History of Asia’s development over the past 50 years and the role of ADB

Yasuyuki Sawada
Chief Economist, Asian Development Bank (ADB)

Bio: Mr. Sawada is the chief spokesperson for ADB on economic and development trends, and leads the Economic Research and Regional Cooperation Department, which publishes ADB's flagship knowledge products.

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.
Presentation outline

1. Overview of the Asian Development Bank

2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era

3. Summary and further readings
Presentation outline

1. Overview of the Asian Development Bank

2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era

3. Summary and further readings
Overview: Asian Development Bank (ADB)

- **Founded in 1966,** headquartered in Manila, Philippines
- **Main Roles:** help developing member countries in Asia and Pacific through: (i) combining finance and knowledge; (ii) promoting good policies; and (iii) catalyzing regional cooperation and friendship.
- **3,630 Staff**
  - International Staff (1,318): Japan (142), United States (141), India (103), United Kingdom (86), Australia (82), Korea (76), PRC (67), Canada (55), Philippines (54), Germany (46), France (45), Pakistan (40), Indonesia (26), others (355)
- **Contribution by members**
  - **Ordinary Capital Resources** *(capital share, voting power share)*
    - Japan (15.6%, 12.8%), United States (15.6%, 12.8%),
    - PRC (6.4%, 5.4%), India (6.3%, 5.3%), Australia (5.8%, 4.9%),
    - Indonesia (5.4%, 4.6%), Canada (5.2%, 4.5%), Korea (5.0%, 4.3%),
    - Germany (4.3%, 3.7%), others (30.4%, 41.7%)
  - **Asian Development Fund** *(cumulative contribution)*
    - Japan (38.5%), United States (13.3%), Australia (8.3%),
    - Canada (5.8%), Germany (5.6%), United Kingdom (5.1%),
    - France (4.0%), others (19.4%)
ADB Regional Members (49 economies)

68 current members:
- 49 regional members (46 DMCs)
- 19 non-regional members

Nonregional Members (19 countries)
Austria, Belgium, Canada, Denmark, Finland, France, Germany*, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States*

- Advanced economies and/or graduated developing members.
- Field Office

As of January 2020
Board of Governors

Board of Directors

President

1 Board of Directors currently consists of 12 Directors from Australia, Canada, PRC, Italy, Germany, India, Indonesia, Japan, Korea, Thailand, Philippines and the US.

2 Under operations departments, 40 field offices located in 40 countries.
ADB Operations

• **Loans** are financed from Ordinary Capital Resources (OCR)
  - Middle-income countries (per capita income ≤ $6,975): regular OCR at quasi market rate
  - Low-income countries (per capita income ≤ $1,175): concessional terms with long maturities and low interest rates

• **Asian Development Fund (ADF) grants** are offered to countries with limited debt repayment capacity, i.e., Afghanistan, Tajikistan, and Pacific island countries

• **Technical assistance** includes capacity building, project preparation, and research

<table>
<thead>
<tr>
<th></th>
<th>2020 Commitments&lt;sup&gt;a&lt;/sup&gt; excluding cofinancing</th>
<th>Q3 2020 Outstanding</th>
<th>Q3 2020 Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCR (loans)</td>
<td>28.17</td>
<td>125.3&lt;sup&gt;b&lt;/sup&gt;</td>
<td>52.7&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Regular</td>
<td>23.65&lt;sup&gt;d&lt;/sup&gt;</td>
<td>94.3</td>
<td></td>
</tr>
<tr>
<td>Concessional</td>
<td>4.52</td>
<td>31.0</td>
<td></td>
</tr>
<tr>
<td>ADF (grants)</td>
<td>1.08</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>0.29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Preliminary figures.
<sup>b</sup> Excluding allowance for credit losses.
<sup>c</sup> Including paid-in capital of $7.4 billion, ordinary reserves of $44.3 billion (comprising accumulated retained earnings ($13.6 billion) plus a one-time income ($30.7 billion) in 2017 due to the merger of the ADF loan assets with OCR), and other reserves of $1.0 billion.
<sup>d</sup> Including other debt securities and equity investments.
ADB Operations in 2020* by Volume of Financing

Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) Operations

(Financing committed in 2020 increased to $29.25 billion from $21.64 billion in 2019)

By Country

- India 18% (19%)
- Philippines 14% (12%)
- Indonesia 12% (8%)
- Others 22% (27%)
- Pakistan 6% (6%)
- Bangladesh 6% (6%)
- Thailand 5% (2%)
- Kazakhstan 4% (1%)
- Uzbekistan 4% (5%)
- PRC 8% (10%)
- Malaysia 6% (4%)
- Afghanistan 4% (3%)
- Others 22% (27%)

