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**Globalisation and Poverty Reduction: Can the Rural
Poor Benefit from Globalisation?: An Asian Perspective**

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I. Introduction

Globalisation propelled by information communication technology (CT) and the knowledge-based economy (KBE) has forged the integration of crossborder transactions and interdependence to a magnitude, scale, and complexity which has appeared to tip the balance for globalisation backlash. Applied unevenly to favour urban industrial rather than rural agricultural sectors, globalisation and the resulting creative destruction of industries and jobs have accentuated income and employment insecurity especially among the vulnerable less educated, less skilled, older and minority groups and widened the digital divide. We cannot begin to debate the impact and effects of globalisation except to acknowledge that it is no longer an option which countries can insulate themselves from. The only policy recommendation appears to be for countries to be globalisation ready in terms of overcoming both levels of adjustment, with the first, achieving economic competitiveness being much easier than the second which involve painful socio-political choices as well as competition is global (Morrison, et al, ed, 1998).

Taking globalisation as a given in terms of its ubiquitous presence and effects, this paper focuses on how it affects poverty reduction and the rural poor and note certain policy strategies to maximise the benefits while minimising the costs. No global phenomenon or process, no technological cycle and no change can be benign. As much as it is human to resist change, the challenge is equally to see the opportunity and strength of necessary change. We thus note the globalisation challenge and policy options in Section 2 for Asia while Section 3 delves into the rural agricultural sector in particular which has also been the traditional poor sector. The paper concludes with policy options and implications for Asia's rural poor especially in the face of much diminished growth and prospects since the global downturn, first from high technology sectors especially in electronics and dotcom companies and second, since the September 11 2001 terrorist attack on the US and resulting counterattacks which are still in progress.

II. Asia's globalisation challenge

Asia is the largest landmass and also most diverse and heterogeneous from wealth and development to cultures and ethnicity even if the geophysical definition remains a working concept.

Table 1 GDP growth rates (per cent)

	1990	1995	1996	1997	1998	1999	2000
NIEs	7.3	7.4	6.3	5.8	-2.9	7.9	8.4
CARs, Afghan, Mongolia	0.1	-5.4	0.6	1.8	1.5	4.7	7.8
PRC	3.9	10.5	9.6	8.8	7.8	7.1	8.0
SEA	8.2	8.4	7.4	3.5	-9.0	3.1	5.1
S Asia	5.4	6.8	7.0	4.7	6.1	5.8	5.8
Small islands	-0.4	-0.6	5.7	-2.9	-2.0	4.1	-1.8
Average	6.2	8.3	7.6	5.9	0.2	6.3	7.1

CARs = Central Asian republics

Source: ADB, 2001b.

Openness as total trade or sum of exports and imports as percentage of GDP is a proxy measure of globalisation. That many Asian economies are doubly exposed in terms of their reliance on high technology exports to Organisation for Economic Cooperation and Development (OECD), especially to the US as shown in Table 3 has reinforced the virulent downside of the supply chain effects.

Table 2 Openness

	1982	1990	1999
HK, China	142.2	217.7	222.5
Korea, Rep of	70.4	59.4	77.4
Spore	320.5	308.5	265.6
Taipei, China	95.1	88.5	92.7
Mongolia	53.4	47.1	89.0
PRC	14.9	29.8	36.4
Cambodia	Na	10.8	86.3
Laos	55.4	30.5	69.2
Myanmar	19.9	5.6	1.5
Vietnam	Na	Na	97.0
Indonesia	48.5	49.0	62.2
Malaysia	110.5	146.9	217.8
Philippines	46.5	60.8	101.3
Thailand	47.5	75.8	102.9
Bangladesh	29.5	19.7	31.9
Bhutan	59.2	60.5	75.7
India	15.3	16.7	23.8
Nepal	30.4	31.6	53.0
Sri Lanka	74.9	69.1	77.8
Fiji	92.9	129.1	108.2
Maldives	127.1	194.2	276.7
PNG	97.3	89.6	95.6
Solomon	109.1	86.1	97.3

1998 for Laos, Bhutan, India, PNG, 1996 for Solomon Islands.

Source: ADB, 2001b, country tables.

