Are South Asian countries ready to meet the targets of SDGs by 2030?

Selim Raihan

Sustainable Development Goals (SDGs) include 17 goals with 169 targets. Given the very wide coverage of SDGs and the weak performances of the South Asian countries under the MDG period (see Raihan, 2017a), the prospect of the South Asian countries to meet the targets of SDGs by 2030 remains a big question.

How should we read the SDGs as far as the priorities of the South Asian countries are concerned? In my view, SDG 7 (affordable and clean energy), SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation, and infrastructure) are at the heart of priorities mainly because of the fact that South Asian countries have national priorities which are aligned with these SDGs, and more importantly these three SDGs have strong linkages with other SDGs. Let us first look at the status of South Asian countries with respect to these three goals.

For SDG 7, in terms of access to electricity, the data on the current status of the South Asian countries are rather misleading. Both Bhutan and Maldives have 100% of the population with access to electricity. Both Pakistan and Sri Lanka have the access ratio of over 90%. India and Nepal have ratios of 79.2% and 85% respectively. Bangladesh has the lowest access ratio of 62.4%. However, these numbers do not match with the scenarios of severe power shortages and lack of quality electricity supply in countries like Bangladesh, Pakistan, Nepal, Afghanistan, and India. Therefore, effective access to electricity in these countries is much lower than the official figures.

In case of SDG 8, if we look at the South Asian countries' growth experience, the data from 1980 to 2015 shows that there are marked differences among these countries. While Bangladesh and India have been growing at much faster rates, Sri Lanka has been growing at a slower rate, Nepal's growth has been stagnant, and Pakistan's growth rate has been on a declining trend. Also, in terms of volatility of the growth rate, Bangladesh has the least volatile growth compared to other South Asian countries. Empirical studies have shown that there are numerous challenges to growth acceleration and growth maintenance in South Asia. For further growth acceleration and sustaining high growth rates, South Asian countries need to invest quite significantly on improvement in human capital, faster exports, improve infrastructure, reduce the cost of doing business, promote FDI and improve the quality of institutions.

Despite large prospects of gains from deeper regional integration, South Asia is considered as one of the least integrated regions in the world. Regional integration initiatives in South Asia so far have not seen significant success due to a number of economic and political economy factors. It is argued that there is a need to overcome non-tariff issues, promote services trade, enhance investment cooperation, smooth trade and transport facilitation, and promote energy cooperation. All these should be guided strongly by the political will of the leading countries in the region. The dominant development agenda in the present era is on the SDGs. There are reasons to argue that South Asian countries are yet to be ready to meet the targets of SDGs by 2030. In this regard, there is a need for extraordinary efforts and a strong political commitment to implementing the SDGs in South Asia. Most of the South Asian countries are passing through the window of opportunity of the demographic dividend. It is a big challenge to make the best use of such demographic dividend. The critical policy areas that can make the difference include investment on youth development, expanding access to family planning, and investment in infrastructure, public health, education, especially female education and skill development.

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Breaking barriers to regional integration in South Asia

Martin Rama

South Asia is the least commercially integrated region, with also minimal exchange of intra-regional foreign direct investment. Looking at the current fragmentation, it would be easy to forget that South Asia’s borders evolved fluidly under successful empires, in long cycles of prosperity and decline. A shared history that dates back over centuries establishes a heritage of common social, cultural and linguistic practices across countries. There is remarkable ethnic diversity all across the region, yet there are large homogenous groupings in terms of linguistics, religion or customs, that span across borders. More recently, it is worth noting that almost half of South Asia’s migrants are from other countries in the region.

There are two important reasons why greater South Asian integration would be highly desirable. Economic integration contributes to growth and supports convergence in living standards. From that perspective, regional integration can be a driver of greater prosperity. But in addition, countries that trade and do business with each other have fewer incentives to embark in conflicts with each other – this is the so-called ‘liberal peace’ argument. These two reasons become more relevant when considering that South Asia is home to a third of the global poor, and is also highly vulnerable to conflict.