By Sector

- Transport 13% (35%)
- Public Sector Management 32% (14%)
- Energy 15% (12%)
- Agriculture 4% (10%)
- Health 13% (3%)
- Water & Urban 7% (6%)
- Finance 11% (10%)
- Education 4% (5%)
- Industry and Trade 2% (3%)
- ICT 0.2% (3%)

ADB Operations in Q3 2020 by Loans Outstanding

Ordinary Capital Resources (OCR) and Asian Development Fund Operations (ADF)
(Loans Outstanding in Q3 2020 increased to $125.29 billion from $109.33 billion in Q3 2019)

By Country

- India: 16%
- PRC: 15%
- Pakistan: 11%
- Indonesia: 10%
- Bangladesh: 9%
- Philippines: 8%
- Sri Lanka: 4%
- Viet Nam: 7%
- Others: 20%

By Sector

- Transport: 28%
- Energy: 18%
- Public Sector Management: 18%
- Finance: 9%
- Agriculture: 7%
- Water & Urban: 8%
- Industry and Trade: 2%
- Multisector: 3%
- Education: 5%
- Health: 2%
- ICT: 0.5%

PRC = People’s Republic of China.
Economic Research and Regional Cooperation Department (ERCD)

President

VP01
VP02
VPKM
VPAC
VPPC
VPFR
Dean, ADBI

SDCC
ERCD
DOC

Office of the Chief Economist and Director General (EROD)

Financial Cooperation and Integration (FCI) Team

Statistics and Data Innovation Unit (SDI)

Macroeconomics Research Division (ERMR)
Regional Cooperation and Integration Division (ERCI)
Economic Analysis and Operational Support Division (EREA)
Examples of key ERCD outputs

**Regular Publications**

- *ASIAN DEVELOPMENT OUTLOOK 2020 UPDATE*
  - *KEY INDICATORS FOR ASIA AND THE PACIFIC 2020 (1ST EDITION)*
  - *ASIAN DEVELOPMENT REVIEW*
  - *PREDICTING POVERTY USING REPRODUCTION DATA IN THAILAND*
  - *ASIAN ECONOMIC INTEGRATION REPORT 2019/2020*
  - *ASIA BOND MONITOR NOVEMBER 2020*

**Other Publications**

- *CONSTRUCTING PURCHASING POWER PARITIES USING A REPEATED INFORMATION APPROACH*
  - *REGIONAL PUBLIC GOODS IN ASIA, AND EUROPE*
  - *ASEAN+3 MULTI-CURRENCY BOND ISUANCE FRAMEWORK: STRATEGIES TO REALIZE FOR INDOCHINA*
  - *ASIA SMALL AND MEDIUM-SIZED ENTERPRISE MONITOR 2020*

**Manuals**

- *GUIDELINES FOR THE ECONOMIC ANALYSIS OF PROJECTS*
  - *IMPACT EVALUATION OF DEVELOPMENT INTERVENTIONS: A PRACTICAL GUIDE*

**Diagnostics**

- *PAKISTAN: RESEARCH GROWTH THROUGH COMMUNITY BASED RESEARCH*
  - *REFORM, OPPORTUNITIES, AND CHALLENGES FOR STATE-OWNED ENTERPRISES*

---

11
Asian Economic Integration Report 2021 Launch

COVID-19 threatens to reverse decades of progress opening borders to the flow of goods, investment, and people. ADB’s flagship report explores how regional cooperation and integration can help economies in Asia and the Pacific recover and reconnect.

https://adb.org.zoom.us/webinar/register/WN_2RNf2HIrTmOPRq9S7QGUtg
Presentation outline

1. Overview of the Asian Development Bank

2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era

3. Summary and further readings
ASIA’S JOURNEY TO PROSPERITY
Policy, Market, and Technology over 50 Years
# Table of Contents

1. 50 years of Asian development  
2. The role of markets, the state, and institutions  
3. Dynamics of structural transformation  
4. Modernizing agriculture and rural development  
5. Technological progress as key driver  
6. Education, health, and demographic change  
7. Investment, savings, and finance  
8. Infrastructure development  
9. Trade, foreign direct investment, and openness  
10. Pursuing macroeconomic stability  
11. Poverty reduction and income distribution  
12. Gender and development  
13. Environmental sustainability and climate change  
14. The role of bilateral and multilateral development finance  
15. Strengthening regional cooperation and integration in Asia
Presentation outline

1. Overview of the Asian Development Bank

2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era

3. Summary and further readings
Asia’s key development achievements

- Rapid economic growth led to rising share in global GDP...

