SOUTH ASIAN ECONOMY : Progress, Policies and Prospects [1]

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PROGRESS

Over the past three decades, South Asian Economies have recorded an average growth rate of 6 percent annually making if one of the fastest growing regions in the world. The rate had accelerated in the early 2000s to 7 percent before coming down in 2008, and 2009. Before the global financial crisis in 2008, India's growth rate was a staggering 9 percent and Pakistan, Bangladesh and Sri Lanka around 7 percent. Consequently, the Incidence of poverty declined to 10 percentage points or more in India, Pakistan and Bangladesh. . South Asia was able to attain the Millenium Development goal of Poverty reduction several years ahead of the target date. Per capita incomes increased three fold in this period. With rising incomes, household consumption has soared and a new middle class has emerged in all South Asian Countries. This middle class is global in its outlook, highly educated and sophisticated, technologically savvy attuned to modern innovations, and displaying tastes and preferences akin to thin counterparts elsewhere. The exact numbers vary depending on the definition but there is a visible change that can be discerned through the explosion in shopping malls, restaurants and cafés, international travel, entertainment business etc. This expanded market can further grow through economies of scale in production, trade facilitation and communications, ease in movement of people and ideas across the countries in South Asia region.

. Economic growth has been accompanied by increase in employment opportunities. South Asia that could not feed its 200 million population has achieved not only self-sufficiency in food production and but is able to export rice and wheat to the rest of the world. Remarkable success has also been achieved in women empowerment, their access to education, health care and economic activities.

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South Asian diaspora provides a hardworking, stable work force for many of labor deficient high income countries of the world. Openness and trade liberalization have enabled the South Asian Countries to capture an increasing share of world market. Although capital account control have not been fully eased but capital mobility has picked up speed.

The Indus-Ganges-Brahmaputra plain is one of the most populous areas in the world with one of the largest areas of the irrigated Agriculture. Pakistan has 70 percent area under irrigation followed by Bangladesh 53 percent, India 35 percent and Nepal 27 percent. In addition to water, the region is blessed with other mineral resources.

Despite this impressive record, the challenges facing the South Asia economies are still quite daunting. About half a billion people or 30 percent of the region's population still live below the poverty line ($1.25 a day). 40 percent of the World's poor are concentrated in these eight countries. Regional, gender and income inequalities are rising as skills and capital earn higher rates of returns.

Youth unemployment is close to 10 percent – double the level of average unemployment rate. Female participation rate in the formal work force is low and more than 80 percent of workers in South Asia depend on low quality informal jobs. South Asian countries excepting Srilanka rank low in Human Development Index and in the lower half of Infrastructure Index. 39 percent of the adults in the regions are illiterate while as high as four out of every ten primary school children drop out before completing the primary school cycle. Under five mortality and maternal mortality rates are unacceptably high. Unequal access to education, health, potable water and sanitation has contributed to these dismal social outcomes. One billion people are without access to basic sanitation. Energy deficits, low energy efficiency, high coal intensive generation, limited use of renewable sources have had damaging economic and environmental consequences. 234 million people are malnourished despite surplus production of cereals.

A study by McKinsey had projected the skills gap to be around 40 million workers with tertiary degrees and another 25 million workers by 2020.

POLICIES

The wide-ranging reforms implemented in this region during the last 25 years or so have brought about some fundamental changes in the economic landscape and removed some of the major constraints retarding the progress of this region. The changes that have come are noteworthy:

1. There is now a broad political consensus about the broad objectives and content of economic policies in almost all the countries. This political consensus has survived many changes of the governments in India since 1991 and the alternating shift of power in Pakistan, Bangladesh and Sri Lanka. South Asian countries did not blindly and relentlessly follow the Washington consensus but selected only those elements which suited them. This consensus revolves around the premise that the old paradigm of inward looking, self-reliant economy planned and managed centrally by the state has to be abandoned and South Asia should actively benefit from globalization through technology transfer, international trade, financial flows and migration of workers.
2. Reliance on private sector as the main investor, producer and distributor of goods and services has replaced the old notion of the commanding heights model of the economy in which state and state-owned enterprises were the main tools of industrial development. The demise of Licence Raj has given rise to a healthy competitive environment in which market mechanism is used for allocation of resources. This shift has improved the efficiency of resource allocation and utilization in South Asia. State intervention has been limited to provision of

physical infrastructure, social services and other public goods in support of private investment and making markets function efficiently.

