

Future Scenarios: Prospects and Challenges for Asian Development

Summary

Introduction

Rapid and sustained growth in Asia has led to substantial reductions in poverty across the region. This paper reviews the structural transformation of the Asian economies and the impacts of rapid growth on poverty in the region. It also highlights some of the main challenges the region faces.

Main findings

Asian countries have undergone deep and rapid structural changes over the past two decades. Demographic and fertility transitions in the region have been important, as has the shift from predominantly rural and agricultural activity to urban-based manufacturing and service activity. Urban areas are now the motors of economic growth in the region.

Strong growth in many Asian countries between 1990 and 2003 has already led to substantial reductions in poverty. Taking the region as a whole, the \$1-a-day headcount ratio (the proportion of people with a consumption level of less than \$1-a-day) fell from 34.3 per cent in 1990 to 19.3 per cent in 2003.

If growth rates achieved between 2000 and 2004 could be sustained until 2015, all countries in the region would reach the target of reducing by half the proportion of people living on less than \$1-a-day. Income distribution will also have a substantial impact on this projection.

There are a range of challenges facing the Asian economies in the coming years as they try to sustain growth rates while also extending the benefits of growth to a broader range of countries and communities. These challenges include: maintaining financial stability, ensuring adequate investment in infrastructure, securing energy supplies and addressing the region's environmental problems.

Key research findings

- To secure continuing improvements in human welfare, Asian countries will need not only to sustain high rates of growth but also to increase the poverty reduction impact of growth.
- Slower-growing countries, slower-growing regions within countries and social groups that have yet to benefit from Asia's success must be brought into the process.
- Measures already taken to strengthen the region's financial systems will need to be reviewed to make sure they are sufficient to avoid further crises.
- Investing in infrastructure will be important to underpin growth, and to meet the needs of newly urbanised poor people and the lagging regions.
- Meeting the growing demand for energy in the region will require action in a range of areas including improving energy efficiency and addressing energy security issues.
- The problems of resource depletion and environmental degradation will need to be addressed.