

The ASEAN Economic Community Project

Accumulating Capital, Dispossessioning the Commons

Juego, Bonn

Published in:
More or Less?

Publication date:
2014

Document Version
Publisher's PDF, also known as Version of record

[Link to publication from Aalborg University](#)

Citation for published version (APA):

Juego, B. (2014). The ASEAN Economic Community Project: Accumulating Capital, Dispossessioning the Commons. In *More or Less?: Growth and Development Debates in Asia* (pp. 12-19). Heinrich Böll Stiftung. <http://www.boell.de/en/2014/01/22/perspectives-asia-213-more-or-less-growth-and-development-debates-asia>

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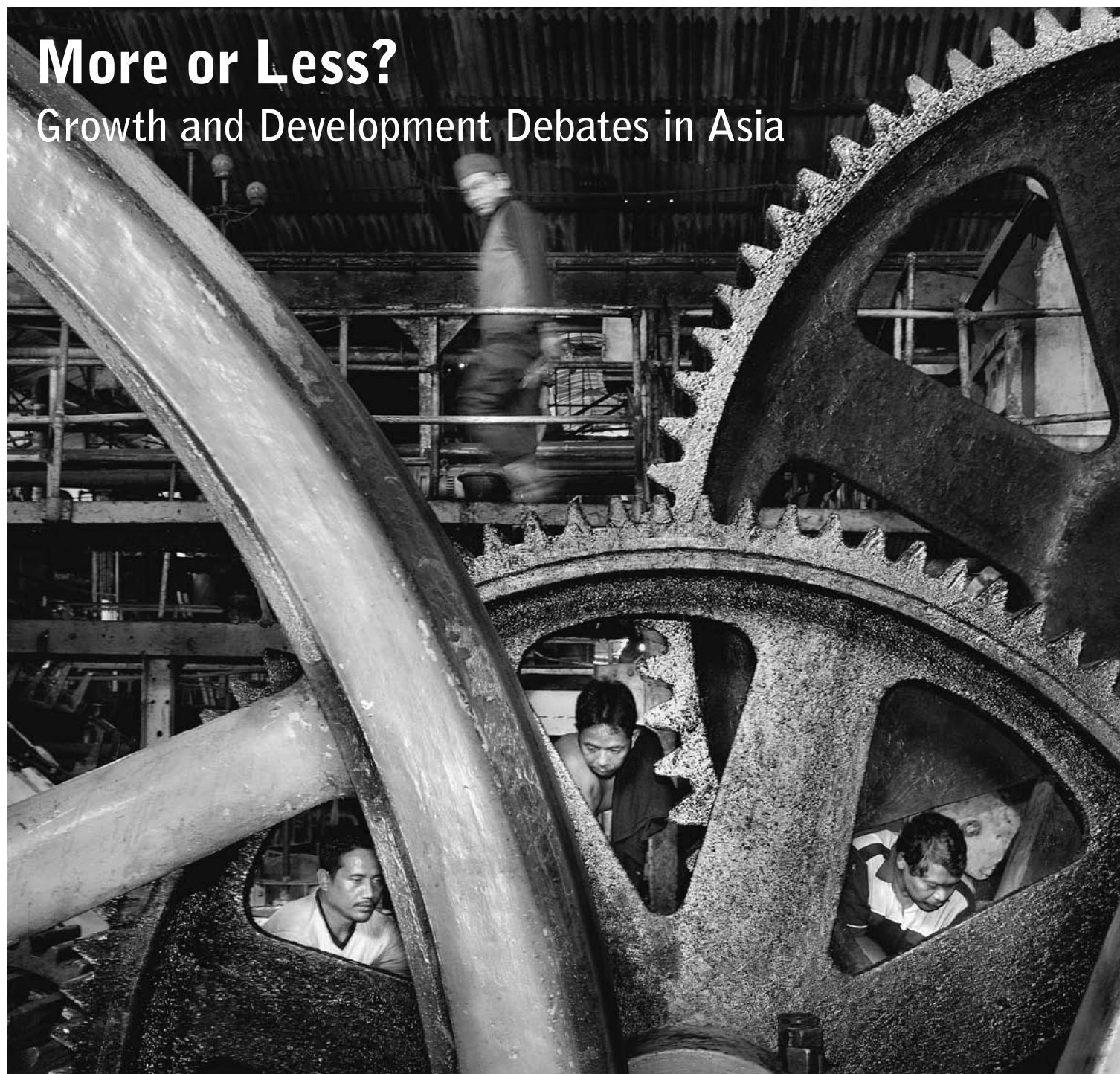
Issue 2
January 2014

POLITICAL ANALYSES AND COMMENTARY

ASIA

More or Less?

Growth and Development Debates in Asia



This edition of **Perspectives Asia** is published jointly by the offices of the Heinrich-Böll-Stiftung in Asia



Heinrich-Böll-Stiftung

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Cover photo Workers repairing steam-powered machinery installed more than a century ago at Pangka sugar factory in the central Java city of Tegal. © Tomasz Tomaszewski

Back cover photo Two men are walking on a muddy road just outside Taman Negara national Park. The road offers loggers access to the giant trees of this virgin forest near Kuala Loh in the state of Kelantan, Malaysia. © James Whitlow Delano

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Introduction

Since the beginning of this millennium, Asia has become the growth engine of the world. Today, Asian economies already generate about 40 percent of global GDP, and the upward trend continues, despite a slow-down of growth in China and India. It is not only economic power that is on the rise; the average per capita income in Asia has tripled since 1990, and the number of people living in poverty has declined by half in the same time period.

Nonetheless, two-thirds of the world's poor live in Asia, and more people suffer from hunger there than anywhere else in the world. The most recent estimates by the Asian Development Bank (ADB) indicate that some 660 million Asians live on less than \$1.25 per day. If we include people whose subsistence is under constant threat, then every other person in the region lives on the brink of poverty.

Extensive investment in infrastructure, education, and social welfare systems is still necessary almost everywhere in Asia in order to improve the situation for individuals, or to allow people to create and share in the prosperity exemplified by Western societies. How can that money be generated and what effect will that have on global development? Will our planet's capacity be sufficient to allow the current four billion people in Asia – or the nine billion people expected to populate the Earth by 2050 – to enjoy a life of dignity and without poverty?

«Many factors indicate that we have reached a turning point in the development of the Western growth model. Continuing on the path we have followed to date has no future.» This was the determination of the German government's Commission of Inquiry in its final report, issued in 2013. The

Asian Development Bank also questions whether the current development model can work, given the statistics on poverty, and is calling for a change in course toward integrated growth that is no longer measured solely by GDP and average income.

This magazine provides a forum for the voices of authors from various Asian countries to express their thoughts on possible development models for the region that could achieve prosperity for all, without doing long-term damage to nature or threatening the subsistence of entire populations.

In his article, Chandran Nair from Hong Kong cautions that Asia should not adopt Western standards of consumption. He advocates for Asians to seek their own path of development that would above all regulate the exploitation of resources. Chinese sociologist Qin Hui sees the solution to the worldwide environmental crisis in rigorous globalization, in which states not only integrate their markets into a globally networked economy, but also set democratic standards that would serve to globalize both environmental protection and social justice. Philippine social scientist Bonn Juego contributes a critical analysis of the growth-oriented economic vision of the Association of Southeast Asian Nations, which, in his view, leads to an even greater marginalization of poor populations in the region.

From Pakistan comes the idea of an Islamic welfare state, and the article from India illustrates how contentious the issue of growth and development models on the subcontinent can be.

Authors writing from the poorest countries in the region – Laos, Myanmar, and Cambodia – are particularly critical of the

traditional growth model and point out its shortcomings. Their assessment is that it produces far too many losers, with one example being how that growth model often leaves the cultural rights of indigenous populations by the wayside.

In addition to the articles on development prospects for Asia, we have also gathered together here voices of people from China, India, Pakistan, and Myanmar, who describe their visions of a good life. For most of those surveyed, material goods were not

at the top of their wish lists, but rather better access to education, a more tolerant and secure society, and equality of the sexes.

Development policies in Asia will have enormous relevance for the rest of the world. This magazine is an invitation to readers to familiarize themselves with the issues under discussion and gain insight into the debates being conducted in the region.

Katrin Altmeyer
Head of Asia Department

Current Growth Debates in Asia

How They Miss the Point

Chandran Nair

In this article, Chandran Nair argues that Asia cannot and should not attempt to replicate the Western consumption-led economic model, which thrives on undervaluing resources. He calls for Asian governments to reject this model and adopt policies that reshape capitalism and challenge the Western liberal narrative of growth and development.

Most of the debates about Asia revolve around its critical and turbo-charged contribution to the global economy over the last two decades. Many of the discussions are also tinged with disbelief at the fast rates of growth, which can only be dreamt about in the developed world.

China is often the center of attention in these discussions, which then swiftly descend into sweeping statements about the shift of economic power from the West to the East and even hubristic ideas about an «Asian century» – whatever that means. A lot of this passes as conventional wisdom and therefore sits comfortably with Asian politicians and business leaders.

What is often missing in these debates is a bit more intellectual honesty to lay bare the ugly underbelly of the consequences of unfettered growth at all costs. This is the false promise that conveniently ignores the high price being paid through subservience to consumption-led economic growth policies, which are in turn reliant on the undervaluing of resources and the externalization of true costs.

The problem is that those on both sides of the debate – both the bulls and the bears – share the same key assumption. They all take it as a given that economic growth, as

measured by GDP, is good, and that therefore high GDP growth is what countries should aim for.

So the so-called debate is really a disagreement over a very narrow issue – will Asian countries continue to grow as quickly as everyone has come to expect? This is seen as all the more important now that shaky Western economies have increasingly pinned their hopes on the emergence of billions of new consumers to bolster demand for their goods. Throughout all this, the real questions people should be asking are never mentioned. Why is high growth the target in the first place, and what is the true price of consumption-led growth? Or should 5 to 6 billion Asians in 2050 aspire to live like people in the West – and is it even possible?

How did we get here?

The notion that growth is good is presented as a god-given fact, but it is really a consequence of a particular ideology, often called «free-market capitalism.» This is an ideology that stresses individual rights but ignores collective welfare, focuses on short-term gains rather than long-term damages, and creates an illusion of progress by hiding the true costs of consumption. It is also the ideology that was pushed on Asian governments throughout the latter half of the 20th century.

For the better part of 50 years, Asian states were told that the path to development follows the establishment of market economies, opening up to trade with – and investment from – the rest of the world, with the rule of law protecting property and contracts, and, ideally, with democratic

elections being held. The payoff would be not only increased prosperity but also improved transparency and accountability, better governance, less corruption, and greater individual freedom. They were told, in sum, that not only could free markets help make everyone richer, they could also help them be better.

Much as the shape of the American financial system was determined by its banks and other institutions – which spent hundreds of millions of dollars on lobbying to free themselves of regulatory constraints – so too across Asia did Western and Asian businesses alike lobby to be allowed to act as freely as possible. In many cases, they did not have to do much persuading. Most Asian governments were desperate for the approval of the Western world and the chance to finally take their seat at the table – a fact supposedly exploited by international institutions (which always happened to be Western-run), such as the World Bank and the World Trade Organization, with «advisory» missions to Asian governments and report cards that praised economies that had liberalized while criticizing backsliders.

Superficially, the results were promising. Export-oriented Asian economies boomed, and with growing levels of affluence came hundreds of millions of Asians able to afford a new life of abundance. But the lie at the heart of free-market capitalism is that the benefits that flow to corporations and, to a lesser extent, the general population are a direct result of continuing to evade the true environmental and social costs of consumption.

As much as markets are extremely effective at doing some things, such as lifting hundreds of millions of people in China out of poverty, they are also extremely bad

at doing others, such as properly reflecting the true price of the vast majority of goods and services we consume. To take just one example, markets will never – on their own accord – factor into the price of timber the cost of the damage done to the environment from collecting it, or the further damage that is done to the atmosphere if it is burned. The plain truth is that companies have every incentive not to pay for the damage they do, because doing so would drastically increase their production costs – and yield no benefits for them. In many cases, this behavior is justified with the argument that the company's savings are passed on to us, their customers.

Of course, the truth is that we still pay the full price of the timber we consume – it is just that we do so in the form of rapidly shrinking forests, polluted air, and the desertification of large parts of the Earth – even as the artificially low cash value of timber encourages us to consume far more

Asian governments remain persuaded enough of the benefits of the free market to continue to allow traditional practices to be pushed aside.

than we should. And what is true of timber is true of oil, food, fisheries, electricity, and practically everything else we consume. The market is even worse at valuing some of our most precious resources, such as clean air and water, because they are largely free. The result is that the average American consumes more than three times the amount of water than the average Chinese, and more than one hundred times more than the average Angolan.

Chandran Nair is the founder and CEO of the Global Institute For Tomorrow (GIFT), a think tank dedicated to advancing an understanding of the impacts of globalization. He is the author of *Consumptionomics: Asia's Role in Reshaping Capitalism and Saving the Planet*, which calls for a new approach to growth and development in the emerging Asian economies.

As a result of its embrace of Western economic models, this overconsumption has spread to Asia as well. In India, still home to a significant number of undernourished people, well over half of the women between the ages of 20 and 69 years old are overweight. In China, the number of people considered to be clinically obese is approaching 90 million people, with forecasts suggesting the number will rise to 200 million by 2015. Within two decades, two out of three people in the country will be overweight or obese, the same proportion as in the United States now.¹

Asian governments remain persuaded enough of the benefits of the free market to continue to allow traditional practices, often frugal ones, to be pushed aside. In India, more and more people are replacing vegetarian diets with meat ones, much to the satisfaction of the food industry. Average meat consumption per person is currently six grams a day; the Ministry of Food Processing Industries sees that rising to 50 grams within a decade or so. «When such a phenomenal increase in meat consumption occurs,» says a ministry spokesperson, «the sector will witness a tremendous growth.»

Why any of this matters – Asia and the world

It is precisely this «tremendous growth» that we should be worried about. What free-market advocates simply refuse to either accept or acknowledge is that the economic model they revere more or less works only when a relatively small proportion of the world population is using it. Asia's population, by contrast, is currently well over 4 bil-

lion. It will likely be 6 billion by 2050. The consequences of a full-scale emulation of 20th century Western habits of consumption by this number of people would be catastrophic. Which means that, ironically, the pundits are correct to say that whatever happens in Asia will determine what happens in the rest of the world in the 21st century.

To take just one example, there are currently a billion cars on the road.² More than 60 percent of oil produced in the world already goes toward transportation.³ Were China and India to reach Western levels of car ownership, as they are currently being actively encouraged to do, they would have two billion cars between them.⁴ Just keeping that number of cars on the road would require 120 million barrels of oil a day, four times OPEC's current output,⁵ to say nothing of the disastrous effects that a total of three billion cars would have on the environment and infrastructure.

To return to the earlier example of meat consumption, equally important is the choice Asia decides to make regarding its approach to agriculture. The same agricultural chemicals that prevented mass starvation in the developing world during the so-called Green Revolution are now being overused to the point where they are actually damaging the fertility of huge swathes of agriculture land.

The broad-based dependence of today's agriculture on chemicals often comes as a shock to the uninitiated. The agrochemical industry is worth an estimated \$125 billion a year worldwide – an amount that may double within the next five years.⁶ (By comparison, India and China spend just \$60 billion educating a combined 36 percent of the world's population.⁷)

Fertilizer use has increased by a factor of five worldwide since 1960. It has increased by a factor of 55 in China, where 1.3 million tons of pesticides are also used every year. In India, levels of fertilizer application have risen from less than 1 kg per hectare in 1951 to 133 kg in 2011.⁸ As a result, the Food and Agriculture Organization of the United Nations estimates that a staggering 25 percent of the world's total landmass is highly degraded⁹ – including 50 percent of India's land¹⁰ and 37 percent of China's.¹¹

The social costs of overconsumption are equally great. The forced urbanization of hundreds of millions of Asians is driven in large part by the false belief that more city-dwellers will mean more middle-class consumers. As a result, 60 million people will be added to slums this decade on top of the 825 million already living in such places. And, despite being home to just over half the world's population, cities account for more than 70 percent of its waste¹² and greenhouse gases.¹³

The flip side is that the billions of Asians who continue to reside in rural areas are largely neglected. In China, for example, less than 10 percent of government spending in the 1980s and 1990s was allocated to the rural economy, despite the fact that the rural economy supported 75 percent of its people.¹⁴ In India, 400 million rural citizens have no electricity in their homes.¹⁵

Adhering to current policies of consumption-fueled growth has brought middle-class affluence to many people across Asia – probably hundreds of millions, and perhaps even more. But their ranks will be far outnumbered by the many more across the region – especially those living in rural areas or recent migrants to Asia's ever-growing number of

megacities – whose lives will be devastated by a lack of water and desertification, extreme weather, rising sea levels, and the other impacts of climate change and environmental degradation. For them, the era of American-style consumption will never arrive.

Why technology is not the answer

At this juncture it is worth briefly mentioning technology, which has become the modern *deus ex machina* whenever we are confronted with problems that require difficult solutions. Technology will almost certainly be a key part of creating a sustainable future, but it will not be the only part. Technology will certainly not produce the results we want if we continue to invest hundreds of times more money into ever-more destructive methods of consumption, such as fracking, than we do into sustainable technologies such as renewable energy, carbon capture, and energy-efficient industry. It is also worth remembering that the

Whatever happens in Asia will determine what happens in the rest of the world in the 21st century.

technological revolutions of the past have been based on the discovery or exploitation of new resources, such as the revolution in production brought about by the advent of coal-powered industry, or the revolution in agriculture that came from the invention of chemical fertilizers. It remains to be seen what technology will be able to do if our resources run out.

What, then, is to be done?

The problems confronting us today are many. The efforts to find a solution must likewise be many. On the policy front, one obvious solution would be for markets to be more properly regulated. This is nothing new, but the vast majority of regulation has been either ineffectual or misguided. In many countries, regulation with respect to automobiles places a floor on a vehicle's fuel efficiency, but no major country places a limit on the number of cars allowed on the road. Similarly, the majority of chemical manufacturers follow strict guidelines regarding their production processes to ensure the safety of their products, but no nation limits the total amount of harmful chemicals it allows to be produced and dispersed into the environment. This kind of regulation is rather like missing the forest through the trees.

Young people must be given the intellectual tools to come up with solutions and then given the power to implement them.

Governments must take an honest look at the sustainability of current levels of production and place appropriate constraints on society where necessary. The misguided forced-urbanization policies of governments must likewise be reversed. They should be replaced instead with an effort to create rural areas that are linked to cities by outstanding infrastructure. Investment in transport, irrigation, communication, and storage would eliminate the appallingly high levels of agricul-

tural waste in many rural areas and enable farmers to produce value-added foodstuffs that consumers pay a premium for. Rural areas would no longer be considered backwaters for poor and uneducated people but would be seen as places with a future and central to the national economy. But it will not be enough for governments to simply impose top-down policies and hope that corporations and individuals abide by them. What is required is also a more fundamental reframing of the public debate so that the current generation will be able to recognize and confront the key challenges of the 21st century. This will involve scientists in Asia ensuring that their research is disseminated to the public through research institutes and the institutions of higher learning. They will need to cooperate with political institutions and the media so that the public become aware of their results and that these are reflected in policy. Business schools will also need a new curriculum that properly equips students with an understanding of economic history and policy rather than inculcating into them long-discredited ideas about efficient markets. Young people must be given the intellectual tools to come up with solutions and then given the power to implement them. A less hierarchical corporate structure would be a good start. For all that the West purports to stand for democracy, it also tolerates an unabashedly dictatorial corporate system where junior staff have absolutely no say in setting company policy. This is not a model that can accommodate the kind of drastic changes in corporate structure and culture that must be implemented if continued environmental destruction is to be avoided.

The fact that such solutions exist is cause for optimism. However, as with any addiction, the first step is acknowledging the problem. When it comes to our addiction to consumption, the treatment is no different. Government and business leaders must have the courage to wake up and face the reality of the situation before any real progress can be made. ■■■

¹ Chinese obesity statistics from <http://www.urbanatomy.com>; Indian ones from Imprimis Knowledge Series III, Fact Sheet: Obesity in India, page 3; available at: <http://www.imprimispr.com>.

² Daniel Sperling and Deborah Gordon, Two Billion Cars Transforming a Culture, *TR News* No. 259, November–December 2008; available at: <http://onlinepubs.trb.org/onlinepubs/trnews/trnews259billioncars.pdf>.

³ Paul Tullis, «Peak Oil» Is Back, but This Time It's a Peak in Demand, *Bloomberg Businessweek*, May 1, 2013; available at: <http://www.businessweek.com/articles/2013-05-01/peak-oil-is-back-but-this-time-its-a-peak-in-demand>.

⁴ <http://data.worldbank.org/indicator/IS.VEH.NVEH.P3>.

