

POVERTY AND INEQUALITY IN GLOBALIZING ASIA

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Abstract

Globalization, a growing integration of economies and societies around the world is a complex process that is variously affecting different regions, countries and their populations. Widespread poverty and excessive inequality remain the key challenges to the legitimacy of the globalization that has been under way during the last two decades. It is for this reason, that the World Summit for Social Development in 1995 called upon countries to take immediate actions to implement national anti-poverty plans to eradicate extreme poverty. This was re-emphasized by the United Nations in the year 2000 with the introduction of a time-bound and measurable framework of core Millennium Development Goals (MDGs). This paper therefore examines the recent trends and gives a selective review of poverty and inequality in the Asia and Pacific region, where 950 million people, two thirds of the world's poor were living below the international poverty line of \$1.25 a day in 2008. Following a brief discussion on current approaches to understanding poverty, the relevant trends of the multiple dimensions of poverty and inequality in the Asia and Pacific region is identified and discussed, with special reference to the experience in Sri Lanka. Finally, the paper concludes by giving some key findings, and policy implications based on the analysis.

KEY WORDS : Asia, Sri Lanka, Globalization, Economic Growth, Income Poverty, Human Poverty, Inequality

1. Introduction

Global economic integration has been going on for a long time. In that sense globalization is nothing new for the world. As Dollar argues, what is new in this most recent wave of globalization, starting around 1980 is the way in which developing countries are integrating with rich countries. As in previous waves of integration, this change is driven partly by technological advances in transport and communications, and partly by deliberate policy changes¹⁾.

The most contentious issue of globalization is its effects on poor countries and poor people. Many people argue that globalization is necessary and in the long run beneficial and providing good opportunities, especially for developing countries²⁾. To others, there is a much deeper concern about the related challenges and possible risks associated with the globalization process. They claim that global economic integration is leading to rising global inequality, benefiting the rich proportionally more than the poor³⁾.

The main objective of this paper is therefore to examine the poverty and inequality in Asia, over the long term and during the recent wave of globalization that began during the 1980s. It is structured as follows: Section 2 discusses the

current approaches in understanding poverty. Then, section 3 analyses and presents the trends in poverty and inequality in Asia. The trends that are focused on in this section are that economic growth, extreme poverty (for those who are living on less than \$1.25 a day), some indicators of human poverty (longevity, adult literacy rate, children underweight), and inequality. Section 4 draws a link between the heightened integration and the accelerated growth and poverty reduction with special reference to the experience in Sri Lanka, one of the first South Asian Countries to open up to the global economy and today the region's most open economy. Finally, section 5 concludes by giving some remarks with key findings, and policy implications based on the analysis presented.

Here, Asia refers to the Asia and Pacific region included 58 regional members and associate members of the United Nations Economic and Social Commission for the Asia and the Pacific (UN-ESCAP). Time series data are presented according to the geographic sub regions classified by the UN-ESCAP for monitoring the progress of achieving the MDGs in Asia and the Pacific region, with the exception of developed countries. The classification by income groups follows the definition of the World Bank⁴⁾.

Most of the data used for the analysis are gathered from the databases that have been compiled by the designated

international agencies for the respective MDG indicators. The web searches were performed along with a review of the literature available to gather the relevant information.

2. Defining and Measuring Poverty

The poverty reduction approach in the world has evolved over the past 50 years in response to a deepening understanding of the complexity of development. In the 1950s and 1960s, a large investment in physical capital and infrastructure became the primary means of development and poverty reduction. In the 1970s, many views that physical capital alone was not enough and that health and education were at least as important for successful reduction of poverty in the world. The 1980s saw another shift of poverty thinking with emphasis on improving economic management and allowing greater role for market forces. The majority of the developing world shifted from an inward-focused economic strategy to a more outward oriented one. In the 1990s, governance and institutions moved toward a center stage of poverty reduction strategies⁵⁾.

New conceptualizations of poverty also emerged which recognized that poverty is not just about income or expenditure levels, but is multifaced, covering a wide range of aspects, such as, prospects for earning a living, deprivation and exclusion, basic needs, social aspects, psychological aspects, etc⁶⁾. The World Bank's definition on poverty nicely recognized this multifaced nature of poverty;

"..... Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom ..."

Poverty has many faces, changing from place to place and across time, and has been described in many ways. Most often, poverty is a situation people want to escape. So poverty is a call to action – for the poor and the wealthy alike – a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities"⁷⁾

At the same time, new approaches to the assessment of

poverty emphasise (a) vulnerability – a concept referring to negative outcomes on the well-being of individuals, households or communities from environmental changes; (b) asset ownership – individuals, households and communities' ability to resist negative impacts relates to their ability to mobilize assets in the face of hardships; (c) livelihood – comprises the capabilities, assets (both natural and social) and activities required for means of living⁸⁾.

Based on these new paradigm shifts and in the light of changes in global contexts, the World Bank in 2001 proposed a new strategy for attacking poverty in three ways, such as, promoting opportunity, facilitating empowerment, and enhancing security⁹⁾.

3. Poverty Trends in the ESCAP Region

This section analyses and presents the major trends in poverty and inequality in the Asia and Pacific region, especially focusing on the economic growth, extreme poverty (living on less than \$1.25 a day), some indicators of human poverty (longevity, adult literacy rate, children underweight), and inequality.

3.1 Economic Growth in the Asia and Pacific region

According to the Statistical Year Book for the Asia and the Pacific (2008), the developing regions in the world have benefited from accelerated economic growth of the globalization. Among them, Asia and the Pacific region has been one of the fastest growing regions in the world. In 2007, the GDP growth of the Asia and Pacific region was 5.8 per cent, which was second only to Africa at 6.1 per cent. The data further reveals that the Asia and Pacific region is now one of the world's most important sources of economic output. In 2007, it was responsible for 27.6 per cent of global output, 1.3 percentage points higher than in 1990¹⁰⁾.

Within Asia and the Pacific, the best performers have been the middle-income and low-income countries, rather than the high-income countries. In 2001, the growth rate of the middle-income countries was 4.9 per cent, but in 2007 they had reached a remarkable 9.1 per cent. Low-income countries are also progressing steadily, though at a slower pace, with comparison to the middle-income countries. The high-income countries in the region have been growing more slowly. In most years since 1990, their growth rate has been between 2 and 4 per cent.