Developing Asia’s share in global GDP increased from 4% to 24% in 1960-2018; including Japan, Australia and New Zealand, Asia’s share rose from 13% to 34%.

AUS = Australia, DA = developing Asia, GDP = gross domestic product, MENA = Middle East and North Africa, NZL = New Zealand, PRC = People’s Republic of China.

Asia’s key development achievements (cont.)

... and improvement in broad development indicators.

<table>
<thead>
<tr>
<th></th>
<th>1960</th>
<th>1980</th>
<th>2000</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita GDP (constant 2010 $)</td>
<td>330</td>
<td>647</td>
<td>1,762</td>
<td>4,903</td>
</tr>
<tr>
<td>Extreme poverty rate (% of population)</td>
<td>...</td>
<td>68.1</td>
<td>33.1</td>
<td>6.9</td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>45.0</td>
<td>59.3</td>
<td>65.8</td>
<td>71.8</td>
</tr>
<tr>
<td>Infant mortality (per 1,000 live births)</td>
<td>137.8</td>
<td>80.1</td>
<td>48.1</td>
<td>26.2</td>
</tr>
<tr>
<td>Mean years of schooling (age 20–24)</td>
<td>3.5</td>
<td>6.0</td>
<td>7.7</td>
<td>8.9</td>
</tr>
</tbody>
</table>

... = data not available, GDP = gross domestic product.

Notes: Poverty refers to the rate of extreme poverty using the $1.90 per day international poverty line at 2011 purchasing power parity for 1981, 2002, and 2015. Life expectancy refers to life expectancy at birth in years. Infant mortality rate refers to infant deaths per 1,000 live births. Mean years of schooling are for those aged 20–24; data for 2018 refer to 2010.

Presentation outline

1. Overview of the Asian Development Bank
2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era
3. Summary and further readings
What explains Asia’s economic success?

- Peace and stability, especially after the Viet Nam War
- Favorable demographic conditions
- Freer trade and investment policies in advanced countries
- A low-income level providing potential to catch up
- Better policies and stronger institutions for market-based growth
(1) Relying on markets and private sector as engines of growth, with proactive state support to address market failure

- 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.


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.
 Structural transformation (ST) is the primary driver of growth across the world.

Stylized fact about ST: Over time, resources are transferred from agriculture to industry (up to a certain level) and services, and, within each of the three sectors, from low- to high-productivity production.

Asia is no exception, but with a faster pace.

Output and Employment Shares, 1970-2018

Share in Employment (% of total)

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>71.0%</td>
<td>14.1%</td>
<td>14.9%</td>
</tr>
<tr>
<td>2018</td>
<td>33.5%</td>
<td>25.5%</td>
<td>41.0%</td>
</tr>
</tbody>
</table>

GDP = gross domestic product, USD = United States dollar.

Structural transformation also involves shift from low- to high-productivity production within each sector, through technological progress.

- “Growth accounting” framework to decompose GDP growth into:
  - Physical capital accumulation (green)
  - Labor input increase (orange)
  - Human capital accumulation (yellow)
  - Total Factor Productivity (blue)

- Asian economies relied on
  - first, physical capital accumulation and labor inputs
  - later, broad technological progress

<table>
<thead>
<tr>
<th>Contribution to Asia’s GDP Growth (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical capital</td>
</tr>
<tr>
<td>15.0</td>
</tr>
<tr>
<td>31.2</td>
</tr>
<tr>
<td>41.8</td>
</tr>
</tbody>
</table>

( ) = 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.

<table>
<thead>
<tr>
<th>Region</th>
<th>Physical capital stock (2011 constant $, trillion)</th>
<th>Capital stock growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1960</td>
<td>2017</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>3.9</td>
<td>176.0</td>
</tr>
<tr>
<td>Central Asia</td>
<td>...</td>
<td>2.4</td>
</tr>
<tr>
<td>East Asia</td>
<td>1.3</td>
<td>108.2</td>
</tr>
<tr>
<td>PRC</td>
<td>1.0</td>
<td>94.9</td>
</tr>
<tr>
<td>South Asia</td>
<td>1.4</td>
<td>34.8</td>
</tr>
<tr>
<td>India</td>
<td>1.2</td>
<td>29.9</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>1.1</td>
<td>30.5</td>
</tr>
</tbody>
</table>

... = data not available, PRC = People’s Republic of China.

Notes: Data are not available for the Pacific island countries. Data for 1960 are not available for Central Asia and Bhutan, Brunei Darussalam, Cambodia, Maldives, Mongolia, and Myanmar.

(3) Investing in productive capacity (cont.)