⁵ Daniel Tencer, Number of Cars Worldwide Surpasses 1 Billion; Can the World Handle This Many Wheels?, *Huffington Post*, August 23, 2011; available at: http://www.huffingtonpost.ca/2011/08/23/car-population_n_934291.html and Nayla Razzouk, Maher Chmaytelli & Grant Smith, OPEC Keeps Output Target Unchanged, Content With \$100 Oil, May 31, 2013; available at: <http://www.bloomberg.com/news/2013-05-31/opec-keeps-output-target-unchanged-content-with-100-oil.html>.

⁶ <http://www.businesswire.com/news/home/20120419005832/en/Research-Markets-Analyzing-Global-Agricultural-Chemicals-Industry>.

⁷ http://www.gov.cn/2012lh/content_2093446.htm.

⁸ Fertiliser Use on the Rise in India, Soil Health Deteriorating, March 22, 2011; available at: http://articles.economictimes.indiatimes.com/2011-03-22/news/29174681_1_soil-health-chemical-fertilisers-soil-test-based.

⁹ Nicole Winfield, U.N. Food and Agriculture Organization Warns 25 Percent of Land Highly Degraded, *Huffington Post*, November 28, 2011; available at: http://www.huffingtonpost.com/2011/11/28/un-food-agriculture-organization_n_1116039.html.

¹⁰ Government of India, Ministry of Environment and Forest, State of Environment Report, 2009; available at: http://www.envfor.nic.in/mef/State%20of%20Environment%20Report_2009.pdf.

¹¹ UN News Center, Land Degradation among China's Food Supply Challenges, Says UN Expert; available at: <http://www.un.org/apps/news/story.asp?NewsID=37151&Cr=food+security&Cr1=#.UIC5V1HvoS4>.

¹² New Tool Helps Cities Assess Progress toward Zero Waste, *Green Biz*, May 1, 2013; available at: <http://www.greenbiz.com/blog/2013/05/01/new-tool-helps-cities-assess-progress-toward-zero-waste>.

¹³ A Global Opportunity for Cities to Lead, Climate Leadership Group; available at: <http://www.c40cities.org/whycities>.

¹⁴ Dennis T. Yang, Urban-Biased Policies and Rising Income Inequality in China, *The American Economic Review* 89 (2): 306–310. May 1999, retrieved September 16, 2011.

¹⁵ <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTENERGY2/0,,contentMDK:22855502~pagePK:210058~piPK:210062~theSitePK:4114200,00.html>.



HONG KONG

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From 9 o'clock in the morning until 7 o'clock in the evening, Mr. and Mrs. Lau, both in their early 40s, collect batteries, electric motors, wire, and other waste materials to recycle and resell. At their tiny warehouse space in Mongkok, one of Hong Kong's most crowded districts, Mr. Lau repairs whatever equipment he can, then sells it along with the other materials the couple has gathered to nearby hardware stores and garages.

Despite the smell and the dirt, every day the couple makes an effort to find time to eat and watch television together in what after 20 years has become their sanctuary. «Sometimes life is hard, but I'm the big boss of our «cozy» cave, and here we can live our lives in our own way,» says Mr. Lau.

The ASEAN Economic Community Project

Accumulating Capital, Dispossessing the Commons

Bonn Juego

Since the end of the 1990s, ASEAN has been working toward a vision of a political, economic, and social alliance. But how realistic is achieving that ambitious goal, given the tremendous heterogeneity of the region? ASEAN unites countries at vastly differing levels of development. Author Bonn Juego takes a closer look at the ASEAN Vision 2020 platform, as well as the ongoing debate about it in the individual member states. He examines the potential of this ASEAN program, which is aimed at equal participation in society and the equitable distribution of economic resources, and concludes with some thoughts on how those rights could be ensured.

On December 15, 1997, the heads of states and governments comprising the Association of Southeast Asian Nations (ASEAN) agreed on the region's vision for the year 2020 to realize fully a «Zone of Peace, Freedom and Neutrality,» a «Partnership in Dynamic Development,» and a «Community of Caring Societies.»¹ This «ASEAN Vision 2020» thus provided the general framework for the subsequent Bali Concord II in 2003, which defined the three pillars that the «ASEAN Community» is built upon: a political-security community, an economic community, and a socio-cultural community.² With an air of confidence during the 12th summit in 2007, the state leaders signed the Cebu Declaration to accelerate the integration process – thus hastening the group's desired realization of the ASEAN Community by 2015.³ The ASEAN Charter entered into force on December 15, 2008, as the institutional

foundation of all the regional integration declarations and plans of action. It serves as a legally binding agreement among the 10 member states of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. At the heart of the envisioned ASEAN Community is the expressed commitment to the creation of a highly competitive and globally integrated ASEAN Economic Community (AEC) by 2015 – whose blueprint was adopted in 2007 – through the establishment of norms, rules, and institutions of free-market capitalism for goods, services, investments, money, and labor.⁴

Two years before 2015, academic debates and policy analyses have mostly centered on the questions of how, why, and why not AEC targets will be realized. On the one hand, the ASEAN Secretariat continues to coordinate implementation mechanisms and remains relatively upbeat, or at least hopeful, about the integration goals, noting recently that ASEAN has already implemented «79.7 per cent of measures under the AEC Blueprint as of 15 August 2013.»⁵ On the other hand, several analysts have assessed serious constraints on deepening the AEC process due to a combination of complex and interdependent factors, such as the absence of public legitimacy, the institutional deficiency of the Secretariat, the non-committal and non-compliant behavior of member states, the ostensible skepticism toward regional integration arising from the prolonged crisis of the European Union, and the *realpolitik* of entrenched vested interests in varying domestic political economies.⁶

Yet, understanding the AEC project appears to be more important now than making prognoses about the 2015 target.

The year 2015 is only symbolic, at best, of a much deeper ideology being used by particular sections of the elite class and social forces to advance their specific worldviews for the preservation and promotion of their material interests. To complement existing debates, it is thus a worthwhile analytical endeavor to examine the *ideas* and *interests* behind the AEC. In doing so, the task is to address the *problematique*: What does the AEC project mean for socio-economic development and democratization, particularly for the general well-being of the peoples and environments from society to society in the region of Southeast Asia?

In this paper, I attempt to unpack the AEC Blueprint to reveal the project's neoliberal capitalist strategy of «accumulation by dispossession,» whereby the drive for the acquisition of more wealth and power by the economically wealthy and politically powerful necessitates the deprivation of the peoples' collective rights and access to the economic, political, social, and ecological commons.⁷ I therefore offer a critical reading of the AEC project in the analysis, specifically its agenda for the establishment of a competitive single market, and conclude with some important pointers on forging an alternative regionalism process for Southeast Asia's development and democratization.

The AEC competitive single market: Accumulation by dispossession

The AEC project is an institutional blueprint based on the ideology of neoliberalism, which is designed to guide the continuation

of the process of neoliberalization in Southeast Asia. True to its neoliberal character, the AEC fundamentally embodies capitalist social relations and values that put priority on the private over the public, on profits over peoples, and on markets over the commons in the organization and governance of the economy, the polity, the society, the ecology, and the whole of humanity. This is evident in the crafting of the «inter-related and mutually reinforcing» characteristics of the AEC vision for an economic regional bloc: a single market and production base, highly competitive, equitable, and fully integrated into the global economy.⁸

The centerpiece of the AEC is the project to build a competitive single market whose core elements are the free(r) flow of goods, services, investments, capital, and labor. Immediately after the adoption of the AEC Blueprint and the Charter, a series of trade and investment agreements by ASEAN have been signed and adopted within Southeast Asia itself and with Australia, New Zealand, South Korea, India, Japan, and China. These are institutionalized commitments to the management of the neoliberal order through the furtherance of free trade, competitiveness, and an open market economy. ASEAN's unwavering embrace of neoliberal capitalism is telling of its envisioned development paradigm for the present and future shape of the region's economies. In fact, it is in the contexts of the region's obvious vulnerability to ecological, climate-related disasters and neoliberalism's three successive major economic crises in the last decade – the 1997 Asia crisis, the 2001 dot-com bubble collapse, and the 2008 Atlantic crisis – that a daring project for a competitive ASEAN

Dr. Bonn Juego, a Filipino scientist, wrote his PhD dissertation on the political economy of capitalist development in contemporary Southeast Asia. Currently, he is a postdoctoral researcher at the Department of Asian and International Studies, City University of Hong Kong, and a guest researcher at Global Development Studies, Aalborg University, Denmark.

single market by 2015, patterned after the rules-based European Union, has been launched and is being pursued.

By authoring their accession to the AEC, states have effectively locked themselves in the disciplines of neoliberalism and its attendant principles and policies of privatization, liberalization, commodification, and other market-oriented governance reforms. Through a top-down approach, state leaders have committed their respective governments, economies, communities, peoples, and resources to economic activities that are led by and centered on the interests of the private sector – interests that are not necessarily reflective of, or leading to, the welfare of the commons. Underpinning this process of forming a region-wide economic bloc is the strategy of «convergence club,» which focuses on policy reforms and institutional restructuring at the level of national states in line with the logic of – and in preparation for – global

The centerpiece of the AEC is the project to build a competitive single market whose core elements are the free(r) flow of goods, services, investments, capital, and labor.

competitiveness.⁹ The domestic economies of these states will have to simultaneously cooperate and compete with each other so as to secure the conditions for free trade, circulation of money, and production systems conducive to the survival and expansion of the region's capitalist market.

At a regional level, a key challenge for the convergence club model is to resolve an emergent two-tier bloc between the relatively more globally integrated ASEAN-6 (Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand) and the latecomers (Cambodia, Laos, Myanmar, and Vietnam). ASEAN recognizes this «development divide,» and hence the AEC is considered both the means – through its Initiative for ASEAN Integration – and the ends for accelerating and realizing the regional integration process.¹⁰ However, an even greater challenge to the creation of the single regional market appears to be the specificities of domestic socio-economic formations, characterized by a diverse nature of capitalist regimes, or the so-called varieties of capitalism, with historically entrenched political-economic elite class interests from country to country.

Although the ASEAN Community vision respects and keeps *diversity* in the political-security and socio-cultural pillars, its agenda for the economic sphere is one of *unity*. This means that the master plan for the modernization of Southeast Asia's accumulation structure – through the formation of competing states and competitive economies within the single market – entails the fact that capitalism can be accommodated to or embedded in: (a) different political regimes (from authoritarianism in Singapore and elite democracy in the Philippines to monarchy in Brunei and military rule in Myanmar); (b) disparate economic structures and levels of development (from Malaysia's exported-oriented industrialization and Thailand's newly industrializing economy to Vietnamese-style central planning and Laotian pastoralism); and (c) varying cultural orientations (from Indonesian Islam to Cambodian Buddhism). This also means that proponents of neoliberalization have strategies to align the neoliberalism ideology with the interests of local elites. Likewise, these established local elites have ways to capture or utilize said ideology in pursuit of their interests in the expansion of their personal stakes as the AEC amplifies the circuit of capital accumulation within and outside the national state while maintaining its class power and social status. In the neoliberal policies of privatization and liberalization, for instance, established domestic elites with access to, or control of, government resources might have the first-mover advantages in business or the needed political connections to secure contracts in the transfer of state assets to private companies and to get illicit support mechanisms – through activities such as rent-seeking and corruption – in opening up a particular economic sector.¹¹ It is because of this adaptability of capitalism to a variegated set of social regimes and the consistently elitist and elite-led nature of neoliberalism that the ideas and interests of the AEC neoliberalization project have to be critically examined.

Free flow of goods

The AEC enjoins member states to continue with the efforts of the ASEAN Free Trade Area toward the goal of zero tariffs and the removal of non-tariff barriers to free trade of goods. Consistent with the ideas of the World Trade Organization – whose aims at regulating international economic relations

imply the limiting of development policy options, especially of developing countries – the AEC rules on the free flow of goods have adverse implications for the prospects of economic development and sustainable development in the countries of the region.

Firstly, the thorough elimination of tariffs and non-tariff trade barriers effectively denies Southeast Asia's developing economies the important economic tools to create infant industries and strengthen their domestic productive structures while providing for social welfare. The history of economic development – from England and Continental Europe to the United States and East Asia – shows the crucial role played by the strategic use of tariffs in the industrial policies of these now-developed countries during the catching-up phase of their economic progress (e.g., increasing *export* duties on raw materials and increasing *import* duties on foreign manufactured goods as carrot-and-stick economic policies to encourage the development of local technological capabilities and domestic manufacturing industries).¹²

Secondly, the mad rush for growth through the overproduction of goods for profits and trade perpetuates the culture of consumerism, which has negative environmental consequences. Moreover, the outward orientation of production of goods for exports does not encourage the developmental goal of self-sufficiency, such as the importance of food security. This is, for instance, tantamount to making the large agricultural sectors of the region's developing countries grow crops for export that their peoples cannot afford to use or eat.

Free flow of services

The AEC desires to completely liberalize trade in services where «there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations.»¹³ This is obviously in line with the contentious agenda of the General Agreement on Trade in Services – together with those of other international agreements on investment measures (TRIMS) and intellectual property rights (TRIPS) – that have been negotiated since 2000 under the Uruguay Round of the World Trade Organization. The AEC packages encompass a wide range of services to be liberalized such as

telecommunications, maritime transport, construction, waste management, tourism, education, healthcare, and water supply. With liberalization as its central thrust, the AEC provides greater «market access» to domestic economies – that is, in the context of Southeast Asia's developing countries, foreign (ASEAN) companies doing business of providing services in domestic economies – and, in effect, prohibits governments from regulating the behavior and business conduct of multinational and transnational corporations.

There are legitimate grounds to question the rationale of the AEC's scheme to liberalize trade in services from the perspective of development and democratization. A couple of interrelated issues reveal the scheme's contradictions. Firstly, in relation to the argument above on the importance of building domestic manufacturing industries for development, under the AEC agreement on trade in services, the developing countries in the region are being deprived of the strategy of infant industry protection that successful developers from Europe to America to East Asia have utilized in the past. Budding local service industries are expected not to withstand fierce competition from well-established firms from technologically advanced developed countries. It would be ideal for the long-term and vibrant economic development of Southeast Asian countries if the demand for private services were to come from the needs of the manufacturing and agricultural industries, and that the wealth created from these sectors form the tax base for the government's resources for the responsible public provisions of social services.

Secondly, the agreement does not make a clear distinction between private and public services, and as such between economic and social policies. It therefore enlarges the scope of market access beyond the purely economic to encroach on the fundamental principle of a social compact between a government and its citizen-taxpayers in the provision of public services. This particular privatization of social services means the private appropriation of the assets of others, whereby private property rights are protected while stripping off peoples' access to their originally held – and supposedly inalienable – social rights and entitlements.

Free flow of investments

The AEC Blueprint section on the free flow of investments has evolved into the 2009 ASEAN Comprehensive Investment Agreement, which is a revision and consolidation of earlier protocols and two major investment agreements, namely, the 1987 ASEAN Investment Guarantee Agreement (an agreement for the promotion and protection of investments) and the 1998 Framework Agreement on the ASEAN Investment Area.¹⁴ The main objective of the ASEAN Comprehensive Investment Agreement is to make Southeast Asia an attractive regional market, especially for foreign direct investments (FDIs), by creating an economic system where businesses are competitive, profitable, mobile, and secure through the protection, facilitation, promotion, and liberalization of the overall investment regime. State resources and social institutions are oriented toward the creation and maintenance of this system, which is more responsive and favorable to capital than the commons, and to market forces than popular-democratic forces.

A high degree of certainty, predictability, and security are to be accorded to capital through state-guaranteed institutions. Key to this agenda are the AEC's straightforward provisions on the protection of investors' properties, interests, and activities, specifically:

- investor-state dispute mechanism;
- transfer and repatriation of capital, profits, dividends, etc.;
- transparent coverage on the expropriation and compensation;
- full protection and security; and
- treatment of compensation for losses resulting from strife.¹⁵

What do these injunctions mean? First, the provision on investor-state dispute resolution signifies the encroachment of the global/regional strategy of capital on the national sovereignty of states. It thus gives greater legal rights to foreign investors than to domestic businesses; at the same time, corporations are vested with the right to sue governments. Second, states (in this context, the peoples of Southeast Asia) shall be the absorbers of business risks and also of market failures. In effect, the private sector is virtually exonerated from losses, bankruptcy, or social conflicts. Third, the pursuit

of private accumulation of investors does not carry their share of social responsibility and public accountability. Thus, the *modus operandi* is to privatize the accumulation drive of investors while socializing the risk and cost of market operations.

Freer flow of capital

The AEC's agenda for «capital market» integration refers to financial capital, particularly on furthering the liberalization of capital and current accounts and the whole question of money, finance, or exchange. In recognition of the fact that the region's general capital market is already free, the AEC wants to make the flow of capital «freer» than what Southeast Asian economies have become, despite the financial restructuring and banking reforms done before and immediately after the 1997 Asian financial crisis. Still, it is important to be reminded of the effects of financial liberalization in Asia, particularly during the early 1990s, which contributed a great deal to critical factors that caused the 1997 crisis. As a result of market reforms through financial liberalization, the growth strategy of making Southeast Asian economies FDI-attractive encountered the consequences, whether intended or unintended, of «irrational exuberance» of investors, the rapid inflow of short-term capital, portfolio-based investments in the stock market, and the domination of finance (money) over productive (real economy) capital.

The AEC plan is to guarantee freer capital mobility by streamlining rules, regulations, and controls that are perceived to constrain the growth and accumulation activities of the private sector. States are thus urged to ensure the easy «entry» and «exit» of capital in domestic markets. Rather than encouraging longer-term investments and enlarge the tax base for economic and social development, the AEC will be replete with short-termist investors, making the region vulnerable to capital flight – and hence financial and economic crises. Moreover, resolving, if not preventing, recurrent financial crises would be all the more difficult without the government resorting to monetary policies such as exchange-rate and capital controls to arrest capital flight. The lesson of the 1997 Asian crisis is that the neoliberal restructuring processes, both in the real economy and finance, in the region had made the region's economies export-

driven and foreign dependent – which undeniably resulted in a massive inflow of FDIs but eventually proved to be vulnerable to unhealthy speculation and capital flight, as shown in the crisis experiences of Thailand, Indonesia, Malaysia, and the Philippines. Indeed, the 1997 crisis has revealed the problems of liberalized financial systems and the financialization of the economy, as well as the structural weaknesses of the real economies of Southeast Asia's export-oriented productive sectors.

Free flow of skilled labor

Labor-market flexibility is central to ASEAN's neoliberalization strategy of securing the hegemony of capital over labor. Southeast Asian open regionalism envisages the free mobility of capital in the form of goods, investments, and money, but it does not really promote the «free» movement of labor. Within a neoliberalizing economy, the region will be a market with a huge reserve army of «flexible,» unorganized, and insecure workers who are adaptable to the accumulation interests and requirements of capital – often through race-to-the-bottom competitiveness strategies such as the lowering of labor costs and environmental standards – and who are subjected to poor working conditions and the hiring/firing prerogatives of those who pay them wages.

Even though the AEC Blueprint specifically identifies «skilled labor» to be prioritized in migration policy, the agreement has implications for the general conditions of the labor and employment structure. In particular, the AEC is silent about addressing current challenges and realities in Southeast Asia's economic relations at the national and regional levels. Firstly, it ignores the character of transnational labor as a consequence of *uneven* development in the region where labor follows capital – that is, workers migrate from poorer to better-off countries. This migration process involves not only documented but also undocumented migrants, as well as skilled and unskilled workers. Secondly, it does not take into account the palpable predominance of the informal sector in the region's economic activities. The regional integration project is wanting in plans to bring informal labor to formal employment, let alone the aspiration to crafting development strategies for full employment. And thirdly, its emphasis on managed mobility of skilled labor does not

mean a truly free socio-cultural and political-economic community where a Southeast Asian human being can settle, work, and live in any place or country where s/he decides to lead a good life.

Toward an alternative regionalism of the commons

The ASEAN Economic Community project intends to institutionalize and get legitimacy for the ideology of neoliberalism and the process of neoliberalization toward a single market. It seeks to protect and promote the material and ideological interests of the private sector, private property, and private profits at the expense of the public weal and social values of the commons. Its neoliberal capitalist form is substantially elitist in character that – while it attempts to «modernize» the varieties of capitalism in Southeast Asia, it does so by encouraging «new» (transnational) capitalist and elite classes to replace, compete, or ally with the «old» (national) ruling elites. The AEC project is, however, contradictory. On the one hand, it drives *convergence* by reproducing the institutions, policies, and relations associated with neoliberal capitalism from society to society within the economic bloc. It does so, however, by also repro-

The AEC project is already embroiled in conflicts with the *realpolitik* of a variety of capitalisms in Southeast Asia.

ducing *divergent* tendencies, resulting in socio-economic, political, and ecological antagonisms, inequalities, hierarchies, and injustices.

No doubt that the AEC project is already embroiled in conflicts with the *realpolitik* of a variety of capitalisms in Southeast Asia – especially from sections of entrenched class interests – resisting or usurping the competitiveness agenda in their local accumulation regimes. But it is still very important to challenge the neoliberal project in the arenas of politics, policy, and discourse in the same way that the old and enduring elitism in the region's social relations is being opposed. The analysis in this paper has highlighted the contradictions in the AEC project – thus, pointing the way to which alternative politics, strategies, vision, and movements can be forged and advanced at

the level of states, and coordinated at the regional and international levels, based on the ideology of the commons and the interest of the common good.