Table 1 The Gross Domestic Products (GDP) in Selected Countries of the Asia and Pacific Region, 1990–2007

	Gross Domestic Products (GDP) Million US\$ (1990)					Average Annual GDP Percent for Annum			
	1990	1995	2000	2005	2007	90–95	95–00	00–05	2007
East and North-East Asia	3,782,576	4,476,646	5,113,502	6,120,394	6,779,140	3.4	2.7	3.7	5.3
China	404,494	721,274	1,090,368	1,719,444	2,128,077	12.3	8.6	9.5	11.4
DPR Korea	14,702	12,005	11,538	13,077	13,144	–4.0	–0.8	2.5	1.6
Hong Kong, China	76,890	99,151	112,915	138,307	157,226	5.2	2.6	4.1	6.5
Japan	3,018,270	3,254,784	3,417,383	3,645,896	3,812,499	1.5	1.0	1.3	2.1
Macao, China	2,990	3,978	3,893	6,910	10,296	5.9	–0.4	12.2	27.3
Mongolia	1,454	1,260	1,448	1,983	2,366	–2.8	2.8	6.5	9.9
Republic of Korea	263,776	384,193	475,957	594,778	655,531	7.8	4.4	4.6	5.0
South-East Asia	355,519	513,926	582,615	742,210	836,732	7.6	2.5	5.0	6.3
Brunei Darussalam	3,441	3,733	4,241	4,699	4,960	1.6	2.6	2.1	0.4
Cambodia	1,404	1,920	2,711	4,237	5,172	6.5	7.1	9.3	10.2
Indonesia	125,720	183,279	190,071	239,450	268,602	7.8	0.7	4.7	6.3
Lao PDR	866	1,181	1,593	2,164	2,531	6.4	6.2	6.3	8.0
Malaysia	45,716	71,878	90,829	114,492	128,790	9.5	4.8	4.7	6.3
Myanmar	5,179	6,878	10,244	18,779	22,320	5.8	8.3	12.9	5.5
Philippines	44,312	49,325	59,822	74,427	84,235	2.2	3.9	4.5	7.3
Singapore	36,901	56,791	77,443	95,275	111,011	9.0	6.4	4.2	7.7
Thailand	85,361	129,105	132,031	169,191	186,284	8.6	0.4	5.1	4.8
Timor-leste	146	237	196	205	231	10.2	–3.7	0.9	16.2
Vietnam	6,472	9,600	13,433	19,290	22,595	8.2	7.0	7.5	8.3
South and South-West Asia	671,852	834,192	1,057,638	1,420,835	1,645,005	4.4	4.9	6.1	7.4
Afghanistan	3,622	3,236	2,713	6,793	8,202	–2.2	–3.5	20.1	12.4
Bangladesh	30,435	37,852	48,793	63,566	72,193	4.5	5.2	5.4	6.5
Bhutan	279	336	466	672	893	3.8	6.8	7.6	22.4
India	326,795	420,046	556,748	779,245	926,270	5.1	5.8	7.0	8.7
Iran (Islamic Rep.)	90,370	108,724	132,594	172,195	191,733	3.8	4.0	5.4	5.8
Maldives	215	298	445	563	750	6.8	8.3	4.8	7.7
Nepal	4,097	5,275	6,676	7,710	8,100	5.2	4.8	2.9	2.5
Pakistan	57,159	71,252	81,353	108,825	122,716	4.5	2.7	6.0	6.0
Sri Lanka	8,204	10,700	13,696	16,647	19,163	5.5	5.1	4.0	6.8
Turkey	150,676	176,473	214,154	264,618	294,984	3.2	3.9	4.3	5.1
North and Central Asia	638,331	393,718	430,701	588,505	684,874	–9.2	1.8	6.4	8.4
Armenia	2,157	1,140	1,464	2,608	3,285	–12.0	5.1	12.2	11.1
Azerbaijan	6,515	2,728	3,835	7,214	12,130	–16.0	7.0	13.5	25.1
Georgia	8,532	2,411	3,180	4,548	5,593	–22.3	5.7	7.4	12.4
Kazakhstan	29,659	18,207	20,594	33,730	40,541	–9.3	2.5	10.4	8.7
Kyrgyzstan	1,111	563	740	891	994	–12.7	5.6	3.8	8.2
Russian Federation	569,709	353,709	382,917	515,825	594,967	–9.1	1.6	6.1	8.1
Tajikistan	2,869	1,091	1,091	1,733	1,970	–17.6	0.0	9.7	7.8
Turkmenistan	3,069	1,939	2,413	2,974	3,518	–8.8	4.5	4.3	8.5
Uzbekistan	14,710	11,931	14,469	18,983	21,876	–4.1	3.9	5.6	7.4
Pacific	374,150	439,801	526,962	621,632	664,458	3.3	3.7	3.4	3.8
Australia	319,150	374,924	453,884	535,138	573,823	3.3	3.9	3.3	3.9
American Samoa									
Cook Island	59	69	78	94	96	3.2	2.5	4.0	0.4
Fiji	1,320	1,500	1,666	1,878	1,870	2.6	2.1	2.4	–3.9
French Polynesia	2,930	3,145	3,692	4,217	4,459	1.4	3.3	2.7	3.0
Guam									
Kiribati	26	29	45	48	46	2.7	9.0	1.1	2.0
Marshall Islands	69	71	58	69	71	0.6	–3.9	3.4	2.0
Micronesia (F.S.)	145	177	165	169	168	4.0	–1.4	0.5	0.1
Nauru	28	20	17	17	17	–6.6	–3.7	0.3	0.2
New Caledonia	2,529	2,914	2,978	3,057	3,090	2.9	0.4	0.5	0.5
New Zealand	43,915	51,174	58,366	70,350	73,591	3.1	2.7	3.8	3.0
Niue									
Northern Mariana Is.									
Palau	77	72	79	84	138	–1.2	1.8	1.3	1.8
Papua New Guinea	3,286	4,961	5,149	5,647	6,153	8.6	0.7	1.9	6.2
Samoa	112	118	144	178	191	1.1	4.1	4.3	4.7
Solomon Islands	208	264	231	249	281	4.9	–2.6	1.5	6.3
Tonga	135	161	177	188	187	3.7	1.8	1.3	–3.5
Tuvalu	10	11	12	17	17	3.0	1.9	6.4	3.0
Vanuatu	153	191	223	233	258	4.5	3.1	1.0	4.7
World Regions									
Asia and the Pacific	5,822,428	6,658,283	7,711,420	9,493,577	10,610,208	2.7	3.0	4.2	5.8
Africa	495,198	523,199	627,279	808,217	906,043	1.1	3.7	5.2	6.1
Europe	7,925,781	8,352,485	9,605,595	10,464,264	11,083,499	1.1	2.8	1.7	2.8
Latin America and Carib.	1,196,941	1,405,877	1,635,481	1,861,230	2,061,522	3.3	3.1	2.6	5.2
North America	6,342,977	7,144,022	8,749,394	9,821,583	10,327,841	2.4	4.1	2.3	2.2
Other Countries/areas	303,184	361,663	442,068	543,319	606,305	3.6	4.1	4.2	5.2
World	22,148,902	24,678,950	29,080,803	33,354,836	35,997,455	2.2	3.3	2.8	3.8

Source: ESCAP (2008) <<http://www.unescap.org/stat/data/syb2008>> (online database, accessed on 12th October 2009)>

As Table 1 shows the fastest growth in the Asia and Pacific region has been in North and Central Asia, because of the high commodity prices and heavy public and private investment¹¹⁾. The economic growth in this sub region grew on average by 8.4 per cent, in which most rapid growth can be found in Azerbaijan at 25.1 per cent in 2007.