3. Unilateral trade liberalization has been quite rapid in the 1990s in the region. Sri Lanka leads the way followed by Pakistan, India and Bangladesh and all of these countries are in much better shape than what they were in the 1970s and 1980s. Export promotion has finally been accepted the new gospel in contrast to the past five decades of obsession with inward looking import substitution and protection of domestic industry. Bangladesh presents an outstanding example of reliance on export promotion. Without growing one single bale of cotton the country has emerged as one of the World's top exporters of apparels and garments.

4. Domestic financial and capital market reforms have made the financial sector sound and healthy. In Sri Lanka and Pakistan the strides made are quite advanced. India is slowly and gradually opening up to foreign competition and introducing new legislation to improve the performance of the banks and upgrade the quality of assets. In Bangladesh the private banks have taken over a large market share due to their better performance. The policies of credit and credit ceilings, administered and subsidized interest rates, have gradually given way to market-based allocation of credit and determination of prices.

5. Macroeconomic stability i.e., low inflation, low domestic interest rates and stable but realistic exchange rates, has become the hallmark of these economies. Exchange rate regimes in all the countries have switched from fixed to managed float. Bi-directional movement i.e. both, depreciation or appreciation of domestic currency, takes place according to market supply and demand conditions. There is no longer a hang-up to defend a particular level of exchange rate. Preserving competitiveness of exports and smoothing volatility are the main policy considerations..

6. Fiscal consolidation and discipline are beginning to be recognized as the new imperative in all South Asian countries although the actual progress is slow. Tax-GDP ratios are low by comparison to other countries at the similar income levels. Domestic savings and investment ratios have risen sharply from their historical trends in India but there is a lot of catching up to be done by Pakistan, Bangladesh and other countries in the region.

7. India has clearly taken advantage of the low wage, English speaking, highly educated technical manpower to become a leader among the recipients of outsourcing of IT related services. The same trend is beginning to emerge in other services such as drug clinical trials, health care, biotechnology, research and development. Although the immediate employment impact of the exports of these services is likely to be limited in the medium and long-term, the expansion of burgeoning middle class and the demonstration effect on the younger generation to acquire higher scientific and technical education will help India in the transformation of its economy. Other countries in South Asia are latecomers to the scene and have a lot of catching up to do. This Indian strategy of export of services does make much sense as the services sector accounts for 60 per cent of the output of developed economies and many services are becoming mobile across borders due to breakthroughs in technology and communication.

8. Large foreign exchange reserves have been accumulated in all the countries with India's coverage more than 12 months imports Accumulation of large foreign exchange reserves has insulated these economies both from speculative attacks on the currency but also from the volatility of Capital flows and external capital shocks. The abrupt withdrawal of foreign private flows has destabilized many economies in the past and therefore this policy is worth pursuing despite its many critics. Current account balances remain strong across the region due to improving external position. Solid remittances and for some countries tourism flows

have offset the wide trade imbalances. Robust capital flows have financed current accounts building reserve buffers.

9. Public debt policy and management remain prudent and debt burden is broadly sustainable. India’s debt ratios are lower compared to its peers while Bangladesh is on a gradual downward path with the country remaining at low risk of debt distress. Pakistan is also likely to see decreasing public debt ratios in the medium term.

PROSPECTS

According to the World Bank, South Asia is expected to take the global lead in economic growth region in 2015 – driven by a strong India. This momentum has to be maintained in the future. There is no option but to push in this direction of consistent high growth rate of 7 percent annually. South Asian income levels can triple over the next 20 years lifting 300 to 350 people out of poverty and creating a strong middle class of 1.2 billion in terms of purchasing power party. Korea reached an income level of $4600 in 1986 and Japan in 1965. At this income level both the countries had 55 percent of population in middle class. The middle class is the key driver of economic growth because of its demand for goods and services and because it is the source of savings and of the entrepreneurship that drives new products and processes. This growth rate of 7 percent is attainable as long as the policy framework remains favorable.

The expectations of the people, the entrepreneurial energies of the businessmen, the quality of professional and managerial skills, the enormous natural and latent human resources, South Asia is capable to reach its potential. There is hardly any reason as to why per capita income that is still around $1500 – 2000 range cannot be upgraded. How can this potential be harnessed for development, growth and poverty reduction? Although the specific applicability of the reforms will vary according to the country circumstances, there are many common elements that need to be implemented.