An alternative to the AEC neoliberalization project will have to take the perspective of the commons in the context of contemporary Southeast Asia, which has been his-

There is a need for socio-political movements that take the points of view of people power, labor, the natural environment, and human life itself.

torically ridden with underdevelopment, poverty, privation, conflicts, and injustices. I sketch out here a few important themes for this alternative vision and movement.

First, it is crucial to develop a particular «mode of production» for wealth creation that is economically productive, socially acceptable, and ecologically sustainable – it shall be the foundation of the goals of redistribution toward a life of dignity. This requires a development strategy that understands a suitable economic development policy for developing countries – where a technologically green manufacturing sector is in synergy with the agricultural, service, and small-and-medium enterprise sectors; and where progress leads to higher wages for workers, higher earnings for enterprises, and a larger tax base for the government's social welfare provisions. At the moment, there is an urgent need to alter economic policy objectives from growth obsession (i.e., through investments driving GDP) to the goal of full employment, which is good for the economy and can be beneficial for the environment.

Second, there is a need for socio-political movements that take the points of view of people power, labor, the natural environment, and human life itself and regard the «social commons» as an appropriate, timely, strategic, and progressive ideal for the socio-economy, ecology, and humanity shared by peoples in the region. The concept of the social commons here is: critical of neoliberal «social protection» remedy, which connotes safety nets for the inevitable dispossessions that necessarily come with the process of capital accumulation; essentially protective of peoples' collective socio-economic rights; and transformative of existing unjust social and international relations.

Third, a counter-hegemonic process of «democratization» as a political-economic and socio-ecological ideal has to be urgently set in motion. Democracy, in this sense, means people power at all levels of organizing human relations – from states to workplaces to communities to the natural environment. In this democratization process, it shall be democracy – rather than market forces and elite classes – that is the driving mechanism of the polity, economy, society, and ecology. Relations in the democratic alternative regionalism project for Southeast Asia will therefore be based not on the logic of competition but on the values of solidarity, equality, and social justice. ■■■

¹ ASEAN, ASEAN Vision 2020 (Kuala Lumpur, Malaysia, December 15, 2007).
² ASEAN, Declaration of ASEAN Concord II (Bali Concord II) (Bali, Indonesia, October 7, 2003).
³ ASEAN, Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015 (Cebu City, Philippines, January 13, 2007).
⁴ ASEAN, ASEAN Economic Community Blueprint (Jakarta: ASEAN Secretariat, 2008).
⁵ AEC Council, Key Outcomes of the 10th AEC Council Meeting (Bandar Seri Begawan, Brunei Darussalam, August 18–21, 2013).
⁶ See, for example, John Ravenhill, Fighting Irrelevance: An Economic Community «with ASEAN Characteristics,» *The Pacific Review* 21:4 (2008): 469–488.
⁷ I borrow the concept of «accumulation by dispossession» from the critical social theorist David Harvey. See David Harvey, *Spaces of Global Capitalism: Towards a Theory of Uneven Geographical Development* (London: Verso, 2006).
⁸ ASEAN Economic Community Blueprint, 6.
⁹ Cf. Paul Cammack, The Politics of Global Competitiveness, in: *Papers in the Politics of Global Competitiveness*, no. 1 (Manchester Metropolitan University, 2006).
¹⁰ ASEAN Economic Community Blueprint, 5–6, 24–25.
¹¹ Cf. Bonn Juego, Capitalist Development in Contemporary Southeast Asia: Neoliberal Reproduction, Elite Interests, and Authoritarian Liberalism in the Philippines and Malaysia, PhD Thesis (Aalborg University, Denmark, 2013).
¹² See Erik Reinert, *How Rich Countries Got Rich and Why Poor Countries Stay Poor* (London: Constable, 2007). See also Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (London: Anthem Press, 2002).
¹³ ASEAN Economic Community Blueprint, 10.
¹⁴ ASEAN, ASEAN Economic Community Factbook (Jakarta: ASEAN Secretariat, 2011).
¹⁵ ASEAN Economic Community Blueprint, 13.

China: 35 Years of Reform and Opening Up

Achievements, Costs, and Critiques of China's Unprecedented Economic Growth

Michael Büsgen

The global economic downturn, growing social inequality and a looming climate crisis have brought the concept of planetary boundaries to the center of the debate on sustainable development once again. This has led to loud critiques of development approaches that are based on the pursuit of GDP, particularly in Western societies. Thanks to economic reforms, China has experienced 35 years of rapid economic growth and benefited tremendously from the opportunities provided by globalization. What are the benefits and the costs of this transformation? And how do independent Chinese thinkers view global development, environmental sustainability, social justice and the role of politics? The following two articles attempt to provide some answers.

When China embarked on its economic reform process in 1978, a large part of its population lived in poverty. Even according to China's own rather low poverty threshold (which until 2011 was about \$0.60/day), 31 percent of its people were living below it; if one had applied the \$1/day standard – or even the current \$1.25/day standard – the poverty count would have reached 54 percent and 85 percent, respectively. At the end of the 1970s, more than 80 percent of Chinese were living in rural areas, there were no highways in the entire country, and per capita energy consumption was only a tenth of what Romanians – then among the poorest nations in Europe – used at that time. But to leave it here would sketch an incomplete picture. China in those days was one of the few examples of a country that, despite very

low per capita income, performed relatively well on social indicators, including a high average life expectancy, high literacy rates, and low child mortality.

The freedom of movement was extremely limited due to the rigid enforcement of the household registration system and by the absence of free labor and housing markets in the cities. Career paths were determined by authorities, rather than by individuals. Access to information was curtailed by the instrumentalization of the media as a propaganda tool.

Thirty-five years later, China has dramatically transformed itself. Not only has it significantly reduced poverty (down to 120 million people, or less than 10 percent of the population, after the official poverty line was raised to \$1.25/day in 2011), it has also built up its entire infrastructure, moved 260 million rural migrant workers into cities, qualified its workforce, attracted investment and high-tech industry, and eventually turned itself into the manufacturing hub of the world. In this process, China had accumulated a record \$3.6 trillion in foreign reserves by 2013. In addition, China's companies are increasingly investing in economies all over the world. In 2012, China's foreign direct investment outflows reached \$62.4 billion – roughly one-fifth of US foreign direct investment – and it is growing at an annual rate of 15–20 percent.

Within a little more than three decades, one of the world's most isolated and uniform nations has transformed itself into a highly diverse society and established itself as the key engine in an increasingly interconnected world. Today, China has 1.2 billion registered mobile phones, 600 million internet users, and more than 300 million

micro bloggers. For the first time, the digital media provides a space where debates on a broad variety of topics can take place. In 2012 about 400,000 Chinese students studied abroad, gathering first-hand experiences from many different parts of the world. Due to the withdrawal of the state from the private sphere, lifestyles and professional development choices for the young generation have become increasingly diverse. Even without fundamental political reforms, this probably constitutes the fastest transformation in human history on such a scale – and many developing countries (and increasingly developed countries, too) look with envy at China's impressive economic performance and growth rates.

But despite all these achievements, China has had to pay a high price for its development, most obviously in social and environmental terms. The gap between the rich and poor has grown larger than ever before in the history of the People's Republic, so much so that, according to the International Monetary Fund, China's inequality has already overtaken that of Brazil and India. Hundreds of millions of migrant workers and their families have become the social «collateral damage» of China's economic miracle. Uprooted from their rural hometowns and with their families torn apart, they have turned into today's urban cheap labor force; without a local household registration, they do not qualify for social security and lack access to affordable urban housing and education for their children. Although they have contributed greatly to China's economic success and modernization, they often describe themselves as second-class citizens. Well-known university professor and outspoken public intellectual Qin Hui (see next article) has described their fate as the «Southafricanization» of China, comparing it to the treatment of blacks and Coloureds as a disposable work force in South African cities during the apartheid era.

Due to inflation and rapidly rising living costs, particularly in the urban centers, which provide most of the employment opportunities, real incomes have not increased for many ordinary Chinese. Free healthcare, education, and pensions, which were provided through the work units until the 1980s, were gradually abolished and replaced by a mix of market mechanisms and a still incomplete social welfare system, organized by the state. Particularly the commercialization of healthcare and education

in the 1990s has generated additional financial burdens for low-income families. The primary reason for households falling under the poverty line today are soaring medical costs. Despite economic growth, social mobility today is lower than at the beginning of the reforms back in the 1980s. One key reason is the education system, which provides many more opportunities for children of wealthy families and is increasingly difficult for the children of low-income parents to access.

China's environmental record over the past three decades has been equally problematic. This is partly manifested within China's boundaries in the form of deteriorating air, soil, water, and food quality. Hardly a week goes by without reports of new food scares, record levels of micro-particles in the air, cancer villages,¹ and the like. Hardly any Chinese citizen is unaffected by these issues. Rural populations are even more affected by a wide range of issues, including soil depletion, water shortages, and pollution, as well as the excessive use of fertilizers and pesticides, etc. But apart from the situation on the national level, there is a more complex impact of China's economic growth on the global ecology. The shift of production from Western industrialized nations to China has also been a shift toward an economy with significantly lower energy efficiency and higher environmental externalities. Despite improvements over the past years in this regards, this trend is currently reinforcing itself through the «going-out strategy»² of China's economy. As a result, China's ecological footprint has increased massively beyond its national boundaries. Today, it uses a significant proportion of all global resources (although, admittedly, much of what China produces is consumed elsewhere), and it has become the biggest emitter of CO₂ in the world, with per capita emissions almost reaching the levels of European economies.

In addition to the environmental and social costs, there is also a growing awareness that decades of rapid economic growth – and the emerging materialist values that it has brought with it – are threatening the rich and diverse cultural heritage of China. The symbols of fast food and consumerism are all too visible in every Chinese city (there even has been a Starbucks in the Forbidden City and a KFC in Beijing's famous Beihai Park). Monetary values have become the key indicators in judging individual success in life. But also the non-

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urban indigenous cultures of China's many ethnic minorities are disappearing at a fast rate. Under the current Five-Year Plan, all nomads of China will have to settle down and thereby end centuries of a traditional non-sedentary lifestyle. The end of their traditional livelihoods will also substantially alter some of the most unique cultures on this globe.

The social and environmental challenges are not new to the government. Since the 1990s, sustainability has become one of the key topics of Chinese politics. Recent leadership figures had made «harmonious society» and «scientific development»³ the major slogans during their time in office. But within the last 10 years, the environmental crisis has arguably worsened and China's income gap has grown larger than ever before. This makes the success of similar announcements by the new leadership, which has coined a slogan of building an «eco-civilization,» doubtful in the eyes of many critics. Although massive investments have been announced to clean up the air in Beijing, develop low-carbon energy (mostly hydropower and nuclear energy), and build «sustainable cities,» the development strategy of the new government is still based on generating more growth, which will continue to depend largely on the exploitation of China's brown energy reserves.

With demand declining in the wake of the global economic crisis, the new strategy for sustained growth in China is to encourage domestic consumption. One key pillar of this strategy is a massive urbanization plan, which was announced by the new government late in 2012. The target is ambitious, to say the least: By

2025, China is planning to move another 250 million rural residents into newly constructed towns, and thereby hopes to turn them from largely self-reliant peasants into urban consumers. While the social and economic costs of this plan may be enormous, it follows the established logic of China's modernization narrative, in which economic growth remains the foundation of development. It is seen as the only way to further increase material living standards, which in turn are regarded as a prerequisite for social – and thereby political – stability. But although this recipe may have worked in the past 35 years, it is questionable whether it will be sufficient for the future. In light of the social and ecological challenges, it is unlikely that *more of the same* (growth-driven approach to development) with a bit of green economy will suffice to ensure a socially just and ecologically sustainable future. Given the high concentration of power in the one-party state and the intransparent merger between political and economic elites, the question is if – and who within – China will be able to change course. Many independent intellectuals in China argue that there will be no sustainability without political reforms. But this debate is rather sensitive. Political reforms do not seem to be on the agenda of the new government, and questioning the achievements of the Communist Party has just been declared a no-go area in the notorious Document No. 9,⁴ circulated earlier in 2013. Indeed, in a meritocracy such as China, economic success has been the major source of legitimacy for the Communist Party. In the early days of the reforms, there was broad consensus on the need to raise the material living standards in China

and to reduce poverty. But today, the question of what kind of development – for what purpose and for whose benefit – is best cannot be answered that easily.

Despite these burning questions and a lot of official rhetoric around sustainable development, there is surprisingly little public debate within China questioning the role of economic growth in development. The first reason for this is that while the benefits of the reform era are claimed by the state to enhance its legitimacy, its critique has been largely instrumentalized by China's political left to discredit Western capitalist influences. In this way, the report *The Limits to Growth* by the Club of Rome was introduced in China in the early 1980s as a critique of the new policies of reform and opening up, not as a reminder of the need to rethink growth or make it more sustainable. Secondly, many of China's leading economists today studied in the United States during the 1990s and have been highly influenced by neoliberal economic theories. Their critiques focus primarily on the dominant role of the state and state-owned enterprises in China's economy and are less concerned with issues regarding sustainability. Thirdly, the environmental movement in China is still rather weak and has limited influence on the debate concerning sustainable development. Most of the arguments from environmentalists are limited to issues concerning the destruction of nature through human activity, and they fail to generate a more holistic reflection on sustainable development that links social justice and economic development with environmental sustainability. Finally, the reform and opening-up era not only started China's rapid economic develop-

ment, it is also seen by many to have signaled the end of the political excesses of the Cultural Revolution. And despite all the valid criticisms of China's growth-driven development approach, who wants to go back to those days? ■■■

¹ Since the 1990s there have been many reports in and outside of China about so-called cancer villages; these are characterized by above-average incidence rates of different forms of cancer, allegedly related to air, water, and soil pollution from carcinogenic chemicals. In 2013, a study that was led by the Chinese Centre for Disease Control and Prevention and based on water surveillance data and cancer rates along the Huai River has confirmed the link between pollution and increased cancer rates in these regions. In one case, the lung cancer rate among women had increased twentyfold in the period between 1973 and 2005.

² The going-out strategy was first articulated by the Chinese government in 1999 to encourage its enterprises to invest abroad. This strategy aims at the internationalization of China's economy, but it is also partly a result of the huge foreign reserves that China has accumulated.

³ The «scientific development concept» was put forward in 2005 by the previous leadership of the Chinese Communist Party. It aimed to correct the overemphasis on GDP growth and instead promoted a «people-centered» development approach, which focuses more on the development of social welfare and the reduction of social inequalities, as well as addressing excessive environmental pollution.

⁴ The so-called Document No. 9 refers to a partly leaked memo that was circulated to Chinese leaders in April 2013. It defines the ideological no-go areas in China and is mostly directed against using Western concepts such as constitutional democracy, civic participation, human rights, press freedom, etc., to undermine the authority of the party and the state in China.

Debating Global Sustainable Development from a Chinese Perspective

Qin Hui

Establishing China's own reflection on «green» development

China's environmental movement emerged during the reform era in the 1980s under the influence of Western green ideas. Translations of the report *The Limit to Growth* by the Club of Rome and of the book *Silent Spring*¹ were very important for China's «green enlightenment.» Therefore, China's understanding of the need for environmental protection is universal in terms of basic values, but the problem is that the ideas are highly Westernized. People tend to think that China's environmental problems follow the same patterns of Western countries. This is the «curse» of the environmental discourse introduced to China by the West. Whereas those advocating Western green ideas present distinct traits of self-reflection, some Chinese reflect more on the West than on China. Many people in China still think that environmental problems are caused by Western countries and are a result of capitalism, modernity, and especially industrialization. China's New Left particularly likes this idea. In my opinion, this argument might hold in the West, but we cannot simply repeat it in China. Personally, I am in favor of environmental protection, but I think that although ideas can be imported, questions need to be defined by the local context, and our thinking has to be independent. Green thoughts in China need to have their own focus.

The relationship between sustainability and political structures

Some people think that the pursuit of GDP growth after reforming and opening up caused the ecological and environmental disruptions that China is facing today. Of course, this is one important reason, but it is not that simple. China already had severe environmental problems long before the economic reforms began in the late 1970s. The Great Leap Forward (1958–1961) caused unprecedented ecological disasters, including massive deforestation for steel-making and flooding caused by hydropower plants. But the most severe problem at that time was the great famine,² so nobody was talking about environmental problems. During the Cultural Revolution, increasing GDP was not the state's objective at all; environmental problems, just as with other social problems at that time, were not caused by the pursuit of economic growth, but rather by the pursuit of political power.

Environmental protection is not merely a question of awareness, but also of political structures. Without an effective institutional arrangement, the emphasis on environmental protection would be hollow. Since the beginning of the reform and opening-up era, we have put economics in command instead of politics. Since the 1990s, GDP has become the primary objective of China's development; it was subsequently also used as the key criteria for assessing the performance of government officials. Due to the worsening environmental situation, many people have been calling for changing the objectives of development and adjusting

indicators for evaluating political performance. Some people have even designed new indicators, such as «green GDP.» But from my perspective, the question of who has the right to pursue and to evaluate is even more important than the question of what to pursue. In a system of unrestrained power and lack of accountability, anything the state pursues carries the risk of deviating from people's expectations.

Green public interventions or green market transaction? China's dilemma

There are basically two ways to deal with environmental challenges: The first is through public interventions, while the second is through market mechanisms. The former is based on regulations and restrictions from the government and through interventions by civil society. This could be called «ecological socialism.» The second approach is based on pricing of so-called externalities and on the assumption that markets work better than administrative interventions; this could be called «ecological capitalism.» An example of such a market-based approach is carbon trading. I have noticed the debate over the two approaches in the Western world, but I believe both practices could be used together to achieve a greater impact and that they do not necessarily contradict each other.

But in China neither of the approaches can function: Due to the highly concentrated power of the government, we do not have a free market. At the same time, we also do not have a welfare state, as the

responsibilities of the government are too limited, due to the lack of bargaining power of the people. In such a context, we are lacking the conditions for both effective public intervention as well as effective market mechanisms. Frankly speaking, I worry that in this situation, carbon trading will only be used as an excuse to shift responsibilities away from the government to the market, whereas carbon control would further increase the power of the state. Both carbon trading and carbon control will encounter problems at the national levels, where democratic governance does not exist. Before initiating the debate on market mechanisms versus government intervention in China, the first thing is to reform the government and ensure fair play in the market.

The participatory democracy approach of the Green Party implies that constitutionalism alone is still not enough to protect the people, and that citizens should also participate in social governance through channels such as NGOs. But in China, it is not even allowed to talk about constitutional democracy, and NGOs can hardly survive under the strong pressures from the authorities. Recently, even the term «civil society» has become too sensitive politically to be mentioned. Under such circumstances, what would «participatory democracy» be like? «Public opinion» under such a system could only be the views offered by obedient subjects. Therefore, a participatory democracy in China can only be meaningful when it is based on constitutional governance.

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The global impact of China's development

Environmental protection and pollution prevention are different from ordinary national governance, fundamentally for the reason that pollution tends to extend beyond national boundaries. Both pollution regulation and carbon trading face the challenge of a lack of global governance mechanisms. An obvious example is America's rejection of the Kyoto Protocol. Specific interests overwhelm abstract values, especially without effective mechanisms for enforcement.

But it is not only the global environment that is affected by development; instances of social injustice are also increasing, in both Europe and China. The economic integration among countries with different political structures and human rights standards is an important reason for this situation. When capital flows into countries with low human-rights standards, it will create the sweatshops we see in China. Simultaneously, workers' wages in developed countries will come under pressure due to a loss of employment opportunities at that end. Although globalization also drives economic growth in developed countries, it also increases income inequality. On the other end, powerful players in countries with low human-rights standards associate with international capital, and increase their wealth, often far beyond the levels of the wealthy in the West. This trend is causing severe social tensions on both sides. In the West, it leads to a deepening of the debt trap. As political parties are keen to meet the needs of the public in a democratic country in terms of social welfare

spending – and are at the same time under pressure from the political Right to lower taxes – increased state borrowing has been the only way out. The context of globalization makes an international loan mechanism possible. Whereas Western countries like to borrow money, China particularly loves to lend money. The fact that China has the richest government of the entire world is a result of a huge surplus of productivity. This surplus is, in turn, generated by a lack of bargaining power of the population and by an ideological constellation in which the Chinese political Left calls for enhanced tax collection, while the political Right helps the government to shirk its responsibility in redistributing its wealth. This leads to insufficient domestic consumption and the need to transfer financial surpluses to other countries in the form of loans.

