

Recovering the Momentum in Poverty Eradication and Rural Development: Southeast Asia at the Turn of the Century*

HORACIO R. MORALES

The Southeast Asian bid for an Asian crisis recovery has received less acclaim than criticism. Southeast Asia is still referred to as “a haven of sick economies.” True or not, the region must move forward, exert a collective effort in order to eliminate poverty and boost rural development. Countries, according to the author, should strengthen the flow of information and to level off in terms of best practices in poverty eradication and rural development. The proposed Convergence Strategy, which presents a plan to share experiences, capabilities, resources and expertise in a focused area approach in key poverty stricken regions, and the ASEAN Anti-Poverty Fund, are steps in the right direction. Beginning at the conference level, Southeast Asia must recognize the principle of shared growth and the need to work closely together if it is to recover from any crisis.

Introduction

In the early 1990s, a number of countries in the Southeast Asian region, together with some of the developed countries of East Asia, were the object of lavish world-wide attention and praise for having undergone the most rapid economic growth recorded in the previous century.¹ That growth came with huge improvements in the people’s welfare, and included massive drops in poverty levels that were described as nothing short of a “miracle.” This growth also created spill-over effects on the poorer and less powerful members of our regional coalition, as intra-regional trade blossomed and access to advanced technology and investment capital increased. By 1995, discussions towards the creation of a strong “Asean Free Trade Area” (AFTA) seemed to portend a stronger and tightly knit ASEAN that would shepherd all of its members towards the path of sustainable and broad-based growth.

Eight years later, and three years after a serious financial crisis that beset the region, we are being subjected to much criticism about the nature of that growth. The significance of the ASEAN experience of

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combining economic growth with poverty elimination was belittled by various quarters, both regional and international. There are claims that the growth was superficial, and was bought at the expense of massive state subsidies and market intervention. There are even more dubious claims, *a la dependista*, that the growth in the region was inspired and propelled by the economic expansionism of East Asian economies such as Japan and South Korea. Some observers have come to disparage us by referring to our region as a haven of sick economies.

Are these criticisms valid? Or are they intended to mask the attempts of the West to hide the lessons of growth and poverty eradication that underscored our success? I think that these are important issues that we need to address in this ASEAN conference. Our collective aim is to recover and strengthen the regional momentum behind a collective effort to eliminate poverty and spur rural development. Moving forward on this agenda requires that we summon strong arguments to defend our course of action, specially if it means reinforcing the strategies that have led to our successes in the past.

Crisis and Success in the Evolution of Southeast Asian Countries

The scenario of intermingling success and crisis cannot be denied. The regional currency crisis of 1997 led to massive economic instability and uncertainty that affected portfolio investments as well as foreign direct investments, and eroded savings and incomes of households in both rural and urban areas consequently leading to a deeper penetration of financial, industrial, and rural markets in Southeast Asian economies. The political and social costs of that crisis are still being felt today, as governments in the region are pressured by the daily surge in urban and rural criminality and violence, the breakdown of family and social values, ethnic conflict, political destabilization, and militarization.

At the inaugural conference of the ASEAN Ministers on Rural Development and Poverty Eradication in 1997, we could still wax poetic despite the fact that we were in the midst of a serious crisis, our currencies were losing a half or even more of their value, and investments were moving out of our countries. We prided ourselves with the high levels of our growth, and the low levels of inequality as measured by the declining gini coefficients in almost all countries. Today, inequality has

increased, and some of our members continue to be beset by crisis and intense social and ethnic strife.

To a large extent, it is a crisis that is very Asian in nature. Like yin and yang, we have lived through crisis because we knew that behind any tragedy lay great opportunities. There is a pattern of tragedy and joy, hope and suffering that accompanied the Southeast Asian “miracle.” The post-colonial period in most of the region saw the deepening of poverty and inequalities, an intensification of social and racial conflict, and a weak economic, political, and social infrastructure that was vulnerable to dissidence, rebellion, dictatorship, and neocolonial intervention.

The gradual transformation of several countries in Southeast Asia into powerhouse economies in the three decades after colonialism, was shaped by salient elements of the colonial and post-colonial experience. Some of our members claim that authoritarian rule, obedience, and sacrifice were important components in cementing the path towards sustainable and broad-based growth. Western scholars themselves have grudgingly accepted the fact that some types of monopolies and rent seeking behavior in Southeast Asia contributed to “oiling the wheels of growth”.

On the other hand, reeling from our own experience of nearly two decades of dictatorship, Filipinos have come to realize the pitfalls behind the concentration of economic and political power in the hands of a few, and our commitment to democracy is borne out of the belief that deprivation and powerlessness is reinforced by the monopoly of a few over the economic and political arena, and the structural barriers that underlie these monopolies. Like the rest of the region, the Philippines has had its share of ups and downs, of booms and busts. Our shifts in fortune are often endogenous in nature, as in the case of dictatorship, but they can also be exogenous, as in the case of the Asian flu.