Other sub regions show some mixed performances. In 2007, South and South-West Asia achieved a record 7.4 per cent GDP growth, though they ranged from Bhutan with a historically high rate of 22.4 per cent to Nepal where growth was only 2.5 per cent. Southeast Asia also had large differences between the best and worst performers – from 16.2 per cent in Timor-Leste to 0.4 per cent in Brunei Darussalam. Similarly, in East and North-East Asia growth ranged from 27.3 per cent in Macao, China to 1.6 per cent in the Democratic People's Republic of Korea.

Commentary on economic growth in Asia and the Pacific would be incomplete without a separate focus on the region's two giant countries. Since, China's economic reform and opening to the outside world in 1978, its ratio of trade to national income has more than doubled. China alone contributes 20.1 per cent of the region's GDP, and in 10 of the past 18 years has recorded a double-digit growth rate. Not only China, India also with 8.9 per cent of regional GDP has also had rapid growth particularly in recent years.

Additional insight into the shift in growth patterns is gained by looking at the trends in GDP growth per capita. In Asia and the Pacific, the 2007 average of the GDP growth per capita was \$2,603. In global terms this is still a relatively low figure, while the growth rate has been more rapid than in other global regions¹²⁾.

It is revealed that growth in per capita GDP is strongly influenced by population growth. In 2007, Africa's GDP growth rate at 6.1 per cent was higher than the Asia-Pacific rate of 5.8 per cent and the 5.2 per cent in Latin America and the Caribbean. But, as a result of its high population growth rate, Africa had the lowest per capita GDP growth rate of these three global regions¹³⁾.

As the Statistical Year Book for the Asia and Pacific region (2008) points out, a high proportion of GDP in the region results from mostly domestic investment. The proportion dropped several percentage points after 1997–1998 but has since returned to near pre-crisis levels. Indeed the baseline investment rates were so high that between 1990 and 2007 only the least developed countries and SAARC members managed to increase their share of domestic investment in GDP¹⁴⁾.

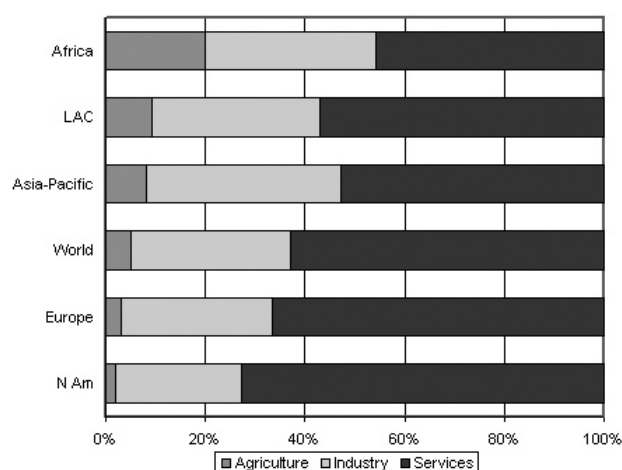


Figure 1 Value Added by Sector, the World Regions, 2007
Source: ESCAP (2008)

Value added by sector is one of the better indicators to see which parts of the economy are contributing to economic growth. During 1990–2007 for Asia and the Pacific as a whole, the share of agriculture in value added declined from 9.5 to 8.1 percent, and industry grew from 37.6 to 39 per cent, while services remained stable at 52.9 per cent (see Figure 1).

Except in the least developed countries of the region, industry has generally grown faster than agriculture. Many countries became a major exporter of manufactures and services, and compete directly with products made in the industrial countries, which in value-added terms has made this region one of the world's most industrialized regions.

When assessing the significance of different sectors, however, it is important to look beyond value added and consider their contribution to employment. In the Asia and Pacific region, agriculture may have only a small share of value added, but it still employs the largest share of people and in many developing countries is critical for food security¹⁵⁾.

3.2 Extreme Poverty in the Asia and Pacific region

The international poverty estimates were revised in 2008, and the new poverty estimates were calculated by the World Bank on the basis of a revised international poverty line set at \$1.25 per day (2005 ppp prices). Table 2 shows a proportion of the world's poor, which is living below the international poverty line of \$1.25 a day had fallen from 41.7 percent in 1990 to 24.5 percent in 2005.

Here, the greatest success in poverty reduction has occurred in the Asia and Pacific region, where extreme poverty has declined from 47.8 percent in 1990 to 23.9 percent in

Table 2 Extreme Poverty in the Selected Countries of the Asia and Pacific region, 1990–2007.

	Population living below \$1.25 (2005 PPP) a day (%)				Population living below the national poverty line (%)	
	1990	1996	2002	2005	Earliest	Latest
East and North-East Asia	60.1	36.3	28.3	15.9		
China	60.2	36.4	28.4	15.9	6.0 (96)	4.6 (98)
Mongolia		18.8	15.5	22.4	36.3 (95)	36.1 (02)
South-East Asia	39.2	35.1	25.5	18.9		
Cambodia	48.6			40.2	47.0 (94)	35.0 (04)
Indonesia	54.3	43.4	29.3	21.4	17.5 (96)	16.7 (04)
Lao PDR	55.7	49.3	44.0		45.0 (93)	33.0 (03)
Malaysia	1.6	2.1		0.5		
Philippines	30.7	21.6	22.5	22.6	32.1 (94)	25.1 (97)
Thailand	5.5	1.9	0.7	0.4	32.5 (92)	12.0 (04)
Timor-leste			52.9			
Vietnam	63.7	49.7	40.1	21.5	37.4 (98)	28.9 (02)
South and South-West Asia	47.0	42.3	38.7	35.5		
Bangladesh	66.8	59.4	57.8	49.6	58.8 (92)	40.0 (05)
Bhutan				26.2		
India	51.3	46.6	43.9	41.6	36.0 (94)	27.5 (05)
Iran (Islamic Rep.)	3.9	1.3		1.5		
Nepal		68.4		55.1	41.8 (96)	30.9 (04)
Pakistan	64.7	48.1	35.9	22.6	28.6 (93)	22.3 (06)
Sri Lanka	15.0	16.3	14.0		20.0 (91)	15.2 (07)
Turkey	2.1		2.0	2.7	28.3 (94)	27.0 (02)
North and Central Asia	2.9	8.1	8.4	6.6		
Armenia		17.5	15.0	10.6	55.1 (99)	50.9 (01)
Azerbaijan		15.6	6.3	0.0	68.1 (95)	49.6 (01)
Georgia		4.5	15.1	13.4	52.1 (02)	54.5 (03)
Kazakhstan	4.2	5.0	0.5	3.1	34.6 (96)	15.4 (02)
Kyrgyzstan	18.6	31.8	34.0	21.8	47.6 (01)	43.1 (05)
Russian Federation	2.8	3.5	0.3	0.2	30.9 (94)	19.6 (02)
Tajikistan		44.5		21.5		74.9 (99)
Turkmenistan	63.5	24.8				
Uzbekistan		32.1	42.3	46.3		27.5 (00)
Pacific						
Papua New Guinea		35.8			37.5 (96)	
World Regions						
Asia and the Pacific	47.8	36.5	30.9	23.9		
Africa	47.2	48.5	45.9	42.5		
Europe	1.0	1.5	1.0	0.4		
Latin America and Carib.	9.8	10.8	11.0	8.4		
World	41.7	34.1	30.0	24.5		

