

## A Review of Book

# Perspective on Asian Development in 1970–2016: Some Reflections on Nayyar's Resurgent Asia (2019)

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Deepak Nayyar, *Resurgent Asia: Diversity in Development*,  
Oxford University Press, 2019

## I. Introduction

Deepak Nayyar's study scope started from 1970 and ended in 2016, the period of the rising significance of Asia in the world economy. The scope meets the span of half a century since Gunnar Myrdal's *Asian Drama: An Inquiry into the Poverty of Nations* was published in 1968. Presumably Nayyar waited for the past 50 years of Asian development to rebut the conventional economic development theory of Myrdal's *Asian Drama*, which was written from a European perspective of pessimism about Asia, particularly India. Interestingly, India, one of the two population giants in Asia, later joined the development group in the late 20th century after China. Nayyar, an Indian economist, understood that India misled Myrdal to predict wrongly the future development in Asia in the 1970s.

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The author was deeply motivated by the profound transformation of Asia in terms of the economic progress and living conditions in the past 50 years beginning from the second half of the 20th century. The global economic history first met a momentous ongoing shift during 1820–1950 since the Industrial Revolution in Britain, which entailed the rise of Europe with imperial colonialism and the fall of Asia into the colonial feudalism during the two centuries. From the early 1970s, the East Asian Tigers, South Korea, Taiwan, Hong Kong, and Singapore, started to catch up with advanced countries, such as Japan and other countries in the west. (Lee 2013) The catch-up is chosen by the author as the core concept to analyze the resurgent Asia of diversity in development.

The diverse development of Asia is epitomized in this book into only one volume monograph of 295 pages, including appendix, endnotes, references, and index. The diversity in Asian development is, therefore, represented for the meaningful analysis by the Asian-14 chosen with economic significance in development, demographic size in terms of population, and representative of diversity. Among the 37 countries in the geographically disaggregated four sub-regions, the book focuses on 14 selected economies in Asia: China, South Korea, and Taiwan in East Asia; Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam in Southeast Asia; Bangladesh, India, Pakistan, and Sri Lanka in South Asia; and Turkey in West Asia. Japan and Israel are excluded which were industrialized countries 50 years ago. Former Soviet Union countries in West and Central Asia and the oil-rich countries in West Asia are also excluded.

The study comprises historical perspective with initial conditions, the rise of Asia, macroeconomics of growth, structural change and economic transformation, openness and industrialization, market-government-politics, unequal outcomes for countries and people, Asian development and the world economy, and contemplating the future. From the initial conditions with a focus on the colonial era in the past, Asian development in the world economy is foreseen through the relationship shaped by geopolitics between Asia and the world after analyzing the transformation of Asia in terms of demographic transition, social progress, economic growth, structural transformation of economics, economic openness in the global market, government roles in the market economy, and problems of modern capitalism, including unequal outcomes for countries and people.

## II. Diverse Issues in Asian Development

### *A. Initial conditions*

Chapter 1 provides a historical perspective on Asia in the world economy and unveils that Asia, with a long history of well-structured states and cultures until 1820, became the poorest underdeveloped continent in the world in terms of income levels in 1965–1970. By 1962, the population and income in Asia decreased from two-thirds and three-fifths in 1820 to 50 percent and 15 percent, respectively. The “Great Divergence” came out during the colonial era. The income per capita in Asia, as a proportion of that in the West, dropped from one-half in 1820 to less than one-tenth in 1962.

The decline and fall of Asia was attributable to its integration with the world economy, through trade and investment, shaped by colonialism and driven by imperialism. Most of European colonies in Asia were de-industrialized Third World continents, such as Asia, Africa, and Latin America. Meanwhile, industrialized developed economies are namely, Europe, North America, and Japan. Naturally, the diverse initial conditions of Asian countries were shaped by their different colonial masters, such as British, Dutch, French, and Japanese. (Myrdal 1968)

Nayyar noted that Japanese colonies in East Asia included not only Taiwan (1895–1945) and Korea (1910–1945) but also Manchuria, which was colonized in 1928, formally with Manchukuo (1932–1945), a puppet state controlled by the Japanese army. (Maddison 2007) He also indicated the fact that Japanese colonialism in East Asia unlike other European colonialism in Asia promoted substantial investments in manufacturing and infrastructure and emphasized education despite its authoritarian and repressive nature with the greater military and police presence. These attributes are implied as a significant part of initial conditions for the post-colonial development in Korea, Taiwan, and China. Ultimately, we find that in South Korea, many former colonial elites experienced the industrialization and military buildup in the Japanese-controlled Manchuria, which contributed to the Korean military buildup before and during the Korean War and Korean industrialization of Park Chung Hee government. (Kim 2014)