The current globalization brings about many challenges, but we can neither address them through trade protectionism, nor can we further enlarge the deficits to maintain the welfare system. What we can do, though, is to further the process of globalization to promote other important aspects, such as global democratization, ensuring human rights, and establishing global governance mechanisms. In this sense, I hope that Europe can play a leading role. The EU, although not a global system, is still the most successful cross-border mechanism. Global governance requires global democracy. To realize it, all countries involved should be democracies at a national level, just as in the EU. In China, therefore, green ideas must be democratic ideas first. Economic globalization without global democratization is clearly not enough. But without China's democratization, global democratic structures will remain a distant dream. ■■

¹ *Silent Spring* by Rachel Carson, published in 1962, is widely seen as being the initial spark for the global environmental movement.

² The great famine lasted for three years, from 1958 to 1961, and probably led to more than 30 million deaths; it was mostly a result of the agricultural policies during the Great Leap Forward, but it was also aggravated by drought.

The Global Green Growth Institute and Korea's «Green Growth» Strategy

Kim Hyunji

Since 2008 South Korea has been actively promoting its vision of «green growth.» Kim Hyunji explores this new Korean development paradigm and examines the activities of the Global Green Growth Institute (GGGI), the Korean governmental think-tank-turned-international-institution that globally advocates for green growth. Since GGGI is a relatively new institution, this article only serves as an introduction to the topic. The Heinrich Böll Foundation will continue to watch and analyze the activities of GGGI as its green growth paradigm spreads to the developing world.

Introduction

Green growth played a prominent role in the five-year term (2008–2013) of former South Korean President Lee Myung-bak. While other developed and emerging countries were desperately trying to find a way out of the fiscal downturn, he was offering the vision of «low carbon, green growth» for Korea as the centerpiece of his political agenda. By advocating green growth inside and outside of the country, the Lee administration tried to make Korea the hub of a new green development movement.

In December 2009 the Korean Assembly passed the Basic Act on Low Carbon Green Growth, which had been submitted by the Lee administration and has been in force since April 13, 2010. It has dealt chiefly with the creation of a nationwide inventory for greenhouse gas emissions, established a National Energy Plan, and installed a Committee on Green Growth under the direct authority of the president. Meanwhile, three

agencies – GGGI (Global Green Growth Institute), GCF (Green Climate Fund), and GTC (Green Technology Center) – were set up in Seoul under an umbrella of a «green triangle» to respond to strategy, finance, and technology issues, respectively.¹

Since February 2013, when President Park Guen-hye took office, the governmental agenda has shifted from green growth toward the creation of a «creative economy» as a driver for future growth. The presidential Committee on Green Growth was downscaled and relegated to the directive of the prime minister. However, the most prominent institution on green growth, GGGI, had already expanded to the international arena.

The Global Green Growth Institute

GGGI was created by former President Lee as a think tank for green growth in order to spread the idea of green growth to the world as a new paradigm of development. It started as a non-profit organization under Korean law in June 2010, but went through a process of internationalization in late summer 2012 in conjunction with the Rio+20 conference. With Norway having ratified GGGI's Establishment Agreement on August 26, 2013, there are now 13 of the 20 member countries that have ratified the agreement.² Also, since June 2013, the Organisation for Economic Co-operation and Development (OECD) has granted GGGI official development assistance (ODA) eligibility status. This enables the institute to receive large donations from multilateral organizations and governments and enhances the ability

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to intervene in a growing number of developing and emerging countries. Following its one-year anniversary as an international organization in October 2013, and now with offices in Copenhagen, London, and Abu Dhabi, GGGI is now a truly globally operating organization.

Germany is not yet a member country of GGGI but is listed with the Federal Ministry for the Environment, Nature Conservation and Nuclear safety (BMU) as a project-specific donor and partner.

GGGI is composed of an Assembly, a Council, an Advisory Committee, and a Secretariat, but the Council has much weight in decision-making. As the supreme organ, the Assembly is comprised of member states that meet every two years. The Assembly elects member states to the Council, appoints the director-general, and receives reports from the Secretariat. The Council is GGGI's executive organ, consisting of no more than 17 members, among which are contributing and participating members, non-state actors, the host country, as well as the director-general, who has no voting rights. The Council nominates the director-general to the Assembly, appoints experts or non-state actors, approves Advisory Committee membership, and is responsible for directing the institute's activities as well as for approving the annual budget. The Advisory Committee is a consultative and advisory organ consisting of relevant experts and non-state actors. Finally, the Secretariat is GGGI's operational organ, headed by the director-general, who reports back to the Assembly and the Council.

Environmental protection or just another way to promote economic growth?

Richard Samans, former director-general of GGGI, stated that GGGI views itself more as an economic institution and not as an environmental institution.³ It means that GGGI puts more weight on achieving economic growth by enhancing resource efficiency than on meaningful environmental policies.

The important question here is: Can economic growth go hand in hand with environmental conservation? Facing this age-old question, supporters of green growth often answer that economic growth and environmental protection do not necessarily need to be seen as conflicting concepts.

Green growth is about to be experimented with in places where growth is desired but where the environment should be protected as well. However, with regard to the relationship between the environment and the economy, the common belief in the 1970s was that the relationship was a negative one. The report *The Limits of Growth*, published by the Club of Rome in 1972, insisted that economic growth itself would be limited in part due to the consequences of the massive destruction of the environment caused by unsustainable industrialization. According to this ground-breaking report, developed countries should discontinue policies for economic development and developing countries should give up the strategy of industrialization.

In the 1980s the Ecological Modernization Theory (EMT) in Germany offered a different perspective. Proponents of EMT insisted that economic growth does not always cause environmental degradation, and that eco-innovation in the industrial sector could bring economic growth in the long term. The key factor of EMT is that with the given resources and ecosystem, both eco-efficiency and economic efficiency can be improved at the same time.

According to an article by Lee Yeonho, a professor for political science at Yonsei University, green growth is based on the Kuznets Environmental Curve Hypothesis.⁴ The Environmental Kuznets Curve is a hypothesized relationship between environmental degradation and income per capita.⁵ In the early stages of economic growth, degradation increases, but beyond some level of income per capita, the trend reverses and economic growth leads to environmental improvement. As incomes grow, economic growth becomes the most powerful means to protect the environment, and improved technologies help to advance environmentally friendly economic growth. In this «ideal relationship» between green and economic growth, the importance of sustainable development – paired with environmental protection – is never overlooked.

It is this optimistic expectation of green growth – that it can equally push economic growth and environmental conservation – that is the driver behind this new green development paradigm of GGGI. However, compared to the concept of sustainable development, it is hard to find any social context in the green growth paradigm. Most worryingly, in terms of the environment, green growth – as propa-

gated by GGGI – does not seem to be aware of existing planetary boundaries and the current environmental crisis.

GGGI's activities in a recipient country

Sharing knowledge about green growth with – and building capacity in – developing countries is GGGI's main activity. In particular, GGGI is helping in establishing Green Growth Plans (GGPs) for its members and other developing countries. GGPs are a good example of GGGI's preference for a whole-of-government approach for a paradigm shift toward green growth.⁶

The first step of a GGP is to assess a country's own strategy for achieving economic development.⁷ After that, GGGI helps to identify where potential economic benefits can overlap with environmental benefits, hence it diagnoses the compatibility of a country's development priorities vis-à-vis its green growth potential. It also helps in evaluating political options and assists with investment analyses in order to attract public and private donors. In fact, the creation of public-private financial cooperations is one of the cornerstones of green growth planning.

However, achieving real success with a GGP seems to be difficult. Due to the way GGPs are created, there is no way to check their validity and effectiveness. Even though they are drafted by recipient countries, it does not mean they respond to local needs or fit the social-economic context.

Korean experience of failed green growth

Korea, now an active promoter of green growth, had based much of its spectacular economic success on «brown growth» in the past. Having been one of the poorest countries in Asia in the 1960s, Korea now is a driver of regional economic development and an active member of the G20. Subsequently, Korea has changed its position from being a recipient country of ODA to being a donor country.⁸ In 2009 it became the 24th member of the OECD Development Assistance Committee, which is a leading multi-lateral body that allocates ODA in the world.

Over the past five decades, however, the Korean government has put a major emphasis on rapid economic growth only.

Economic developmental plans focused on target industries while offering governmental support. First under dictatorship and later under a democratic government, Korea not only emphasized rapid growth but also massively increased its export-dependent economic structure. Environmental considerations played only a minor role, if any. But the environment of Korea became severely polluted, and an environmental movement grew in response to diseases caused by this pollution. Although the government has attempted to manage the environment, conflicts between the development industry and environmental advocates are still taking place, even at the policymaking levels. Conflicts surrounding the Four Major Rivers Project or the expansion of nuclear power plants – promoted as a clean form of energy – are good examples of this.

The Four Major Rivers Project is the most representative green growth project of the Lee administration. Spending 22 trillion Won (more than \$20 billion), the administration tried to build 16 dams on the Han, Nakdong, Guem, and Yeongsan rivers. The government claimed the project is needed in order to prevent floods and droughts and that it will improve both the economy and the environment. Opponents, including civil society groups, insisted that the Four Major Rivers Project is unnecessary for the environment, and they cast doubt about claims of flood prevention, since it is not the major rivers, but rather the smaller streams, where regular floods occur. They go on to say that the whole campaign was nothing more than a large infrastructure project and that the beneficiaries would be only the handful of companies involved in the construction of the dams and in land speculation in waterside areas surrounding the construction sites.

Despite the criticisms, the Lee administration pushed forward with the project, promoting it internationally as an important part of its green growth vision. The project was announced in December 2008, its master plan was set in June 2009, contractors were selected in September 2009, and construction was almost finished within three years. However, the Board of Audit and Inspection of Korea said in its second project audit in January 2013 that reservoirs had many design flaws and that a severe degradation in water quality was a serious concern.

Domestic criticism of GGGI

The Four Major Rivers Project by former President Lee is an example showing the risks of a top-down approach to green growth. After the government changed in early 2013, when the project was near completion, the validity of the project was still being questioned due to the occurrence of adverse effects, such as the large-scale death of fish, unusual algal blooms, and a bridge collapse due to retrogressive erosion. Why did the project have to be pushed forward, even though it could not meaningfully prevent floods or accelerate economic growth and only degraded water quality and destroyed nature? President Lee pressed for a fast execution of the project without consulting local communities and civil society groups. This indeed reflects one of the major concerns of GGGI's strategy. For the success of any development project, it is now international credo to consider how well projects meet local needs and how the concerns of local civil society can be addressed. This would not only ensure the support of – and ownership by – local communities, it would also prevent the waste of natural and financial resources while giving credibility to the validity of a given project prior to its execution. Some other international initiatives of GGGI should be carefully scrutinized and reconsidered in this respect as well: for example, a REDD+ project in Kalimantan in Indonesia and a Mekong River project.⁹

As a result of the serious shortcomings of the Four Major Rivers Project and other green growth initiatives of the Korean government, domestic criticism of green growth in Korea – and especially for its un-environmental policies in the name of green growth – has grown in the last years. Indeed, opponents of green growth have pointed out that it is solely a «greenwashing,» and that it is even causing severe environmental damage. Civil society groups in Korea wanted to draw a line between green growth and the «green economy» when it was referred to in Rio+20 in 2012, since they thought that green growth had moved too far from the context of sustainable development, which is intended to respect the balance between the environment, society, and the economy. However, GGGI should not export the green growth path that Korea took ... and failed with.

In addition, further criticism of GGGI's finances emerged when the Board of Audit and Inspection of Korea warned GGGI in

November 2012 that its budget transparency and efficiency fell far below what is required. It was pointed out that operating expenses were carelessly enforced and that money was recklessly spent by private contracts and poorly managed. At that time, GGGI said that they recognized the problem, but that it had happened in a trial-and-error period during a process of internationalization, and that they would promote open competition for the contracts thereafter.¹⁰

Conclusion

GGGI has since become international and is no longer the responsibility of Korea. However, something can be learned from the unsuccessful experiences with green growth as well as the risks posed by top-down approaches in Korea, so as not to repeat the same mistakes internationally. The term «bottom-up,» as used by GGGI, does not include the concerns of local people, but refers only to the voluntary decision of a country to collaborate with GGGI. The institute can reach out to local governments, but what if there is a lack of communication and consultation between local governments and the citizens of a given country? With the Advisory Committee, GGGI features a forum composed of non-state actors to advise and comment on its initiatives. However, it seems to be a place for experts and consultants rather than civil society and local voices.

The possibilities offered by green growth might be good news for developing countries, where there are both developmental needs and environmental risks. It is good that GGGI will share its green knowledge and technology with developing countries, as it will help to build the capacities of their public sectors. However, it would be far better if GGGI also considers sustainable development rather than just promoting green growth or focusing only on the economy and growth. If it really wants to create a new developmental paradigm, GGGI should profoundly reflect on the blind spots that green growth does not address. Green growth all too often only aggressively adopts market principles that directly contradict sustainable development.¹¹ Financing a given project is important for its implementation, but market solutions are not always the right answer to environmental challenges. If GGGI really wants to be a serious advocate of green and inclusive development,

it should take into account the social and environmental contexts first before applying market principles. Pro-market logic will correlate with the obvious shortcomings of green growth, as shown above, and therefore undermine the credibility of green growth as a serious development alternative. However, if GGGI becomes more flexible in finding ways to engage local civil society, it could drastically reduce the risk of unnecessary failures.

In order to do so, strategists, planners, and executives of GGGI should ask some of the following questions: What if economic growth can cause environmental degradation? What if a market solution does not achieve the desired outcomes? Is it enough to create separate national Green Growth Plans in order to bring sustainable development to the world? How can the validity of a given project effectively be checked and transparently communicated? Do we listen enough to the local voices?

Korea successfully set the agenda of green growth on an international level. Green growth is now stepping onto the international stage, where it needs to prove its validity as a meaningful development paradigm. It is not yet clear whether GGGI can deliver on its aim to combine green growth and sustainable development, nor whether green growth is an answer to global environmental challenges. As a first step toward convincing its Korean and international critics, it would therefore be a good idea to rethink the approach of green growth by focusing more on the environment and less on the economics. ■■■

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¹ Korea won the bid to host the GCF Secretariat in October 2012 and opened GTC in March 2012.

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⁵ David I. Stern, The Environmental Kuznets Curve, International Society for Ecological Economics, 2003, 1; available at: <http://isecoeco.org/pdf/stern.pdf>.

⁶ GGGI, Annual Report 2012, 12. As of 2012, projects and programs in the following countries were ongoing: Brazil, Cambodia, China (Yunnan), Ethiopia, India, Indonesia, Kazakhstan, Peru, Mongolia, Morocco, The Philippines, Rwanda, Thailand, United Arab Emirates, Vietnam, among others.

⁷ O'Donnell, The Global Green Growth Institute, 4.

⁸ Korea had been a recipient country from its establishment in 1948 to the early 1990s. It ended its position as a recipient country of official development assistance from the World Bank in 1996.

⁹ The 2012 annual report of GGGI stated that its program includes both projects, but they are still controversial at the local level.

¹⁰ Available at: <http://www.e2news.com/news/articleView.html?idxno=66545>.



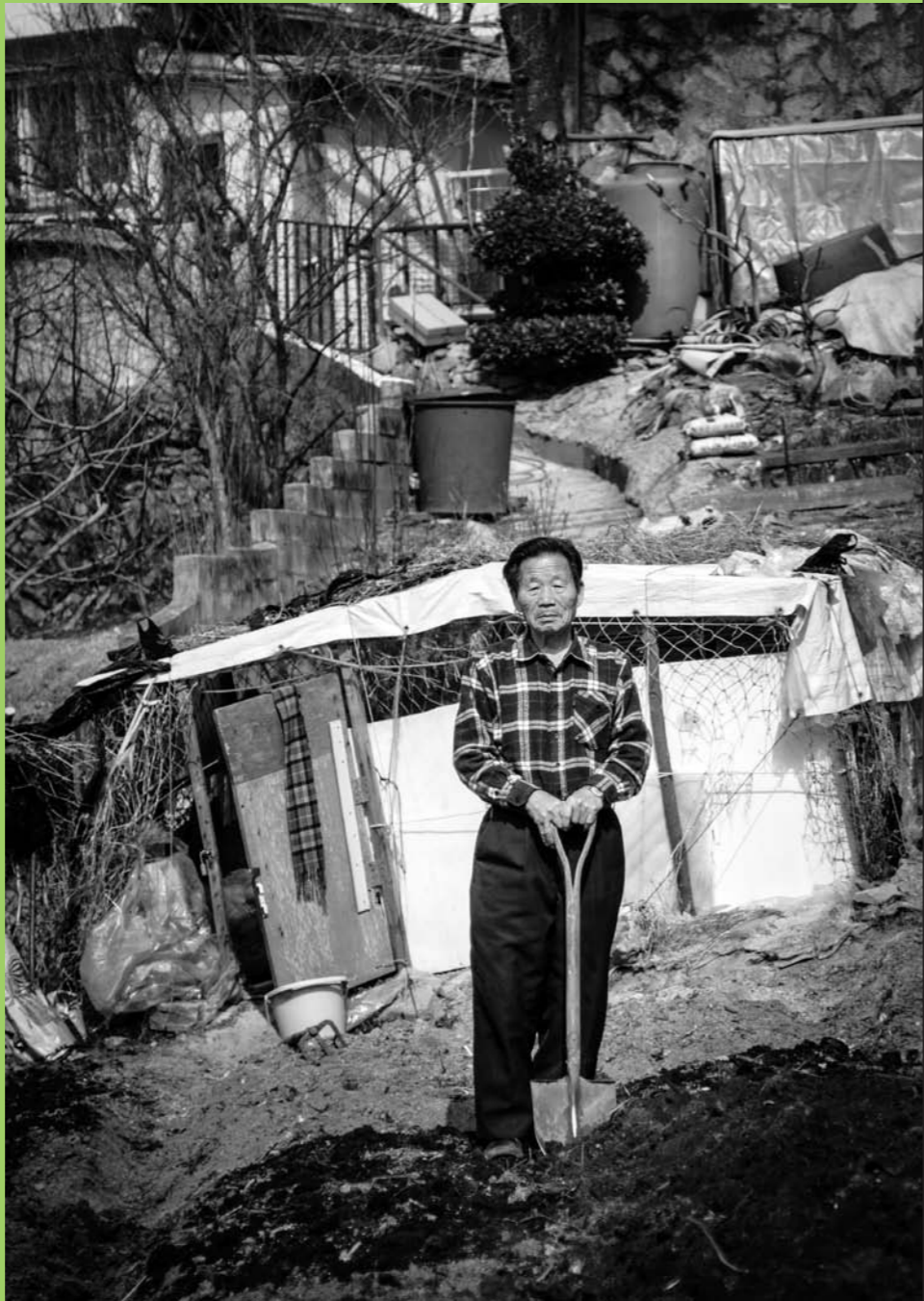
SOUTH KOREA

South Korea is a mountainous country with a scarcity of flat land for agriculture. Even in large cities such as Busan, people carve out small farms and gardens along terraced hillsides, often next to their homes and apartments. Produce from these plots feeds families and is also sold in traditional street markets. The growth of mega super-markets, as well as the unrelenting pace of urban development, threatens these farmers, their land and their markets. Few farmers are young – 40 percent are over 60 years old – and most have seen their children and grandchildren move to other professions.

Left: A farmer harvests produce from her small hillside plot in Sasang, a working class neighborhood of Busan. More than half of South Korea's farmers are women.

Above: A farmer pauses while spreading manure on his plot, also in Sasang. South Korean farms are small, averaging just 1.4 hectares, or 3.5 acres.

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CHINA

The city of Shenzhen in south China is primarily known for its spectacularly successful economic achievements. In just over three decades, it has grown from being an insignificant village on the border with Hong Kong into one of the country's richest cities, home to 10 million people. Most of Shenzhen's population are newcomers who have moved to the city from other parts of China. But now there is also a group of young people, who were born in the city at the start of the economic upturn, whose entire outlook on life is shaped by their experiences of hyper-growth – people known as the «80s generation».

Top: Xiao Lang, 25, dances at a karaoke club near his college. The son of a successful Shenzhen-based businessman, he expresses little concern about how life may turn out after he graduates. With dyed hair and tattoos, his friends say he behaves more like a gangster than a college student.

Middle: Zhen Peng, 25, wears his favorite luxury sunglasses on the way to a friend's wedding in Shenzhen. A physical education student in college, after graduating he launched a furniture company. Having found the business not to his liking, he gave it up and now teaches physical education at an elementary school.

Bottom: Li Guanhao, 23, kisses his girlfriend during a graduation trip. A year later, the couple split up after the salary at Li's first job proved not enough to keep their engagement going. Wei Ran, behind Li, joined an investment bank after graduating and is now preparing to marry his fiancée, the daughter of a successful local businessman.

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CHINA			PAKISTAN		

Toward an «Islamic Welfare State»

Alternatives to the Western Economic Model

Britta Petersen

There has been much debate in Pakistan over the last few years about establishing an «Islamic welfare state.» In a country that is politically gridlocked by trench warfare and corruption – and in which a great proportion of the population lives below the poverty line – conventional economic models are increasingly unable to provide adequate solutions to pressing problems. However, the questions are: What precisely constitutes Islamic economic principles, and how does an Islamic welfare state differ from other models? This article by Britta Petersen attempts to address those questions.