Source: ESCAP (2008) <<http://www.unescap.org/stat/data/syb2008> (online database, accessed on 12th October 2009)>

2005. Of the 24 countries in the region for which data are available from both the 1990s and the 2000s, 20 countries have made progress in reducing the share of their population living below the revised international poverty line.

Among the sub regions in the Asia and the Pacific, poverty has fallen everywhere, except in North and Central Asia. In East and North-East Asia, between 1990 and 2005, the proportion of the population living on less than \$1.25 a day declined from 60.1 to 15.9 percent. This was mainly because of progress achieved by China.

Although less spectacularly than in China, poverty has also declined in South-East Asia. The best achievements were in

Indonesia, where between 1990 and 2005 poverty declined from 54.3 to 21.4 percent, and in Viet Nam where between 1992 and 2006 the rate fell from 63.7 to 21.5 percent.

Poverty rates also went down in South and South-West Asia. One of the most striking achievements was in Pakistan where between 1990 and 2004 the share of the population living on less than \$1.25 a day declined from 64.7 to 22.6 percent. Other countries in this sub region, except Turkey, also made some progress, if more slowly than Pakistan. In India, for example, between 1990 and 2005 the poverty rate fell from 51.3 to 41.6 percent in 2005.

However, in North and Central Asia, the situation is more

mixed. For the sub region as a whole, poverty increased in the 1990s and declined somewhat in the 2000s. Armenia, Azerbaijan, Kazakhstan, the Russian Federation and Tajikistan saw a decrease between the 1990s and the 2000s, while in Georgia, Kyrgyzstan and Uzbekistan poverty increased.

In addition to the analysis on poverty based on the international poverty line of \$1.25 a day, Table 2 also presents some data based on the country specified, national poverty lines. These figures have some advantage that they will better reflect local circumstances, being based on the official minimum standard of living. However, they are not comparable across countries and may not even be comparable over time so assessments based on national poverty lines are likely to differ from international poverty figures.

In observing the incidence of poverty in terms of country specific, national poverty lines, the trends are more similar to those indicated by the international poverty line. It was revealed that poverty has been declining in most parts of the Asia and Pacific region.

The most important point emphasised in the above analysis is that poverty reduction in developing countries is very closely related to the GDP growth rate in these countries. The accelerated growth has led to unprecedented poverty reduction. While the overall decline in regional poverty is positive news, there has been very different performance across sub-regions. It is still the case that two-thirds of the extreme poor live in

Asia and the Pacific region.

3.3 Human Poverty

From human development perspectives, poverty means more than the lack of what is necessary for material well-being. According to the Human Development Report (1997), poverty is all about opportunities and choices most basic to human development being denied. Thus, a person is not free to lead a long, healthy, and creative life and is denied access to a decent standard of living, freedom, dignity, self-respect and the respect of others¹⁶.

Recognizing these multiple dimensions of poverty, the Human Development Report (1997) introduced a Human Poverty Index (HPI) in an attempt to bring together in a composite index the different features of deprivation in the quality of life, to arrive at an aggregate judgment on the extent of poverty in a community.

The HPI concentrates on the deprivation in the three essential elements of human life already reflected in the Human Development Index (HDI): (a) survival - the likelihood of death at a relatively early age and is represented by the probability of not surviving to age 40; (b) knowledge - being excluded from the world of reading and communication and is measured by the percentage of adults who are illiterate; (c) a decent standard of living, in particular, overall economic provisioning¹⁷:

The figures in Table 3 reveal that many countries in the Asia

Table 3 Human Poverty Indicators in Selected Countries of the Asia and Pacific region, 2009

	Human Poverty Index (Rank/Points)	Probability to not surviving to age 40 (%)	Adult Illiteracy rate	Children under- weight for age (% age under 5)
China	36 (7.7)	6.2	6.7	7.0
Mongolia	58 (12.7)	10.3	2.7	6.0
Cambodia	87 (27.7)	18.5	23.7	36.0
Indonesia	69 (17.0)	6.7	8.0	28.0
Lao PDR	94 (30.7)	13.1	27.3	40.0
Malaysia	25 (6.1)	3.7	8.1	8.0
Myanmar	77 (20.4)	19.1	10.1	32.0
Philippines	54 (12.4)	5.7	6.6	28.0
Singapore	14 (3.9)	1.6	5.6	3.0
Thailand	41 (8.5)	11.3	5.9	9.0
Timor-Leste	122 (40.8)	18.0	49.9	46.0
Vietnam	55 (12.4)	5.8	9.7	25.0
Afghanistan	135 (59.8)	40.7	72.0	39.0
Bangladesh	112 (36.1)	11.6	46.5	48.0
Bhutan	102 (33.7)	14.2	47.2	19.0
India	88 (28.0)	15.5	3.4	46.0
Iran (Islamic Rep.)	59 (12.8)	6.1	17.7	11.0
Maldives	66 (16.5)	6.0	3.0	30.0
Nepal	99 (32.1)	11.0	43.5	39.0
Pakistan	101 (33.4)	12.6	45.8	38.0
Sri Lanka	67 (16.8)	5.5	9.2	29.0

Source: UNDP (2009)

and Pacific region are far from achieving progress on human poverty. Furthermore, the trends in the composite HPI point to the fact that progress on human poverty reduction in Asia and the Pacific region as a whole during the 1990s–2000s amounted to less than 10 percent¹⁸.

South and South-West Asia shows the highest human poverty situation in the Asia and Pacific region, where many countries are ranked over 50th in the HPI in 2009. Afghanistan shows the highest human poverty situation in the sub region which ranks 135th among 135 countries for the index has been calculated for the year 2009, followed by Bangladesh (112th), Bhutan (102nd), Pakistan (101st), Nepal (99th), India (88th), Sri Lanka (67th), and Maldives (66th).