### *B. Rise of Asia*

The transformation of Asia over the past 50 years, the rise of Asia, is

analyzed in Chapter 2 with its demographic transition, social progress, and economic development, *i.e.*, the Gunnar Myrdal's *Asian Drama* framework. The total population of Asia more than doubled between 1970 and 2016, as its share of world population returned to its 1870 level with decreased death rates due to improvements in the public health system. In 1965–2016, the social development was impressive as life expectancy rose from 49 years to 72 years and literacy rates rose from 43 percent to 82 percent. Strikingly, Asia's share of world GDP rose from less than one-tenths to three-tenths, while its income per capita surpassed that of developing countries and converged toward the world average income level, although this convergence was modest compared with industrialized countries because the initial income gap was enormous.

By 2016, the growth in GDP and per capita in Asia was much higher than in the world economy, industrialized countries, and the developing world, such as Africa and Latin America. Over this period, Asia's world industrial production jumped from 4 percent to more than 40 percent. Its merchandise trade share rose from one-twelfth to one-third. Its engagement with the world economy through international investment, as a destination and a source, showed significant change. Asia rose in terms of demography, social progress, and economic development.

The author explains that the political independence for Asian countries from the colonial rule restored their economic autonomy and enabled them to pursue their national development objectives. However, the socio-economic development was most unequal between the constituent sub-regions in Asia. East Asia was the leader and South Asia was the laggard, with Southeast Asia in the middle. East Asia contributed about two-thirds of the increase in Asia's GDP, whereas Southeast Asia, South Asia, and West Asia contributed the remaining one-third. The proportions were similar in merchandise trade, and the industrialization was concentrated in East Asia which accounted for over three-fourths of the increase in Asia's manufacturing value added. A significant convergence in income per capita made East Asia the leading role in the rise of Asia. (Amsden 2001)

### *C. Macroeconomics of growth*

Unlike orthodox economics that focus on the supply side in the process of growth, Nanyar examined macroeconomics of growth in Chapter 3, without neglecting the demand for macroeconomic analysis

of the growth process in Asia. The interaction between the supply side and demand side in the process of growth is important. Given that macroeconomic objectives and policies of the government influence the pace of growth, the transformation of growth in economies at the macro-level into the development for people at micro-level depends upon the creation of employment and livelihood in most Asian countries with surplus labor.

For a meaningful analysis, the author selected 14 economies or “The Asian-14” in the four constituent sub-regions: China, South Korea, and Taiwan in East Asia; Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam in Southeast Asia; Bangladesh, India, Pakistan, and Sri Lanka in South Asia; and Turkey in West Asia. In the last 50 years of Asian rise, China was the star performer throughout. Growth rates of GDP and GDP per capita were high in South Korea, Taiwan, Singapore, Indonesia, Malaysia, and Thailand during 1971–1990 but decelerated significantly during 1991–2016 attributable to the long-term effects of the Asian financial crisis, whereas these growth rates were lower in India, Vietnam, and Bangladesh during 1971–1990 but were much higher during 1991–2016.

In the late 1990s, Indonesia, Malaysia, Philippines, and Thailand in Southeast Asia, along with South Korea and Taiwan, were hit by the Asian financial crisis, attributable to a premature integration into international financial markets, excessive short-term borrowing abroad with a maturity mismatch, and weak domestic financial sectors. This was triggered by a balance of payments crisis in the capital account, as the boom was followed by a bust, leading to capital flight and a run on national currencies. (Chang 2000; Shin, and Chang 2003)

The interaction between the supply and demand in the Asian-14 suggests that a virtuous circle of cumulative causation existed where rapid investment growth coincided in time with rapid export growth, leading to rapid GDP growth. This was the case in China, South Korea, Taiwan, Singapore, Indonesia, Malaysia, and Thailand during 1971–1990, and in India, Vietnam, and Bangladesh during 1991–2016. Nayar observed that many of the Asian-14 did not follow orthodox prescription of balanced budgets and price stability for macroeconomic management. Fundamentally, they were heterodox in their objectives and policies.