Is an Islamic welfare state overdue?

Imran Kahn, a politician and a former Pakistani cricket star, is always good for making a bold statement. In the Pakistani general elections this year, his party, Pakistan Tehreek-e-Insaf (PTI), fell short of the hoped-for majority. Shortly thereafter, the newly-minted opposition leader said, «The founding of Pakistan would be meaningless if it does not become an Islamic welfare state.» Kahn then went on to astound the public at a press conference in Islamabad by saying that the Scandinavian welfare states are actually modeled on ideas propounded by Caliph Omar (584–644 AD) and that it was time to «bring our culture back to our own land.»

Many Pakistani intellectuals ridiculed Khan for these claims, and even the general secretary of his own party, Arif Alvi, felt the need to backpedal when questioned, saying «I am not a scholar and I can understand

when one «socialist» states that he never heard of Umar’s law. I will ask Mr. Khan the context and origin of his claim.»

Khan did achieve at least one thing with his verbal thrust – bringing the eternally simmering debate in Pakistan about the concept of an equitable economic system to the top of the agenda. This is a burning issue in a country where, according to the UN Human Development Index, some 60 percent of the population must survive on less than \$2 per day, and which was just recently saved from a severe financial crisis with a bailout of \$6.7 billion from the International Monetary Fund (IMF).

The belief that Islam could provide solutions is gaining more and more support in conservative Pakistan. Socialist and communist parties have lost virtually all ground since the 1990s, and this year the dominance of the Pakistan People’s Party (PPP) came quietly to an end as it sank under the weight of profligate corruption. The PPP has always positioned itself as the party of the poor, yet in the last five years, it has generated few real ideas for economic reform, apart from the Benazir Bhutto Income Support Program, which provides cash payments to some families earning less than about \$70 per month.

Nor is it just Islamic parties such as the Jamiat Ulema-e-Islam bloc or the Jamaat-e-Islami, who include the establishment of an «Islamic welfare state» in their platforms. Even business-friendly politicians such as Shabaz Sharif, chief minister of Punjab and brother of Prime Minister Nawaz Sharif, regularly mention the issue in their speeches. And Pakistan’s chief of army staff, Ashfaq Kayani, speaking at independence day celebrations, said «We should always remem-

ber that Pakistan was not created only as a geographical entity. Rather, Pakistan was to become an ideal Islamic welfare state that would showcase how Islam’s golden principles can form the basis for a modern and tolerant society.»

Islamic economic principles

That all sounds very noble. But what really distinguishes an Islamic welfare state from other models, and what precisely is an Islamic economic concept? Experts agree that Islamic economic principles do exist. Some differ from the prevailing capitalist model, such as the ban on charging interest (*riba*); others are not at variance with it, such as the Muslim obligation to give alms (*zakat*). The source for these tenets is found in both the Qur’an and the Hadiths (records of the sayings or deeds of the prophet Muhammad), and parts of the societal model draw on early Islam, the era of the four «Rightly-Guided Caliphs» (632–661 AD).

In addition to the concept of a welfare state, which goes back to the Qur’anic tenet of success or well-being (*falah*), there is a well-developed Islamic finance sector around the world, which provides believers with financial products that adhere to religious strictures and *sharia*. *Falah* is often interpreted as a comprehensive aim for the spiritual, moral and socio-economic well-being of citizens. «The financial system and the idea of a welfare state exist side-by-side, but they are not the same,» says Habib Ur Rehman, director of research for Imran Khan’s PTI.

It is not only in Pakistan that opinions are divided on whether an economic model

based on Islamic principles would work, whether it would be a viable alternative to the current capitalist system, and how true to Islam an economic system could or should be. Akbar Zaidi, former professor of political economy at Karachi University, is of the opinion that there really «is no Islamic economic model,» but rather only a collection of relatively vague ideas from the pre-modern era. But Ejaz Akram, a political science professor at Pakistan’s elite Lahore University of Management Studies, says «On the basis of ideals, Islam is definitely capable of offering an alternative paradigm to capitalism.»

Akram, who is also a member of a Sufi order, stresses that Islamic principles were developed at a time when the modern form of economic growth did not exist and a subsistence existence was the rule. He says, «From the spiritual perspective of Islam, poverty is not a lack of prosperity, but rather a surfeit of desires.» He adds that the Islamic approach is not to create a social welfare state in the Western mold, but rather to ensure that everyone has the necessities of life.

The Islamic scholar and television lecturer Javed Ahmad Ghamidi buttresses that argument by saying, «The goal of Islamic economies is to establish social and economic justice. That also implies that Muslims are better able to concentrate on Allah if the necessities of life are taken care of.»

Although the reference to God sounds radical and monastic to Western ears, the approach is, at its core, in full concord with common criticisms of the capitalist growth model. As Ejaz Akram says, «For ecological reasons, it is neither possible nor desirable to introduce American or European con-

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sumer standards worldwide.» Islam, he says, teaches an economy of self-restraint, in which the state is obligated to take care of the material survival of its citizens, as well as their spiritual well-being.

But that aspect has seldom been brought to the fore in the public debate. When they hear the term «welfare state,» Pakistani voters – much like Imran Khan – tend to think more of the Swedish model than the ascetic theories propagated by the Sufis. There is very little discussion of abstinence and alternatives to economic growth. Instead, there is a boom in campaign promises.

«According to the Constitution of Median [the basis of the first Islamic state], the state is your mother, who looks after you from birth to death,» says Habib Ur Rehman from the PTI. He enumerates that in an Islamic system, the right of all citizens to food, medical care, education, security, and freedom must be guaranteed. He says he sees no contradiction in that to the globally dominant economic system. From that point of view, an Islamic economy seems to be something along the lines of social democracy plus *sharia*. «Our goal is for Pakistan's economy to be as Islamic as possible while still remaining part of the international system,» says Habib Ur Rehman.

The idea of charity already plays an important role in Muslim societies. In Pakistan, the faithful are expected to give 2.5 percent of their wealth to the poor. That wealth is calculated as any money that is not used in any given year. Individuals can provide proof that they have donated that amount through private channels. If they do not, the state gives them a helping hand by collecting the contribution directly from the

person's bank account at the beginning of Ramadan, the Islamic month of fasting. The money collected this way is given to local intermediaries elected in Muslim communities, who distribute it to the needy.

But the system's capacity to create the kind of justice called for in the Qur'an seems limited. Although the money distributed to those in need is often their only salvation, the flow of donations remains haphazard, and many of the needy fall through the cracks. «Many people distrust the government, so they withdraw the money from their accounts before Ramadan to keep it out of the hands of the state,» says Mazher Zaheer, financial coordinator for the Heinrich Böll Foundation in Islamabad. He himself admits that he would rather donate money to institutions with which he is familiar, saying «There have been many cases of corruption and political abuse of *zakat*.»

That system cannot guarantee every citizen even the fundamentals of existence, never mind the universal health care and education that the PTI platform calls for. On top of that, Pakistan has one of the lowest tax quotas in the world (only 9 percent of all citizens pay taxes), so it would seem there is little chance of the country instituting a welfare state in the foreseeable future. The government of Nawaz Sharif, acting under pressure from the IMF, has just committed to comprehensive reform of the tax system, aimed at raising the tax quota to 15 percent.

Economic growth via Islamic banking?

With population growth running at about 2 percent per year, Pakistan will have to depend on economic growth in the future if it hopes to raise large segments of the population out of poverty.

That is where men such as Humayon Dar come into play. The economist is one of the leading masterminds behind the idea of Islamic banking. Dar lives in London, a financial center where he is strategically well-placed. He develops financial products that comply with *sharia* law and also preaches the value of the Islamic financial system as being an important source of foreign investment in Pakistan – particularly from other Muslim countries, believing it could provide solutions for the global financial crisis.

«In the current financial system, the producers of goods and services receive only 10 percent of the yield, whereas 90 percent goes to bankers and financiers,» says Dar. He goes on to point out that the Islamic financial system, by contrast, is aimed at broadening prosperity, reducing poverty, and at the equitable distribution of income. He points out that «Islamic law not only pro-

hibits interest, but also trading in debt, and speculation. So it is capable of eliminating the massive inequity that characterizes the current economic system.»

Given the fact that Islamic banking so far accounts for only 2 percent of the global financial markets, realizing that proposition seems unlikely. Dar's suggestions for Pakistan's economy, by contrast, sound like a neo-liberal austerity program: cut back subsidies, reduce national debt, and transfer social services such as education, health, and the like to private charitable trusts (*auqaf*), while making sure that the reform measures demanded by the IMF are in compliance with *sharia*.

The debate over whether an Islamic economy means public welfare from cradle to grave, self-restraint, and slashing consumption, or whether it should be a liberal-style minimalist state is bound to continue unabated for some time, and not just in Pakistan. In the final analysis, it seems that Akbar Zaidi, the political economist from Karachi, may indeed be right when he says that there is no Islamic economic system. But the Qur'an can certainly provide food for thought for economists and politicians.



The Big Indian Development Debate

Growth and/vs. Inclusion

Axel Harneit-Sievers

For more than a decade, fast-growing India appeared to be well on the path to becoming another superpower. However, a considerable part of India's population has remained poor and India's growth lacks social inclusion. The debate is not new, but it is gaining increased attention in the current economic downturn, with elections pending for spring 2014.

Once upon a time, many Indians, and many people in the rest of the world, believed that India was well on its way to becoming one of the next superpowers. In fact, this time was only a few years ago.

Since the era of liberalization in India began in earnest in 1991, the country has experienced consistent rates of growth in its gross domestic product (GDP) of around 6 to 7.5 percent per annum and has exceeded growth rates of 9 percent several years since 2005. For many years, India boomed. Well-known key drivers have been sectors such as information technology and services, for example the business process outsourcing industry that established call centers for customers worldwide. India became a major destination for international investments, with German chemical companies, service (insurance) industries, and car manufacturers being prominent among them. Vice versa, Indian companies appeared on the scene as serious international players, even in Europe. In an ironic twist to the old colonial relationship, century-old Tata Industries bought British luxury car manufacturer Jaguar.

«Incredible India» is not merely an advertising motto for the tourism industry – it seems to suggest far greater prospects. Expectations rose about India's interna-

tional role and as a member of the BRICS group of leading emerging economies. Many believed that India appeared to be on China's heels, on a development path that was perhaps a bit slower than China's, and certainly more chaotic, but nonetheless on the right path. With India's democratic political system and its more widespread use of the English language, it was even considered as having some strategic advantages over China.

India's development model in crisis?

Today, however, with general elections expected for April or May 2014, the entire Indian development path suddenly appears to be in crisis. There is an acute economic downturn: The GDP growth rate has fallen below 5 percent, the Indian rupee has lost 18 percent of its value against major foreign currencies since early 2013, and growth figures for manufacturing and foreign investment have been declining. There is a widespread perception of political stagnation: The United Progressive Alliance government, led by the Congress Party, is tainted by large-scale corruption scandals. It appears to have lost the capacity to drive reforms. And there is the more fundamental questioning of the direction of the Indian development and growth path. Has India's economic growth been «inclusive»? Has it brought people out of poverty? And what type of development has growth – defined primarily as GDP growth – brought about?

The current economic downturn is likely to remain a temporary phase: Positive fundamentals of the Indian economy – such

as its huge market size and the country's youthful demographic structure – remain valid, and a new government in power from mid-2014 is likely to have greater capacity to make strong economic policy decisions. Thus, it is very probable that the economy will recover from its current slump, though it remains open whether it will return to the high GDP growth rates of earlier years.

«Growth matters» vs. «uncertain glory»

However, the question about the Indian development and growth path is far more difficult to answer, and it is being debated extensively in India today. India is a country with a strong debating culture, and the array of print and electronic media offer much commentary on this topic every day. Four of India's leading economists recently published two books that are widely acknowledged to represent the two predominant positions in the ongoing debate about development, growth, and inequality in India.

Jagdish Bhagwati and Arvind Panagariya take a liberal (some may call it «neo-liberal») stance in their book *Why Growth Matters*. They maintain that economic growth – measured by GDP – constitutes the foundation for any meaningful development and the reduction of poverty. Only on the basis of fast growth, they say, do redistributive reforms geared toward poverty alleviation and the building of human capital become viable.

Bhagwati and Panagariya argue that India's economic growth since the 1990s has indeed substantially reduced poverty:

The proportion of the poor population, according to Planning Commission figures, fell from 44.5 (1983) to 27.5 (2004/2005) percent. Taking population growth during this period into account, they estimate that 187.5 million people left the status of poverty (at least in its most extreme form) in the same period.¹ Bhagwati and Panagariya then identify persistent impediments to India's continued growth: inflexible labor legislation operating against rapidly growing companies; the difficulties of land acquisition for public and private industries and housing; the poor state of public infrastructure, most dramatically so in the field of power supply.

Although Bhagwati and Panagariya also argue for innovation and reform in the social sector, for example by favoring competition and privatization in the educational services, redistributive reforms are clearly lower on their list of reform priorities. Within India's current political spectrum, their position is broadly identified with (or seen to support) the Bharatiya Janata Party and its prime

The current economic downturn is likely to remain a temporary phase: Positive fundamentals of the Indian economy – such as its huge market size and the country's youthful demographic structure – remain valid.

ministerial candidate for 2014, Narendra Modi. As the Chief Minister of Gujarat, Modi has overseen a rapid rise of industrial and export-oriented development in a state that many acknowledge to be well-governed and with low levels of corruption.

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By contrast, Jean Drèze and Amartya Sen look at the Indian growth story of recent years in their book *An Uncertain Glory*. Their perspective could perhaps best be called «social-democratic.»

For Drèze and Sen, India's main contradiction is the persistence of poverty combined with rising inequality during an extended period of rapid economic growth. Although measuring poverty figures in India remains notoriously difficult, it is clear that even using the same Planning Commission

Neither side is seriously considering a radical move to turn away from the basic policy of liberalization and economic openness.

figures as Bhagwati and Panagariya (above), the *absolute* number of Indians in poverty has declined far less – if at all – than the high GDP growth rates may suggest. At least 270 million Indians remain in abject poverty, and many more millions are just beyond that threshold.

In its record of poverty reduction, India falls far behind China, while at the same time, inequality has rapidly grown. A significant new middle class has emerged while a growing number of super-rich Indians has fueled the societal imagination – and the scorn and anger of intellectuals. Despite all efforts at affirmative action, Indian traditions of caste oppression continue to further increase inequality.

Drèze and Sen see the developmental process primarily as the need to grow human capacity instead of relying merely on economic growth. They also advocate supporting the systems that enable and

help to provide growth, namely education, health, and social support services. They point to the severe deficits that could lead to India losing the «demographic dividend» it currently enjoys: poor education services (except in a few top-level institutions) as well as severe health and nutrition issues – aside from the death toll – make substantial parts of the population less productive than they could be.

Drèze and Sen stress the need for systematic government health, education, and social sector policies. For example, they strongly argue in favor of social support programs such as the National Rural Employment Guarantee Scheme (NREGS), a cash-for-work program that has been criticized by liberals for, among other reasons, its cost implications, but that in many parts of India has indeed led to rising incomes for poor rural people, especially women. Drèze and Sen look positively at Kerala, a state in southern India, which has achieved a high level of human development (by investing in education and health) despite rather low GDP growth rates. Within India's mainstream political spectrum, Drèze and Sen are seen as standing closer to Congress Party positions, though they would most likely not want to be seen as supporting the current government directly.

More debates, loose ends

The debate between India's master economists is currently receiving much public and media attention. It has become a slugfest that, at times, wrongly tends to reduce both sides to stereotypes: Whereas Drèze and Sen are sometimes criticized as being «against

growth» (which they clearly are not), Bhagwati and Panagariya are viewed as representing a kind of market extremism (even though they clearly support well-designed social-support interventions). Personal animosities have entered the newspaper contributions made by the authors themselves. Overall, however, the differences are more a matter of priorities in public policy. Neither side is seriously considering a radical move to turn away from the basic policy of liberalization and economic openness, nor to turn away from the policy of social support for disadvantaged groups, which India has been pursuing for some years now. Neither side fundamentally questions India's democracy, even though it is recognized as a source of inefficiency, delay, and conflict. Very few Indians regard it as an outright barrier to development.

Sometimes the fight is also about the pros and cons of certain practical policy proposals, informed in part by social and economic philosophy, but also in part by an impressive number of empirical research studies that are conducted to evaluate specific aspects of the problem. One such case is the issue of cash transfers for social support, a system that will soon be expanded (as opposed to the more traditional Public Distribution System, which sells subsidized food to the poor on the basis of «ration cards»). Bhagwati and Panagariya prefer direct cash transfers to recipients as a means to ensure efficient distribution and to reduce corruption, whereas Drèze and Sen maintain that cash payments should not be introduced just to relieve the state of its duty to provide quality services. There are many more such debates. Although the basic economic philosophies behind

them are of a global nature, and although experiences from abroad are sometimes used (such as the conditional cash transfer schemes introduced in Brazil), the debates retain a thoroughly Indian flavor, and arguments about particular policies being applied (or rejected) elsewhere in the world do not feature very prominently.

Of course, the four master economists discussed here do not cover the entire spectrum of Indian public opinion on economic and social policy. The political spectrum extends far beyond them, especially to the left of Drèze and Sen. There, commentators remain fundamentally critical of the policy of liberalization and view the country's opening up to international trade and investment as being dangerous for the poor, as well as for India's capacity to pursue sov-

All these master economists, in their thinking about «development» and economic policy, have rather little to say about the agricultural sector.

ereign policies. Some of these voices come from the traditional left, represented by different political parties that claim the term «Communist» for themselves; others represent more modern, independent critics of globalization who find support among civil society organizations, farmers' associations and movements, etc.

Especially the latter groups can rightly point to one fundamental weakness of the arguments presented by Bhagwati and Panagariya as well as Drèze and Sen: All these master economists, in their thinking about «development» and economic policy, have rather little to say about the agricultural

sector. This is somewhat surprising – but perhaps also characteristic – for a country in which 70 percent of the population still lives in villages, and half of the population is employed in the agricultural sector. Overall, developmental thinking in India seems to view the rural world primarily in terms of a labor reserve – at least once basic food needs are secured. It is also notable that urban development in India is struggling to cope with rural-urban migration. Indeed, a common criticism (voiced prominently by economists such as Jayati Ghosh) of India's economic development is that it has led to «jobless growth.» In China and other East Asian countries, a large number of migrants were absorbed by a booming low-wage, export-oriented manufacturing sector. Apart from a few exceptions, such as the Tamil Nadu garment industry, no such dynamics exist in India. In order to solve this problem, Bhagwati and Panagariya advocate liberalization of the labor market and a more export-oriented policy, all of which should create more industrial jobs. Drèze and Sen favor securing the survival of the rural population and relieving distress migration by means of the NREGS cash-for-work program. However, none of the authors systematically address the development needs of India's rural population, nor offer a vision for the future of rural India.

Another loose end is the question of sustainability. Neither Bhagwati and Panagariya nor Drèze and Sen take much notice of the environmental consequences of India's GDP-focused model of economic growth – and of the limits to growth that exist in terms of the use of resources such as land, water, clean air, etc. India is getting closer to its ecological limits, and some

of them have already been overstepped in parts of the country. Although environmental and rural activists have been pointing out these problems for years, a more comprehensive questioning of the very fundamentals of a GDP growth-based model of economic development has only emerged recently, for example by Ashish Khotari (see interview on p. 45 of this edition of «Perspectives Asia»). A debate on the «limits of growth» has not yet found many contributors in an India that, despite impressive GDP growth figures, continues to be confronted with mass poverty and growing inequality. Even India's master economists dominating the public debates around development would be well advised to take greater note of these limitations. ■■■

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¹ Bhagwati and Panagariya (2013: 35). The latest Planning Commission data published in July 2013 (using a different type of metric) note a further decline in India's poverty rate to 22 percent, from an even higher poverty rate of 37.2 percent in 2004/2005, see <http://www.livemint.com/Politics/1QvbdGnGySHo7WRq1NBfNL/Poverty-rate-down-to-22-Plan-panel.html>.

The Indian Growth Story

Achievements and Future Challenges

Interview with Ashish Kothari

Undine Schmidt: The «Indian growth story» has received a lot of international attention. How would you describe the developments of the last decades?

Ashish Kothari: In the last five decades, but especially in the last 20 years, economic growth has been the predominant way of looking at development in India and a deep preoccupation for the political decision-makers. Every day in the papers you read about India's growth rate dropping or climbing up by half a percent. It appears that growth, which was meant to be a means to an end, has become an end in itself. Nobody speaks about the effects of 5 or 10 percent growth in GDP. We have come to a point that a growth rate of 5 percent is perceived as a problem. What we have seen in the last few decades is that growth *per se* has not necessarily benefited people, in particular the poor – otherwise, why would the government put a law into place that provides food aid for 75 percent of the population? Clearly, this is not just an issue of redistribution: It is often argued that the fastest growth possible should be achieved, which then could be fairly distributed through things like the Rural Employment Guarantee Scheme.¹ Yet, it is a structural phenomenon that this kind of growth – especially if it is led by the private sector – inevitably leads to greater inequalities and the deprivation or dispossession of already marginalized people. But the second, equally important aspect is that there are very clear signs of its lack of sustainability. If you admit the existence of ecological limits, the concept of «sustainable infinite growth» is a contradiction in terms. However efficient your technology, it will always have an ecological impact. In India, the government says that sustainable development is the primary focus of its plans, and there is actually nothing that tempers the growth logic. There are no indicators in place, for instance, that can help assess whether the development strategies are sustainable.