• A key part of physical capital investment was for infrastructure—transport, power, water and sanitation, and telecommunications.

- During 1971–2018, per capita electricity generation increased by 35 times in the Republic of Korea, 30 times in the PRC, 19 times in Thailand, 14 times in Malaysia, and 9 times in India, significantly narrowing the gaps with advanced countries.

### Electricity Generation per Capita (kWh/capita)

<table>
<thead>
<tr>
<th>Country</th>
<th>1971</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>321</td>
<td>11,491</td>
</tr>
<tr>
<td>Australia</td>
<td>4,120</td>
<td>10,363</td>
</tr>
<tr>
<td>Japan</td>
<td>3,648</td>
<td>8,709</td>
</tr>
<tr>
<td>OECD</td>
<td>4,247</td>
<td>8,615</td>
</tr>
<tr>
<td>Malaysia</td>
<td>343</td>
<td>5,277</td>
</tr>
<tr>
<td>PRC</td>
<td>165</td>
<td>5,092</td>
</tr>
<tr>
<td>World</td>
<td>1,398</td>
<td>3,501</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,398</td>
<td>5,277</td>
</tr>
<tr>
<td>India</td>
<td>117</td>
<td>1,215</td>
</tr>
</tbody>
</table>


Note: Per capita electricity generation estimated with Enerdata’s electricity generation data and World Bank’s population data.

(4) Building human capital

- Many Asian economies put efforts to build human capital by making education a basic right through compulsory education, investment in schools, and education reform.

![Graph showing public spending on education (as a % of GDP) from 1970-1979 to 2010-2018, with a steady increase from 2.1% to 3.6% over the period.]

- During 1970s–2010s, developing Asia’s public spending on education increased from 2.1% to 3.6% of GDP. Public spending on education contributed to rising school enrollments at all levels.

GDP = gross domestic product.

Rates can be more than 100% because of the enrollment of overage students and/or international students.
(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**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Patents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>52,409</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>17,924</td>
</tr>
<tr>
<td>Germany</td>
<td>16,549</td>
</tr>
<tr>
<td>Taipei, China</td>
<td>11,690</td>
</tr>
<tr>
<td>PRC</td>
<td>8,116</td>
</tr>
</tbody>
</table>

**Number of patents granted in the US**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Patents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>3,810</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2,739</td>
</tr>
<tr>
<td>France</td>
<td>1,524</td>
</tr>
<tr>
<td>Japan</td>
<td>1,416</td>
</tr>
<tr>
<td>Canada</td>
<td>935</td>
</tr>
</tbody>
</table>

FDI = foreign direct investment, GNP = gross national product, PRC = People’s Republic of China, R&D = research and development, TC = technical cooperation, US = United States.
(6) Opening trade and investment

- High-growth Asian economies all maintained open trade and investment regimes, making Asia a center of global manufacturing production and value chains.

<table>
<thead>
<tr>
<th>Asia’s Top 5 Merchandise Exports</th>
<th>1960-1969</th>
<th>2010-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile yarn, fabrics, made up articles, etc.</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>Textile fibers, not manufactured, and waste</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Electrical machinery, apparatus, and appliances</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>


- They initially promoted exports of labor-intensive manufacturing products, and over time, moved up to export more sophisticated products such as cars, electronics, and machines. In the last 2–3 decades, they participated in global value chains.

- To attract FDI, they set up special economic zones (SEZs) and provided tax incentives, making developing Asia one of the most attractive FDI destinations, accounting for 35% of the world total in 2017.

Compared with other developing regions, Asia did better in macroeconomic management, whether looking at growth, inflation, or frequency of economic crises.

Good macro management provided the basis for sustained growth, and reforms in response to the Asian financial crisis laid the foundation for future resilience.
(8) Promoting social inclusiveness and gender equality

- Rapid economic growth and targeted policies led to rapid poverty reduction.

- Asia had stable inequality in the 1960s–1980s, a pattern known as “growth with equity” in East Asia; since the 1990s, growth has been accompanied by rising inequality in some economies.
(9) Engaging with development partners & promoting RCI

• Asia benefited from engaging with bilateral partners and multilateral development banks in investing in development, especially infrastructure, education, and health.

• In South Asia and Southeast Asia, development assistance financed 10–20% of gross domestic investment in the 1970s and 1980s.

• Such partnerships remain relevant to Asia’s changing needs, providing responsive support by combining financing with policy advice.