The Principle of Shared Growth

What is perhaps common to most of us is the strong belief in the principle of shared growth, and the understanding that structural barriers to growth and poverty eradication needed to be removed for growth to attain its objectives of reaching the poor. International scholars and development organizations such as the World Bank (1993) recognized

this adherence to shared growth or the promise that as the economy expanded all groups would benefit, most of all the poor. This promise is akin to a social contract, and leaders of Southeast Asia know that violating the contract guaranteed social strife and destabilization, including open rebellion, loss of popular support, and perhaps most painful - loss of face. Hence, much of the scholarship on the Asian miracle showed how episodes of economic growth immediately translated into poverty eradication – and how sticky the relationship was between growth and equity.

This principle of shared growth is underlined by a strong government commitment to target poverty through public resources, the scheduled support and provision of subsidies for key sectors in the economy, including the utilization of protective mechanisms for domestic industries. Government support was enabled by tax revenues, matched by strong domestic savings and a culture of frugality and sacrifice, and engendered by state-sponsored public-private coordination in economic development. At the end of the day, however, the principle and practice of shared growth was the glue that held the strategy together.

The question for us is whether there is anything new that we have learned in the previous crisis that requires a recasting of this strategy.

We believe that there is a lot to learn. We have learned that transparency and a fuller disclosure of information is required for markets to function effectively. We are also aware that menus that deny a role for the state in managing capital flows are not written in gold, that the role of the state in managing global integration can be recasted to accord the former with stronger regulatory powers – a template for action that we are being made to believe does not exist. But most of all, we have learned that the poor will not wait for us to deliver on the promises of shared growth. That promise cannot be delivered at a later date.

In 1997 we noted that baking a bigger pie was infinitely better than slicing off pieces of that pie to assist the poor. But what happens when that pie is being baked on the backs of the poor? And while waiting for the rich to eventually share their wealth with the poor, we are discovering that being rich can change overnight. As wealth dissipates quickly, we are faced with the question of where to expect the spillovers to come from. We believe that this teaches us to restore the central place of redistributive

reform in the development agenda. Redistributive reform should march in step with economic growth.

Working Together to Ensure Shared Growth

Finally, another significant lesson that can be derived from the recent crisis is the need for ASEAN to work even closer together in ensuring that growth is indeed shared by the poor in each country of the region, as soon as possible. To ignore this is to court regional instability, a fact that is made more pressing by the threat of refugees and complex emergencies becoming a cross-border context and character. The recent problems of Thailand resulting from border penetration of armed dissidents from depressed areas in Burma underscore this point, as well as the threat of a massive exodus of poor families and communities from Indonesia escaping ethnic strife and an intensification of poverty and food insecurity. We have learned how intra-ASEAN cooperation can help in resolving these sort of problems. Our own experience is an excellent case in point – when Indonesia helped us resolve a long standing Muslim insurgency, it is easy to dismiss these issues as mere security or geopolitical threats, but it is clear that they are borne out of poverty and powerlessness.

Among the various tasks laid before the participants of this conference, a central objective would be to strengthen the flow of information and to level off in terms of best practices in poverty eradication and rural development. This is crystallized in the proposal to enhance national and regional public awareness on anti-poverty and rural development strategies, an action point made in earlier conferences that needs to be acted upon now.

Another proposal submitted to this conference pertains to the design of a Convergence Strategy towards Sustainable Rural Development. This is crucial because it presents a plan to share experiences, capabilities, resources, and expertise in a focused area approach in key poverty stricken regions in the Philippines and in other countries of Southeast Asia. The Convergence Strategy is also underscored by a deep commitment to redistributive reform and volunteerism, and a commitment by governments and the ASEAN as a regional institution to match local initiatives that involve complementarity between agencies of government, and between state, civil society, and the private sector. Locating the earlier planned intra-ASEAN development volunteer program within the

Convergence Strategy gives the project a concrete arena and direction of development.

I would like to conclude by making one last call to all the Ministers present here today. We believe that the best guarantee for actualizing joint initiatives in rural development and poverty eradication is by creating an ASEAN Anti-Poverty and Rural Development Fund and installing this fund at the ASEAN Secretariat for the use of member country governments, civil society, and private sector groups in studying and fighting poverty. The aim of the fund would be to reward and support best practices in poverty eradication and rural development at both the macro and micro levels.

The fund can be established as an endowment, where proceeds from interest earnings are used for rewarding and supporting best practices in anti-poverty and rural development initiatives from among ASEAN member states. Establishing the ASEAN Anti-Poverty Fund is crucial in sending a signal to poor people in the region that we are serious in carving out joint initiatives among ourselves. A certain percentage of the proceeds generated from trade revenues in each ASEAN member country can be set aside for this fund, which shall be a permanent feature and a seal of commitment by ASEAN towards totally eradicating poverty in the region by the year 2020. ❁

Endnote

- 1 In Southeast Asia, these included Thailand, Indonesia, Malaysia, Brunei, and Singapore. In East Asia, these included Japan, South Korea, and Taiwan. Collectively, these countries were referred to as the high-powered Asian economies (HPAE).