To our international readers, could you explain what happened in 1991, given that you describe this in your book as a turning point for the people and the environment in India?

Prior to 1991, or rather in the late 1980s, when some of the neoliberal economic policies were initiated, the predominant economic model was to a large extent a socialist model. A lot of the production, research, and development happened within the public sector. This was especially true for crucial sectors such as agriculture. Addition-

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Undine Schmidt, pursues her MA in Social Policy and Politics at Edinburgh University. She completed her International Baccalaureat at the United World College of India in Pune (Maharashtra) in 2011 and returned to India in August/September 2013 as an intern with the Heinrich Böll Foundation's office in New Delhi.

ally, the domestic economy was given a much greater emphasis than the external economy and efforts were made to become relatively self-sufficient. As we were still largely dependent on gas and petrol imports, there had to be some balancing exports. This is not to say there were no problems; in fact, state-centered governance, inefficiencies, and corruption were rampant, but at least there was some attempt at being self-sufficient with a strong service and welfare component. This changed substantially in 1991 with an opening up of the economy, making it much more led by foreign trade – exports and imports – and therefore outward-looking. A lot of sectors, including agriculture, were opened up – to both the Indian and the international corporate sector, and invitations and incentives were given for foreign direct investment. Constitutional and legal regulations created in the 1970s and 1980s, for instance on indigenous people's territories and the environment, were diluted and the state's role declined.

Do these structural changes from 1991 also offer an explanation for the current economic crisis in India?

Yes. When the economic collapse happened in 2008, the Indian economy was somewhat less affected than several others. Up to that point, the Indian government had claimed how beneficial it was to open up India to the international economy. Then they argued that our economy was less affected *because* of the remaining protections and its supposedly inward-looking character. But that was a brief phase. In August of this year, the prime minister almost clearly admitted that we have no control. For the rupee to slip virtually 10–15 rupees against the US dollar in a few months – this had never happened before. And it is clear that the government is either not in control or does not want to be in control.

India is about to elect a new government in 2014. The discourse of economic development and growth is predominant in the current election campaigns. Where do you see space for the issue of environmentally sustainable development in the elections?

Discussions and debates in the elections are highly simplistic and, consequentially, it is difficult to address the issue of sustainability. But land has become a major political issue, for instance. We need to get a sense across to people that the current model of development needs huge amounts of land acquisition, and that its infinite continuation is simply not possible or not desirable because it displaces unprivileged people, which leads to more questioning by the public. The Indian newspapers offer daily examples of communities protesting against displacement and evictions, and it is crucial to show alternatives to the current model. The passing of the Land Acquisition Bill² shows that this issue is receiving significant attention. Addressing health is another way the issue of sustainability can enter the election campaigns. More parents are concerned about pesticides and air pollution and the effects on their children. We must connect these concerns to the current development model. Recently, the World Bank published that environment-related damage, especially damage to human health, knocks 5 percent off of GDP in India. This effectively means a net growth of 0 percent. Such messages must be integrated into the elections – if not now, then certainly in the next one.

In its accounts on the Indian growth story, the Western media strongly focus on the supposedly growing and rising middle class. To what extent is that an appropriate representation, and how big is this «middle» class actually?

First of all, the term «middle class» comprises enormous diversity, in terms of economic but also other sorts of situations. It is clear that there is a section of maybe 50 to 100 million that has significantly benefitted in the last 15–20 year from an income point of view. Looking at the upper middle class – those able to go to a shopping mall and buy foreign products – the Indian growth story appears to be a big success. But if one considers the real purchasing power of what is said to be the wider middle class of maybe 200 million people, one quickly notices that they face serious economic problems. Plenty of middle class families are not able to afford pulses, lentils, or most fruits, or the values have changed such that they would prefer to buy consumer goods. This middle class is, in a sense, aspiring to be the upper class. In so doing, it has actually deliberately – or subconsciously, or unconsciously – separated itself from the billion people who have not made it yet. So the issue of poverty is something that this middle class is either not willing to look at or not capable of looking at. There are exceptions, of course, and we need to work at expanding the numbers and the roles of those in the middle classes who are able to look beyond their own situations and status.

Globally as well as within India, the consuming class hardly carries the ecological costs of their consumption. Those who pay the externalities of this consumption are economically, geographically, and socially separated from the consumption class. How do you think the gap can be bridged between those?

First of all, communities from whom resources are being taken away need to be empowered to say «no.» We refer to this in our book as «direct democracy»: that every community has a central voice in what happens to its water, its land, its resources, and so on. As a consequence, what the urban rich people are used to, in terms of long-distance access to resources, will not be there anymore. There are plenty of examples of empowered and protesting communities across India. Secondly, I think the urban rich consumer has to become much more aware of the impact of her or his consumption. The level of their awareness is very low. The best audience for this might be the children, and education institutions should reach out to them. But there are also other possibilities. I have been arguing for the need of a «sane consumption line» or a «sustainable consumption line.» As we have a «below poverty» line and people are supposed to be above it, we also need a measure of an upper limit that includes water consumption, electricity, petrol, etc. Obviously, this is not to work according to «you pay more thus you get more» principle, because we simply cannot afford it – ecologically.

In your book, you mention the concept of environmental imperialism. You also mention the view of India being a microcosm of the world – accordingly, how does environmental imperialism play out within India?

Environmental Imperialism is a narrow environmentalist viewpoint that I certainly do not subscribe to. It attempts to try to protect the environment by looking at people as enemies and then pointing at the least privilege. For instance, for years we have been working on the marginalization of people in wildlife habitats, for the conservation

policies are such that they alienate the people or keep them out of the habitat. Another phenomenon observable among some urban environmentalists is that they do not want to see slums or dirt or garbage. They will ask for – or will not say anything against – the displacement of people in poor slum areas. But of course, very large segments of environmental groups do understand these issues.

In your book you suggest a «radical ecological democracy» (RED) as an alternative. In this model a lot of importance is given to the local level. What would be the role of the federal state in such a scenario, in particular with respect to sustainable development?

National policies are currently disincentives to localization and ecological democracy, for instance on agriculture. One example of heavy centralization would be the public distribution system of cheap subsidized food to the poor. It is not only centralized in its decision but also based on narrow cultural preference for only rice and wheat – the grains come from a few regions in the country with high levels of production. Based on current experiences on the ground, we have been recommending to localize the food distribution system by incentivizing local farmers to produce locally and organically. A policy shift of this kind could greatly contribute to sustainable food production. Similar localization needs to happen with regard to water, energy, shelter, sanitation, livelihoods, education or learning, health, and political governance; there are already hundreds of initiatives across India showing that this is possible. We think that appropriate federal policy decisions, such as that on PDS suggested above, are essential for the transformation into a radical ecological democracy. Despite the importance of decentralization in RED, the central government will have to maintain a crucial role in at least three areas in the near future: besides the maintenance of large-scale activities such as the railway or the postal system, the federal state has to offer social services to counter the high rates of poverty and promote social justice through social protection schemes. From our experience, localization itself is not sufficient to counter deeply engrained social divisions along the lines of caste, ethnicity, and gender.

Given that many environmental issues transcend borders, what role do you ascribe to the global level? What potential do you see for collaboration, in particular within Asia, on a sustainable pathway?

One level of collaboration is at the level of governance, whether it is the Association of Southeast Asian Nations, the South Asian Association for Regional Cooperation, Asia as a whole, or the Group of 77 at the United Nations. I am glad that some government such as Bolivia and Ecuador are raising the issue of sustainability and countering the growth paradigm not only within their region but also globally. In particular, the governments of India and China need to pay far more attention to this. But I do think that collaboration will happen, more on the level of people collaborating across national boundaries. The more we can build solidarity and cross-learning among people's movements across South Asia – for instance, uniting the sustainable farming groups – the more we will be able to push the region as a whole toward sustainability and equity. There is not nearly enough transboundary collaboration happening.

In summary, what would your message be to readers within Europe, or Germany even? What role could people in Europe take in strengthening this transboundary collaboration?

The simplest task would be to financially facilitate this collaboration – even for things such as exchange visits, people working across countries, etc. Unfortunately, independent of how much we talk about emerging economies, the financial resources are still elsewhere. Significantly more complex would be the exploration of pathways of sustainability by establishing connections between, for instance, the de-growth movement in Europe and pathways of sustainability in India. The third and certainly most difficult task is for Germans and Europeans to understand the impact of their consumption. Given the limited ecological space on earth, Europe's occupation of a disproportionate chunk needs to change. This is the only way in which we can credibly talk about overcoming growth as a primary objective in India. Otherwise, people will understandably argue that we need to increase the size of the pie for the majority in Indian society to help them escape poverty. ■■■

¹ Mahatma Gandhi National Rural Employment Guarantee Scheme is a job guarantee scheme for rural Indians that was enacted by legislation on August 25, 2005. The scheme provides a legal guarantee for at least 100 days of paid employment every financial year to adult members of any household willing to do unskilled manual work related to public work at the statutory minimum wage of 120 rupees (\$1.80) per day.

² Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2013, was passed on August 29, 2013 in the Lok Sabha (lower house of the Indian parliament) and on September 4, 2013, in the Rajya Sabha (upper house of the Indian parliament). The bill has provisions to provide fair compensation to those whose land is taken away, brings transparency to the process of acquisition of land to set up factories, buildings, or infrastructural projects, and assures rehabilitation of those affected.

KOLKATA, INDIA

Mohammed Komrulhoda, 57, works as a rickshaw puller in the streets around Kolkata's New Market area, starting before dawn and usually carrying on until 9 o'clock at night.



From Purvi Champaran, a small village in northern India's Bihar state, he averages around six or seven customers a day, each paying between 10 rupees and 30 rupees for a journey – \$0.15 to \$0.50. His total daily earnings range between 50 rupees and 100 rupees, from which he has to pay 30 rupees for the rental of his rickshaw. At night he sleeps in a room shared with a dozen or so other men, paying 90 rupees a month for his bed.

Two or three times a year he travels by train to visit his family in Bihar, journeys which each cost him around 5,000 rupees. Any money he has left after paying for food and his other living costs he sends to relatives in Bihar. He has five children, two of whom – his youngest daughters – remain unmarried because he cannot save enough money to give them dowries big enough to attract suitable husbands.

Top: On the streets for around 15 hours a day, most of Mohammed's time is spent waiting for his next customer.

Middle: Mohammed takes an afternoon break with a cup of tea.



Bottom: Eating lunch at a street-side restaurant. Most days, Mohammed can only afford a few chapati (unleavened flat bread), some dhal (lentils) and a bowl or two of rice. Occasionally he treats himself to a little chicken or mutton.



ODISHA, INDIA

Mount Niyam Dongar is a sacred place for the Dongria Kondhas, a people living in the Nyamgiri Hills of east India's Odisha state. But it also holds a huge deposit of bauxite, valued at \$2 billion by Vedanta Resources, a United Kingdom-based metals company that wants to open a mine on the mountain. Since 2005, Dongria Kondh villagers have resisted Vedanta's efforts to develop the mine using demonstrations, court cases and – where necessary – direct action. Along the way they have enlisted the support of other local peoples, lawyers, and international nongovernmental organizations. Odisha, known as Orissa until 2011, is home to 62 different tribal peoples, more than any other Indian state. Together they account for 22 percent of Odisha's population.

Above: Here, four men from villages around Niyam Dongar stand atop a jeep they helped destroy after it was found bringing engineers hired by Vedanta to the mountain.

	INDIA		MYANMAR	
	<p>Karan, Entrepreneur, New Delhi</p> <p>«<i>The impact of India's growth has turned out to be very unequal, and what we need is an economy that everyone can benefit from. Also, I think that what Indian society is lacking in many areas is an intellectual approach to certain issues. What I mean by that is that we don't look at things in depth and, hence, we are lacking sustainability in many areas. I feel that we need to evolve as a society and be more forthcoming and innovative toward the changes that will shape our future.</i>»</p>		<p>U Sein Di Da, Head of Asia Anlinn Yaung Foundation, Sagaing Division</p> <p>«<i>Myanmar has a really unique opportunity for development in Southeast Asia, since it is strategically located between China and India – the two fastest-growing economies in the world – which is a dream for many investors. This provides many opportunities for growth and development in many sectors.</i>»</p>	<p>Khin Pa Pa Myo, Coordinator for Gaihahita – Youth Environmental Network, Yangon</p> <p>«<i>I think Myanmar is copying Western development models, but we need instead to promote development, which is more suitable to our people and culture.</i>»</p>
<p>Shikha, Finance Coordinator in an NGO, New Delhi</p>	<p>«<i>I want to see a sustainably growing India, with a significant drop in corruption levels and the implementation of the rule of law. I also want the country to become a safe place for women.</i>»</p>		<p>Nan Ei Ei Phyu, Area Coordinator at Metta Foundation, Shan State</p> <p>«<i>We cannot say that nationwide development is really happening in Myanmar. But if we can really apply the principles of democracy and have equality among all the people – regardless of religious background, ethnicity, and race – I think we will have a great opportunity for development. In order to achieve sustainable development, it is very important to think about how to manage the environment and the natural resources that we have in the country. I am learning about Indigenous Knowledge on Natural Resource Management and I hope that I can contribute somehow by collaborating with rural communities on environmental protection and natural resource management in one way or another.</i>»</p>	
	<p>Julu, Economics Student, Cochin (Kerala)</p> <p>«<i>The last decade has witnessed increasing levels of globalization, and I believe that, overall, India has gained from this process. But India still needs to bring the population growth under control and to improve the human capital of her citizenry. Once a country has an educated citizenry that is capable of making responsible decisions and that has the ability to participate in public life in an informed manner, several key issues can be solved. The treatment of women is another concern. The media has publicized several rape cases. Such attitudes toward women reduce the level of their participation in public life and could lead to the involuntary retreat of women into the domestic sphere. I aspire to work particularly on issues relating to women's empowerment. This is a population that I believe has borne some of the most horrific atrocities in the country. Finally, it is important for India to legislate a strong policy and implement it. This requires an efficient, transparent and accountable governmental mechanism, which is currently lacking.</i>»</p>			
<p>Sudeepa, Accountant in an NGO, New Delhi</p>	<p>«<i>The current situation is alarming: Most members of my family are residing abroad, and they don't want to come back. I believe we all must take political responsibility and participate in the upcoming elections. We need better jobs, rule of law, an end to corruption – and this must be equally enforced in all states of India. India is a big nation, and although this explains the number and diversity of problems, it is by no means an excuse. We cannot be divided if we want a future.</i>»</p>		<p>Aye Aye Nyeing, Program Officer at Golden Plain, Yangon</p> <p>«<i>It is good that the government's policy is focusing more on inclusive and rural development. Of course, although the previous government started doing rural development decades ago, we can see that the current government is increasingly focusing on doing bottom-up development in the country.</i>»</p>	
		<p>Khin Yu Yu Win, Project Officer at EcoDev, Yangon</p> <p>«<i>In my opinion, concerning the economic development and political changes in Myanmar, there have been some changes in the urban areas but not in the rural areas, especially on the grassroots level. Their living standards and livelihoods have remained the same. In the next 10 to 20 years, I hope we will have true democracy in Myanmar and there will be more social, economic, and political development at the grassroots level. In short, there will be more inclusive development in both rural and urban areas.</i>»</p>		

Myanmar: Development at a Crossroads

Challenges and Debates

Zeya Thu

Despite its abundance of natural resources and its favorable geographical location at the crossroads of China, India, and Southeast Asia, Myanmar is one of the least developed countries in the region. However, decades of isolation and backwardness ended in 2011, when a quasi-civilian government under President Thein Sein took a path toward democratic reform and economic development. But what kind of development is desirable and how will it be achieved? The article of Zeya Thu offers insights about the range of development models that are being discussed at the moment in Myanmar as they attempt to find solutions for achieving real sustainable development in the country.

Myanmar has been attributed with considerable development opportunities since its independence in 1948; however, its potential has largely remained unrealized. According to official statistics, approximately one out of every four people in Myanmar is poor. And since having officially received the status of a «least developed country» in 1987, it has been unable to pull itself back up. Once renowned in Southeast Asia for its educational standards, the country now ranks among the lowest in the region. On the Human Development Index, it ranked 149 out of 187 countries in 2012. In short, Myanmar has become a classic example of development failure despite its rich natural resources and favorable geographical location.

To almost everyone's surprise, Myanmar started to change unexpectedly a couple of years ago. The whole world watched in awe as economic and political reforms

simultaneously unfolded, following the emergence of a quasi-civilian government in March 2011.

After decades of isolation and backwardness, Myanmar is finally passing through a critical juncture in its history regarding development. The key question here is «How?» How do we go about attaining the development that has until now eluded us? In order to address this important question, we have to first take a look at the development models that Myanmar has experimented with in the past.

Previous and current models of development

After its independence, Myanmar embraced a welfare state with an agro-based economy. Although some successes were achieved in regard to infrastructure and agriculture, the welfare state failed to meet its ambitious objectives due to a lack of capital, political infighting, political instability, and a lack of human resources. The 1962 military coup paved the way for socialism, which meant a command economy, nationalization, and isolation. This was then overturned by the 1988 demonstrations, when people across the country showed their discontent in light of impoverished conditions in every sector. The resulting military coup and military government declared a market-oriented economic system, welcoming foreign direct investment and private sector actors, while still controlling all aspects of the economy. Although exports and foreign investments initially rose, the country was held back by an unstable exchange rate, environmental degradation, high inflation,

the lack of a stable regulatory environment for business, corruption, the lack of meritocracy, and mismanagement. Sanctions imposed by Western nations due to the political situation also contributed to the country's poverty.

According to President Thein Sein, Myanmar's current development strategy is based on the three pillars of sustainability: 1) economic sustainability; 2) social sustainability; and 3) environmental sustainability.

The government has also mentioned «people-centered development» as part of its official strategy. According to Dr. Sai Mauk Kham, the first Vice President of Myanmar, people-centered development is «development to satisfy the demands of the people.»

A specific framework for development, known as the «Framework on Economic and Social Reforms,» was approved at the planning commission's third meeting, held on December 26, 2012, in Naypyidaw, Myanmar's capital. Ten priority areas, which follow, were identified:

- Finance and taxation reforms
- Monetary sector reforms
- Liberalization of trade and investments regulations
- Undertakings for private sector development
- Health and education sector reforms
- Plan for food security and agricultural sector development
- Plan for governance and transparency
- Plan for upgrading mobile communication service and internet system
- Infrastructural development program
- Program for developing an effective and efficient governing system

Before the country began opening up again, the IMF, World Bank, and the Asian Development Bank (ADB) had cut ties with Myanmar due to a lack of support and sanctions imposed by Western countries, particularly the United States, which holds considerable influence in these organizations. Since most of the sanctions against Myanmar have been dropped and the relationship with the United States is normalizing, the IMF and the World Bank are now re-engaging with Myanmar and have become important stakeholders.

The IMF has held discussions with the authorities and provided technical assistance. The World Bank has also scaled-up its analytical and advisory services and resumed normal lending relations to Myanmar since its debts to the World Bank were cleared in January 2013. The ADB's re-engagement has likewise included assessments of key sectors and the provision of technical assistance. And since Myanmar paid back its debts to the ADB in January 2013, the ADB has also resumed lending to the country.

Myanmar's steps – whether initiated independently or due to the international financial institutions' influence – are in line with policy recommendations set by the Washington Consensus, such as trade and financial liberalization, increasing tax revenue, currency devaluation, privatization, deregulation, and cutting budget deficits. Foreign direct investment-led growth with environmental and social considerations seems to be the dominant theme of the development strategy.

Zeya Thu is a development expert, writer, and editor. He holds a master's degree in International Development Studies from Chulalongkorn University in Thailand that was supported with a scholarship from the Heinrich Böll Foundation. He is the author of four books and writes, teaches, and speaks on development and leadership issues concerning Myanmar. He is director and deputy chief editor of – as well as columnist for – the leading national newspaper, *The Voice*. He founded Myanmar Development Partners, a research and consultancy firm, to act as a bridge between international and Myanmar development partners.