Table 3 Share of selected Asian economies' total exports to OECD countries

	China	HK	Indon	SKor	Msia	Phil	Spore	Thai	Taiw
Computers SITC75	6	7	2	13	19	22	54	16	28
Telecom SITC 76	7	4	5	6	15	6	5	7	4
Electrical comp SITC77	8	18	2	23	24	33	17	11	17
Total	20	30	9	41	58	60	77	34	50

Source: BIS, 2001.

Asia Pacific appears to have broken from the chains of underdevelopment better than the rest of the third world. Asia Pacific represents not just a distinct geographical space but also a particular statist strategy designed to achieve rapid export-led economic growth. The Asian development model may be overstated especially in political terms. Taken to an excess, ethnic flavoured industrial strategy in some Association of Southeast Asian Nations (ASEAN) states designed to redistribute income, wealth and economic opportunities has created a backlash from political business and patronage as state-business relations got too intimate. Misguided government intervention and consequent moral hazard are “sins of commission or omission” as

Asian states fall to “captured liberalisation” with poorly designed reforms and weakly regulated liberalisation inducing culpable self-serving rent-seeking and increased vulnerability (Haggard, 2000, pp 32-8).

Seduced by a "miracle" hubris, factor abundance, market potential and some basics set right initially, far too many short cuts befell Asian economies strapped by ethnicity and politics. The changing fortunes of the harbingers of the "Pacific century" blessed with family fusion, thrift and work ethics have been variously interpreted and analysed (Robison, et al, eds, 2000, Castells, 2000, Segal, et al, eds, 2000, Dadush, et al, eds, 2000, Petri, ed, 2000, Richter, ed, 2000, Park, 2000 and Haggard, 2000). It was not a mere financial crisis be it of liquidity, structure or contagion even if it was the trigger. Neither can global capitalism be wholly blamed and serves only as a blinder to absolve the region and incriminate others. Asia is not afflicted by globalisation and world financial system but the wrong kind of government intervention and insufficient homework all round (Larsson, 2000, McGurn, 2000 and Business Week, 6 November 2000, pp 40-68). That the crisis was not uniform, more grievous and damaging for the laggard and lax in institutional and regulatory safety belts, vindicated consistent performers, Singapore and Taiwan, even the Philippines fortuitously.

There appears some consensus that the Latin American financial crisis belonged to the first-generation models of balance of payments and macroeconomic fundamentals. Not completely exonerated from macroeconomic management, structural reforms and governance, Asia as a second-generation model was exacerbated by market sentiments herd behaviour and contagion effects in the ICT age (Friedman, 1999). That the US took the lead in the 1995 Mexican rescue helped though it would be no less chastised as IMF even if rose to the occasion quick enough in Asia. It was noticeable by its absence in Thailand, not participating in the 1997 International Monetary Fund package until US aid 1998. It benignly let the Suharto regime crumble but applauded it and Korea as "new democracies".

As much as the Asian crisis was a product of financial globalisation especially with the switch from long term wealth generating foreign direct investment (FDI) to short term speculative portfolio, FDI since the crisis has further taken place in the form of mergers and acquisitions (M&As). Gross product associated with international production and foreign affiliate sales worldwide as two measures of international production increased faster than global GDP and global exports, respectively (UN, 2000). Sales of foreign affiliates worldwide are now twice global exports and gross product associated with international production is about one-tenth of global GDP compared with one-twentieth in 1982. The ratio of FDI inflows at \$865 billion in 1999 to global gross domestic capital formation (GDCF) is 14 per cent compared to 2 per cent two decades ago. Driven by wave of M&As, global FDI outflows reached \$800 billion in 1999, an increase of 16 per cent over the previous year. FDI flows to East and Southeast Asia increased 11 per cent to \$93 billion in 1999. China remained the largest recipient followed by Hong Kong with “re-domiciling” of funds owned by HK investors and foreign investors based in HK and also large reinvested earnings. FDI flows into all the ANIEs grew, FDI to Indonesia, Thailand and Philippines declined due to AFC. Crossborder M&As affected Korea, Malaysia, Indonesia, Thailand and Philippines most.