*D. Structural change and transformation*

The process of industrialization and development in Asia were associated with a structural transformation of economies over the past 50 years. In Chapter 4, Structural Change and Economic Transformation, Nayar used the term “structural change” strictly for a process of development and “structural transformation” for an outcome. In this chapter, the process of structural change and their paths to structural transformation in the Asian-14 are examined with a discernible diversity.

The significant differences are analyzed here among the Asian-14 in their paths to structural transformation. The classical pattern of structural change from agriculture through manufacturing, or industry, to services was shown in South Korea, Taiwan, and Singapore, followed by Malaysia, China, and possibly Indonesia later. This traditional sequence, however, was not conformed in India, Turkey, Thailand, Philippines, Pakistan, and Sri Lanka, followed by Bangladesh and Vietnam. Transition from a situation of dominant agricultural sector to a situation of dominant service sector was far uniform in the Asian-14.

However, an exit of labor from agriculture everywhere existed, in some countries to manufacturing, in other countries to industry outside manufacturing (particularly construction), and other countries to services. These three sorts of labor transfers overlapped in time and space. In earlier stages of development, such labor transfer between sectors was growth promoting, but, in later stages, productivity within sectors was growth-promoting.

Apart from South Korea, Taiwan, Singapore, and perhaps Malaysia, the process of structural transformation in the Asian-14 is uneven and incomplete. The transformation of the agricultural sector remains incomplete in China, and even more so in Southeast Asia, whereas South Asia has considerable distance to traverse. The services sector led the economic growth further in several countries, largely through absorption of unskilled labor, but this might not be sustainable. In many of the Asian-14, neglecting agriculture and emphasizing manufacturing are as necessary as the synergies and complementarities between manufacturing and services.

*E. Openness and industrialization*

Openness and industrialization are examined in Chapter 5 with

the process of economic development in Asia over the past 50 years. A remarkable increase in the degree of economic openness in Asia reflected in international trade and investment flows. In 1970–2008, for Asia, merchandise trade as a proportion of GDP rose from less than one-tenth to about two-fifths although, following the global economic crisis, contracted to one-fourth in 2016. During 1970–2016, the stocks of inward and outward foreign direct investment, as a proportion of GDP, increased from one-sixth to three-tenths, and from one-hundredth to one-fifth, respectively.

The pace of industrialization was also impressive. For Asia and the Asian-14, the share of manufacturing in GDP rose from one-tenth in 1970 to one-fourth in 2016. This industrial transformation also led to pronounced changes in the composition of their trade as the share of medium- and high-technology manufactures rose in exports and imports. As the openness showed differences between countries, depending upon their size and openness, the industrialization was most unequal even among the Asian-14.

Economic openness performed a critical supportive role in the process of industrial development, through strategic integration with, rather than passive insertion into, the world economy. In the analysis of the industrialization experience in the Asian-14, openness was necessary but not always sufficient. It was conducive to industrialization only when combined with industrial policy. The pioneering success stories in South Korea, Taiwan, and Singapore showed the use of industrial policy through government intervention to realize that scale economies foster vertical-diversification, encourage technological upgrading, and develop global brands. (Chang 1994) The recent success story of China, however, used industrial policy in a different context in learning to industrialize and then building domestic capabilities in pursuit of long-term objectives. Vietnam attempts to follow China. India, the most industrialized to start with, lagged behind the leaders, because industrial policy was poorly implemented or was simply not used, but its success in pharmaceuticals, automobiles, and software is attributable to industrial policy.

#### *F. Markets and government*

In 1945, when the Second World War ended, countries in Asia, including most of the Asian-14 emerged from their legacies of

colonialism, nationalist movements, and revolutionary struggles. Apart from the dramatic political transformations in Asia during the early post-colonial era, the second half of the 20th century also witnessed complete swings of the pendulum in economic thinking about the respective roles of states and markets in development. These turning points, which reshaped strategies, were strongly influenced by history and conjuncture, reinforced by capitalism as the dominant ideology after the political collapse of communism. It argues that the state and the market are complements rather than substitutes and that the two institutions must adapt to each other in an interactive cooperative manner over time. The success of Asia's development was about managing this evolving relationship between states and markets, by finding the right balance in their respective roles, which also changed over time. Chapter 6 shows that governments performed a critical role, from leader to catalyst or supporter, in the economic transformation of Asia in the last 50 years, while their willingness and ability to do so depended on the nature of the state, which in turn was shaped by politics.