Net Capital Inflows by Nonresidents to Developing Asia, 1970–2017 (% of gross domestic investment)

Net FDI inflows
Net official flows
Net bank lending and bonds
Net portfolio equity inflows

6.4 5.9 5.6 3.4 3.9 8.1 13.3 1.1 1.6 0.7 0.5
1.4 2.4 1.9 1.7 4.4 2.7 1.1 9.1 7.5 6.8 5.9

FDI = foreign direct investment.
Regional cooperation and integration (RCI) has played an important role in supporting Asian development by contributing to:

- peace and security;
- intraregional trade and investment; and
- regional public goods.

In 2018, close to 60% of Asian trade were among Asian economies and 50% of FDI inflows were from within Asia and the Pacific region.

Presentation outline

1. Overview of the Asian Development Bank

2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era

3. Summary and further readings
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
10 policy recommendations of the Washington Consensus

- Fiscal discipline
- Public expenditure reform
- Tax reform
- Financial liberalization & market-determined interest rates
- Competitive exchange rates
- Import liberalization
- FDI liberalization
- Privatization of state-owned enterprises
- Deregulation
- Protection of property rights

Issue one: Is Asian development unique?

- Some studies considered the Asian experience unique, i.e., there is an “Asian development model,” which emphasizes the role of state interventions, as opposed to the so-called “Washington Consensus,” which follows more closely the standard economic theory of market economies.

- The book argues that Asian economies implemented policies and reforms that are not very different from standard economic theories of market economies—in this sense, Asian development is not unique.

- Asian economies adopted a more gradual and pragmatic approach to implementing policy reforms, including the practice of testing major policy changes before full-scale implementation and careful sequencing. In this sense, Asian development is unique.
Many Asian economies used industrial policies (IP) to promote development. “Horizontal” IP has worked by improving business environment. But targeted IP has been more controversial, and outcomes mixed.

- Targeted IP was discredited after the Asian financial crisis but received renewed attention in recent years.

The book argues that targeted IP, if used badly, can lead to rent-seeking, unfair competition, and inefficiency; but if used wisely, can be effective, especially in areas with strong positive spillovers and coordination problems.

- Targeted IP is more likely to succeed when it is performance-based and promotes competition, with clear targets, sunset clauses, and transparent implementation rules.

- As a country becomes more developed, IP should focus more on supporting R&D to promote technological innovation that are less intrusive.
Asian economies achieved high growth by promoting manufacturing and exports through large capital investment, R&D, trade and FDI, education and training, and SEZs.

Issue three: Can industrialization be bypassed?

- Historically, manufacturing was important almost in all high-income countries worldwide before de-industrialization.
- Manufacturing is important because it: produces tradable outputs and generates foreign exchange; has high income elasticity of demand, large scope for innovation, and scale economies; and creates better paying jobs.

ASEAN = Association of Southeast Asian Nations, NIEs = newly industrialized economies, PRC = People’s Republic of China.
Notes: ASEAN4 includes Indonesia, Malaysia, the Philippines, and Thailand. NIEs include Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China.

GDP = gross domestic product. PRC = People’s Republic of China, USA = United States.
Notes: GDP and exports of goods and services are in constant national 2011 prices. Trade-to-GDP ratio is based on nominal values. Trade refers to exports plus imports of goods and services.
Issue four: The importance of institutions

- There is a positive association between quality of institutions and economic development, and Asia is no exception. But this correlation may vary across different dimensions of institutions and depends on a country’s stage of development.

- At a low-income stage, igniting growth is a priority, and government effectiveness, regulatory quality and control of corruption are important. As a country becomes more developed, the priority is sustaining growth, and accountability and wide citizen participation could become more important.

- In some Asian economies, creating a vision for the future that was shared across a wide spectrum of society and promoted by forward looking leaders, made a difference, especially when backed by a component bureaucracy.

\[ y = 0.39x + 3.86 \]
\[ R^2 = 0.60 \]

*GDP = gross domestic product.*


38
Presentation outline

1. Overview of the Asian Development Bank

2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era

3. Summary and further readings
Asia’s challenges in post COVID-19 era

Asia’s development gaps with advanced countries remain large—in 2018, developing Asia’s per capita GDP was just 13% of OECD level with remaining and emerging challenges, such as:

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
There are renewed COVID-19 waves globally... but it is stable or declining in developing Asia.

The virus continues to spread globally... with South Asia being the epicenter in developing Asia.

Note: Latin America includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

Sources: European Centre for Disease Prevention and Control, Johns Hopkins University, Telegraph UK, and Worldometer (accessed on 25 January 2021).
With containment easing despite new outbreaks, mobility has improved to varying degrees

Containment measures in Asia are now being eased… …which has helped mobility start to normalize.

Note: The Government Response Stringency index is a composite measure of nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100, with 100 being the strictest response. Source: University of Oxford. (accessed 26 January 2021).
But no end is yet in sight for the global tourism collapse...