Demographics

South Asia enjoys an advantage in the area of Demographics. South Asia will be the only region with sizeable population with more than 50 percent of its population in productive employable age bracket. This region can ease its unemployment problem by supplying young workers to the rest of the world in an environment of ageing population and the rise in dependence ratios. Whether this challenge can be transformed into a dividend will depend upon the priorities, policies, and programs that the Governments of these countries are able to conceptualize and implement. To the extent that South Asian countries are able to invest in education particularly technical and vocational education, expand access to higher and professional education, upgrade the quality and relevance of instruction there is a strong likelihood of this demographic transition paying dividend. But this dividend may dissipate if the policy makers fail to provide opportunities for educating growing younger population, equipping them with marketable skills and facilitating their mobility across the borders. The challenge is quite daunting as two thirds of the world's illiterate population resides in South Asia and the addition of new entrants to the labor force every year equals the entire population of a mid-size country.

Climate Change

The biggest challenge for the next 30 to 40 years is coping with climate change and its consequences for agriculture, food production and energy supplies. Over 500 million people in South Asia have no access to electricity while growth is typically associated with carbon emissions. How South Asia can balance its energy needs and growth while addressing global warming is a serious dilemma for policymakers. A recent World Bank study on the impact of climate change on South Asian countries provides an authoritative account of what we can expect in the coming decades.

The study postulates that the imperatives of climate change and policies adapted to contain carbon emissions may slow progress toward many development goals, such as eradicating poverty, combating communicable diseases and ensuring environmental sustainability. Geography coupled with high levels of poverty and population density has rendered South Asia especially vulnerable to the impacts of climate change. High population levels translate into increased resource demands on an already stressed and largely degraded natural resource base. With an estimated 500 million people subsisting on less than $1.25 per person a day, even small climate variations can cause irreversible losses and tip a large number of people into destitution. The region spans a variety of climate zones, including arid deserts, parched rangelands, freezing alpine mountains and humid tropical islands. The projected impact of climate change will be heterogeneous, suggesting that there can be no one-size-fits-all approach to building climate resilience across South Asia. Responses will need to be customized to specific risks and circumstances. Indeed, over 50 percent of South Asians – more than 750 million people – have been affected by at least one natural disaster in the past two decades. The human and economic toll has been high, with almost 230,000 deaths and about $45 billion in damages. The region shares common geological formations and river basins, leading natural hazards to frequently transcend national boundaries. With climate change the frequency and incidence of such natural disasters is projected to increase. The monsoon is the most significant climate event in the region's economic calendar. It carries over 70 percent of South Asia's annual precipitation in a brief four-month period. A buoyant monsoon heralds bountiful harvests and financial security, yet when monsoons fail – or are excessive – suffering and economic loss are widespread. If climate projections are indicative of future trends, the risks associated with water related climate variability are likely to worsen. The Himalayas are a vital life-sustaining resource for South Asia, supporting the approximately 1.5 billion people who live directly in the floodplains of its many rivers – the Indus, Ganges, Brahmaputra and Meghna. With rising temperatures, the ice mass of the Himalayas and

Hindu Kush is retreating more rapidly than the global average posing an unprecedented threat to water supplies, lives and economies in the region. With melting glaciers, flood risks would increase in the near future. The floods in Pakistan in August 2010 that caused a major devastation to human lives and property are a preview of the damage that extreme climatic events can bring about. In the long term, in absence of replacement for the water provided by glaciers, water shortages could result at an unparalleled scale. Reduction of yields for major crops by as much as 20 percent and an even sharper decline in agricultural incomes are part of the worst-case climate scenarios for the region as well as a growing scarcity of water. Avoiding this future will necessitate balancing more variable water supplies with the accelerating demand for water and would require significant adjustment to the region's agriculture. South Asia also has long and densely populated coastlines with many low-lying islands. In the severe climate-change scenarios, sea-level changes could pose an existential threat, potentially submerging much of the Maldives and inundating 18 percent of Bangladesh's total land – directly impacting 11 percent of the country's population. Saltwater intrusion from sea-level rises in low-lying agricultural plains could lead to food insecurity, further increase the prevalence of water-related diseases and reduce freshwater supplies. Many of the region's primary cities, such as Chennai, Cochin, Karachi, Kolkata and Mumbai – the engines of regional growth – are located on the coast and threatened by rises in sea levels. The immediate impact of sea-level rises would be felt in coastal communities and ecosystems but the ripple effects could be felt beyond borders if there is a large-scale displacement of populations in the densely inhabited coastal areas and erosion of protective coastal ecosystems.