Though, there was some progress in reducing human poverty in South-East Asia, the progress shows some uneven distribution. Singapore (14th), Malaysia (25th), and Thailand (41st) took a leading role in reducing human poverty in this sub region while Timor-Leste (122nd), Lao PDR (94th), and Cambodia (87th) need still more efforts towards this end.

In the East and North-East Asia, China shows the leading progress in reducing human poverty in the ranking of the HPI, which ranked 36th. According to the ranking, Mongolia, the only other country in the sub region, for which data are available, ranked 58th.

According to Table 3, poor nutrition is a serious problem among children in the region. More than 10 percent of under-fives are underweight in about two thirds of the economies for which data are available. Only Singapore (3 percent), Mongolia (6 percent), China (7 percent), Malaysia (8 percent), and Fiji (8 percent) have a percentage of underweight children below 10 percent. The percentage of underweight children is over 40 percent in Bangladesh, India, Timor-Leste, and Lao PDR; and between 20 percent and 40 percent in a further 15 economies including Indonesia, Pakistan, Philippines, and Viet Nam.

The figures in Table 3 further show that in most countries in the Asia and Pacific region, literacy rates have increased over time. Particularly high gains are recorded for six economies that had low rates in 1990: Bangladesh, India, Lao People's Democratic Republic (Lao PDR), Nepal, Pakistan, and Vanuatu. However, they have the lowest rates of primary school enrollment and the widest gender disparities in education¹⁹.

Furthermore, the average life expectancy of 14 countries in the region is no more than 51 years, compared to 78 years in countries of the Organization for Economic Cooperation and Development (OECD). The possibilities of not surviving to age 40 are over 10 percent for the population in 14 countries in-

cluding the highest possibilities of not surviving in Afghanistan (40.7 percent).

The most disturbing factors in achieving progress in human development in the Asia and Pacific region are larger disparities in public spending for social expenditures. For example, while developed countries in the region spend more per capita on health (83 percent in Japan, 77 percent in New Zealand and 67 percent in Australia), developing countries spend very little (only 11 percent in Myanmar, 18 percent in Pakistan, 19 percent in India and 26 percent in Viet Nam). It is also reflected in the availability of health personnel. In general, high-income countries in Asia and the Pacific have between 1.5 and 3.0 physicians per 1,000 people, whereas most low and middle-income countries have less than one. There are also wide disparities between countries in the number of nursing and midwifery personnel. The number per 1,000 people is 85 or more in Australia, Japan, New Zealand and the Russian Federation but 10 or less in several low-income countries²⁰.

3.4 Inequality in Asia and the Pacific Region

Inequality has to be brought to the forefront in the discussion on poverty reduction. Though, the traditional thinking was that only rapid growth mattered to poverty reduction, there is now increasing recognition that high inequality within and between countries imposes obstacles to poverty reduction²¹.

Answering the question, why was there not more progress against poverty during rapid globalization, Chen and Ravallion argue that rising inequality within and between countries accounts for slow progress in reducing world poverty²². The World Bank is also favorable to this argument, and indicates that;

*..... Countries with high levels of initial inequality have reduced poverty less for given rates of growth than countries with low initial inequality, and if growth is accompanied by increasing inequality, its impact on poverty will be reduced.....*²³.

In examining the overall effects of poverty on the more vulnerable sectors, three sets of income inequality data can be used, such as, Poverty Gap Ratio, Quintile Measure of income distribution and Gini Index.

The Poverty Gap Ratio is based on the international poverty line and measures the extent of extreme poverty indicating how far the extreme poor fall below the poverty line²⁴. The smaller the poverty gap ratio, it is easier for countries to bring

Table 4 Inequality in Asia and the Pacific Region

	Poverty Gap Ratio				Share of poorest quintile in income or consumption (%)		Gini Index			
	1990	1996	2002	2005			1990	1996	2002	2005
East and North-East Asia										
China	20.7	10.7	8.7	4.0		4.3 (04)	29.2	32.2	36.3	35.4
DPR Korea										
Hong Kong, China					5.3 (96)					
Japan					10.6 (93)					
Macao, China										
Mongolia		4.6 (95)	3.6	6.2	7.3 (95)	7.5 (02)		33.2 (95)	32.8	33.0
Republic of Korea						7.9 (98)				
South-East Asia										
Brunei Darussalam	13.8 (94)			11.3 (04)	8.0 (94)	6.8 (04)	38.3 (94)			41.9 (94)
Cambodia	15.6	11.4	6.0	4.6	8.3 (93)	7.1 (05)	29.0	31.2	29.9	34.5
Indonesia	16.2 (92)	14.9 (97)	12.1		9.6 (92)	8.1 (02)	30.4 (92)	34.9 (97)	32.6	
Lao PDR	0.1 (92)	0.3 (95)		0.1 (04)	4.6 (92)	4.4 (97)	47.7 (92)	48.5 (95)		37.9 (04)
Malaysia										
Myanmar	8.6 (91)	5.3 (97)	5.5 (00)	5.5 (06)	5.9 (91)	5.4 (03)	43.8 (91)	46.2 (97)	46.1 (00)	44.0 (06)
Philippines					5.0 (98)	5.0 (98)				
Singapore	0.4 (92)	0.1	0.0 (04)	0.0 (04)	4.6 (92)	6.3 (02)	46.2 (92)	43.4	42.0	42.5 (04)
Thailand			19.1 (01)						39.5 (01)	
Timor-leste	23.6 (92)	15.1 (98)	11.2	4.6 (06)	7.7 (93)	7.1 (04)	35.7 (92)	35.5 (98)	37.6	37.8 (06)
Vietnam										
South and South-West Asia										
Afghanistan	21.1 (91)	17.9 (95)	17.3 (00)	13.1	9.4 (92)	8.8 (05)	26.2 (91)	30.6 (95)	30.7 (00)	31.0
Bangladesh				7.3 (03)						46.8 (03)
Bhutan	14.6	12.4	11.4	10.5		8.1 (04)	30.9	30.7	32.0	32.5
India	1.0	0.2 (98)		0.3	5.2 (90)	6.5 (05)	43.6	44.1 (98)		38.3
Iran (Islamic Rep.)										
Maldives		26.7 (95)		19.7 (03)	7.5 (96)	6.0 (04)		37.7 (95)		47.3 (03)
Nepal	23.2	11.7	7.9 (01)	4.4 (04)	8.1 (91)	9.1 (05)	33.2	28.7	30.4 (01)	31.2 (04)
Pakistan	2.7	3.0 (95)	2.6		9.0 (90)	7.0 (02)	32.5	35.4 (95)	41.1	
Sri Lanka	0.5		0.5	0.9	5.8 (94)	5.3 (03)	41.5 (94)		42.7	43.2
Turkey										
North and Central Asia										
Armenia		4.7	3.1	1.9 (03)	5.4 (96)	8.5 (03)		44.4	35.7	33.8 (03)
Azerbaijan		4.4 (95)	1.1 (01)	0.0	6.9 (95)	7.4 (01)		35.0 (95)	36.5 (01)	16.8
Georgia		1.7	4.7	4.4	6.1 (96)	5.4 (05)		37.1	40.3	40.8
Georgia	0.5	0.9	0.1 (01)	0.5 (03)	7.5 (93)	7.4 (03)	32.7 (93)	35.3 (96)	31.3 (01)	33.9 (03)
Kazakhstan	8.6	9.0 (98)	8.8	4.4 (04)	2.5 (93)	8.9 (03)	53.7 (93)	36.0 (98)	31.7	32.9 (04)
Kyrgyzstan	1.3	1.8	0.1	0.0	4.4 (93)	6.1 (02)	48.3 (93)	46.2	35.7	37.5
Russian Federation		13.7 (99)		5.1 (04)	8.1 (99)	7.8 (04)		31.5 (99)		33.6 (03)
Tajikistan	25.8	7.0 (98)			6.9 (93)	6.1 (98)	35.4 (93)	40.8 (98)		
Turkmenistan		13.9 (98)	12.4	15.0 (03)	7.3 (93)	7.2 (03)		45.4 (98)	34.6	36.7 (03)
Uzbekistan										
Pacific										
Australia					5.9 (94)					
New Zealand						6.4 (97)				
Papua New Guinea		12.3			4.5 (96)			50.9		