While peace and prosperity are uncontroversial aspirations, making progress towards a more integrated South Asia raises important practical challenges. And some of these challenges go beyond the complex short-term political dynamics often putting South Asian countries at loggerheads with each other. Indeed, the medium-term gains and losses from greater regional integration are different across countries and across sectors. In some cases, there are clear win-win solutions, but in others there could be winners and losers within each country, and yet in others the gains may not be large enough to sustain effective collective action.

Power is the obvious win-win sector, thanks to two remarkable complementarities. Within the year, summer is the period with the highest electricity consumption across the region, and it is also when snow melts in the mountains. From a longer term perspective, India currently has enough electricity generation capacity to help address the power shortages faced by other countries in the region, but in the future, excess generation capacity could be set up with Nepal and Pakistan. These two complementarities, seasonal and longer-term, provide a solid foundation to develop electricity trade in the region. Besides, electrons crossing borders does not raise any of the security concerns slowing down regional integration in other sectors.

The situation is more complex in relation to trade. While other parts of the developing world have gone through substantial trade liberalization processes over the last couple of decades, South Asia is still characterized by a restrictive trade regime. In fact, the region has the second most restrictive index after Sub-Saharan Africa. Tariffs remain high, and there are similarly high non-tariff barriers, in addition to poor logistics and complex administrative procedures. India is often singled out as the country in the region with the highest non-tariff barriers, but the situation is similar across most South Asian countries.

Removing tariff and non-tariff barriers with the rest of the region would not have a major effect on trade balances, but some countries would lose in terms of efficiency, as trade would be diverted away from more efficient sources. Importantly, in all countries there would be a significant variation in damages upstream, where, with domestic producers in some of the sectors doing better and others doing substantially worse. Impacts would not be large – in relative terms – in India’s case, but they could be significant in some of the other countries in the region. And the prospect of significant losses may create strong opposition to further intra-regional trade liberalization.

Water is another area where regional collaboration could, at least in principle, yield significant gains. South Asia is severely exposed to the risks of droughts and floods, with over 600 occurrences of floods and droughts affecting almost three billion people since the year 1900. Moreover, a large fraction of South Asia’s population lives around river basins. With many of these people being poor, actions that could contribute to stabilizing water flows downstream could make an important difference in living standards. Yet, in reality most flooding is monsoon-related and linked to local tributaries and broken embankments, rather than to upstream snow and ice melt. And with most dams upstream being run-of-the-river, the prospects to durably stabilize water flows through greater regional collaboration are constrained.

A clear understanding of the matrix of gains and losses from regional integration is useful to chart a way forward. On electricity, the focus should be on establishing the required transmission infrastructure across countries and adopting compatible pricing and dispute resolution mechanisms. On trade, there should be greater clarity on who the winners and losers would be, so as to design appropriate transition paths. Because any negative impacts would be smaller from its point of view, India could afford to offer generous trade deals to other countries in the region as a way to overcome resistance. On water, building a common understanding of river basin dynamics and sharing hydromet information across countries are prerequisites for substantive collaboration in investments.

In all cases, it is important to keep the fundamental asymmetry for characterizing South Asia in mind. Given India’s size relative to the other countries, the regional setting is more similar to that of NAFTA than to that of the EU or ASEAN. Addressing the concerns that this fundamental asymmetry brings about requires overcoming the current trust deficit between countries. This is where the shared history and culture of the region can play an important role. While regional integration will require action in relation to electricity, trade and water, the key to success may be in fostering and nurturing people-to-people exchanges, so as to build trust and overcome the resistance to greater integration.

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The current globalization backlash should not dissuade South Asian countries from a stronger export orientation

Robert Beyer

South Asia is not highly integrated into global trade and pressures against international trade are mounting. Anti-trade moves are on the rise and the future of trade policies is uncertain. In this light, it is a legitimate question whether South Asian countries should focus on exports as a driver of growth. The arguments and analytical results provided in this short article are based on the last South Asia Economic Focus (World Bank, 2017).