<u>Technology</u>

Next, technological, communication and media revolution, especially the satellite television and cable channels and social media, have raised people's expectations through the demonstration effect of conspicuous consumption by powerful and affluent classes. These expectations are placing enormous pressures on the ruling classes for providing access to basic necessities of life to the majority of the population. At the same time, the state apparatus for delivery of these services in most South Asian countries has become largely dysfunctional. A major overhaul of the structure of civil service, judiciary, police and local government institutions, re-engineering of business process and inculcation of modern management practices will be required in all the countries of the region .These reforms will minimize corruption, political patronage, lack of transparency, low observance of rule of law, absence of level playing field and reverse the heavy tilt in the delivery of public goods and services towards the privileged and elite classes and thus narrow the widening gap between the rising expectations of the common man and the eroding capacity of the state institution to deliver. Bureaucratic hassles, long drawn procedures, un-even application of rules and regulations, excessive discretionary powers in the hands of lower level bureaucracy, shortages of essential infrastructure facilities and low productivity of labor force have also constrained the entrepreneurial spirits in the region. Political leaders are now beginning to realise that the disenchantment of the electorate with these poor governance practices increases the burden of incumbency and risks their survival. Thus, improved governance should be on the top of the agenda of all political parties in South Asia.

Capital Flows

South Asia has not benefitted as much from the external capital flows in the form of Foreign Direct Investment, access to Equity and Debt capital markets as other regions. The influence of the fund managers, rating agencies, equity research houses, investment banks and multinational companies has become important. Thus credibility of economic policies pursued by the countries thus assumes a critical role. The market's power to penalise imprudent policies and breach of commitment is more damaging to the economy. Mexico had to suffer heavily when the Zedillo regime reversed the commitment made by the Salinas regime to the markets on the exchange rate. The country witnessed huge and sudden capital outflows, depreciation of currency, inflation and economic recession. To keep access to the international financial markets, the South Asian countries will have to maintain not only open and liberal foreign exchange regimes, sound and robust financial sector, but also pursue consistent, credible and transparent economic policies.

Geopolitical Risks

Political and geopolitical risks remain quite elevated in the region. The long-standing hostility between India and Pakistan the possession of nuclear and missile capability by the two countries and the active frontline status of Pakistan in the war against terrorism, and the frequent strikes called by the opposition parties against the government in power in Bangladesh have added risks to doing business and locating investment in these countries. The external perceptions about our region are, therefore, heavily biased due to these risks. The sooner we can overcome these problems sooner than later the better the region will be as a reliable trading partner, active participant in the international capital markets and a choice location for foreign investment.

Human Development

Human Development Indicators of South Asia are something we are not proud of. Investment in education and human development in countries, other than Sri Lanka, has been inadequate in volume, deficient in quality and lacking in relevance. The most recent census data shows that India's literacy rate has gone up to 74 per cent but the differential between female and male literacy rate is still wide. It also shows that at least one third of its population and labor force is not equipped to take up the ever changing and more complex tasks of the economy trying to outclass other competing countries. In Pakistan and Bangladesh almost half of their population is illiterate.

Sri Lanka is the only country in the region with almost a hundred per cent literacy. But this literacy level shows the growing imbalance between the demand for skills imposed by market economic forces and the supply of skills produced by our educational institutions. There is a surfeit of highly educated graduates who are not employable and there is a shortage of workers who can carry out routine technical jobs in production and service. India produces good quality science and engineering graduates every year who can cater to the high end of the job market but lack of attention to non-university technical education and its quality have created wide gaps at the middle end of the job market. This situation is aggravated in Pakistan and Bangladesh where the issues of quality, relevance and numbers are all intertwined. Sri Lanka has no problem with the numbers, but high level of unemployment among university graduates testifies to this mismatch in the skills. The widespread frustration among the parents and graduates and a high level of dissatisfaction among the employers in finding the right persons for the right jobs are further evidence of the imbalance in labor market.