The developmental states in South Korea, Taiwan, and Singapore, for whom Japan was the role model, which could coordinate policies across sectors over time in pursuit of national development objectives, led the economic transformation of these countries, enabling them to become industrialized nations in just 50 years. (Kim, *et al.* 2011) However, the nature of these states was an outcome of circumstances in history and conjuncture that were specific to them. China emulated these developmental states, in an altogether different political context with much success, and Vietnam followed, two decades later, on the same transition path, as both countries had strong one-party communist governments with clear objectives that could coordinate and implement policies. Replicating these states elsewhere in Asia is not possible. Even so, in other countries in the Asian-14, where states were less effective in implementing their agenda, governments managed to introduce economic policies and evolve institutional arrangements that were conducive to industrialization and development.

In countries that do not have developmental states, only institutionalized checks and balances can make governments development-oriented and people-friendly. (Johnson, 1982) Certain non-state institutions also exist, such as the media and civil society, or even state institutions outside the government, that can perform



this role. This is obviously more feasible in political democracies than in authoritarian regimes. Democracies in Asia do have their flaws and warts. However, democracies evolve slowly. Over time, they are less fragile and more robust than authoritarian regimes. For Asia's journey in development, during the 21st century, democracy is better than the alternatives, not only for the rights and the freedoms it provides for citizens, but also for the checks and balances and the self-correcting mechanisms it provides for political systems when things go wrong. (Lee, *et al.* 2019)

### *G. Unequal divergences*

Unequal outcomes in development and emerging divergences in incomes during this era of rapid economic growth in Asia are examined in Chapter 7. It is focused on uneven development across countries and on unequal distribution among people within countries. Compared with industrialized countries, the convergence of per capita incomes was rapid in South Korea, Taiwan, Singapore, significant in China and Malaysia, somewhat less in Thailand and Sri Lanka. The experience of the Asian-14 does not validate the convergence hypothesis, as a widening gap occurred in per capita income levels within the Asian-14, whereas the gap between the richest and poorest countries in Asia was considerable. The author points out that much of the income inequality between countries in Asia was attributable to inequality between, rather than within, countries.

Interestingly, South Korea and Taiwan are analyzed as exceptional cases for a significant increase in inequality between people within economies in Asia, particularly a marked increase in inequality between regions within countries. (Lee, *et al.* 2020) For all intents and purposes, rapid growth led to a substantial reduction in absolute poverty. During 1984–2012, the proportion of the population below the specified international poverty lines declined sharply everywhere in Asia, more for the lower than for the higher poverty line. However, the absolute number of people below both poverty lines remains large. The scale of absolute poverty despite unprecedented growth is just as striking as the sharp reduction therein. The poverty reduction could have been much greater, were it not for the rising inequality.

Among the Asian-14, rising per capita incomes and improving social indicators, such as life expectancy and literacy rates were related

and the causation ran in both directions. The wellbeing of people, however, is crucial because it is constitutive of, and instrumental in, development. Thus, social progress for people and economic development for countries can reinforce each other in a virtuous circle. However, unequal opportunities and unequal outcomes can also accentuate each other over time, making matters worse for the wellbeing of people and for the development of nations.

#### *H. Asia in the world economy*

In Chapter 8, the author returns to the big picture for two reasons: the whole could be different from the sum total of its parts, and economics must be situated in the wider context of not just politics but also history and geography. With such premises, three broad questions are posed. 1) What did the engagement with the world economy mean for Asian development over the past five decades? 2) What are the possible economic implications of this Asian development for the world economy in times to come? 3) What does a transformed Asia imply for international institutions, multilateral rules and global governance? The author begins with a discussion on the evolution of the relationship between Asia and the world in retrospect, and ends with some reflections on how the present global economic and political conjuncture might shape the relationship between Asia and the world in prospect.