Source: ESCAP (2008) <<http://www.unescap.org/stat/data/syb2008> (online database, accessed on 12th October 2009)>

people above the \$1.25-a-day threshold.

According to Table 4, during the last decade the poverty gap has narrowed in many parts of the Asia and Pacific region. It reveals that the highest poverty gap ratios are found in the least developed countries confirming that the pockets of extreme poverty are concentrated among the poorest and most vulnerable areas. For example, Nepal, with 19.7 percent in 2005, and Timor-Leste with 19.1 percent in 2002 show the highest poverty gap ratios in the region.

The poverty gap ratios are also high in Bangladesh with 13.1

percent, Cambodia with 11.3 percent and the Lao People's Democratic Republic with 12.1 percent in 2000s, even though these ratios have declined over the past decade. In North and Central Asia, the highest poverty gap ratio is in Uzbekistan at 15 percent in 2005, which shows some increase when compared to 12.4 percent in 2002.

The Quintile Measure is another important indicator to identify the inequalities among countries. It shows the percentage of total household income (in many countries household consumption expenditure is used as a proxy for household

Table 5 Rural and Urban Poverty Gap Ratios and Gini Index of the Three Largest Countries in Asia and the Pacific Region

		Poverty Gap Ratio		Gini Index	
		Urban	Rural	Urban	Rural
China	1990	5	27	26	31
	2005	0	6	35	36
India	1993	11	14	34	29
	2004	10	11	38	30
Indonesia	1990	15	16	35	26
	2005	4	5	40	30

Source: ESCAP (2008) <<http://www.unescap.org/stat/data/syb2008>> (online database, accessed on 12th October 2009)>

income) that is received by the poorest 20 percent (one fifth or “quintile”) of the population²⁵). Low percentages reflect greater inequality while high percentages indicate a more even distribution of incomes.

According to Table 4, this proportion ranges from 10.6 percent in Japan to 4.3 percent in China. The poorest tend to receive the smallest share in the middle- and higher-income economies such as Turkey, the Islamic Republic of Iran, Thailand, Malaysia and Singapore. However, they do better in India with 8.1 percent, Pakistan with 9.1 percent, and Bangladesh with 8.8 percent.

The Gini Index is most commonly used for measuring inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption, all others have none)²⁶). Nevertheless, this gives similar results, Table 4 shows the greatest inequality is in Papua New Guinea (with data from 1996), Nepal, the Philippines, Turkey and Thailand.

The figures in Table 5 show that extreme poverty is more pronounced in rural areas than urban centers, as indicated by poverty gap ratios for the three largest countries in the Asia and Pacific region, such as China, India, and Indonesia. These data further reveals that inequality has increased in both rural and urban areas. Particularly, in India and Indonesia, it was evident that inequality in urban areas is notably higher than in rural areas, because most of the wealthy people are located in the cities. But, in China, the situation is quite different, where inequality in the cities and the countryside is now similar, largely because between 1990 and 2005 there was a notable increase in urban inequality as the Gini index increased from 26 to 35.

4. Poverty, Growth, and Inequality in Sri Lanka

Sri Lanka is selected here as an appropriate case study to examine the poverty and inequality in globalized Asia, because it was the first South Asian country to open up to the global economy and is today one of the most open economies in the Asia and Pacific region. Its appropriateness also stems from the fact that from the time of independence (1948), Sri Lanka accepted economic development must be underpinned by sound social protection regimes, investment in human resources, and the promotion of gender equality.

Following market reforms in the 1970s, the country's per capita GDP grew at over 3 percent between 1990 and 2002. Yet, during the same period, the share of people living in poverty fell by only 3 percent. Inequality rose sharply. GDP in the Western Province, the wealthiest province in the country, grew at a rate nearly three times faster than the other areas. Although urban poverty fell, rural poverty hardly changed, and estate poverty has increased. Western Province, which had the fastest growth and poverty reduction, also saw some rise in inequality among the income groups.

This section therefore takes a closer look at these uneven growth patterns and their underlying causes, and summarizes the current state of knowledge about why large numbers continue to be poor in Sri Lanka, though GDP grew at a healthy rate in absolute terms since the country opened its economy to world markets.

4.1 Economic Reforms in Sri Lanka After Independence in 1948

During the post-independence period most economic activities of the country including manufacturing, trade, transport, telecommunications and financial services were dominated by state monopolies and subjected to state controls.

However, the initial phase of economic reforms, during 1977–82 focused mainly on liberalization of trade and investment regimes. The quantitative restrictions on imports were removed and more uniform tariff structures were established. Furthermore, a highly overvalued currency, which was largely the result of trade suppression, was realigned.

Relating to the investment front, several impediments to Foreign Direct Investment (FDI) were relaxed. The Greater Colombo Economic Commission (GCEC), the forerunner to the Board of Investments (BOI) was established in 1978 to promote investments into export-oriented activities. The

GCEC, while establishing several export processing zones (EPZ's) was also responsible for formulating and implementing an incentives package for foreign investments.

There is no doubt that these early reforms led to higher economic growth and the transformation of the country's export base from agriculture to manufacturing. Although the country has been riddled with the civil conflict since 1983, the benefits of reforms continued and growth was sustained during the 1980s²⁷⁾.

The 1990s witnessed the second wave of reforms towards more open economy spanning two successive governments. Key reforms included the removal of exchange control restrictions on current account transactions (i.e., the opening up of the current account) and the privatization of large state owned enterprises in the plantation, insurance, telecom, and airlines sectors. Steps were also taken to further lower and simplify the tariff structure and strengthen the policy framework for FDI and portfolio investment.