This skill imbalance and lack of employability has serious repercussions for the composition and growth of the basket of goods that can be exported: The most dynamic and rapid growing sectors of exports in the world market today in the medium term are those associated with high technology and to some extent medium technology. While India is making some headway in increasing high technology exports, the record of other countries in the region is not very promising. They are still stuck in the low technology exports particularly textiles and clothing which have declining share in the world trade. Thus the need to overcome the skill obsolescence and turn towards medium and high technology exports was never as apparent as it is now. A change in the composition of exports can be achieved by removing the barriers and constraints in the way of foreign investors and Multinational Corporations (MNCs). FDI is an important force for integration for this as MNCs have set up supply chains and integrated production networks that tend to locate each stage of production in the country with the lowest cost. Affiliates of a MNC in one country often export to another for eventual sales in a third country market. These affiliates act as the on-the-job training grounds for the acquisition and dissemination of the skills needed for production and minimizing costs. These skills are then disseminated and multiplied throughout other firms in the country.

Regional Trade

The most disturbing feature of South Asian economy is that unlike other regions, very little intra-regional trade is taking place. Intra-regional trade has remained stagnant at less than 5 per cent of the total trade in the last 25 years. Studies have concluded that due to low transportation costs, cultural similarities which influence taste and cause profitable complementarities to emerge and low transaction costs, the economic benefits of liberalising trade between India and Pakistan outweigh costs. Despite this, the trade between the two neighboring countries has remained negligible. Regional trading arrangements have made a huge difference in North America, Europe and East Asia, but they have not, so far, been successful in South Asia. The attempts to revitalize SAARC will stimulate trade and growth as it unleashes competition' that lowers domestic prices, enables achieving economies of scale and acquiring new technology.

South Asia region historically had high intra-regional trade. In 1948 as much as one fifth of the trade took place within the region but at 6 percent today it is the least integrated region in the world. In contrast, East Asia and the Pacific's intra-regional trade has risen to 52 percent. Even Sub-Saharan Africa carries out twice as much intra-regional trade as South Asia. Cross-border investment is negligible and while there is an overall liberal environment for foreign investment flows, there are a lot of formal and informal restrictions for flows originating from within the region. Common historical and cultural heritage would have, in other parts of the world, induced ease in the movement of the people, educational exchanges, access to each other's media and cultural resources, sharing of scientific and technological knowledge and other forms of cooperation but none of this has happened. For example, Punjab in India and Punjab in Pakistan, Assam, and Sylhet, Bangladesh and Northeastern states of India, Northern Sri Lanka, and Tamil Nadu being geographically so contiguous have not derived any benefits from the proximity to each other and drifted apart during the last six decades since independence.

Trade facilitation across the borders within the region has been hindered by issues of Phyto-Sanitary, health, environmental standards, quality testing, considerable delays in custom clearance, lengthened travel times and higher transaction costs. Truck crossings, where they are even allowed, take several days and allegations of unnecessary harassment by the border officials are rampant. Non-tariff barriers on India-Pakistan trade have therefore diverted normal trade flows to informal or border trade or routing through third countries such as Dubai and Singapore raising costs to end-users.

Diaspora

South Asian countries should also tap the enormous potential of their large expatriate population in mobilizing investment capital, foreign exchange earnings, skilled manpower and exports of ethnic products and services. India, Pakistan, Bangladesh and Sri Lanka together received about US$ 109 billion of remittances from their workers in 2012 but their contribution in domestic capital formation is insignificant. Unlike the overseas Chinese community that has played a substantial role in foreign direct investment, non-resident Indians have been a source, to some extent, of professional, technical and managerial skills but not much in terms of large financial outlays. The non-resident deposits transferred to India account for only a miniscule proportion of their wealth holdings abroad. These flows are quite stable and should augment domestic savings for accelerating the pace of investment without creating future debt obligations. Innovative products and investment vehicles to attract the savings of non-resident South Asians should be encouraged with the help of regulatory agencies.

Production Value chains

South Asian countries have not become a part of global value chain nor participated in international supplier chain arrangements. There is no single business model for participating in this chain and there can be many phases of transition and many modes of involvement. For example, joint ventures, franchising, purchasing by international firms, licensing, sub-contracting, fully owned firm, original equipment, original design and manufacturing, strategic partnerships for technology, overseas acquisition of equity are the diverse means whereby developing country enterprises can gain wide access to international markets at their own level of capability, climb the technology ladder and benefit from globalization. East Asia is a major participant in this global supply chain and produces parts and components for a variety of manufactures. It is time the South Asian countries got engaged in this value chain.

