of GDN and others. The workshop was also conceived as a step towards translating research results into a program for training researchers and research institutes and how to reach policymakers and influence policy.

### **Southern Engines of Global Growth Workshop organized by UNU-WIDER and Fudan University January 12 – 13, 2007**

The workshop focused on the growth experiences of China and India, which represents one important component of the WIDER research project "Southern Engines of Global Growth: China, India, Brazil and South Africa (CIBS)". Eighteen papers presented during the workshop covered a wide-range of issues including growth determinants, infrastructure, globalization, growth convergence, population bonus, financial systems and labor markets. The final panel discussion attempted to address the question of whether India can overtake China before 2050. Participants were of the view that if India can improve its infrastructure and promote inclusive growth, this may be possible. While infrastructure bottlenecks may be overcome in 10-15 years (as has happened in China), inclusive growth across regions

and rural areas poses a formidable challenge for India. On the other hand, the major hurdle for China lies in its weak institutional and political systems. In the absence of social instability, China can sustain its growth in the long run. Both countries must take on various challenges such as corruption, high inequality, energy dependence and environmental problems. Nearly 60 participants attended the workshop from Europe, Latin America, North America and Asia. More than thirty of the Asian participants came from within China, including some PhD students.

Guanghua Wan, Project Coordinator, WIDER-UNU

### **Asian Drivers: China and India Shaping the Global Political Economy – Challenges for European Development Policy** January 12 – 13, 2007

The opportunities and challenges for development policy and strategy are being transformed by the rise of new powerful actors in the global economy and in global governance. This workshop, organized by the German Development Institute and the Institute of Development Studies in connection with a research program on “Asian



*John Humphrey, Institute of Development Studies and Dirk Messner, German Development Institute*

Drivers of Global Change” examined three aspects of this transformation: the impact of China on global governance of trade and the environment; the challenges to development policies and strategies posed by China’s own development policies; and the consequences of the growth of knowledge-based industries in India and China, for other developing countries.

### **Methodology for Comparative Analysis** January 12 – 13, 2007

The ESRC-sponsored workshop at Beijing provided an opportunity for a group of 20 multidisciplinary participants to debate ways of organizing future Global Research Projects, combining qualitative and quantitative techniques within country studies, and extracting cross-country tendencies from a small sample of country studies. Drawing on three



*Lyn Squire, GDN*

background papers, the two-day workshop generated much discussion and a surprising number of concrete suggestions on how best to conduct international, comparative research. At the risk of oversimplifying a very complex issue, the workshop arrived at three broad conclusions. First, case studies offer the most promising vehicle for analyzing the complexity and context-specificity of the development process. Cross-country regression analysis can at best supplement detailed case studies. Second, a combination of quantitative and qualitative techniques holds the greatest promise for understanding aspects of the development process within a case study. And third, context-specificity notwithstanding, techniques such as Qualitative Comparative Analysis can be used to extract cross-country general tendencies.

### **Promoting Innovative Programs from the Developing World: Towards Realizing the Health MDGs in Africa and Asia** January 16 – 19, 2007

The opening selection workshop for this project funded by the Bill & Melinda Gates Foundation seeks to identify, evaluate and promote innovative health and health-related programs from the developing and transition world. Forty researchers short-listed through an open call-for-proposals presented their proposals to a panel of evaluation experts and policymakers. Twenty-one studies were selected to be a part



*Justine Nannyonjo, Centre for Socioeconomic Research and Training*

of the project. The selected studies involve impact evaluations of programs covering a variety of aspects including maternal and child health, HIV/AIDS and reproductive health. The workshop concluded with one-on-one discussions between the resource persons and the selected researchers on finalizing methodology and data requirements. Over the next two years the studies will carry out rigorous impact evaluations of the selected programs. Programs that are operational will be evaluated using a range of quasi-experimental techniques while about-to-be-launched program will be evaluated using both experimental and quasi-experimental methods. The cost-effectiveness of these programs will also be measured.

### **Industrial Development, Trade and Investment Promotion in Africa: Lessons from Asia** **January 17, 2007**

The international development community has been for some time concerned about the possibility of applying experiences of Asia to other continents, especially to Africa. This workshop organized by our Regional Network Partner GDN-Japan examined several issues arising from the case studies on African industries including (1) technical training for manufacturers, (2) industries possessing comparative advantage, and (3) developing role of governments in export promotion. Discussions led by African and Chinese experts focused on ideas and directions for further research. GDN-Japan plans to hold another workshop at GDN's Brisbane Conference in 2008 towards formulating a policy recommendation paper for the G8 Summit and the Fourth Tokyo International Conference on African Development also to be held in 2008. Chaired by Kaoru Hayashi, Visiting Fellow, Japan Bank for International Cooperation, the workshop comprised three presentations by Japanese research institutions - FASID, IDE-JETRO and Hiroshima University.

### **Fragile States: Assessing Vulnerability** **January 17 – 18, 2007**

“Fragile states” (used synonymously with weak and failing states) are defined here as countries that are conflict-prone or have governments that lack the commitment or capacity to



*Billy Manoka, University of Papua New Guinea with Ronald Duncan, University of the South Pacific*

pursue basic development goals. These countries are disproportionately poor and have difficulty performing the core functions of statehood, including the provision of basic physical security, delivery of essential services, and legitimacy of government. The “Fragile States” research project launched at the Beijing conference discussed fragile states in Africa, Asia, Central Asia, South-East Europe, Latin America and the Caribbean, and the Pacific (Fiji and PNG) and also included presentations on the role of households in conflict and in fragile states, aid and growth in fragile states, and the Center for Global Development’s research program on corruption in fragile states. The remainder of the time was taken up with discussion of the themes that should be the focus of the 2007 GDN Research Competition on Fragile States. Selected papers from the Research Competition will be presented at GDN’s Ninth Annual Conference to be held in Brisbane in January 2007.

