Asia’s Journey to Prosperity—Past, Present, and Post COVID-19

Developing Asia transformed itself from a low-income agrarian region in the 1960s to a global manufacturing powerhouse. Now COVID-19 threatens to turn back the clock on that progress. Can Asia get back to its growth path after the pandemic?

LIVE WEBINAR
Register at https://asianimpact.adb.org
12 August 2020, 3:00 p.m., Manila time (GMT +8)
ASIA’S JOURNEY TO PROSPERITY
Policy, Market, and Technology over 50 Years

Disclaimer: The views expressed in this presentation are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.
Asia’s key development achievements

- Phenomenal economic growth led to a rising share in global GDP and improvements in broad development indicators.
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<td>Modernizing agriculture and rural development</td>
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<td>Technological progress as key driver</td>
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<td>Education, health, and demographic change</td>
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<td>Environmental sustainability and climate change</td>
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<td>The role of bilateral and multilateral development finance</td>
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Outline of the presentation

1. What explains Asia’s economic success
2. Issues subject to extensive debate
3. Post COVID-19: Asia’s challenges ahead
What explains Asia’s economic success?

• Peace and stability
• Favorable demographic conditions
• Freer trade and investment policies in advanced countries
• Potential to catch up
• **Better policies and stronger institutions for market-based growth**
(1) Relying on markets with proactive state support

- In the last half century, Asian development policy shifted from state-led industrialization to market-oriented growth

- **Late 1940s–late 1950s:** Post-war political independence, reconstruction, and start of state-led Industrialization and import substitution.

- **Late 1950–late 1970s:** Export promotion and market-led growth in Japan and “four tigers”, and state control and inward orientation in the People’s Republic of China (PRC), India, and many other countries.

- **Late 1970s–early 1990s:** “East Asian Miracle” fully recognized, and first wave of opening and market-oriented reform in the PRC, Viet Nam, India, and Central Asia.


- **2008–present:** Global financial crisis, Asia leading global growth, promotion of inclusive growth and good governance, and rethinking positive role of the state in overcoming market failure.
(2) Promoting structural transformation

- Structural transformation (ST) is the primary driver of growth across the world.
- Asia is no exception, but at a faster pace.
- ST also involves shift from low- to high-productivity production within each sector, through technological progress.

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<th>Year</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
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<tbody>
<tr>
<td>1970s</td>
<td>71.0%</td>
<td>14.1%</td>
<td>14.9%</td>
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<tr>
<td>2018</td>
<td>33.5%</td>
<td>25.5%</td>
<td>41.0%</td>
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Sources: International Labour Organization. ILOSTAT Database (accessed 28 August 2019); Organisation for Economic Co-Operation and Development (accessed 28 August 2019); and ADB estimates.

Contribution to Asia’s GDP Growth (% of total)

- Physical capital
- Labor
- Human capital
- TFP

1970-1985: 15.0% Physical capital, 31.2% TFP
1995-2005: 60.4% Physical capital, 17.7% Human capital, 21.9% Labor, 12.3% TFP
2010-2017: 48.2% Physical capital, 17.7% Human capital, 21.9% Labor, 40.8% TFP

( ) = negative, GDP = gross domestic product, TFP = total factor productivity.

(3) Investing in productive capacity

- High-growth Asian economies made large investments in physical capital, financed largely by domestic savings and supported by infrastructure investments.

GDP = gross domestic product


(4) Building human capital

• Many Asian economies made efforts to build human capital
(5) Accelerating technological progress

**Leading Asian economies achieved accelerated technological progress**

**Innovation**
- Human capital
- Research institutes
- Private R&D
- Competition

**Adoption**
- Students/people abroad
- Licensing design/patent
- Reverse engineering
- Machinery imports
- FDI, TC aid
- Trade

**Adoption and Innovation of Technologies in Japan, 1956–1988 (%)**

**Top 5 Patent Grantees in the United States**

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<tr>
<td>Japan</td>
<td>52,409</td>
<td></td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>17,924</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>16,549</td>
<td></td>
</tr>
<tr>
<td>Taipei, China</td>
<td>11,690</td>
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<tr>
<td>PRC</td>
<td>8,116</td>
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**Number of patents granted in the US**

PRC = People’s Republic of China, ROK = Republic of Korea, UK = United Kingdom, US = United States

Other critical drivers: Macro stability, social inclusiveness, development partners, and RCI

• Asia did better in macroeconomic management, whether looking at growth, inflation, or frequency of economic crises

• Rapid economic growth and targeted policies led to rapid poverty reduction and gender equity

• Asia benefited from engaging with development partners

• Regional Cooperation and Integration (RCI) also played an important role in supporting Asian development
Issues subject to extensive debate

1. Is Asian development unique?
2. The role of industrial policy
3. Can industrialization be bypassed?
4. Importance of institutions
Asia’s challenges ahead in post COVID-19

1. Overcoming the health crisis by “smart” approaches and achieving universal health coverage
2. Promoting innovation-based growth
3. Making growth more inclusive and narrowing gender gaps
4. Reopening education with better quality
5. Reducing large infrastructure gaps
6. Building back greener
7. Responding to demographic change and population aging
Thank you!

The soft copy of the book can be downloaded at

https://www.adb.org/publications/asias-journey-to-prosperity