The prospects for South Asia are better than it seems. First, the stalled mega-regional trade agreements TTIP and TPP did not include any South Asian countries and were hence expected to reduce South Asia’s competitiveness vis-à-vis the competitors included in the negotiations. Research about the economic effects of the agreements concluded that they would have negative repercussions for South Asian countries (Al Amin, 2015; Rahman and Ara, 2015; Faruqui, Ara and Acma, 2015; Narayanam and Sachin, 2016; Ganesh-Kumar and Chatterjee, 2016; Gilbert, Furusawa, and Scollay, 2016). For example, as a consequence of TPP, apparel exports from Vietnam to the US were expected to increase strongly, at the expense of exports from Bangladesh. Second, simulations of hypothetical new trade barriers applied across the board with the World Bank LINKAGE model suggest that the negative repercussions on South Asia would be limited. Third, simulations of hypothetical new trade barriers applied selectively show that these may create opportunities for South Asian countries to benefit from trade diversion. For example, if the US were to increase its tariffs for imports from China and Mexico by 10 percentage points, exports of South Asian countries to the US are estimated to increase by up to 13% in the case of Bangladesh. The extent to which the increase in exports to the US will cause higher overall exports and eventually benefit GDP growth, depends positively on the elasticity of domestic supply.

The gains from export diversification in the trade diversion scenario can be assessed with the help of a microeconometric trade model developed by Kee and Nicita (2017). This model yields estimates of how much US imports from different countries of about 6,000 products change, when prices change. Using the same example as above, when US imports from China and Mexico decline, the crucial question is who else is supplying these products. Currently South Asia is not exporting many of the products that China and Mexico are selling in the US market. If South Asian countries only expand their market share in products they are already exporting, the overall gains from trade diversion are rather small. If South Asian countries are able to start exporting new products, on the other hand, the gains are far greater. The relatively strong concentration of exports in most South Asian countries is to some extent the result of
Making the best use of the demographic dividend in South Asia: The role of women and social policy

Ipsita Pal

South Asian countries are experiencing a demographic transition albeit at different rates – a period of high fertility and declining infant mortality leading to a large cohort of surviving children and a subsequent decline in fertility rates ensuring that by the time this cohort enters the prime age for working and saving (15 to 64 years), the ratio of the working age population to the dependent population is declining. Such a change in the age structure of the population can lead to rapid economic growth and is referred to as the demographic dividend (see Bloom, Canning and Rosenberg (2011) for an excellent discussion of the relationship between economic growth and demographic transition as well as comparative evidence from the different South Asian regions). While there is no doubt that demographic transition is a certainty, the demographic dividend is not. It is estimated that an average of 18 million people will enter the working-age population of South Asia every year for the next two decades with the ratio of working-age to non-working age population expected to peak in 2040 (Bloom et al 2011). Whether and how countries plan to utilize the productive capacity of this large working age population could make all the difference in whether they translate the demographic transition into a period of demographic dividend or end up with a missed opportunity.

Several conditions are necessary to harness the forthcoming demographic opportunity. I would like to draw your attention to the role of women and the role of social policies in South Asia’s demographic transition. I will be focusing mostly on India since India faces a contradictory situation in terms of this demographic opportunity –one the one hand, it will account for the single largest addition of working age population between 2010 and 2050 worldwide and empirical evidence suggests that changes in the age structure has not only driven a significant portion of the growth acceleration that India experienced since the 1980s, but it could also add about 2 percentage points per annum to India’s per capita GDP growth over the next two decades (Aiyar and Mody, 2011). On the other hand, its female labor force participation rate, at 27%, remains one of the lowest in South Asia and has also been declining in recent times, from around 35% in the 1990s and early 2000s (ILO, 2015 cited in Andres et al 2017). Without the full participation of (almost) half of the working-age population, South Asia more broadly and India in particular, stands to miss a great window of opportunity or at least fail to fully utilize its potential. Moreover, not only does declining labor force participation of women indicate an underutilization of the working age population, women’s detachment from the labor force could also lead to increases in fertility and thus be counterproductive to a demographic dividend.