Asian economies are at a crossroads, caught between globalisation and the meltdown crisis, experimenting with regionalism to match multilateralism and China's accession into World Trade Organisation (WTO) and undergoing succession regime change with emerging

class of electorates and demands. There are a few crucial obstacles at the crossroads which bear repeating. One is despite the seismic crisis and changes in government and regimes, Indonesia, Thailand and Korea remain ineffective in cleaning cronyism (International Herald Tribune, 22 September 2000). While economic growth and apparent recovery can mask problems and put reform pressure off, the seeds of the next crisis are incipient, more so in Southeast Asia with its ethnic politics than more homogeneous Northeast Asia.

The 1997 Asian crisis showed weaknesses but recovery in 2000 showed resilience with large influence from Asian newly-industrialising economies (ANIEs), China and ASEAN4 and even South Asia performed better after decades of slow growth (ADB, 2001a). Lower population growth rates averaged 1.5 per cent between 1995-2000 though below average for ANIEs compared to above average in South and Southeast Asia are juxtaposed by ageing population and challenges for healthcare, social security and protection. Between 1990-98, population below \$1 a day fell from 29 per cent to 24 per cent with improvements sharpest in ANIEs and China though the rate of poverty reduction was interrupted and poverty increased in the AFC countries, especially Indonesia.

An important lesson from trade liberalisation, openness and globalisation remains that macroeconomic policies and market-friendly measure are crucial to growth and poverty reduction and improve and expand the role of the private sector. The state cannot do it alone. High domestic saving, ability to absorb technology and ratchet upward with the growth of a middle income class promising not just consumer societies to fuel market expansion and demand but also greater socio-political stability with democratisation all round. But as rural poverty is likely to decline, urban poverty may increase unless growing urbanisation is better managed driven by changes in economic structures.

While the Asian crisis has created massive disruptions in growth, employment and income, it has also pointed out certain opportunities for the rural agricultural sector in Asia, even if somewhat belatedly. One is that more favourable commodity production and prices created a much needed buffer to reabsorb the unemployed and retrenched as urban, industrial workers return to their villages and families. While the loss of such remittances from domestic and overseas employment was affected, the returned workers can still live among family and community networks. A more important policy implication is that not only did the rural agricultural sectors offer a buffer effect, it remains vital to fuel and feed the urban industrial sector as well. The remiss is not extending and applying the globalisation benefits more across to the rural agricultural sector to achieve a more balanced dualistic structure.

III. Globalisation and Asian rural poor

Based on those who live on less than a dollar a day income measured in purchasing power parity, about 900 million were poor in Asia in 1998, twice as many in the rest of the developing world or a combined two billion based on a more generous two dollars a day (ADB, 2000, p 177). Beyond poverty, other aspects of human deprivation like illiteracy, malnutrition, health, water and sanitation, vulnerability to economic shocks and lack of political freedom, has to be considered. Yet, parts of Asia have managed spectacular improvements in quality of life in just four decades, belie a growing inequality between these NIEs and the rest. Categorised as material wellbeing, psychological wellbeing, state provided infrastructure and assets, what is patently clear is poverty is more than absence of money or access to physical assets (World

Bank, 2001). The surprise is not so little in the reduction in scale of poverty but rather that some of the children of the poor have escaped from poverty.

With globalisation, ICT and KBE resulting in structural changes on one hand and cyclical and idiosyncratic developments on the other, the term "poor" has become more heterogeneous and complex. There is a need to distinguish between "welfare" and "development", between "crisis response" and "development". Permanent destitute comprises people with no assets, productive resources, assured or sustainable support from others and some welfare programme is deemed necessary by society. A welfare programme is not premised on any expectation that recipients of such welfare will in future become economically productive, they are unlikely with exception of children, to support themselves or contribute incremental resources to society. Programmatic responses to welfare needs of permanently destitute must necessarily be different from development programmes designed to assist the entrepreneurial poor who have potential to support themselves or contribute incremental resources to society as a whole, if provided effective opportunities. Welfare represents recurrent cost to society, development, investment cost in economic growth and popular satisfaction of a society.