As the World Bank argues, the results of these initiatives were notable. The country's industrial exports expanded rapidly and gained market share, particularly toward the end of the 1990s. By 2000, garment exports reached US\$3 billion, contributing 50 percent of total exports. In addition, the increased privatization efforts saw Sri Lanka attracting

much FDI. In 1997, FDI reached the record level of US\$430 million²⁸⁾.

4.2 Poverty Trends and Patterns in Sri Lanka

According to the UN-ESCAP calculations, Sri Lanka is on track to halving between 1990 and 2015, the proportion of people whose income is less than \$1.25 a day²⁹⁾. Nevertheless, a fifth of all Sri Lankans remain in consumption poverty and the decline in poverty rates has been disappointingly modest, about 3 percentage points between 1990 and 2002.

Growing sectoral and regional differences in poverty reduction rates are also apparent. Urban poverty halved, rural poverty declined by less than 5 percentage points, and poverty incidence in the estates increased by about 50 per cent between 1990 and 2002³⁰⁾.

The growing urban – rural gap is largely due to concentrated economic growth in Western Province. Due to its proximity to ports, the Western Province was able to take advantage of the opportunities from market reforms adopted since the late 1970s, and better integrate with global markets.

The services sector (wholesale and retail trade, transport, communications) dominates economic activity in the Western Province, accounting for 65 percent of provincial GDP and over 55 percent of employment³¹⁾.

Table 6 Poverty and Inequality in Sri Lanka (as percent of total population), 1990–2002

	1990–91	1995–96	2002
Poverty Indicators			
Poverty Incidence	26.10	28.80	22.70
Poverty Gap	0.05	0.06	0.05
Poverty Severity	0.01	0.02	0.01
Poverty Incidence by Sector			
Urban Poverty	16.30	14.00	7.90
Rural Poverty	29.40	30.90	24.70
Estate Poverty	20.50	38.40	30.00
Poverty Incidence by Region			
Western	21.00	18.00	11.00
North Central	24.00	24.00	21.00
Central	28.00	37.00	25.00
Northwest	25.00	29.00	27.00
Southern	30.00	33.00	28.00
Sabaragamuwa	31.00	41.00	34.00
Uva	33.00	49.00	37.00
Inequality: Gini Coefficient by per capita expenditure			
National	0.32	0.35	0.40
Urban	0.37	0.38	0.42
Rural	0.29	0.33	0.39
Estate	0.22	0.20	0.26

Source: World Bank (2007)

Note: Data excludes Northern and Eastern Provinces for which the official poverty data are not available

As argued by the World Bank, another notable factor is the recent rapid expansion of the telecom sector following the opening of the sector to competition and the privatization of Sri Lanka Telecom. Manufacturing accounts for one-third of GDP and employment in the province. Much of the dynamism of the sector reflects the rapid expansion of labor-intensive garment exports, following the liberalization reforms in the late 1970s and establishment of export processing zones (EPZs). Over 70 percent of garment factories are located in the Western Province, mainly the Colombo and Gampaha districts, employing about 200,000 workers (or about 65 percent of employment in the garment industry)³².

By contrast, market reforms have been more limited outside the Western Province, which has remained predominantly rural in character. In particular, agricultural policies have been geared toward the achievement of self-sufficiency in paddy production rather than the development of high-value agricultural markets. As a result, private investment in commercial agriculture and agro-business has been limited. The shortcomings in the provision of economic infrastructure in rural areas, which have no doubt further constrained the development of high-value agricultural markets, are themselves a reflection of lack of progress in reforming these services³³.

As a result, the poverty in Western Province more than halved, it declined only modestly in the North Central, Central and Southern Provinces, and actually increased in North Western Province, Sabaragamuwa and Uva (see Table 7).

In addition to disparities in growth between the Western Province and the rest of the country, the slow pace of poverty reduction in Sri Lanka is also linked to rising inequality among

income groups. Average per capita consumption grew by 50 percent for the richest consumption quintile but by only 2 percent for the poorest quintile.

The Gini coefficient of per capita consumption in Sri Lanka increased at an annual rate of 2 percent, much higher than for East Asian comparator countries with the exception of China. Thus, for every 1 percent annual growth in GDP per capita, the poverty headcount ratio declined by 0.4 percent in Sri Lanka, compared with 0.9, 1.4, and 2.6 percent in Korea, Vietnam and Thailand, respectively³⁴.

Even though the pace of consumption poverty reduction was slow, Sri Lanka has fared quite well in terms of human poverty indicators. The country is an early achiever with regard to several MDG indicators, such as universal primary school enrolment, gender parity in primary and secondary school enrolment, under five child mortality and infant mortality, universal provision of reproductive health services, TB prevalence and death rates and access to safe water and sanitation.

However, national figures show a considerable gender-related, sectoral and regional variation in terms of achieving those indicators relating to human development. The figures in Table 8 set out selected development indicators by sex, sector and province. It can be seen that while girls fare much better across the country in primary completion rates and under five mortality rates, malnutrition rates among boys and mortality rates among male infants are lower. As Gunatilaka argues even though there are no apparent gender disparities in schooling opportunities for children, there is intra-household discrimination against girls in the access to nutrition and health services³⁵.

Table 7 Poverty Indices and Access to Infrastructure by Province

	Poverty headcount ratio (%)	Contribution to GDP (%)	Employment by Industrial Sector (percent of employed)			Accessibility (%)				
	2002	2002	Agriculture forestry fishing 2003	Industry 2003	Services 2003	Average accessibility index 2004	Average travel time to Colombo 2004	Enterprises using electricity 2004	Enterprises with landline or mobile 2004	Enterprises located near bank 2004
Western	11	48.1	9.3	35.9	54.8	3.8	73	79	24	70
Central	25	9.4	43.8	19.1	37.1	3.1	200	80	7	47
Southern	28	9.7	39.8	24.1	36.1	3.1	229	68	18	62
Northwest	27	10.1	28.5	32.5	39	3.1	177	61	15	70
North Central	21	3.9	50	15.6	33.5	2.9	304	61	8	75
Uva	37	4.3	63.7	9.2	27.2	2.8	295	62	23	78
Sabaragamuwa	35	6.9	44.9	27.4	27.8	3.3	152	76	15	70
Correlation with Headcount						-0.62	0.47	-0.32	0.2	0.14

Source: Central Bank of Sri Lanka (2007) for data on employment by industrial sector; other indicators from World Bank (2007)

Note: Accessibility index calculated for every point as the sum of the population totals of surrounding cities and towns, inversely weighted by the road network travel time to each town. The numbers show the mean of the access values for all points that fall into a given province. Average travel time to Colombo city is estimated travel time to each town based on geographical information of road network. The numbers show the mean travel time for all points that fall into a given province.

