

SOUTH ASIA: THE NEXT ECONOMIC FRONTIER?

Three great development waves have swept over Asia in the last five decades. The *first* wave started in Japan in the 1940s and 1950s when Japan combined its cheap labour with education and technical skills and took over rapidly the global markets in the export of low and medium technology consumer goods. A recent World Bank study concluded that 85 per cent of the wealth of Japan consisted of human and social capital. The very success of Japan and its rising economic prosperity and real wages obliged it later on to move to higher technology production and to capital goods exports. Then came the *second* wave as the low-income East Asian societies stepped into this growing void in the 1960s and 1970s, following the same simple but brilliant model where low wages become a powerful engine of competition and growth as they are combined with an educated and skilled labour force and open economies. The *third* wave emerged in China in the 1980s and 1990s, and still continues unabated, based on similar human development models as followed by Japan and East Asian industrializing tigers in the past.

An intriguing question remains: will the *fourth* great wave of development touch the shores of South Asia? Can South Asia, including Pakistan, become the next economic frontier in the 21st century? Or will it miss the opportunity once again, as it has done so often in the last 50 years ?

The model for accelerated development is both available and inviting. It is based on four pillars: skilled human capital, high savings and investment, open economies and good governance. The most critical element in such a development model is a liberal investment in basic education and technical skills. This converts the poverty of a country from a liability into an asset as low wages are combined with technical skills to conquer global markets. Globalisation thus turns into an opportunity, not a threat, since poor economies are able to leapfrog several decades of development by taking advantage of expanding global markets. This is the lesson to be drawn from the first three

waves of Asian development, despite the recent financial problems of East Asia. East Asia is like a well-built, speedy car which has developed a flat tyre, and this tyre is likely to be fixed fairly soon. South Asia is still a bicycle economy, and absence of a puncture is no cause for celebration. The real challenge is to convert a bicycle economy into a car economy.

It appears that South Asia is simply not ready for this challenge. At present, one in two adults is illiterate. One in three children are out of school. Two in five children drop out of primary school before completing their studies. Girls spend only one-third as much time in schools as boys. Only one in fifty secondary school age children enroll in technical and vocational programmes – and then they generally emerge with technologies of the past, not of the future.

The quality of education is poor. South Asia has only two-thirds of the teachers actually needed; one-third of the teachers are untrained; only 31 per cent at primary level are females; about 40 per cent of teachers are absent from schools, collecting only their salary cheques and then doing other jobs, as the society pays them even less than domestic servants. It is certainly a very disturbing picture.

As the 1997 and 1998 Reports on *Human Development in South Asia* have pointed out in shocking detail, South Asia – the proud inheritor of great civilizations and the unique blend of many religions and cultures – has emerged by now as the poorest, the most illiterate, the most malnourished, and the most gender-insensitive region in the world. One-half of its adults are illiterates, two-thirds of its children are malnourished, 74 million of its women are simply "missing" through the cruel neglect of their societies. South Asia had started ahead of Sub-Saharan Africa in most education and health indicators in 1950, but it has fallen behind only three decades later. South Asia was marching in step with the East Asian economies of South Korea, Malaysia and other industrializing tigers in 1950, but the East Asian per capita income has now risen 27 times higher than ours.

What really went wrong? Of course, a great deal, including closed economies, low savings, and widespread mis-governance. But the most critical mistake was not to invest in the education and health



of our people. The worst neglect was the neglect of human development. If we wish to prepare our societies successfully for the rapid globalisation of the 21st century, we must invest liberally in basic education for all and in building relevant technical skills. This is not an impossible task. In fact, this can be done in the next 5 to 10 years.

If all children are to be put in primary schools in the next 5 years, this means creating school facilities for 65 million children and training about 2 million additional teachers, preferably three-fourths of them female. The recurrent cost is modest: only \$ 1 billion a year in the next five years, or a mere one-third of one per cent of the combined income of the region. Even if capital expenditure is included, the total additional cost will be less than one per cent of the combined GNP of South Asia. This cost can be reduced even further if governments do most of the funding but leave most of the implementation to NGOs and local communities through non-formal education. For example, home or mosque primary schools in Pakistan cost only 2% as much as government schools to build and take only one-third as much resources to run. In any case, the total investment is modest. There could be no better bargain, no better investment, considering the huge pay-off.