Temporary poor shares mixed welfare and investment characteristics as they unexpectedly fall into poverty after attaining a reasonably acceptable and comfortable life due to one or some combination of environmental, economic or political crises. From analogy of "rising tide raises all boats" these are people with "boats" and can improve life situations serendipitously over medium term without regard to specific nature of any immediate programme response to crisis. Temporary poverty response should then combine an emergency welfare component to help in short term with continuing commitment to investment in sustainable development. More specifically, response should not be as in Asian crisis to substantially abandon longer term investment in sustainable development for the entrepreneurial poor in favour of short term welfare relief for temporary poor. Result was abandonment of consumer demand driven principles underlying long standing policy dialogue in several sectors (water supply) in favour of supply driven wholly subsidized employment generation schemes.

Another reason why welfare relief for temporary poor should not be primary micro level response to economic crisis is because social safety net and short term employment generation schemes through formal sector government can seriously damage pre-existing institutionalised nonformal governance systems. More people depend on such nonformal systems over the longer term. Poor are not homogeneous, permanent destitute, temporary poor, entrepreneurial poor, age, gender, caste, religion, region, etc. Need to differentiate, market segmentation approach, subjective needs of poor themselves, bottom up approach using existing nonformal nongovernmental organizations (NGOs), groupings and worry less about political legitimacy concern of government if at all possible for the moment.

World Bank (2001) gave a dissent from widely held consensus that best way to alleviate poverty is to foster economic growth and only way for that is through free and open markets (International Herald Tribune, 14 September 2000, p 7). Noting that 24 per cent of world population still live on less than \$1 a day, more emphasis on fostering development of better government institutions, court systems to ensure private property rights and social safety nets which protect poor from effects of droughts, war and financial crises is needed. Asian and Russian economies are hijacked by a corrupt group of oligarchs during recent financial crisis. US officials are cautious about benefits of market liberalisation and development being over

sold, fearing some developing countries use that to justify misguided efforts to restrict trade and investment and income redistribution.

Some clear facts from the Asian crisis include that while the dollar-a-day poverty line has improved impressively, the poor remained most precarious as rapid inflation following large devaluations squeezed purchasing power and relative price shifts hurt the poor severely. The labour market was made to adjust to the Asian crisis with reduction in earnings rather than open unemployment and shift to a rise in informal employment even for the youths.

While the Asian crisis has affected the quality of education, adverse effects on its access have not been as dramatic. Primary school enrolment has not fallen though secondary has while tertiary has even risen as employment opportunity fell. Similarly, access to health care, nutrition, safe water and sanitation already much better in East and Southeast Asia than South Asia did not seem overly harmed by the ARC except for malnutrition among the poorest and most vulnerable. Many had to substitute higher cost and higher quality private medical services to cheaper lower quality public services, creating a "double squeeze" on public health services already constrained by budget cuts.

The Asian crisis coincided with a few climatic and environmental adversities including floods and droughts induced by El Nino and El Nina, forest fires and haze. But the abiding health hazard in Asia is water pollution followed by air pollution which suffered as economic growth and other material attainment prospered. The physical variations in endowments are compounded by disparities by region, ethnicity, religion, gender, age and the more protracted are civil disturbances from these legacies, the more complicated the tasks ahead.

The basic causes of poverty remain lack of market opportunities despite overall growth as the poor lack physical assets, financial assets, human and social capital. Even if markets exist, the poor need these assets to tap and take advantage of markets and opportunities. Being more susceptible to vulnerabilities and shocks, they have neither the voice nor capability to gain more attention especially when political and social constraints including poor governance are explicitly obstructive. Land ownership remains privy to the rich and the poor suffer landlessness and land tenure. Social capital defined narrowly as social networks or groups or broadly as all institutions including legal framework, civil and political liberties, creates trust which enhances productivity by reducing transaction costs. Social capital as an informal safety net and higher provision of public goods are particularly crucial for the poor.