Table 8 Selected Human Development Indicators by Sector and Province (%)

	Child Malnutrition		Primary Education Completion Ratio		Under Five Mortality Rate		Infant Mortality Rate		Maternal Mortality Rate	Households with access to safe water (2001)	Households with access to improved sanitation (2001)	Households with access to electricity
	2000 Male	2000 Female	2002 Male	2002 Female	2002 Male	2002 Female	2002 Male	2002 Female	2002			2003
Sri Lanka	29	30	94.7	96.5	14.9	12	12.9	10.2	14.4	82	67.5	74.9
Sector												
Urban					18.7	14.9	16.9	13.1	13.3	95.9	77.8	
Rural					7.6	6.4	5.2	4.6	13.8	81.2	67.5	
Estate					22.1	20.6	16.4	15.7	88.1	61	43.2	
Province												
Western	19	23	98.7	99.5	15.6	12.2	14	10.5	9	91.5	77.6	92.4
Central	37	38	95.2	96.7	18.2	14.5	16.1	12.4	18.1	78.3	56.6	72.7
Southern	24	33	94.4	96.9	10.3	7.4	9.3	6.7	14.8	80.5	72.3	78.4
Northern			88.6	90.7	10.5	8.7	7.6	6.1	13.3			63.6
Eastern			90.3	92.9	15	11.4	10.6	8.1	19.1			65.6
Northwest	31	33	95.1	97.6	12.5	11.1	10.8	9.6	10.3	87.9	69.6	68.5
North Central	28	33	96.2	98.1	20.3	17.5	18.6	15.8	13.1	80.5	49.7	62
Uva	40	38	92.8	94.7	16	12.2	14.4	10.8	28.7	67.9	50.9	56.7
Sabaragamuwa	39	22	95.3	96.1	15	13.6	12.7	11.4	17	63.8	66.1	64.7

Source: Child malnutrition rates from World Bank (2005); Access to electricity from Central Bank of Sri Lanka (2007); other statistics from Department of Census and Statistics of Sri Lanka (2005)

Note: Child malnutrition defined as percent of children who are moderately or severely underweight

Regarding the performance by sector, the urban sector is the best off and the estate sectors by far the worst off in terms of achieving human development indicators. According to the World Bank, 37 percent of estate children were stunted as against 8.3 percent in urban areas, and 14 percent in rural areas in achieving child nutrition. Likewise, 46 percent of estate children were underweight compared with 18 percent in the urban sector and 31 percent in the rural sector³⁶.

In a regional perspective, Western Province performs the best in all indicators, except in infant mortality. The Northern and Eastern Provinces fare the worst in terms of primary education completion rates, obviously due to the disruptive impact of the conflict and displacement on schooling. But the region fares well in terms of infant mortality. Under-five mortality is worst in North Central Province, but Uva and Sabaragamuwa are by far the worst off in terms of all remaining indicators other than in access to electricity. Here the worst off are Uva, North Central and Northern Province in that order.

Summarizing this section, it can be argued that poverty in Sri Lanka is strongly associated with a range of spatial factors, such as poor regional growth and employment opportunities, and the availability of economic infrastructure, such as roads, electricity and telecommunication. Hence, reducing spatial and regional inequalities in access to infrastructure services appears fundamental to engendering more equitable growth and a faster rate of consumption poverty reduction in Sri Lanka.

5. Conclusion and Policy Implications

There is no doubt that rapid globalization poses new opportunities as well as new challenges for the countries in the Asia and Pacific region. The Asia and Pacific region as a whole has clearly made some remarkable progress in terms of achieving strong economic growth, and reducing poverty during the period of rapid globalization.

In general, the growth rate of the developing countries has accelerated, while rich country growth rates have declined. As a result, the absolute number of persons living in poverty and their percentage in the total population has declined in many countries, especially in the East and South-East Asian sub regions.

However, a closer examination of recent trends in extreme poverty in the Asia and Pacific region is more disquieting. There are several exceptions to the positive growth over the past decade, including the Central Asian countries, Afghanistan, Mongolia and the developing Pacific island economies. Still, over 950 million persons in the region continue to live in poverty. Extreme poverty affects at least 10 percent of the population in many parts and must be considered a failure of policy and programmes in reducing poverty.

The experience in Sri Lanka provides a best example of how market-oriented policies can unleash economic growth

and prosperity, while the lack of such policies can lead to economic stagnation and persistent poverty. Most of the economic reforms taken by the government in 1970s and 1980s affected the Western Province, which proceeded to generate a supply response in the industrial and service sectors, cutting its poverty rate in half.

Meanwhile, these market reforms have not reached the rest of the country, which remains predominantly rural. In the agriculture sector in particular, reforms in land markets and paddy cultivation, as well as policies to improve the marketability of agricultural products, have been elusive, and rural incomes have stagnated. Furthermore, poverty reduction has been slow due to widening inequalities among income groups and across regions, because of the concentration of the growth in Western Province.

In the future therefore more inclusive economic growth will require easing specific constraints affecting particular sectors, regions, and groups, but priorities critical for all include improving the quality of education, access to infrastructure like electricity, connectivity to markets and urban centers, and access to finance for micro enterprises. These changes should maximize economic opportunities for the poor and those in under-served regions in terms of moving to higher paying occupations, setting up or expanding micro enterprises, or migrating to work in modern industries.

Since many of these opportunities are created in the urban sector, poverty reduction will require better and simultaneous coordination between rural development strategies and urban planning and development. Policies to address poverty reduction must address multiple dimensions simultaneously. Improving the connectivity of poorer and remote areas to markets will be particularly important.

Finally it can be concluded that in view of the diversity of national situations and institutional arrangements, there is no single “one-size-fits-all” package of policy measures that could be applied in all countries in the Asia and Pacific region. However, the following broad policy implications can be drawn from the present study for making globalization work better for poor;

- (a) Growth with equity: pro-poor growth through human resources development, employment-generating opportunities, and effective social protection system (both formal and informal);
- (b) Rural development that includes access to land, investment in infrastructure, access to credit and savings institutions and protection from unfair competition;

- (c) Improved governance in terms of the participation of the poor (or representative civil society organizations) and collaboration with all stakeholders in local planning processes;
- (d) International/regional cooperation to remove trade barriers enhances debt relief measures, eliminate harmful tax and competition practices and strengthen standards.

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- Polynesia; Guam; Kiribati; Marshal Islands; Micronesia (Federated States of) (Micronesia (F.S.)); Nauru; New Caledonia; New Zealand; Niue; Northern Mariana Islands (Northern Mariana Is.); Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu. The classification by income group follows the definition of the World Bank: Economies are divided according to 2007 GNI per capita, calculated using the World Bank Atlas method. The groups are: low-income: \$935 or less; middle-income: \$936–\$11,455; and high-income: \$11,456 or more.
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