So far as technical skills are concerned, South Asia is emerging as a huge technological wasteland. Less than 2 per cent of secondary school children opt for technical and vocational training, half of them drop out before completing their education, and more than half of those who graduate never get any worthwhile jobs. In a region where skills are scarce, many skilled people remain unemployed because they have the wrong skills for the market demand. South Asia has hesitated to step into new modern technologies of computer science, electronics, informatics and many other fields, for which global demand is expanding by 30 to 40 per cent a year. Wherever South Asian nations have taken a chance on modern technologies – as on computer software in the new silicon valley of Bangalore in India -- their progress has been spectacular. But these are only small oases of hope in a vast desert of technical illiteracy.

The question is often asked: can South Asia finance its great educational transformation? The financial cost of universal primary



education within five years is so modest that the real question is why we are not prepared to pay it. There are many financing options available. Even if military spending is only frozen at current levels for the next five years – not cut but just frozen – this will be enough to finance the entire cost. Many public enterprises can be privatized, retiring expensive domestic debts and releasing much-needed resources to balance budgets and to finance social development.

Even special levies can be placed – for example, on luxury consumption – and earmarked entirely for education by law – as some countries have already done. Foreign donors can be persuaded to allocate more of their assistance to education and earmark more of their education budgets to primary and technical education. Even some external debts can be swapped for investment in education, as many African countries are already doing. Some of the rich expatriates abroad can be encouraged and facilitated to open non-formal schools in areas of their choice through efficient and well-run NGOs.

At the same time, existing development budgets can be recast, with more allocations for education and less for prestige projects. Particularly, the present distorted education priorities must be put right. East Asian industrializing tigers spent 70% of their education budgets for elementary education and 20% for technical education, leaving university education to private initiative with government help. We in South Asia are great specialists in building inverted pyramids, with a narrow base and a wide top -- perhaps thinking that the Pharos had got it all wrong! South Asia devotes only 40% of education budgets to primary education and 4% to technical education. This is a totally flawed strategy, which wastes considerable public resources on universities. Why not persuade business community to contribute to financing private universities by linking their numerous tax concessions to some contribution by them to education and by making educational endowments completely tax-free?

Poverty is no excuse for denying our children the education they deserve. Much poorer societies have higher literacy rates than ours. Kenya and Viet Nam are poorer than South Asia, but their literacy rates are between 80 to 90 per cent. Bangladesh has only half the per capita income of Pakistan yet its net primary enrollment is now



reaching 92%, equally for boys and girls. Many countries have succeeded in achieving universal primary education within a short period of time once they mobilized the necessary political will – for example, Zimbabwe and Cambodia within a period of only three years.

If neither poverty is an excuse, nor our religions a barrier, nor our great cultures a roadblock, then what is the real problem? This is the troubling question our political leaders and our civil societies must ask themselves. For there is a real crisis of governance in South Asia. Between the great promise of South Asia and its present performance falls a dark shadow – the shadow of mis-governance by its ruling elites.

I believe that we have lost so much time and the educational challenge is so urgent that we should seriously consider declaring an *educational emergency* in our countries. Let us make a constitutional provision that all our children will be placed in primary schools in the next five years; that provision of financial resources for this purpose will be regarded as the *first claim* on national budgets; that basic education for every child will be established as a fundamental human right; that every new-born child will be given an education voucher at birth, entitling her or him to basic education for at least five years; that citizens will be given the right to sue their governments in courts if these constitutional commitments are not met. This may sound very drastic but our past neglect demands drastic measures.

We are at the threshold of either a great opportunity or a great disaster. As H. G. Wells reminded us a few decades ago: “Human history becomes more and more a race between education and catastrophe.”

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