A few key issues come up again and again in the research and discussion of women’s labor market participation, and some though not all of them can be addressed through stronger social policies. At the core of these issues is the cultural barriers to labor market participation and re-entry for women in South Asia. The norms around women’s work are such that when household incomes increase, women are no longer seen to need to work. Thus not working becomes a gendered indicator of higher social status. This might explain why researchers find that increasing stability of family income to be a disincentive for women’s participation (Andres et al 2017). It also tells us why education and skill-building in and of itself may not be enough for increasing women’s labor market attachment. Changing the cultural narrative surrounding women’s and girls’ role in society is a long term effort but there is encouraging evidence suggesting that policies that encourage female leadership such as India’s system of quotas for women in village councils raise aspirations of and about teen girls and helps to decrease time spent in domestic chores (Beamann et al 2011). This brings me to the second and related issue of unpaid domestic work and caregiving responsibilities (both children and the elderly) that are largely the domain of women. Recent research based on time use data from India shows that the average female adult spends 22 hours in paid work and 40 hours in unpaid household work or childcare whereas the average male adult spends 55 hours in paid work and 3.5 hours in unpaid caregiving or domestic work (see www.countingwomenswork.org). There is much we can learn from other countries in this regard. The rise in labor force participation of women in Nordic countries, for instance, has been driven in large part by policies to support caregiving such as parental leave and publicly provided or funded child care. India’s new maternity leave policy that mandates 26 weeks of paid leave is, in some ways, a step in the right direction since it will ensure that new mothers do not drop out of the labor force at childbirth, the most critical time from the point of view of labor market attachment for women. However, the policy is not gender neutral and this is problematic because it might discourage employers from hiring women of childbearing age, especially in the absence of strong policies on employment discrimination. As South Asian countries commit to and move towards the Sustainable Development Goals, harnessing the underutilized potential of women would be a necessary condition to attaining the demographic dividend. I encourage researchers and policy makers to look into the role of women and supportive social policies to best utilize this moment of demographic opportunity.

References


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The World Bank Group South Asia Region Social Development

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Economy (QRBE) was successfully held on June

SANEM’s QRBE: June, 2017

held at The Westin, Dhaka

The 20th Annual Conference on Global Economic Analysis was held on June 7-9, 2017, at Purdue University, Indiana, USA. The three-day conference, themed “Global Economic Analysis in the 21st Century: Challenges and Opportunities”, was organized by the Center for Global Trade Analysis, Department of Agricultural Economics, Purdue University, with the goal of promoting the exchange of ideas among economists conducting quantitative analysis of global economic issues. In the conference, Dr. Selim Raihan, Executive Director, SANEM and Professor, Department of Economics, University of Dhaka, presented his paper on “The Macro Impact of Microfinance in Bangladesh: A CGE Analysis” in the session: “Economic Growth in Asia”. Dr. Raihan also chaired the session on: “Regional Policy Analysis” in this event.

SANEM’s Quarterly Review of Bangladesh Economy (QRBE) was successfully held on June 16, 2017 at The Westin, Dhaka. The core objective of this QRBE was to present SANEM’s views on critical policy areas which the country needs to address in its journey towards attaining the middle income country status. This June 2017 QRBE presented SANEM’s reflections on the proposed national budget. Dr. Selim Raihan, Executive Director, SANEM and Professor, Department of Economics, University of Dhaka, identified some key areas of concern including sluggish trend of private investment, gloomy job creation, slowdown of export growth, fall in remittances, repeated scams in public and private banks, implementation of new VAT law, which were expected to be addressed clearly in the proposed national budget. After the presentation, an open discussion session was held where the audience and journalists exchanged their views with the experts from SANEM on the proposed budget.

SANEM is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. Launched in January 2007 in Dhaka, it is a network of economists and policy makers in South Asia with a special emphasis on economic modeling. The organization seeks to produce objective, high quality, country- and South Asian region-specific policy and thematic research. SANEM contributes in governments’ policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities and individual researchers.

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