Since the September 11 2001 terrorist attack, the Economic and Social Commission for Asia and the Pacific (ESCAP) has defined the "new poor" as people becoming poor as a result of a major event such as an economic crisis, a change in economic system, political changes, terrorist attacks as well as natural disasters, calling for preventive, mitigation and coping strategies which place greater emphasis on social safety nets and other short term programmes and their effective delivery (Malik, 2001). The old poor or the core poor in terms of absolute poverty is now joined by those made poor by structural, including globalisation change, cyclical downturn and idiosyncratic events divided into natural disasters and terrorist attacks (Table 4). Apart from the traditional, rural poor mainly in agriculture, the Asian crisis has injected at least three classes of new poor. One is the new rich made poor as the urban middle income class plunge impoverished the professional and educated groups with the bursting of the bubble economy in equity and real estate sectors. Two is an emergent group of fresh graduates

graduating into nothing as employment opportunities evaporate making them victims of circumstances and they have no prior saving except adding on to burden of their families. Third is a group of migrant homecoming poor who are retrenched as much as due to globalisation backlash as well as cyclical downturns and also means a further loss of remittances. They join others at home also retrenched by globalisation backlash, ICT, KBE and downturn in business cycles. As a result of economic and political changes, transition economies has also to impoverished some one half of populations in some of them. Natural disasters such as earthquakes, floods, epidemics and such are also sudden unforeseen events which create new poor. The September 11 2001 terrorist attack is a prime example of idiosyncratic events which ripple across the affected countries as well as induce synchronized shocks and recessions globally, putting more poor into the new poor pool. For instance , while the Gulf War may have reduced air travel by some 2-5 per cent, the terrorist attack has caused an evaporation of some already ailing airlines like Ansett and nearly Swiss Air with air travel expected to be down some 10-20 per cent according to preliminary Boeing sources. Higher insurance, security transaction costs further erode profits and need to cost-cutting measures which include job cuts and salary reductions. Other systemic failures as in ICT networks being attacked or overburdened can also cause mass wealth destruction.

Table 4. Typology of old and new poor

Poor							
Old poor	New poor						
Absolute poverty	Globalisation backlash, ICT, KBE	New rich made poor	Emerg poor new graduates	Migrant poor, cyclical	Poor from transition economies	Poor due to natural disasters	Poor from idiosyncratic terrorism

Source: Drawn by writer.

The message is stark and unadulterated if inadequate and poorly designed and ineffective social security and social welfare protection safety nets are already inadequate to the task of eradication poverty before the new varieties have mutated. Unsurprisingly, the poverty record is not good as shown in Table 5 though still better compared with other regions in Table 6.

Table 5 Poverty indicators in some Asian economies

	National poverty lines				International poverty lines					Gini index	
	Year	Pop < poverty line			Year	\$1 PPP/day		\$2 PPP/day		Year	Year
		Rur	Urb	Tot		Pop<	Pov gap	Pop<	Pov gap		
Ch	1996	7.9	<2	6.0	1995	22.2	6.9	57.8	24.1	1998	40.3
Indo	1996	12.3	9.7	11.3	1994	47.0	12.9	87.5	42.9	1996	36.5
Msia	1989	na	na	15.5	1995	4.3	0.7	22.4	6.8	1995	48.5
Phil	1997	51.2	22.5	37.5	1994	26.9	7.1	62.8	27.0	1997	46.2
Tha	1992	15.5	10.2	13.1	1992	<2	na	22.5	5.4	1998	41.4

Source: World Bank, 2001

Disdainful of Western welfare states, relying more on Asian communitarian and family social networks, most Asian economies have relied on rapid economic growth as sufficient as poverty reduction and social safety net provision. The best source for social security provision is the private sector comprising employers, community and families, the state as a provider-of-last resort and takes a residualist, minimalist approach. The Asian social model also assumes an organic view of the relationship between state and individual and sees society as a natural

organism. The needs of community and society override those of individual and the common, greater good is stressed. The state thus concentrates on economic growth and this and business interests should not be compromised leaving social security secondary and best with the family and social groups. Economic competitiveness is stressed more than social competitiveness in terms of government spending on social services on education, health and safety nets, social security systems, identifying and protecting vulnerable groups, ensuring socio-political harmony and cohesiveness, religious and cultural tolerance, social trust and capital. Asia seemed more used to hubris wealth generation across-the-board than managing expectations and risks when unexpected calamities or punctuated growth occur.

