South Asia driving force in ‘Rise of the South,’ says 2013 Human Development Report

Mexico City, 14 March 2013—Rapid human development progress in India, Bangladesh and other South Asian nations is helping drive a historic shift in global dynamics, with hundreds of millions of people rising from poverty and billions more poised to join a new global middle class, says the 2013 Human Development Report, which is being launched by United Nations Development Programme (UNDP) Administrator Helen Clark and President of Mexico Enrique Peña Nieto today in Mexico City.

The Report—The Rise of the South: Human Progress in a Diverse World—analyses more than 40 developing countries that have made striking human development gains in recent years. It attributes their achievements to some strong national commitments: better public health and education services, innovative poverty eradication programs and strategic engagement with the world economy.

“The rise of the South is unprecedented in its speed and scale. Never in history have the living conditions and prospects of so many people changed so dramatically and so fast,” says the Report, which uses the term “the South” to denote developing countries and “the North” to denote developed countries.

By 2030, more than 80 percent of the world’s middle class will live in the South and account for 70 percent of total consumption expenditure. The Asia-Pacific region alone will host about two-thirds of that middle class.

“The South as a whole is driving global economic growth and societal change for the first time in centuries,” writes Miss Clark in the Report’s foreword.

The Report gives a detailed overview of this change and explains its significance:

- The economic take-offs in China and India began when their respective populations reached about one billion and per capita output doubled in less than 20 years, resulting in an economic growth that affected a much larger population than the Industrial Revolution.
• By 2020, the combined economic output of three leading developing countries alone—Brazil, China and India—will surpass the aggregate production of Canada, France, Germany, Italy, the United Kingdom and the United States.

These countries have succeeded by tapping into global trade and harnessing smart social programmes, the Report says. “On the one hand, they set aside a number of collectivist, centrally managed precepts; on the other hand, they diverge from the unfettered liberalization espoused by the Washington Consensus,” it states.

India’s policies show the complexities of these choices. Investing in world-class tertiary education, building human capabilities and opening up to trade and investment allowed India to capitalize on its stock of skilled workers in technology. By relying on the vast pool of skilled technical personnel available, in 2011–2012 these industries were generating US$70 billion in export earnings. Similar tales can be told for India’s pharmaceuticals, automobile, chemical and service industries, now vigorously competing in world markets.

The result has been a remarkable change in the economy. In 2010, India’s trade to output ratio was 46.3 percent, up from only 15.7 percent in 1990. Foreign direct investment also reached a peak of 3.6 percent of gross domestic product (GDP) in 2008, up from less than 0.1 percent in 1990. In 2011, eight of the world’s biggest corporations on the Fortune 500 list were Indian.

Though India is the biggest and best-known example of progress, other countries in South Asia also demonstrate great success, the Report says.

Bangladesh, with much slower economic growth and half India’s per capita income, does nearly as well—and better on some indicators. It has sustained growth by increasing the rate of public investment and achieving great success in textiles. By 2010, Bangladesh’s share of world apparel exports had increased to about 4.8 percent, from about 0.8 percent in 1990.

Region Shows Development Shortfalls in Spite of Rapid Economic Progress

The great successes of the region should not obscure the huge amount of work that remains. Although South Asia has reduced the proportion of the population living on less than $1.25 a day from 61 percent in 1981 to 36 percent in 2008, more than half a billion people there remained extremely poor.

India has averaged nearly five percent income growth a year over 1990–2012. But per capita income is still low, around $3,400 in 2012. To improve living standards, it will need further growth. And India’s performance in improving human development is less impressive than its growth performance.

UNDP also released its 2013 Human Development Index (HDI) along with the Report, which ranks countries in terms of economic and human development indicators. The Multidimensional Poverty Index, an alternative to income-based poverty estimates, shows the proportion of the population living in multidimensional poverty is high throughout South Asia, with the highest rates in Bangladesh (58 percent), India (54 percent), Pakistan (49 percent) and Nepal (44 percent).

The report’s Gender Inequality Index shows that high gender disparities persist in South Asia, second only to those in sub-Saharan Africa. The region shows low female representation in parliament, gender imbalances in educational achievement and low labour force participation.
Harnessing the South’s New Economic Powers

Through South-South trade, India has been able to offer other developing countries access to affordable capital goods that are more appropriate to their needs than goods from richer countries. For instance, Indian firms are supplying affordable medicines, medical equipment and information and communications technology products and services to many countries in Africa.

“New ideas and entrepreneurship are coming from the South and will be the defining movers of the 21st century,” says Ajay Chhibber, UNDP Regional Director for Asia and the Pacific. “In our changing world, solutions are moving across the South, not just from the North to the South.”

The new middle class in the South is driving economic, social and political expectations. Increasingly, the most important engine of growth for developing countries is their domestic market. By 2025, annual consumption in emerging markets is estimated to rise to $30 trillion. By then, the South will account for three-fifths of the one billion households earning more than $20,000 a year, creating a new global middle class.

Looking Forward

The region faces a long-term threat from environmental hazards, the Report warns. Under the severe “environmental disaster” scenario used in the Report’s projections, which estimates the affects of a failure to slow global warming and related environmental phenomena, South Asia’s average HDI achievements would fall by 22 percent by 2050, effectively halting decades of human development progress.

The Report makes a strong case for ambitious social policies, using two scenarios: one in which states continue current trends and policies, and another in which they undertake more aggressive interventions to reduce poverty, expand infrastructure and improve governance.