During the post-colonial era, the relationship between Asia and the world was shaped by geopolitics in which economics and politics, juxtaposed with history and geography, were closely intertwined. East and Southeast Asia became the main arena for contesting political ideologies—capitalism versus communism—in the Cold War, whereas West Asia was the stage where strategic interests, driven by oil, played out. Both were associated with conflicts and war, such as the Korean War in East Asia and Vietnam in Southeast Asia that shaped trajectories of development. (Kim 2014)

For the three broad questions posed above, three specific aspects of Asia's emerging with the world economy, with implications for development, deserve notice. More than one-half of Asia's merchandise trade is within the developing Asia. Its relative importance increased over time, and after 1995 China replaced Japan as the hub for such trade. The share of Asia in the stock of outward foreign direct

investment in the world, during 1990–2016, rose from one-thirtieth to one-fifth. This internalization of Asian firms, concentrated in China, Singapore, South Korea, Taiwan, India, and Malaysia, is based on acquisition of capabilities over a much longer period while learning to industrialize. However, capital account liberalization and premature integration into international financial markets did more harm than good, with negative consequences for development.

The rapid economic growth in Asia holds positive and negative implications for the world, industrialized countries, and developing countries. For industrialized countries, it might worsen their terms of trade, but it could provide them with expanding markets, cheap manufactured goods and new technologies. For developing countries, it could improve their terms of trade, provide finances and technologies for development, but it could also have an adverse impact on their industrialization prospects.

United Nations, the international economic and political organization for global governance was created around 1945. Asia had no voice in that process. The shifting balance of power provides Asia the opportunity to influence the reform of existing institutions and the creation of missing institutions. However, coordination and cooperation among Asian countries, to exercise collective influence, did not surfaced yet, possibly because their relationship is characterized by economic and political rivalry rather than unity. Concurrently, economic problems confronting the world led to a political backlash in the form of resurgent nationalisms across countries, creating an international milieu different from the preceding quarter century when the economic transformation of Asia gathered momentum. The uncertain future is a challenge.

### **III. On Conclusions**

After analyzing the phenomenal economic transformation of Asia, Nayar concludes in Chapter 9: 1) to outline the contours of change to recapitulate the essentials of the transformation in Asia, and to highlight the major analytical conclusions that relate to the debates on development; 2) to consider prospects, in terms of opportunities and challenges, for countries that have led the process so far and for those that might follow in their footsteps; and 3) to reflect on the future, with reference to the past, to speculate how the changed international context, and new challenges on the horizon, might shape, or be

influenced by, development in Asia over the next 25 years.

*A. Major analytical conclusions*

The historical context of underdevelopment and development in Asia was reviewed in this chapter. The decline and fall of Asia was attributable to its integration with the world economy, through trade with and investment by the industrialized Western Europe, shaped by colonialism and driven by imperialism. The transformation of Asia over the past 50 years, reflected in its demographic transition, social progress, and economic development, was phenomenal. Structural changes in the composition of output and employment led to a sharp decline in the share of agriculture, a significant increase in the share of the industrial sector, and a substantial increase in the share of the services sector everywhere. Rising per capita incomes were associated with a transformation in social indicators of development, as infant mortality rates fell sharply, while life expectancy and literacy rates rose sharply, everywhere. The rapid economic growth also led to a massive reduction in absolute poverty across countries in Asia. The poverty reduction could have been much greater but for the rising inequality. Inequality between people within economies escalated everywhere, but interestingly, South Korea and Taiwan are exceptional. (Lee, *et al.* 2019)

As for some important analytical conclusions, the diversity of Asia must be recognized of marked differences between countries in geographical size, embedded histories, colonial legacies, nationalist movements, initial conditions, natural resource endowments, population size, income levels, and political systems. The politics ranged widely from socialism through state capitalism to capitalism, from authoritarian regimes to political democracies and from one-party states to multi-party systems. Outcomes in development were diverse in different paths to development. Hence, choices must be made, which were shaped by a complex mix of economic, social, and political factors in the national context, where history mattered. However, despite such diversity, the author finds discernible patterns, pointing to substantive analytical lessons that emerged from the Asian development experience.

The economic transformation of Asia in the past 50 years provides a sharp contrast with the decline and fall of Asia in the colonial era during the preceding 150 years. Unlike Latin America and Africa, most Asian countries had a long history of well-structured states and

cultures, which were not entirely destroyed by colonialism. Thus, political independence restored their economic autonomy and enabled Asian countries to pursue national development objectives and to drive motivation in their quest for catching up. In a radical departure from the stagnation in colonial times, over the past 50 years, rates of economic growth in most of the Asian-14 were unprecedented in history. Investment and savings drove growth of the supply side. Growth of the demand was investment led and private-consumption-expenditure led. The interaction between the supply and demand side in the Asian-14 suggests that there was a virtuous circle of cumulative causation, where rapid investment growth coincided in time with rapid export growth, leading to rapid GDP growth.

