Asia’s remarkable transformation and rise: Lessons for latecomers to, and laggards in, Development
1. Overview

• About the book
• Contours of change in Asia
• Analytical conclusions and policy implications
• Findings
• Recommendations
2. Contours of change in Asia

- Decline and fall of Asia: 1820-1962
- Rise of Asia: 1970-2016
  - Share in world GDP
  - GDP per capita: from divergence towards convergence
  - Share of world manufacturing and trade
- Social development and poverty reduction
- Unequal outcomes in development
  - Between people
  - Among countries
- Enormous diversity, yet discernible patterns
Figure 1: The Decline and Fall of Asia: 1820-1962
Figure 2: Rising Significance of Asia in the World Economy: 1970-2016 (in percentages)

a. World Population and GDP

b. GDP per capita

Note: The percentages have been calculated.
Figure 3: Distribution of World Manufacturing Value Added and Manufactured Exports: 1970-2016 (in percentages)

a. World manufacturing value added

b. World manufactured exports

Source: Nayyar (2019)
3. Analytical conclusions and policy implications

- Political independence as a turning point
- Reshaping of initial conditions
- Stunning economic growth
  - Drivers of growth: supply-side and demand-side
  - Macroeconomic objectives and policies
- Structural transformation: significant but uneven and incomplete
• Economic openness
  – Necessary but not sufficient
  – Strategic integration rather than passive insertion
  – Conducive to industrialization only when combined with industrial policy

• Critical role of governments
  – States and markets: significance of the relationship
  – Developmental States in East Asia: the special case
  – Countries without developmental states: the norm
  – Role of institutionalized checks-and-balances

• Wellbeing of people and development of nations
Figure 4: Growth Rates of GDP and GDP per capita in Asia compared with Country-groups in the World Economy 1971-2016: per cent per annum

Source: Nayyar (2019).
4. Findings

• Rapid economic growth led the development process in Asia and was responsible for its spectacular rise in the world economy.

• Asia was characterized by significant diversity in paths to, and outcomes in, development, which were shaped by the national context.

• Governments performed a critical role, ranging from leader to catalyst or supporter, in the economic transformation of Asia.

• Success at industrialization in Asia was shaped by sensible industrial policy implemented by effective governments.
4. Findings (cont.)

• Economic openness performed a critical supportive role wherever it was in the form of strategic integration, rather than passive insertion, into the world economy.

• Inequality between people within countries rose rapidly almost everywhere, while the wide gap between rich and poor countries remained awesome.

• There was a massive reduction in absolute poverty that could have been even greater but for the rising inequality.
5. Recommendations

• Coordinate economic policies in pursuit of development objectives, while learning and unlearning from experience, for policies are means not ends

• For latecomers to development, heterodox or unorthodox economic policies – in trade, industry and macro-management – are more effective than orthodox policies

• Efficient markets and effective governments, together, adapting to each other as time and circumstances change, provide the way forward in development

• Economic openness, while necessary, is not sufficient, and is conducive to development only when combined with industrial policy
5. Recommendations (cont.)

• Social opportunities for people, through public provision of education and healthcare which improve wellbeing, and economic development of countries reinforce each other in a virtuous circle

• Employment matters, for it is the only effective means of eradicating poverty, reducing inequality, and sustaining growth

• Economic policies must be conducive to inclusive outcomes for growth to be sustainable and for development to be transformative