For the 24 economies with tourist arrivals data available in Q4 2020, the year-on-year decline in arrivals ranges from 85% to 100%. For Pacific economies, year-on-year declines in arrivals are between 96% and 100%.

Decline in tourist arrivals, selected developing Asian economies

FSM = Federated States of Micronesia.
Sources: CEIC Data Company; IMF Tourism Tracker; and official sources (accessed 19 January 2021).
...with many travelers deferring travel for a longer period.

52% of survey respondents plan to wait six months to a year or more after travel bans are lifted before traveling or have deferred travel indefinitely.

There has also been a shift toward domestic and short-haul travel.

Source: IATA
Diverse impacts on remittance receipts.

Changes in Remittance Receipts in Selected Economies in Asia and the Pacific, in Comparable Periods in 2019 and 2020 (in %)

Note: Data for Sri Lanka refers to January to August 2020; remittances data for Armenia, Fiji, Kazakhstan, Kyrgyz Republic, Philippines, and Samoa are from January to October 2020; data from Bangladesh, Georgia, and Pakistan are from January to November 2020; and data for Afghanistan, Azerbaijan, Cambodia, India, Indonesia, Mongolia, Nepal, Tajikistan, Thailand, Timor-Leste, Tonga, and Uzbekistan are for the first-half of 2020.

Sources: Asian Development Bank calculations using data from the central banks of respective countries.
COVID-19’s impact will drag into 2021.

COVID-19’s impact on developing Asian subregions (relative to a no-COVID baseline)

COVID-19’s **global** impact:
- 5.5% to 8.7% of lost global GDP in 2020
- 3.6% to 6.3% of lost global GDP in 2021

COVID-19’s **regional** impact:
- 6.0% to 9.5% of lost regional GDP in 2020
- 3.6% to 6.3% of lost regional GDP in 2021

Note: Small tourism-dependent economies include Cook Islands, Fiji, Maldives, Palau, and Vanuatu.

*Source: The Impact of COVID-19 on Developing Asia: The Pandemic Extends into 2021, ADB Brief No. 159, 4 December 2020.*
Regional GDP contracted by 0.4% in 2020...

After a 0.4% contraction in 2020, growth will resume this year... ...but output will remain well below where it should be.

Real GDP growth in developing Asia

Real GDP levels in developing Asia

...with East Asia doing much better than the rest of the region.

GDP growth (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>1.3</td>
<td>1.6 ▲</td>
<td>7.0</td>
<td>7.0</td>
<td>-3.8</td>
<td>-4.4 ▼</td>
<td>5.5</td>
<td>5.2 ▼</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>-6.5</td>
<td>-5.5 ▲</td>
<td>5.1</td>
<td>5.1</td>
<td>-1.0</td>
<td>-2.2 ▼</td>
<td>5.3</td>
<td>4.5 ▼</td>
</tr>
<tr>
<td>People’s Rep. of China</td>
<td>1.8</td>
<td>2.1 ▲</td>
<td>7.7</td>
<td>7.7</td>
<td>-5.0</td>
<td>-6.0 ▼</td>
<td>6.5</td>
<td>7.0 ▲</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>-1.0</td>
<td>-0.9 ▲</td>
<td>3.3</td>
<td>3.3</td>
<td>-7.3</td>
<td>-8.5 ▼</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Taipei,China</td>
<td>0.8</td>
<td>1.7 ▲</td>
<td>3.5</td>
<td>3.3 ▼</td>
<td>-6.2</td>
<td>-6.2</td>
<td>4.5</td>
<td>5.1 ▲</td>
</tr>
<tr>
<td>South Asia</td>
<td>-6.8</td>
<td>-6.1 ▲</td>
<td>7.1</td>
<td>7.2 ▲</td>
<td>-8.0</td>
<td>-7.8 ▲</td>
<td>4.5</td>
<td>4.0 ▼</td>
</tr>
<tr>
<td>India</td>
<td>-9.0</td>
<td>-8.0 ▲</td>
<td>8.0</td>
<td>8.0</td>
<td>1.8</td>
<td>2.3 ▲</td>
<td>6.3</td>
<td>6.1 ▼</td>
</tr>
<tr>
<td>Central Asia</td>
<td>-2.1</td>
<td>-2.1</td>
<td>3.9</td>
<td>3.8 ▼</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-3.2</td>
<td>-3.2</td>
<td>2.8</td>
<td>2.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing Asia</td>
<td>-0.7</td>
<td>-0.4 ▲</td>
<td>6.8</td>
<td>6.8</td>
<td>-0.5</td>
<td>-0.3 ▲</td>
<td>7.2</td>
<td>7.2</td>
</tr>
</tbody>
</table>

▲ = upgraded forecast, ▼ = downgraded forecast, no sign = unchanged.