Debate over development

Since the new quasi-civilian government has taken over, Myanmar has welcomed a variety of ideas on development policies – from institutions such as the World Bank and the IMF to well-regarded critics of the Washington Consensus, such as Nobel laureate Joseph Stiglitz. Myanmar has held numerous workshops and forums to generate ideas and policy debates, attracting world renowned academics – including some of Myanmar origin who have been living abroad for various reasons – to contribute to the formulation of development policy. Stiglitz came to Myanmar for the first time in 2009 to advise the govern-

Myanmar should strike a balance between the role of the state and the market to get the best out of its potential.

ment on poverty-reduction strategies. During his second visit in 2012, he spoke at a seminar entitled «An Agenda for Equitable and Sustainable Development for Myanmar» in Yangon. Also participating in the seminar were Professor Ronald Findlay, a former professor at the Yangon Institute of Economics, who is now at Columbia University, and Professor Hla Myint, a former economic advisor to the Myanmar government and a renowned pioneer in development economics. Another notable example is Francis Fukuyama, also an academic of global stature who visited Myanmar in 2012 and lectured on private sector development through public sector reform.

The Myanmar Development Resource Institute was established to identify development policy options and to train the personnel needed for the reform process. President Thein Sein also established the National Economic and Social Advisory Council, which includes intellectuals and key personalities from the business sector. These think tanks are designed to provide an independent and alternative source to public sector policy options. They also organize seminars and workshops where intellectuals, businessmen, government officials, as well as civil society leaders from inside Myanmar and abroad participate to generate ideas on key development issues that the country faces during the reform process.

Restored freedom of expression after 48 years of draconian censorship and freedom from fear encourages policy debate and idea dissemination on the pages of newspapers. However, one can say that Myanmar's development path is not debated in the public arena at all. It is more or less imposed on the country by the government, albeit a well-meaning one. The public debate focuses more on the specificities of development practice. Prominent examples are in the areas of large development activities, such as resource extraction, energy projects, and economic zones.

The Myitsone Dam is a case in point. The mega hydropower project was to be developed by a Chinese company, but faced widespread public resistance and was then eventually halted. This case was unprecedented, given Myanmar's long history of ignoring the public and the power of Myanmar's big neighbor, China. In the Dawei Special Economic Zone project, which is

being developed in the south of the country, a proposed 4,000 megawatt coal power plant was canceled after facing public protests. In addition, the Letbadaung copper mine project – a joint venture between a military company and a Chinese investor – faced long and protracted local protests across the country. After the protest at the mining site was crushed, the issue was more or less resolved with Daw Aung San Suu Kyi, a prominent politician, intervening and securing improved terms and conditions for the country and compensation for locals. Letbadaung set the precedent for considering environmental and social impacts, in addition to the usual economic cost-benefit analysis, in current and potential development projects across the country.

Though Myanmar's political parties are active in development issues, they do not seem to have policies on development, or they do not present them explicitly. This may be due to the nascent nature of Myanmar party politics. Still young or having faced repression by the previous government, they are still trying to function as a political party, which leaves little resources to develop specialized policies.

Present and future

With a long history of state dominance, proponents of reducing the government's role can surely find many willing listeners in Myanmar. Having had enough of the state's incompetence for half a century, the free market/free trade paradigm is not only a development model but may even work as an election slogan. However, it is not wise to completely dismiss the state's role

in development because – as is evident in some of its East Asian neighbors – a state-driven development model can be successful as well. Myanmar should strike a balance between the role of the state and the market to get the best out of its potential.

After consultation with the international financial institutions and receiving their recommendations, Myanmar has to adopt a «listen to advice, but make your own choices» strategy. For instance, the IMF's recommendation of keeping the budget

Capacity will have a final say on Myanmar's development outcomes. Even if the policies are right, the implementation of them may not be.

deficit to 5 percent of GDP or less can be a double-edge sword. It pressures the government to cut spending in areas of lesser priority and may reduce wasteful spending, but it also restricts spending in key areas for growth and social importance, such as transportation, health, and education. As Myanmar is still in the process of constructing the foundation upon which the country will grow, budget constraints will be a formidable challenge.

Myanmar has to be aware of falling into the traditional trap of «catching up at all costs.» The «grow first, clean up later» stance, as exemplified, for instance, in China in the 1980s and 1990s, is not an option. Pro-poor initiatives, despite moving in the right direction, need more momentum, as 26 percent of the population is poor and the per capita GDP – at \$850 – is the lowest in the ASEAN region, even lower than that of land-locked Laos or war-torn Cambodia.

Myanmar, a poor country rich with natural resources such as oil, gas, and gem stones, might be suffering from the resource curse – the tendency of countries with an abundance of natural resources to be less developed than countries with fewer resources. Natural resource management – including, but not limited to, building resource governance capacity in various levels of government; meeting international standards; conducting environmental and social impact assessments; incorporating local voices into decision-making processes; and transparently distributing revenues from natural resources to its citizens – will be key in dealing with the resource curse that Myanmar may currently be facing.

Encouragingly, Myanmar seems to be moving in a positive direction when it comes to natural resource management. It made a commitment to the Extractive Industry Transparency Initiative (EITI), which enhances revenue transparency and accountability in extractive sectors such as oil, gas, and mining. «The most important thing is to have completely transparent financial accounting to ensure everyone knows where the revenues from these extractive industries are going,» said President Thein Sein, who halted the controversial Chinese-initiated Myitsone Dam hydropower project in 2011. For the first time in its history, Myanmar has a ministry-level institution that will deal with environmental conservation: the Ministry of Environmental Conservation and Forestry.

Foreign direct investment is currently concentrated in the energy, oil and gas, and mining sectors. Diversification of the economy is now possible since most of the EU and US sanctions have been dropped. Myanmar should find its place by figuring out how it can complement the needs of

others in the region. It could, for example, focus on attracting foreign direct investment in labor-intensive industries to take advantage of its young population. However, power shortages (only 26 percent of the population has access to electricity) are a major obstacle for industrialization.

Tourism is a low-hanging fruit, as Myanmar is quickly becoming a hot travel destination. Nonetheless, promoting ecotourism instead of mass tourism can be an answer to the societal and environmental impacts that are associated with hordes of tourists.

Increasing public awareness of different development policy options – aside from the Washington Consensus recommendations that have already been put in place – is essential to empowering the people. Without this knowledge, the public might be at a disadvantage to effectively voice their opinions.

Last but not least is the capacity issue. In fact, capacity will have a final say on Myanmar's development outcomes. Even if the policies are right, the implementation of them may not be. Both the capacities of state and non-state actors face similar deficiencies. Capacity-building at different levels and in different areas should be the priority for international donors and Myanmar.

The saying «better late than never» is particularly fitting for Myanmar's development. One hidden advantage of Myanmar being a latecomer is that it can learn from the mistakes of neighboring countries that have already experimented with different policy recommendations and models.

«Smart people learn from their own mistakes; geniuses learn from the mistakes of others.» Myanmar has to be both smart and a genius in choosing a development path of its own. After many lost decades, Myanmar cannot afford to do otherwise. ■■■

A Development Model for Myanmar

Interview with Kyaw Thu

Nwet Kay Khine: Is the future of Myanmar's development openly debated in the country? Who is involved in the debates and what is mainly being discussed?

Kyaw Thu: Debates are intense between those who favor relaxing rules for investors and those who are trying to minimize environmental and societal impacts resulting from development. On one side, we have overseas investors and their local partners, who act on behalf of foreign companies, demanding rules and regulations because they create a predictable environment for investment. On the other side, we have local communities reacting to social injustices resulting from pro-neoliberal changes. This is evident in the Myitsone mega-dam project, backed by Chinese investors; the Dawei special economic zone; the Letbadaung copper mine project, also backed by a Chinese company; and the China–Myanmar pipeline. These projects were successfully stopped, delayed, or altered in favor of the local communities after protests erupted; however, not every objection that the communities raise has been effective.

Some civil society actors, such as environmentalists, human rights defenders, social justice advocates, or however you may call them, have joined hands with the local communities. They have become key players who emphasize the importance of local participation, calling for meaningful consultations between investors and local communities, and stressing the importance of social licensing. In the long run, if poor local people do not benefit, growth across the country will stagnate. And if environmental degradation exacerbates poverty, then commercial-sector development cannot be sustained either.

Also, the international community's role is very crucial in Myanmar's transformation. Previously, Western countries were very critical of the military government. They never hesitated to condemn or take action against them whenever they saw wrongdoings. However, since the new government has taken over, their policy stance has shifted – from criticizing the government to engaging with them. Their priority now is to aid Myanmar's reform by supporting capacity-building for the new government.

Viewing direct engagement with the Myanmar government as an inevitable task, at least for now, foreign players prefer not to disturb the normalcy of relations between the government and themselves. Government policies can be unfair, particularly in the resources sector, but nevertheless, the international community does not welcome civil society's demands for justice. This attitude of trying to accommodate and encourage the government instead of helping the local poor is discouraging

Kyaw Thu is the director of Paung Ku, an NGO with extensive networks to Myanmar's civil society. A trained dentist who started his career in the public health sector, Kyaw Thu has gradually expanded the scope of his work to include more politically oriented (though non-partisan) mobilization, networking, and advocacy projects. With his organization Paung Ku, he focuses on strengthening civil society through small grants and capacity-building initiatives for local civil society organizations and networks across a range of sectors, but especially those sectors pertaining to agriculture and sustainable development; the environment; land rights and responsible investment; as well as those promoting peace, justice, and reconciliation.

Nwet Kay Khine is currently a PhD student in the International Program of Human Rights and Peace at Mahidol University, Bangkok. Previously, she worked as Project Coordinator at the Heinrich Böll Foundation in Yangon. She has extensive experience in the media and non-profit sectors, both as a journalist for various Burmese newspapers and as a trainer for development NGOs. For her master's degree in International Development Studies at Chulalongkorn University, Bangkok, she won a scholarship from the Heinrich Böll Foundation's Southeast Asia Regional Office. Nwet Kay Khine also holds an Erasmus Mundus Master in Journalism and Media within Globalization from Hamburg University.

for human rights defenders. We saw this in the case of the Letbadaung copper mine, where international players focused on the reform process while remaining silent on the injustices stemming from the mining project. Human rights violations in this area were by and large ignored by the international community. The voice of the affected communities and that of their supporters were threatened by this silence.

What do you think about the role of the media and think tanks in these debates?

The media is trying its best to cover development issues to inform the public and their respective targeted audiences. However, they lack the necessary skills to effectively analyze the current complex setting. Sometimes journalists are sent to cover seminars and other events where debate is heated, but they are unable to identify a takeaway message from the discussions. And sometimes the message may even be misinterpreted. The media is generally aware of these deficiencies, but they are still in the process of building up the necessary skills and competencies after decades of censorship.

Think tanks face their share of problems as well. The government has formed its own think tank, but it does not have regular meetings or an established mechanism by which members can feed policy advice to the government. The institution itself is struggling to provide input through the right channels and garner meaningful participation, rather than just being a government showcase.

Another example was Daw Aung San Suu Kyi's interest in establishing a think tank to deal with environmental issues. She talked to environmentalists and invited them to join the National League for Democracy (NLD) as party members, but everyone declined because they wanted to maintain their independence.

The role of experts, who can be independent voices, has been very important in many development issues. In the case of Letbadaung, many voices from across the spectrum – ranging from water experts and mining engineers to environmentalists and agriculturalists – could be heard. However, their voices were toned down and calls for adequate environmental protection measures were silenced by the release of the Aung San Suu Kyi-backed report, which recommended the continuation of mining operations. It is understandable that experts withdraw from public debate when they fear possible repercussions. The media also does the same; they have not followed up on the copper mine since the investigation commission led by Aung San Suu Kyi released its report. The media has also shunned criticism against Aung San Suu Kyi for the sake of preserving their popularity. Due to the media and key politicians' biases, local communities are left in the cold.

Which development model has the current Myanmar government adopted, who shaped it, and how do you assess its acceptance by the public?

The government focused on deregulation, privatization, and the reduction of government control over the economy. The new business environment accommodates the investors under a neoliberal doctrine. Although the term «neoliberalism» appears in the public sphere from time to time, do you think the majority of people residing in rural areas know what it means? It is not clear to the public what they can expect from neoliberal changes or how they can deal with the negative impacts. It is very clear, however, that local values and resources are increasingly being threatened by unjust privatization, and there are few mechanisms in place to protect the affected communities.

Moreover, some new policies are unfavorable for farmers and indigenous peoples in many aspects. For example, the 2012 land law governing vacant and fallow lands allows domestic and foreign businesses to occupy agricultural lands belonging to farmers and indigenous peoples. Under this new law, farmers who have been growing on hereditary land for their livelihoods can only possess land by means of official registration. As the registration process is not easily accessible for rural people, the land policies put them at risk. In most cases, they are helpless. There are also similarities in the new environmental and investment laws. All of them are accommodating only to the business side, at the cost of local communities. Although the rule of law is, in general, weak in Myanmar, the implementation of pro-business laws is carried out in a hasty manner. On the other hand, there is no urgency when it comes to installing proper mechanisms to protect the vulnerable.

Peace negotiations and the national reconciliation process will be undermined if indigenous lands continue to be threatened. If we are truly going to form a new Myanmar under a federal system, there is an urgent need to resolve the land problem. Peace might pave the way for fair resource sharing, but fair resource sharing can sustain peace in the long run. We proposed to the Myanmar Peace Center that the land issue be put on the table during peace negotiations in order to prevent future conflicts.

You have mentioned that pro-poor development is the campaign agenda of some political parties. Are there any particular dissenting or supporting voices from political parties concerning the current development model?

Yes. However, party policies shaped by the precautionary approach are not in place yet. Most of them believe that faster growth should be prioritized to reduce poverty as soon as possible. The problem is their understanding and acceptance of the GDP growth model, which has a proven record of having many serious problems. Furthermore, the top-down approach alone does not work in development. Notably, the idea of social licensing still has not been picked up by the parties. They do not recognize that local people can help businesses by solving problems together. Many famous politicians, including Aung San Suu Kyi, say it is inevitable for some people to sacrifice for the sake of collective prosperity. In the Dawei case, a parliament member from the NLD party said the social activists must be crushed because they are protesting mega development projects in the Dawei region. Many believe that being anti-development is intolerable. But we should not see the issues raised by local communities and civil society as being anti-development. Everyone wants to develop the country. But it is legitimate and good for us to have debates about what this means and the best ways to accomplish it. We can say that sacrifices are needed for collective prosperity, but then this must really be collective. That means benefits for everyone, including those who sacrifice to make way for some kinds of projects.

The politicians' limited knowledge is a tremendous challenge in policymaking. Due to limited or weak capacity, most politicians are not aware of the UN framework regarding human rights violations committed by the business sector: «Respect, Protect and Remedy.» International governments and institutions supporting capacity development could help remedy this knowledge deficit.

A further shortcoming is that some ethnic parties only focus on promoting development in their own region. They think that investment

will change the whole development landscape only for the better. It is dangerous if we do not find a solution on how to mitigate the side effect of these investments. Most of the MPs are not in such a position yet.

What are the impacts of current development policies on the communities, especially rural communities, and how are ethnic minorities affected and involved?

The current policies are business-centered, not people-centered. The current legal framework restricts the people's choice rather than expanding it. In policymaking for investment, especially extractive industries, the question is: «What will be the benefit to the people?» But this question never gets answered. Myanmar is open to investors, but we do not have a clear spatial planning policy, a clear land policy, or sound environmental laws. Protection for indigenous peoples is not a government priority. And protection measures for poor rural communities are even worse in the agricultural sector. Farmers have been struggling with debt problems for decades. One presidential advisor suggested that the farmers' debt problem be eased by waiving overdue loans. They could do this with the lump sum loans that they get from international financial institutions such as the World Bank and the Asian Development Bank, but so far, there is no plan to use the money for improving the farmers' situation. The farmers' debt problem worsened when the government forced them to buy fertilizers and pesticides at a price higher than the market rate. These problems are not new. The problem is that policymakers are trying to solve the same old problems with the same old solutions.

Is there any space for local communities and ethnic minorities to react to the policies?

Communities react to the negative impacts of the development paradigm in many ways. So far, from my observations of several land-grabbing cases, they have never chosen an aggressive way to respond. Their first step is usually to try to talk to the local authorities. If they do not get a proper response, they take their complaints to the regional and national levels. Some have even sent letters to the parliament and the president. If no result is achieved, only then do they choose to demonstrate on the streets. Some political parties, such as the NLD, are interested in expanding the space for local actors, including community-based organizations, as part of their political agenda. The 88 Generation group also tries to help the people, especially in land-grabbing cases. Civil society working on the ground is reaching out to every possible partner, including political parties. In some sectors, especially the agricultural sector, hundreds of civil society organizations have recently emerged. Farmers are forming associations, even though there is no regulation or law in place yet to do it under the current legal framework. As the International Labour Organization is helping to institutionalize labor unions, the farmers are also interested in being recognized as workers in the farming industry so they can legitimately function as an association. In Shan state alone, there is now a farmers' network with around 8,000 members. But forming an association does not necessary mean that they have full freedom to act as an association. The new association law, which was drafted and debated in the parliament, is equipped to curb the power of associations by forced registration.

What is your future projection for Myanmar society if current trends go unchanged? Which scenarios are likely?

In Myanmar, the infrastructure is not ready to attract investors to the manufacturing and services sectors. Electricity is still scarce and water management is still inefficient. The most convenient way for eager investors is to go for resource extraction. Of course, land is a major resource as well. And policies are favorable for investors. If the trend goes unchanged, more cases of social unrest will happen – ultimately, it will slow down or damage reform.

As a civil society actor and social movement leader, what priority issues are you currently dealing with?

The urgency is in minimizing the adverse effects of neoliberalism and supporting local communities' abilities to respond. So far, in all previous sessions, our parliament has passed 58 bills. These new laws will definitely have an impact on the people. We cannot intervene in every aspect of change, so my organization concentrates on promoting social justice in the investment sector. We can be optimistic because awareness of sustainability is strong in the community and civil society networks are strong. On the other hand, the biggest challenge for civil society is that many issues are happening simultaneously and it has started to overwhelm us. We have realized that we should take some time to reflect on our work. Because of our limitations and for efficiency's sake, we need to consolidate our efforts. We have also seen that our space can be undermined by the opinions of influential leaders. Those who seek an alternative development model feel discouraged when Aung San Suu Kyi and the 88 Generation talk about their preference for a growth-led development model. That type of thinking is dangerous not only for the people but also for the activists who stand with the local communities to fight against the unfair rules of the game. Now, Myint Myint Aye, a lady from Let-badaung, has been arrested for her actions against the copper mine. We have a list of other detainees in jail. To be precise, there are 120 people who are in prison for protesting against the investors. All arrests are related to the China–Myanmar gas pipeline, land acquisition in different provinces, and other investment projects. Still, many other arrests are unreported or underreported. Companies are accusing farmers of spoiling community interests. And the police are always in the same boat with the companies, so it is no surprise that hundreds of farmers' cases go unreported.

What needs to be achieved in the next two years before the government might change?

People are thinking inside the box of bipartisan politics. The majority hate the ruling party – the Union Solidarity and Development Party (USDP) – for their affiliation with the junta. To reject the USDP, people are tempted to vote for the NLD. But this scenario is likely to change in the next election. People will judge the candidates based on their commitments and efficiency but not on partisan politics. Some new faces, especially from the ethnic regions, are preparing to participate in the coming election. Young faces, especially from Kachin, are eager to be elected as individual candidates. Fewer people will vote due to personal affiliations in the future. Rather, they are likely to choose someone who can best perform as their representative. ■■■



MYANMAR

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Sin Ko Ko Oo, 13, at the helm of his father's long-tail boat on Shan state's Inle Lake in central Myanmar. His father, tired after nearly a month of non-stop early morning work ferrying visitors around the lake for the Phaung Daw Oo Pagoda Festival, is dozing in the bow of the boat.

Donor Accountability and Local Governance

Development Assistance to the Cambodian Land Sector

Mark Grimsditch

This article looks at World Bank and German land sector support and highlights the challenges these actors have faced in ensuring effective implementation of land sector reform.

Following the collapse of the Khmer Rouge in 1979, Cambodia was seen as a pariah state by much of the international community – through the 1980s it received aid from just a handful of states. This changed in the early 1990s after Cambodia adopted a multi-party system and held elections. Donor money has since poured into Cambodia and the country is now heavily dependent on official development assistance. According to one analysis, from 2002 to 2010, for every dollar spent from the national budget, Cambodia received an average of \$0.94 in aid.¹ Cambodia's donors, or «development partners,» provide support across a broad range of sectors – from education and health to infrastructure development and legal reform. Donors, which include the World Bank, the Asian Development Bank, and bilaterals from Germany, Finland, and Canada, have contributed significantly to the land sector. With this support, Cambodia has made notable progress in legal reform, institutional strengthening, and the development of land administration and management systems. However, land conflicts and development-induced displacement continue to plague the country.

Donors to the land sector have come under increasing pressure from civil society to acknowledge these concerns and push for improved implementation by government counterparts. Safeguard systems, milestones, monitoring indicators, and various other mechanisms are in place, but the

influence of donors has often proved to be limited in the face of weak local governance and lack of political will.