Table 6. Relative income poverty by region, 1987-98

Region	Reg ave poverty line (1993 PPP\$/day)	Share of pop living on less than one-third of average national consumption for 1993 (per cent)				
		1987	1990	1993	1996	1998
EA, Pacific	1.3	33.0	33.7	29.8	19.0	19.6
Excl China	1.9	45.1	38.7	30.8	23.2	24.6
Eur, C Asia	2.7	7.5	16.2	25.3	26.1	25.6
LA, Carrib	3.3	50.2	51.5	51.1	52.0	51.4
ME, N Afr	1.8	18.9	14.5	13.6	11.4	10.8
S Asia	1.1	45.2	44.2	42.5	42.5	40.2
SubSah Afr	1.3	51.1	52.1	54.0	52.8	50.5
Total	1.8	36.3	37.4	36.7	32.8	32.1
Excl China	1.6	39.3	39.5	39.3	38.1	37.0

Source: World Bank, 2001.

The same economic growth through industrialization, urbanisation, modernization, science and technology have eroded the social and community bases of social security and safety nets with rural-urban migration, universal education and equal employment opportunity. The Europeans may have got it right paying attention and not neglecting the agricultural sector as the fount of the socialization process and social policy. Social capital and trust seemed more vulnerable and dissipated more easily in urban and industrial environments as social glue is further threatened by structural, technological and cyclical changes (Fukuyama, 1999). The demographic transition and ageing as the postwar gift has turned into a burden with rising dependency and demand for resources abetted by falling fertility.

Greater economic insecurity with globalisation, ICT and KBE, alien consumption patterns and lifestyles have threatened social stability and harmony. Contagion effects of more volatile and unpredictable externally induced crisis which render traditional domestic macroeconomic policies impotent. ICT and new economy induces a digital divide and greater disparity in market access and opportunity as intellectual capital is harder to husband and groom than technical skills and crafts in the old economy. Democratisation is stirring challenges from a largely unschooled majority and mass; democracy may indeed be a luxury good in some parts before its time as institutions and political culture not quite in place.

IV. Conclusion and policy implications

The impact of globalisation, ICT and KBE in Asia has been generally favourable except that in hindsight, the seduction to rapid, high technology growth following Japan and the ANIEs

has over concentrated on industrial policy and the corresponding neglect of agriculture. The economics of a more balanced dualistic balanced growth model are revisited as fiscal pump priming expenditure focuses on the rural sector infrastructure and employment creation. Although the targets remain in human resource development (HRD), technology especially to reduce the digital divide, the Asian crisis showed the weaknesses in terms of provision in social security and social safety nets. Thus, beside the specific HRD and ICT emphasis, all fiscal stimuli can also be seen to be directed at the social and rural sectors which would benefit no less from an upgrading in these areas to be globalisation ready.

Globalisation, ICT and KBE are really sector neutral and if they were slanted toward high technology industries, it is a policy remiss which Asia should now find time and reason to rectify. Science and technology applied to raise agricultural productivity is longstanding and perversely, the Asian crisis and September 11 2001 terrorist attack may redirect some focus and incentives back to agriculture. The rural sector needs as much ICT and KBE for better production, marketing, distribution and research and development (R&D) which are not the monopoly of high technology industries. Market incentives are, however, needed to reorient investment, human resources and interest to fuel industries and feed the people.

The same incentives employed in promoting industrialization can be used in agriculture and rural development, starting with the right infrastructure, human capital and training, even export-led and based on FDI and transnational corporations (TNCs). The scope for Asian TNCs in agricultural pursuits may be cultivated as they may not have the first comer advantage in industries as the triad economies have in industrialization. Asia has the bulk of the global population to feed. If China has turned from a food exporter to importer and is not correcting the imbalance itself, the scope and potential exist for the newer ASEAN members. Vietnam, Cambodia and Laos, Myanmar are also wary of the globalisation backlash they see in the older ASEAN members which have not made themselves globalisation ready. If they prefer to go more cautiously and slowly toward globalisation, spending effort and time to improve agricultural productivity and capacity is the right policy direction.

In view of a China-ASEAN free trade area proposal or even ASEAN-plus-three (APT) is moving toward more trade liberalisation and free trade arrangement, it may also be timely to address strong agricultural protection in many Asian economies, including Japan. Employment creation and public sector spending in infrastructure and HRD in agriculture and rural development lend more to multiplier expansion as more domestic inputs than imported raw materials, capital goods, equipment and technology are involved. Also, rural income expansion is more likely to further boost domestic demand as more local goods and services in the first instance are demanded as the rural poor turns richer. In short, marginal propensity to consume is high and marginal propensity to import low in many large agricultural rural populations in Asia as in China, India and Indonesia. High saving and prudent spending are also virtues worth some policy thinking in designing such policies to stimulate the rural poor toward globalisation.