ADOS = Asian Development Outlook Supplement.
Source: Asian Development Outlook database.
Asian governments stepping in significantly.

*Government income support accounts for more than half of the region’s policy response.*

Policy packages in developing Asia

Note: Data as of 11 January 2021. One out of ADB’s 46 developing members has zero amount, i.e., Niue.
Many economies moved from balanced budgets and low debt to sizeable deficits and higher debt.

**Public debt and fiscal balance**

- **Public Debt (% of GDP)**
- **Fiscal Balance (% of GDP)**

**Notes:** Projections are from Baseline Scenario. Comprises a panel of 40 ADB DMCs. Lower-income DMCs are shown with darker shaded dots and labels.

Rich countries will get access to coronavirus vaccines earlier than others

When will widespread vaccination coverage be achieved?
- Green: By late 2021
- Light green: By mid-2022
- Orange: By late 2022
- Dark red: From late 2022 onwards
- Red: From early 2023 onwards

Accurate as at January 22nd, 2021
Source: The Economist Intelligence Unit.
Vaccination policies differ significantly.

Vaccine Procurement in Selected Asian Economies

Perceptions of vaccines in Asia
(proportion of population that “strongly agreed” vaccines are safe in 2019)

Surplus and deficit
(Covid-19 vaccine coverage)

Share of population covered by ordered vaccines, %

Note. Darker colours show greater trust in vaccine safety.
Sources: The Lancet; The Economist Intelligence Unit.
### Achieving universal health coverage (UHC)...

- Asian economies improved their overall healthcare systems by:
  - raising government spending on health;
  - implementing reforms in health service delivery, institutions, and financing; and
  - encouraging private health sector participation.


<table>
<thead>
<tr>
<th>Subregion</th>
<th>Total current health expenditure (% of GDP)</th>
<th>Of Which, Government Health Expenditures (% of GDP)</th>
<th>Out-of-Pocket Current Expenditure (% of total current health expenditure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Asia</td>
<td>5.0</td>
<td>4.1</td>
<td>5.5</td>
</tr>
<tr>
<td>East Asia</td>
<td>4.3</td>
<td>4.5</td>
<td>5.2</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>4.5</td>
<td>4.2</td>
<td>5.0</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.3</td>
<td>4.5</td>
<td>5.2</td>
</tr>
<tr>
<td>India</td>
<td>4.0</td>
<td>3.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>2.8</td>
<td>3.4</td>
<td>3.9</td>
</tr>
<tr>
<td>The Pacific</td>
<td>3.6</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Developed Asia</td>
<td>7.2</td>
<td>9.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Australia</td>
<td>7.6</td>
<td>8.4</td>
<td>9.3</td>
</tr>
<tr>
<td>Japan</td>
<td>7.2</td>
<td>9.2</td>
<td>10.9</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>5.9</td>
<td>7.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5.1</td>
<td>5.3</td>
<td>5.2</td>
</tr>
<tr>
<td>OECD</td>
<td>9.3</td>
<td>11.6</td>
<td>12.6</td>
</tr>
<tr>
<td>World</td>
<td>8.6</td>
<td>9.6</td>
<td>10.0</td>
</tr>
</tbody>
</table>

GDP = gross domestic product, OECD = Organisation for Economic Co-operation and Development.

Note: Private enterprises and other nongovernment organizations account for the difference between total current health expenditure and the sum of government and out-of-pocket current health expenditure.

... and improving education quality

Average Science/Mathematics Test Scores
(% of student participants achieving 400+ and 600+)


Notes: PRC* includes only Beijing, Shanghai, Jiangsu, and Guangdong. India* includes only Himachal Pradesh and Tamil Nadu. The test scores are standardized to range from 0 to 1,000. Data are for 2015 Programme for International Student Assessment (PISA) / Trends in International Mathematics and Science Study (TIMSS) scores except for Armenia and the Philippines (TIMSS 2003); Mongolia (TIMSS 2007); Azerbaijan, India, and the Kyrgyz Republic (PISA 2009).