Setting the context: Land in Cambodia

The nature of land ownership in Cambodia has changed drastically over the last four decades. After the Khmer Rouge took power in the early 1970s, all private ownership was abolished and land became state property. Land remained state property after the fall of the Khmer Rouge and the establishment of the People's Republic of Kampuchea in 1979. Toward the end of the 1980s, private ownership of residential land was legalized, and in 1992 a new land law was passed that laid the foundations for the growth of the land market in Cambodia.²

This rapid transition from centralized Marxist-Leninist state to a capitalist free market had significant impact on land holdings. According to one report, the land reforms of the late 1980s and early 1990s «set the stage for land grabbing and power abuses» as land became a valuable commodity.³ As shortcomings in the 1992 Land Law became apparent, some donors made future assistance conditional on the adoption of a new law. This was passed in 2001 and soon after, multi- and bilateral donors increased support to the land sector, seeing an opportunity to support reform.

Although the legal framework related to land is now relatively well-developed, implementation is often lacking. This is complicated by the fact that most landowners lack definitive documentation for the land that they hold, leaving them vulner-

able to conflicts and eviction. As a result, violations of land rights have become one of Cambodia's most pressing human rights concerns. In 2012 a local rights organization reported that it had recorded disputes involving more than 400,000 people in the 12 provinces where it has offices.⁴

Land conflicts have been a concern since the 1990s, but pressure on landowners has intensified as investment has flowed into Cambodia and land values have increased. Large-scale evictions of urban poor communities have occurred, often to make way for real estate development. One local organization estimated that more than 150,000 people were evicted in Phnom Penh between 1990 and 2011.⁵ In rural areas thousands of families have lost land to private companies that have been granted expansive land concessions for developing agro-industry, often in breach of legal requirements. While land is being consolidated in the hands of the powerful, wealthy, and well-connected, landlessness has become a national problem. A 2008 study found that 21 percent of households were landless, and a further 45 percent owned less than 1 hectare of land.⁶

The World Bank and Cambodia – A troubled relationship

Against this backdrop, donor-funded programs have sought to improve tenure security by supporting Cambodia's land administration and management systems, and in 2002 the Land Management and Administration Project (LMAP) commenced.

LMAP was implemented by Cambodia's Ministry of Land Management, Urban Planning and Construction (MLMUPC), financed by the World Bank, and received technical support from bilateral donors in Germany, Finland, and Canada.

The Project aimed to improve tenure security and promote the development of land markets by developing regulatory frameworks, building the capacity of the Cambodian Ministry, and strengthening dispute-resolution mechanisms. The main focus was to establish a land registration program to systematically issue land titles across Cambodia.⁷ Up to August 2012, almost two million land titles were issued by LMAP and its successor program.⁸ However, although the program enjoyed considerable success in titling rural areas, this was not matched in urban areas. In 2009, following a series of forced evictions in Phnom Penh, local and international NGOs raised concerns that legitimate landholders were being denied access to the system because their land had been targeted for development.

In 2009, residents living around Boeung Kak Lake filed a request with the World Bank Inspection Panel for an inspection of the Land Management and Administration Project. Located at the center of Phnom Penh, Boeung Kak Lake was home to more than 4,250 families. Many had lived there for years and had potentially strong claims as legal possessors under the Land Law. In March 2006 the lake was designated an adjudication area of the land project. This should have been followed by an assessment of all ownership claims within the area, which in turn would allow the issuance of land titles. However, no assessment hap-

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pened, and when adjudication maps were displayed in January 2007, all owners were listed as «unknown.» Four days later, it was announced that the land had been leased by the government to a private company.⁹

Soon after, residents were pressured to vacate their homes in return for compensation of \$8,500 or a replacement apartment on the outskirts of the city. Many accepted, as they feared they would otherwise be evicted and receive nothing, but more than 800 refused and resisted eviction. After exhausting all available remedies without any result, Boeung Kak Lake residents went to the World Bank Inspection Panel, claiming that poor implementation and inadequate supervision of LMAP caused them harm. The Inspection Panel's investigation found serious breaches of the World Bank's safeguard policies.¹⁰

Prior to the publication of the Panel's report, the World Bank sought to negotiate a resolution to the case with the Cambodian government. However, the government was not willing to negotiate and responded by cancelling the project.¹¹ The reasons for this refusal to negotiate are open to speculation, but it is no doubt relevant that the company that received the lease for the lake area is owned by a well-connected and influential ruling-party senator.

Finally, in August 2011, the World Bank announced a suspension of all future lending to Cambodia until this case was adequately resolved. Soon after, Cambodia's prime minister announced that 12.44 hectares of land would be cut from the development area and granted to the remaining residents.¹² This was a tremendous victory for those who held out and fought for the recognition of their rights, and more than

630 families received land titles. However, 3,500 families had already left the area and accepted the meager compensation offered, and several dozen families were denied land titles, as their plots were outside the 12.44 hectare area.

The Boeung Kak Lake case exposed the challenges that are presented by donor-funded projects in the land sector. For a number of years, LMAP was held up as a successful example of donor engagement, with donors often referring to the large number of titles issued as evidence. However, the project was designed in a way that it avoided land that was in dispute or of unclear status; in some cases, where powerful interests were at play, LMAP failed to properly assess resident's land claims, and thus left them exposed and vulnerable to eviction.

Boeung Kak Lake residents lay in the path of a multi-million-dollar development linked to a high-ranking official, and although safeguard mechanisms were activated and the World Bank eventually attempted to push for a resolution to the dispute, the interests involved were too great. In this context of weak rule of law and endemic corruption, the rights of ordinary citizens often come second to the interests of those with power and influence. In this case, even the World Bank, which is a major donor to the Cambodian government, found its leverage to be limited. The collapse of LMAP and suspension of World Bank lending illustrates well the limitations of donor influence when faced with a lack of political will on the part of the borrower.

Germany's milestones

Prior to its cancellation, LMAP had already begun to transition to the Land Administration Sub-sector Programme (LASSP), under which land registration continued. Germany and Finland continued to support LASSP, whereas Canadian funding ended in mid-2013. Germany's Ministry for Economic Cooperation and Development (BMZ) is responsible for bilateral official development cooperation, and currently commissions the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)¹³ to implement Cambodian bilateral land sector support.

The LMAP Inspection Panel investigation and civil society advocacy also put German bilateral assistance under the spotlight. After World Bank involvement in the land sector ceased, attention turned to German bilateral assistance. A month after LMAP was cancelled by the Cambodian government, BMZ announced in October 2009 that future land sector support would be contingent on strengthening human rights in the land sector. This took the form of five milestones that cover issues including indigenous land rights, implementation of a new framework for dealing with informal settlements in urban areas, and drafting of a housing policy.¹⁴ Although these milestones were not achieved in full, Germany continued to support the land sector and a new program was approved.¹⁵

This new Land Rights Program runs from 2012 to 2015 and is subject to a further set of milestones that cover a number of issues related to land registration, including a commitment to speed up the process and to address the issue of exclusions from

the system. The Cambodian government was required by the German counterpart to develop a plan by July 2012 that would describe and define how to register areas that have been excluded from systematic registration and on how to avoid future exclusions.¹⁶ In May 2012, a draft document was circulated by the Ministry of Land Management, which outlined a very brief plan for speeding up systematic land registration and solving the problems of exclusion.¹⁷ However, this draft document was only one page, with just half of that page devoted to the issue of speeding up registration and avoiding exclusions. Eventually, no further consultations were held with civil society.

The Boeung Kak Lake case highlighted the problem of exclusions from the titling system, but civil society groups also identified numerous other cases of exclusion across the country. The result of such exclusions is that many thousands of people have been left in limbo, with their land left untitled, and thus exposed to future land conflict or eviction. In 2012, BMZ commissioned a human rights assessment of the German land sector assistance. Although the study found that the program contributes to the realization of the rights to adequate food and housing, it also identified numerous challenges and highlighted a lack of accountability on the part of the MLMUPC and development partners, and a lack of transparency in some areas of the program, especially in the selection of adjudication areas.¹⁸

Cambodia has achieved notoriety for its poor land rights record, and as a result, BMZ has come under pressure from German parliamentarians and NGOs, as well as local and international NGOs working in

Cambodia, who asked for safeguards and mechanisms that ensure the participation of concerned communities. Further, the United Nations Committee on Economic, Social and Cultural Rights (ESCR) expressed their concern regarding German engagement in the Cambodian land sector in their Concluding Observations to the Federal Republic of Germany¹⁹ on May 20, 2011: «The Committee is concerned that the State party’s development cooperation program has supported projects that have reportedly resulted in the violation of economic, social and cultural rights, such as in the case of the land-titling project in Cambodia (art. 2.1, 11, 22 and 23).» In a 2011 meeting, a senior BMZ official acknowledged this and expressed concern that there was a risk that German development cooperation and the German government could «appear as being involved in human rights violations occurring in the Cambodian land sector,» making engagement in the sector a political risk for Germany.²⁰ GIZ has been criticized for missing opportunities to engage civil society on their concerns around land registration and for not acting soon enough or taking decisive action to address shortcomings in the implementation of land sector reforms. This was despite repeated attempts by civil society to bring these issues to the attention of donors through meetings, letters, and forums such as the Technical Working Group on Land. BMZ has since developed milestones that address some of the issues that have arisen in recent years, but, as mentioned above, these milestones have not been met in full and the impact of this process remains to be seen.

Cambodia’s failure to achieve these key monitoring indicators has had little impact on donor support, and aid commitments to Cambodia have continued to increase year on year. This has led to criticism of donors in the press and from civil society, and has highlighted the very significant challenges of supporting reform in the face of limited commitment on the part of Cambodia’s decision-makers.

Donor influence and local governance

The experiences of the World Bank and BMZ provide an illustration of the challenges related to donor-supported land sector programs. Although the Cambodian government has stated that land sector reform

is a development priority, the prevalence of widespread conflicts, displacement, and landlessness indicates that a commitment is lacking. As Cambodia seeks to move away from aid-dependency, the government has promoted investment, including in land and natural resources. However, in Cambodia’s current context of weak rule of law, where the elite are able to behave with relative impunity, such investment comes with considerable risk. One symptom of this is that urban poor communities, such as those living at Boeung Kak Lake, are pushed from their homes to make way for high-end developments.

When confronted with broader concerns about ongoing evictions and other land rights violations, donors have often focused on the technical aspects of their support, avoiding sensitive issues that may result in the deterioration of relationships with government counterparts. Although it may be prudent for donors to focus on areas where they have a realistic chance of making progress, concentrating on isolated activities and outputs fails to take into account the broader reality of what many see as the continuing deterioration of respect for land rights in Cambodia. This, in turn, will inevitably lead to criticism that donors are complicit in the state’s failings.

It is important not to lose sight of the broader context of the challenges that Cambodia currently faces with regard to land and natural resources. Land conflict, displacement, and landlessness are ever-present threats to the livelihoods of many thousands of Cambodians, and with these come the risk of social unrest. Although there are no simple solutions to the complex scenarios outlined here, it is clear that there needs to be a shift in the current paradigm.



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CAMBODIA

Siem Reap is one of Cambodia's fastest-growing cities, filled with bustling hotels, shops, and markets. But along its outer edge, away from the tourist attractions and hectic commercial districts, lie natural, dry, unkempt grasslands, still untouched by development.

Scrubland and lakes lie along the sides of Plov Lek 60 Road. At its end, the road abruptly turns into a field. Early each day, local people gather on the road to exercise. As dusk falls, traders set up stalls and impromptu restaurants along its pavement. Local people come out to picnic, date, or just enjoy the scenery.

Below: A young couple enjoy a picnic besides Plov Lek 60 Road on the outskirts of Siem Reap.

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Challenges for Poverty Reduction and Sustainable Development

A View from Laos

The Lao People's Democratic Republic is one of the poorest countries in the world. Three-quarters of the population is rural and lives from the land. Those living in the more remote parts of the country have limited access to education, jobs and healthcare. Malnutrition remains a problem. Over the last 10 years, Laos has experienced dynamic changes. The economy is growing at an average of 7.5 percent annually and there has been some success in combating poverty. The government has set a goal of getting Laos off the United Nations' Least Developed Country list by 2020.

But many observers are still concerned. The country's progress depends on a rapid rise in direct foreign investment and the exploitation of natural resources. Unregulated investment in mining, agribusiness, and large-scale hydroelectric power plants to provide neighboring countries with electricity has at times led to forced migration and deprived rural communities of their livelihoods. The United Nations warns that most of the population is dependent on ecosystems that are being damaged beyond repair by the current development.

In the run-up to the Asia-Europe Meeting and the non-governmental Asia-Europe People's Forum (AEPF), which took place in the Laotian capital, Vientiane, in 2012, civil society and local communities organized a process for extensive discussions and consultations aimed at formulating development goals for Laos. The process was led by agrarian and education expert Sombath Somphone, and more than 1000 men and women of all ages and of diverse backgrounds contributed their views and experiences. Somphone, a member of the AEPF organizing committee, presented the results during the AEPF conference, where he also gave the opening address. Two months later, Sombath Somphone was abducted in Vientiane and has not been heard from since. In this speech, he describes the communal vision for fair and sustainable development in his home country.

Speech given by Sombath Somphone at the 9th Asia-Europe People's Forum (AEPF), October 16–19, 2012, Vientiane, Laos (excerpt)

Excellency Dr. Thongloun Sisoulath, Deputy Prime Minister of the Lao PDR, respected friends and colleagues from Laos, Asia, and Europe, Ladies and Gentlemen, What an honor and what a pleasure it is for me to be welcoming you all to our small country, a land of gentle people with big hearts. I am especially honored to represent Laos at this Asia-Europe People's Forum to address you today and to share with you some thoughts on how we can together work toward reducing poverty and building a more sustainable future for ourselves and for our children.

Sombath Somphone is an agrarian expert from Laos. After Laos independence he worked on sustainable farming and food security. Later he introduced the use of participatory rural appraisal techniques in Laos. In 1996 he established the Participatory Development Training Center (PADETC) which aims to train young Lao people and local government officials in community based development. For his achievements he received the prestigious Magsaysay award, the Asian equivalent to the nobel prize. On 15th December 2012 he disappeared when he was on his way home in Vientiane. For more information see: <http://sombath.org/>

The human race has made enormous progress in science and technology in the past century. We have built better and better infrastructures, better systems of communication, watered the deserts, sent men to the moon, advanced medical science, and also built enough weapons of mass destruction to blow up our planet if we want to. In the process and without doubt, our lives have physically become more comfortable and more convenient. In fact, sometimes too convenient and too comfortable, especially for the majority living in the more developed parts of Europe, and for the more well-off even in the poorer parts of Asia. However, for the poor, the disenfranchised, the benefits of progress have yet to reach them.

Our improved physical comfort has weakened our minds. We have become less caring, less compassionate, and more self-centered. We let our emotions rule our heads instead of relying on our intelligence and wisdom. We let our selfish desires and pursuit for immediate gratification blind us to what is really important and essential for our personal happiness and for the well-being of our families and societies.

How did we get there?

I strongly feel that it is our poor education system and badly conceived development model that got us here. Our modern education system is modeled from the West, and is quite divorced from reality. It is too compartmentalized and segregated, focusing on technical content, and not [giving] adequate attention to critical thinking and analytical skills.

The development model is not balanced, not connected, and definitely not holistic. We focus too much on economic growth and ignore its negative impacts on the social, environmental, and spiritual dimensions. These unbalanced development models are the chief cause for inequality, injustice, financial meltdown, global warming, climate change, loss of bio-diversity, and even loss of our humanity and spirituality. We are blinded by the power of money and let the corporations rule the world and even override the power of the state. Ordinary people, and civil society, have very little say in all this. Their voices are not heard loud enough by the government and by the corporations.

How to get out of this situation?

Certainly pointing fingers will not bring us together. Asking the industrialized nations that are now already consuming up to three to five planets to care and share more will not work. They have been addicted to a way and style of living for so long that they will not easily want to change. Asking the developing nations that also aspire to have the kind of lifestyle of the developed world will also not work. They do not want to be left out of enjoying the material benefits and comforts that have been denied them for so long. Getting out of this dangerous stalemate requires three major changes.

First and foremost, it is necessary to transform the present power structure. We cannot afford to allow the big corporations to continue dictating to our governments the kinds of investment they should make. And we cannot continue to have governments continue to listen to the power of money over the voices of the people and civil society. These three parties – state, corporations, and civil society – should work together on a more equal basis and with mutual respect and shift the course of development to a more balanced one. This should be done regardless of whether we live in Laos, Asia, Europe, or any other continent.

Secondly, we need to shift our thinking and adopt a different model of development. This new model should stress the balance and interconnectedness between the four dimensions or pillars of development, namely: economy, nature, society, and governance. The development of one pillar should not have negative impact on any of the other pillars. If it does, the losses on any other pillar should be factored in as additional capital loss.

Thirdly, we need to give more space for the ordinary people and allow them to be the drivers of change and transformation. Listening to the voices of the young is especially crucial. Their ideas and aspirations for sustainable development should be given due consideration; after all, the future should be theirs to make.

Hearing from the Lao people

We in Laos have already taken the first step toward this direction. To foster solidarity against poverty and for sustainable development in Laos, civil society organizations in Laos have teamed up with the government and mass organizations to conduct consultations in all provinces. The joint fieldwork has instilled a strong sense of trust among civil society organizations and mass organizations and broken the wall between civil society groups and government representatives.

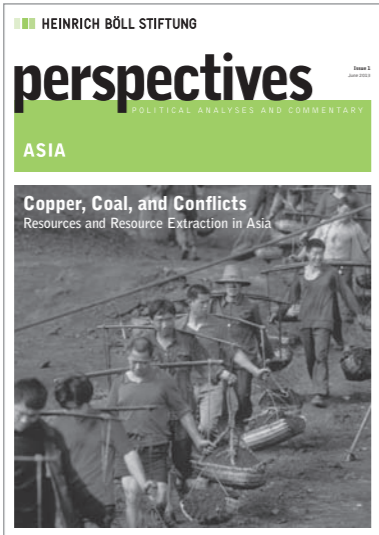
Lao people understand development in a more holistic way – poverty can be physical, social, and emotional. In Lao language there is one word that sums this up very well. It is called *khuam tuk*, which means «all forms of suffering.» Its opposite is called *khuam suk*, which means «happiness» or «contentment.» The Lao often equate happiness or contentment with sustainable development or sustainable livelihoods, and sustainable development is a condition that arises only when there is balance between the four pillars of development – economy, nature, society, and governance.

For each of the four pillars of development, the [Lao] people would like to stress the following:

- Economic pillar: Improvement of household or local economy by focusing on sustained income generation, employment creation, and strengthening of a self-sufficient economy. Economic development should not lead to debt accumulation, which is the main cause of poverty. Economic development and promotion of investment should also not undermine people's land ownership, which is the foundation for food security and a sustainable household and local economy.
- Social pillar: Improving social security and development needs to focus on improved access to good healthcare, better quality of education, and strengthening social solidarity. More attention should be paid to combating negative social phenomena, such as erosion of family and moral values, which give rise to drugs abuse, gambling, and risks to HIV/AIDS infection, especially among young people.
- Environmental pillar: More focus needs to be given to the protection and conservation of Laos' natural resources and environment through reducing the degradation of forests, safeguarding water resources, and preventing the release of toxic chemicals into land, water, and air by unregulated urban and industry development.
- Governance pillar: To strengthen governance and the rule of law, the focus should be on improving people's understanding of the law and their rights. This must go hand in hand with strengthening the enforcement of the law to avoid abuse and non-implementation. We should also enhance the protection of peace and improve the transparency of governance by promoting participation in decision-making, monitoring, and reporting of development activities by all stakeholders.

We have heard the voices of the people, including young people, loud and clear. The question is: How do we now translate these clear voices into action? We hope what we have done in Laos will be some food for thought and stimulate discussions at the Forum. Over the next few days, we will have the opportunity to exchange ideas and hear and learn from the experiences from our colleagues and jointly work toward reducing poverty and building a more sustainable world in solidarity.

Thank you very much for your kind attention. ■■■



Perspectives Asia is published biannually by the Asia Department of the Heinrich Böll Foundation in close cooperation with the Foundation's offices in Asia. With this publication, analyses and debates concerning global challenges and specific developments in the Asian region are made available in English and German.

The first issue, «Copper, Coal, and Conflicts,» deals with the local consequences of the worldwide competition for access to natural resources and analyzes the complex interrelations and conflicts of interest that result from the exploitation of raw materials.

This edition of **Perspectives Asia** is available in English and German and can be ordered from:

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Publication information

Publisher	Heinrich-Böll-Stiftung e.V.
Publication Date	January 2014
Editors-in-Chief	Katrin Altmeyer, Clemens Kunze, Ella Daschkey
Editors	Caroline Bertram, Michael Büsgen, Axel Harneit-Sievers, Manfred Hornung, Mandy Ma, Marion Regina Müller, Jost Pachaly, Britta Petersen, Thorsten Volberg, Petra Zimmermann, Annette Maennel (responsible for editorial content under German law)
Copy Editor	Robert Furlong
Translator	Rebecca M. Stuart
Layout/Typesetting	h neun Berlin
Printed by	AZ Druck und Datentechnik GmbH, Berlin



Climate-neutral printing on 100 percent recycled paper: <http://cpol.climatepartner.com/53106-1312-1008/en>



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