An aggressive, or accelerated, progress scenario suggests that low HDI countries can converge towards the levels of human development achieved by high and very high HDI countries. By 2050, aggregate HDI could rise by 36 percent in South Asia (from 0.527 to 0.714). Gross domestic product (GDP) per capita would rise from $2,871 in 2010 to $23,661 in 2050, a stunning increase.

Some encouraging examples exist. To improve child survival rates, Bangladesh has taken a multi-sector approach: expanding education and employment opportunities for women; improving women’s social status; increasing political participation, social mobilization and community participation; disseminating public health knowledge; and providing effective, community-based essential health services.

The Report warns that India in particular faces significant demographic and social challenges in the coming decades. Despite the recent expansion in schooling and impressive growth in the number of better qualified Indians, the proportion of the adult illiterate population will decline only slowly. Partly because of this lower level of education, particularly among women, India’s population is projected to grow rapidly, with India soon surpassing China as the most populous country.

Shaking Up the Status Quo

The Report argues that developing countries can—and should—act as a powerful force in development.

Burgeoning South-South trade and investment in particular can lay the basis for shifting manufacturing capacity to other less developed regions and countries. International production networks provide opportunities to speed development by allowing countries to leap-frog to more sophisticated production
modes. New institutions can facilitate regional integration and South-South relationships. In this regard, the Report recommends establishment of a new South Commission to share knowledge, experiences and technology as well as to promote trade and investment between and among developing countries.

The vast sums piled up in financial reserves and sovereign wealth funds could be put to use in accelerating social progress, it argues. Public investment in South Asia and sub-Saharan Africa could increase to 11.7 percent of GDP using just 3 percent of international reserves from some of the largest economies in the developing world.

India is already taking steps in this direction. The Export-Import Bank of India has extended $2.9 billion in lines of credit to sub-Saharan African countries and has pledged to provide an additional $5 billion over the next five years. The Reserve Bank of India recently announced a $2 billion swap facility for members of the South Asian Association for Regional Cooperation.

The Report argues that the emergence of a new South is shaking up existing global institutions, creating new ones and showing new ways that countries and regions can work together.

“Stronger voices from the South are demanding more representative frameworks of international governance that embody the principles of democracy and equity,” it says.

However, the rise of the South should be seen as beneficial for all countries, the Report concludes. Human development is not a zero-sum game:

“The South needs the North, and, increasingly, the North needs the South.”

**HDI Highlights**

- Two countries—the Islamic Republic of Iran and Sri Lanka are in the high human development group, three (Maldives, India and Bhutan) are in the medium and the remaining four (Bangladesh, Pakistan, Nepal and Afghanistan) are in the low human development group.
- The average HDI value for the region is 0.558, below the world average of 0.693.
- Between 2000 and 2012, the region registered annual growth of 1.43 percent in HDI value, which is the highest compared to other regions. Looking at individual countries in the region, Afghanistan achieved the fastest growth with 3.9 percent, followed by Pakistan with 1.7 percent and then India at 1.5 percent. The least growth was registered by Sri Lanka (0.7 percent).
- The region’s average life expectancy at birth is 66.2 years, nearly four years below the world average of 70.1 and more than eight years below the average for Latin America and the Caribbean, which has the highest average life expectancy at birth.
- Average years of schooling of 4.7 for the region ties with sub-Saharan Africa in the bottom position and is 2.8 years below the world average.
- The average gross national income (GNI) per capita of $3,343 is only one-third the world average of $10,184.
- The region is ranked fifth out of six regions in terms of overall loss to HDI due to inequality in distribution. The loss to potential HDI value is about 6 percentage points higher than the world’s average loss of 23.3 percent. Loss due to inequality is highest in education (42 percent) followed by health (27 percent).
- The biggest loss due to inequalities is suffered by Nepal (34.2 percent) followed by Pakistan (30.9 percent). The country suffering the least loss in the region is Sri Lanka (15.1 percent).
• The average Gender Inequality Index value for the region is 0.568—better only than sub-Saharan Africa’s average of 0.577. It has a relatively high maternal mortality ratio; low female educational attainment; as well as low female labour force participation rate. The poorest performers in the region are Afghanistan and India.

• Bangladesh has the highest Multidimensional Poverty Index value based on 2007 survey data followed by India. The headcount ratio, (i.e. the percentage of the population suffering over-lapping deprivation) is 57.8 percent for Bangladesh and 53.7 percent for India. These translate into 83.2 million people in Bangladesh and 612.3 million people in India who suffer overlapping deprivation.

• India leads in the region exporting goods to the tune of $220.4 billion in 2010, representing 14.5 percent of its GDP in that year. This is followed by Islamic Republic of Iran ($83.8 billion) and then Sri Lanka ($8.3 billion) representing 25.3 percent and 18.1 percent of their respective GDPs.

• The region’s average employment-to-population ratio is 61.2 percent, below the world average of 65.8 percent. There is wide variation across countries ranging from a low employment-to-population ratio of 46.1 percent in Islamic Republic of Iran to 86.4 percent in Nepal.

• Child labour is relatively high in Nepal, where more than one-third of children of ages five to 14 years are economically active. The lowest is observed in India (12 percent).

• The average overall life satisfaction based on the Gallup World Poll for the region is 4.7, making it the second most dissatisfied region after sub-Saharan Africa.

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