Addressing rising income inequality

### Gini coefficients

<table>
<thead>
<tr>
<th>Region</th>
<th>Pre-tax and Pre-transfer Gini (mean)</th>
<th>Post-tax and Post-transfer Gini (mean)</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Asia</td>
<td>40.0</td>
<td>37.4</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Japan, Australia, and New Zealand</td>
<td>45.7</td>
<td>32.6</td>
<td>(28.6)</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>47.1</td>
<td>43.4</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>45.9</td>
<td>45.0</td>
<td>(1.8)</td>
</tr>
<tr>
<td>European Union</td>
<td>46.8</td>
<td>29.9</td>
<td>(36.0)</td>
</tr>
<tr>
<td>North America</td>
<td>48.6</td>
<td>34.5</td>
<td>(29.1)</td>
</tr>
<tr>
<td>OECD</td>
<td>46.4</td>
<td>31.0</td>
<td>(33.2)</td>
</tr>
</tbody>
</table>

Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

Notes: Bars refer to changes in Gini coefficients between the two indicated periods. Numbers in the column on the right refer to levels of Gini coefficients for the final year. Symbols in parentheses indicate whether a Gini coefficient is income-based (I) or consumption expenditure-based (C).


Note: Mean refers to the simple average of Gini coefficients of the countries in the region.

Narrowing gender gaps

Challenges to achieve gender equality:

- Increase women’s access to the formal labor market and decent work
- Reduce women’s unequal share of unpaid care and domestic work
- Increase women’s public and political participation
- Eliminate gender discrimination in laws, policies, and social norms

Notes: East Asia excludes the Republic of Korea. Workers in vulnerable employment include own-account workers (self-employed persons without engaging employees) and contributing family workers (self-employed persons working in an establishment operated by a relative of the same household).


## Developing Asia’s investment needs, 2016–2030
($ billion in 2015 prices)

<table>
<thead>
<tr>
<th>Region</th>
<th>Baseline</th>
<th>Climate-adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of GDP</td>
</tr>
<tr>
<td>Central Asia</td>
<td>492</td>
<td>6.8</td>
</tr>
<tr>
<td>East Asia</td>
<td>13,781</td>
<td>4.5</td>
</tr>
<tr>
<td>South Asia</td>
<td>5,477</td>
<td>7.6</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>2,759</td>
<td>5</td>
</tr>
<tr>
<td>The Pacific</td>
<td>42</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>Asia and the Pacific</strong></td>
<td><strong>22,551</strong></td>
<td><strong>5.1</strong></td>
</tr>
<tr>
<td><strong>Annual Average</strong></td>
<td><strong>1,503</strong></td>
<td></td>
</tr>
</tbody>
</table>

GDP = gross domestic product  
Sources: ADB estimates.
Protecting environment and tackling climate change

- Pressure from rapid economic development has created many environmental problems.
- Environmental policy responses were initiated and expanded in recent 2–3 decades.
- But much more action is needed to make the region’s development sustainable and contribute to global efforts.

Global Shares of Greenhouse Gas (Carbon Dioxide Equivalent) Annual Emissions

- Europe, 29.3%
- North America, 19.0%
- Latin America and the Caribbean, 10.4%
- Sub-Saharan Africa, 7.7%
- MENA, 5.3%
- LAC, 8.4%
- PRC, 8.7%
- India, 3.5%
- Japan, 3.4%
- AUS and NZL, 1.6%
- Sub-Saharan Africa, 5.9%
- Middle East and North Africa, 8.1%
- Australia and New Zealand, 1.2%
- Rest of Developing Asia, 11.3%
- Rest of Developing Asia, 12.7%
- People's Republic of China, 24.7%

2014

Note: Includes emissions from land use, land-use change, and forestry.
Source: Authors’ calculations from World Resources Institute. CAIT Climate Data Explorer. http://cait.wri.org. (accessed 26 October 2019)
Responding to demographic change and population aging

Total Population (billion) and Population by Age (% of Total), Developing Asia, 1950–2018

Presentation outline

1. Overview of the Asian Development Bank
2. 50 years of Asian development
   • Asia’s key development achievements
   • What explains Asia’s economic success
   • Issues subject to extensive debate
   • Asia’s challenges in post COVID-19 era
3. Summary and further readings
Asia’s economic success owes much to creating better policy and stronger institutions. The book highlights the following:

1) relying on markets with proactive state support;
2) promoting structural transformation;
3) investing in productive capacity;
4) building human capital;
5) opening trade and investment;
6) maintaining macroeconomic stability;
7) promoting social inclusiveness; and
8) engaging with development partners and promoting RCI.

Going forward, Asia still faces many challenges and there is no room for complacency.

Asia must continue to maintain good policy, strengthen institutions, and contribute to the development of science and technology and to tackling global issues.
Further readings


Thank you!

My email address is:

ysawada@adb.org

The soft copy of the book can be downloaded at

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

• Can manufacturing-driven growth be bypassed in your country? What is the role of industrial policy on manufacturing or non-manufacturing sector?