A beginning can be made in IT and Software industry. India has shown a highly remarkable performance in terms of growth of modern export oriented services activity. Software production starting at $1.1 billion in 1996-97 has increased exponentially to US$ 75 billion in 2011-12. India now accounts for 60 percent of global outsourcing. Other countries in the region are lagging far behind. They can take advantage of India's market leader role and enter into sub-contracting arrangements with the Indian software and IT companies. As Indian wages at low-end of the value chain are on an incline and this line of business is no longer as attractive the lower wages in Pakistan, Bangladesh and Sri Lanka for similar skills will maintain profitability for the Indian Companies while the other countries will get business which they otherwise won't be able to fetch as they are unknown and untested. Over the medium term as some of them gain experience and expertise the economies of scale and agglomeration effects will help them in positioning in the global outsourcing market.

Urbanization

In 1950 the share of Urban Population in the total population of south Asia was 16 percent. By 2015, it has more than doubled and given the relatively higher growth rate the urban population may reach almost 50 percent in next 25 years. Over 1 billion people in South Asian cities equivalent to the total population of Europe, USA, Canada, Australia and Brazil combined would be living in this subcontinent which is only 60 percent of Brazil in area. Most of the megacities of the future would be located in South Asia.

Rapid Urbanization has both positive and negative consequences for economic development and social harmony. If properly managed, the relatively educated and skilled middle income possessing high purchasing power can enhance the overall productivity through reallocation from low to high value added sectors and thus boost economic growth. Agglomeration of economies would set in and reinforce the positive externalities. Peace and Social harmony with unfettered access to economic opportunities would prevail under such economic conditions. Dysfunctional urbanization, on the other hand , would result in Urban sprawls , diseconomies, environmental degradation , congestion and inequitable access to basic services and limited employment opportunities . In overall terms, this scenario would result in expansion of low value added informal economic activities, conflict over scarce land, water, transport resources and a general state of disaffection and social polarization . The challenge therefore is how to maximize the positive and minimize the negative externalities of Urbanization.

<u>Governance</u>

Most South Asia Countries rank low in Transparency international ‘s Corruption perception Index. Poor governance, dysfunctional institutions, and corrupt politicians and bureaucrats have been a major stumbling block in filling the gap between the region’s economic potential and the actual outcomes. In multiethnic, multi-lingual large countries such as India and Pakistan the devolution of administrative powers and financial resources to states and provinces is just beginning to make some difference. This process would, however, remain incomplete and ineffective until the devolution is extended to the local government level, where the most of the interaction between an ordinary citizen and the state takes place. Basic public services such as Education, Health, water, sanitation, are also delivered at this level. Demand articulation for the services supplied by the Government can be effectively done at the grass roots level and accountability for results is also easy to establish- Centralized, highly personalized, autocratic decision making by popularly elected leaders at the national level has created a widening gulf between expectations of the public at large and the delivery of services by the public functionaries.. Local elected leaders, irrespective of their national party affiliation, can be thrown out of office if they fail to perform. This displacement factor, in turn forces the institutions to become more vigilant, efficient, and responsive to the needs of the people. It is also empirically proven that people are willing to pay taxes, cesses and fees if they are able to see the benefits in form of local roads, sewerage, water and other projects. The more remote is the tax collecting authority and decision making body the more reluctant are people to pay taxes. However, devolution to local governments is against the entrenched interests of the legislators at the national or provincial level who are supposed to pass the laws to give up their own powers and resources to the local governments. For them it tantamounts to political suicide.

CONCLUSION

South Asian countries improved their economic landscape in the last 30 years or so and despite many vicissitudes and shocks have been able to maintain positive growth momentum. In the coming decade, while the policy reform and will help the internal transformation of these economies, the task facing the leaders of these countries are formidable. To maximize the benefits from globalization and thus help reduce poverty, the future agenda should focus on coping with the climate change, good governance and institutional reform, investment in skilled manpower, shifting away from low-technology exports, aligning with international value chain of production, attracting foreign private capital flows including that from expatiate nationals, promoting intra-regional trade and mitigating political and geopolitical risks.