Asia appears to have made the right and necessary restitution in structural, corporate and financial reforms. Policy mistakes in captured liberalisation, poorly designed and implemented institutional and processes, hubris, commissions and omissions and inadequate together with indigestion due to rapid hasty catch-up growth culminated in Asia falling prey to globalisation. There were signs that some countries were not staying the course to complete the needed reforms

and institutional cleansing. The September 11 2001 attack should be a blessing in disguise with a global downturn imminent as shown in Table 7 to urge them to stay on course.

Table 7 Global GDP prospects, 2001-2

	US		Europe		Japan		Latin Amer		NonJapan Asia	
Est GDP	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Pre911	1.3	2.7	1.8	2.5	-0.8	0.2	1.3	3.3	4.5	5.8
Post911	0.9	1.0	1.6	1.5	-0.9	-1.0	0.7	0.7	3.6	44.5

Source Morgan Stanley in Business week, 22 October 2001, p 23.

The timing may not be as bad to spread the benefits of globalisation to the rural poor and reinforce the effort toward poverty reduction. In deflationary times, costs are lower and people are more persuaded to change mental modes and mindsets so that traditional resistance to change among the rural communities may be reduced. The return of some urban new poor back to the rural community and sector may further create opportunities and interaction as in any capital and technology transfer with a reverse urban-rural migration. It is important for the government to create the right environment and incentives and even FDI and TNCs can be persuaded that globalisation can benefit the rural poor and raise standards of living and growth across-the-board. The old Asian export, FDI, TNC-led growth model has to be expanded to take the agriculture sector into account for more balanced, diversified, sustainable and stable growth .

As an illustration of specific policy, the current excess of liquidity around Asia and the apparent credit crunch should be exploited for the rural sector. In reality, there is no more credit crunch in Asia than sheer reluctance of banks to lend with the stock and experience of nonperforming loans (NPLs) and borrowers to use cheap credit with economic prospects so poor and dismal. The tunnel vision and mistake lies in only the urban and industrial sectors are worthy of credit while rural and development banks are starved and impotent to assist in vital microcredit activities proven by women entrepreneurs for example in unsophisticated pursuits such as food, tailoring and other personal services. A mindset and policy change is necessary to recognize the bias even if some efforts to reduce risk of unproven track records of the needy rural poor for credit in less profitable activities compared with high technology pursuits, are necessary. Self employment, employment creation and local entrepreneurial development may be added policy directions worth pondering.

The added opportunity for Asia policy and efforts from enhancing international competitiveness to social competitiveness should not be missed. In some way, the Asian growth with equity model was not sufficiently resilient and durable as classes of new poor emerge to wreck socio-political stability and harmony. ASEAN more than Northeast Asia is more prone to ethnic and socio-political volcanoes erupting. The European social model which revolves around its Common Agricultural Policy (CAP) may be accused of being protectionistic but it makes some sense in preserving certain cultural values in the rural community which coexist with the industrial. Asia should make some adaptations toward some social model which also takes into account social security, social welfare and safety nets as some Asian economies are also facing the challenges of demographic ageing and have the balance the aspirations of the youths with the needs of the old. Asia has its own brand of village politics and democratisation which should be explored, modernized and reequipped for globalisation, ICT and KBE.

In conclusion, Asia should rethink its growth model in direction and focus in the light of its experiences with globalisation, ICT, KBE and Asian crisis. It would be able to differentiate between self induced policy mistakes and unforeseen difficulties imposed exogenously. Preventive, mitigation and coping strategies should follow the Hippocratic oath of first do no harm but be prepared to respond as events and issues unfold. If the rural poor tends to be less educated and sophisticated in the ways of the new world, it may be a double edged sword as the Asian crisis has shown that psychological, confidence and over reaction to contagion and market sentiments can trigger ruinous effects. Educating the rural poor to globalisation is no less important as they should in time be savvy and able to grasp the backlash themselves without demonizing globalisation as in throwing out the baby with the bath water.

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