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We should stop talking of an Asian century

By Chandran Nair

As economic power continues its shift from west to east, talk of an Asian century is once again widespread. President Barack Obama's unveiling of a new US defence strategy last month with the Asia-Pacific region at its heart merely underlined this trend.

America clearly wants to ensure that its "exceptionalism" allows it to keep playing a leading role in what almost everyone believes will be the world's centre of economic gravity. Such thinking is muddle-headed. No region or nation will dominate the 21st century. The next century will not be Asia's – or anybody's. Even if China and India become economic powerhouses, they will not be able to dominate global politics the way the West – particularly the United States – did in the 20th century.

The US, regardless of who wins this year's presidential election, looks determined to keep on using the military, economic and political tools that helped it so well in the 20th century. These, however, will be inadequate for the challenges of this century. The reason for this is the scarcity of resources – and the demands that will be put on them. Last year, the world's population hit seven billion. It will rise to around 9-10 billion by mid-century, and then peak at somewhere between 12-15 billion in 2100.

Already, resources are stretched to their limits. Since Britain launched the industrial revolution, one country after another has launched itself on to the world stage by systematically plundering the world's land and seas while polluting its air, either within their own borders or overseas through colonies, investment and trade.

Despite three centuries of growth based on extractive and exploitative economics as well as the underpricing or giving away of resources, governments and companies continue to refuse to talk about limits or constraints. Instead the mantra is of continuing growth through the promotion of ever more consumption. But if Asia copies the western model of consumption-led economic growth, the 21st century will turn out to be nobody's century.

What we need instead is to look afresh at how the world uses and manages its resources. Here Asia can play a crucial role. Nowhere has more potential to address these issues than the region that will be home to the vast majority of the world's population through the coming decades. The five billion Asians who will be alive in mid-century cannot consume as Americans do now. Encouraging those who are living now to aspire to such a goal in the name of rebalancing the global economy is the height of irresponsibility.

Asian political leaders must reject the western consumption-driven model of economic growth. In its place they must create economies where resource-use is constrained via a true pricing of environmental externalities.

This calls for the establishment of a constrained form of capitalism – one under which people are still encouraged to pursue prosperity, but in a very different framework.

This does not mean reintroducing central planning, but it does mean having the institution of the state take the lead in shaping the incentives under which companies and individuals make decisions, so as to protect public goods. Using taxes and fees, resources – be they energy, fisheries, forests, water, or land – must be made more expensive in order to encourage people to use them far more efficiently and thus ensure more equitable access, the lack of which is the source of most conflicts.

Companies can continue to do all the things they now do – develop and produce the goods and services people need or want. But they must do so in a world where the external impact of their activities and output is properly priced so that there is no free ride. Inevitably within this framework some may not survive or their goods and services replaced by others.

This means fully incorporating everything from resource extraction and waste disposal into manufacturing costs, building transport infrastructure that emphasises public mobility rather than the individual's right to car ownership. Water should no longer be treated as a free public good, and agricultural practices be forced to end their over-reliance on chemical inputs instead of labour to increase farm productivity.

The world's rich countries will not voluntarily opt to end their current lifestyles and put growth into reverse. Multinational companies will not willingly embracing restraint and moderation.

Across Asia capitalism does not need replacing, but it must be reshaped if it is to meet the most basic needs of all its people in the coming decades. It must operate in a framework of strict management of resources, with constraints on consumption, externalities priced in, and, where necessary, with curbs or bans on the use of certain resources.

To establish these frameworks governments have to make themselves stronger and more effective than most are now. **This is admittedly a tall order as vested interests will resist change. But it is a requirement that government cannot duck as their legitimacy will hinge on implementing this trade-off.** Only then can economies run in ways that ensure everyone has fair access to the resources they need, and that their environmental impact is truly included in the price companies and individuals pay for the goods and services they consume.

Taken worldwide, such practices can ensure that everyone has a future in and beyond the 21st century. And it might get the US and China to come to terms with the most obvious challenge – self-interest in the 21st century will be best served by accommodating the interests of others. Flexing military muscle, however, will help no one in a resource constrained world.

The writer is author of 'Consumptionomics'