### **Development on the Move: Measuring and Optimizing the Economic and Social Impacts of Migration** **January 17 – 18, 2007**

This new GDN Global Research Project on migration and development is conducted in partnership with the Institute



*Laura Chappell, Institute for Public Policy Research*

for Public Policy Research, United Kingdom. The project aims at furthering research and policymaking on the impacts of migration on development by: (1) developing a better methodology for assessing the economic and social impacts of migration on sending countries; (2) using this methodology to build a better evidence base through 12 country studies; (3) develop fresh and workable policy ideas that might be able to harness development benefits; (4) building research capacity in developing countries through mentoring and opportunities for visiting researchers; (5) promoting multidisciplinary analysis. The project management team received specific comments on project design and methodology during the workshop from an expert advisory panel and has prepared an action plan for the year, to include a bespoke household survey, a pilot country study to be conducted in Jamaica, a revised outline for the country studies and a call for proposals later in the summer for the remaining 11 country studies.

# The Program at a Glance

Shaping a New Global Reality: The Rise of Asia and its Implications  
*GDN's Eighth Annual Global Development Conference*

## PRECONFERENCE WORKSHOPS

**JANUARY 12 – 13, 2007**

- ▶ East Asian Development Network Annual Forum 2006
- ▶ Workshop: Asian Drivers: China and India Shaping the Global Political Economy – Challenges for European Development Policy
- ▶ Workshop: Impact of Rich Countries' Policies on Poverty: Perspectives from the Developing World
- ▶ Workshop: Bridging Research and Policy
- ▶ Workshop: Southern Engines of Global Growth - China, India, Brazil and South Africa
- ▶ Workshop: Methodology of Comparative Analysis

## THE CONFERENCE

**SUNDAY, JANUARY 14, 2007**

GDN Board of Directors Meeting (by invitation only)

- ▶ Plenary 1: Prospects and Challenges of Asian Development
- ▶ Parallels 1: Global Development Awards and Medals Competition 2006
  - 1.1 Presentations by Finalists of the "Outstanding Research on Development" Award
  - 1.2 Presentations by Finalists of the "Most Innovative Development Project" Award
  - 1.3 Presentation by Past Award Winner: Economic Welfare and Consumption Smoothing of Civil Conflict Victims in Colombia
- ▶ Welcoming Dinner

**MONDAY, JANUARY 15, 2007**

- ▶ Plenary 2: Latin America on the New Global Map: Renewed Concerns about Growth and Poverty
- ▶ Meeting of the Advisory Committee (by invitation only)
- ▶ Parallels 2: Presentations by Medals Competition Finalists; the Global Development Awards and Medals Competition 2006
  - 2.1 Global Health Concerns, Domestic Responses and Reforms
  - 2.2 Reforms, Public Services and Poverty
  - 2.3 Resource Flows in an Interdependent World: Implications of Changes in Demand and Supply
  - 2.4 Changes in Global Trade: Causes and Consequences
  - 2.5 Industrial Development and Long -Term Growth
- ▶ Plenary 3: Global Demand for Natural Riches: Opportunities for Structural Transformation in Africa and the Middle East
- ▶ Parallels 3: Addressing Global Challenges: Lessons from Research
  - 3.1 The Informal Economy in Development
  - 3.2 Scaling up and Sustaining Poverty Reduction Programs: Lessons from Experience in China and Mexico for Future Policy and Research
  - 3.3 The Impact of India and China on Sub-Saharan

Africa: Challenges and Opportunities

- 3.4 Pan-Asian Economic Integration: Its Relevance, Approaches and Challenges
- 3.5 Disparities in Development Patterns in Europe and Asia

**TUESDAY, JANUARY 16, 2007**

- ▶ Plenary 4: Transition Countries: Responses to Rising Asia at the Nexus of Economics and Politics
- ▶ Parallels 4: New Global Reality: Implications for Development
  - 4.1 The Aging Population in Asia: Toward a Sustainable Welfare Society
  - 4.2 Labor Market Developments in China: Implications for Sustainable Growth
  - 4.3 Dancing with Giants: China, India and the Global Economy
  - 4.4 New Strategies for Achieving and Going Beyond the Poverty and Hunger Millennium Development Goal
  - 4.5 Asian Drivers: China and India as Global Governance Actors
- ▶ Plenary 5: Moving Out of Poverty: Perspectives from the Bottom Up
- ▶ Regional Bank Conference on Development Economics: Welcome Addresses
- ▶ Parallels 5: Repositioning for the Emergence of Asia: Key Dimensions
  - 5.1 Growth and Structural Change: Asia's Transformation and Future Growth Patterns
  - 5.2 Good Governance and Civil Service Reforms in South and Southeast Asia
  - 5.3 Cluster Development for Economic Growth and Poverty Alleviation: Case Studies from China and Africa
  - 5.4 Southern Engines of Global Growth: China, India, Brazil and South Africa
  - 5.5 Higher Education and Migration: Brain Drain and Sharing Skills in the Region (RBCDE)
- ▶ Closing Reception

## POST CONFERENCE WORKSHOPS

**JANUARY 16 - 19, 2007**

- ▶ Regional Bank Conference on Development Economics (RBCDE)
- ▶ Workshop: Promoting Innovative Programs from the Developing World: Towards Realizing the Health MDGs in Africa and Asia
- ▶ Workshop: Development on the Move: Measuring and Optimizing the Economic and Social Impacts of Migration
- ▶ Workshop: Fragile States: Addressing Vulnerability
- ▶ Workshop: Industrial Development, Trade and Investment Promotion in Africa: Lessons from Asia