Economic openness has performed a critical supportive role in Asian development, wherever it has been in the form of strategic integration with, rather than passive insertion into, the world economy. However, analysis of the industrialization experience in the Asian-14 shows that openness was not sufficient. It was conducive to industrialization only when combined with industrial policy. Clearly, success at industrialization in Asia was driven by sensible industrial policy that was implemented by effective governments. In future, however, technological learning and technological capabilities are also essential to provide the foundations for sustaining industrialization.

The government performed a critical role, ranging from leader to catalyst or supporter, in the economic transformation of Asia spanning half a century. Success at development in Asia was about managing this evolving relationship between states and markets, by finding the right balance in their respective roles, which also changed over time. Countries, where governments did not, or could not, perform this role, and were unable to evolve their role vis-à-vis markets, lagged behind in development. The Asian experience suggests that efficient markets and effective government, in tandem, provided the way forward to development.

The developmental states in South Korea, Taiwan, and Singapore, for whom Japan was the role model, which could coordinate policies across sectors over time in pursuit of national development objectives using the carrot-and-stick to implement their agenda, led the economic transformation of these countries, enabling them to become industrialized nations in just 50 years. (Thurbon 2016) The nature of these states, however, was an outcome of circumstances in history

and conjuncture that were specific to them. China emulated these developmental states, in a different political context with much success, and Vietnam followed, two decades later, on the same transition path, as both countries have strong, one-party communist governments, with clear objectives, that could coordinate and implement policies. For the other countries in the Asian-14, where states were less effective in implementing their agenda, governments managed to introduce economic policies and evolve institutional arrangements that were conducive to industrialization and development. In these countries, only institutionalized checks and balances can make governments development-oriented and people-friendly. Possibilities exist within political processes. Non-state institutions exist, or state institutions other than governments, that can perform this role. Ultimately, this is more feasible in democracies than in authoritarian regimes.

#### *B. Asia over the next 25 years*

To speculate or hypothesize about the prospects of Asia in the world economy over the next 25 years, the past is relevant and so is the present, but the future is not just about linear extrapolations. However, growth scenarios for the future are based on assumptions about growth rates, even if adjusted over time, based on the past.

Long-term macroeconomic forecasts of GDP at market exchange rates, by the Economist Intelligence Unit, suggest that the top ten economies in the world, in 2050, in descending order would be China, United States, India, Indonesia, Japan, Germany, Brazil, Mexico, Britain, and France. Long-term projections exist, by OECD in constant 2010 PPP US dollars, for major countries, which show that the share of Asia (excluding Japan) in world GDP will be 50 percent in 2030, 53 percent in 2040, and 55 percent in 2050. Therefore, in 2030, per capita income in Asia, relative to the world, will return to its 1820 level. By 2040, Asian per capita income would be the same as the world per capita income, returning perhaps to the situation *circa* 1750.

The economic determinants of potential growth suggest that several countries in Asia may be able to sustain high rates of economic growth for the next 25 years, perhaps longer, for the following reasons. Of the supply side factors, the demographic characteristics of their large population size, particularly the high proportion of young people in the population, which would mean an increase in their workforce

and savings rates, are conducive to growth, provided these countries harness the demographic dividend through education that creates capabilities among people. East Asia, including China, will witness a contraction in its labor force, so that growth must be sustained by an efficient utilization of capital through technological progress on the basis of the R&D investment.

Of the demand side opportunities, rising income levels and improving living standards in Asian countries will drive domestic demand that could act as a stimulus to growth within these economies. The opportunities are, however, juxtaposed with formidable challenges. Apart from the success stories in South Korea, Taiwan, and Singapore, the poverty-inequality-unemployment nexus persisted in many of the Asian-14. Although absolute poverty in Asia might be minimal by 2030, the problems of rising economic inequality and inadequate employment opportunities will mount. Ultimately, economic growth can be sustained if it eradicates poverty, reduces inequality, and creates employment. Another challenge that Asian countries might face in their continuing quest for development is the middle-income trap. Among the Asian-14, South Korea, Taiwan, and Singapore already made the transition. China remains on the way. Turkey has a potential. However, Malaysia, Thailand, and Indonesia did not manage to move to the next stage yet. India, Vietnam, and Bangladesh, in low-income stage at present, must begin to address this potential constraint in a strategic long-term perspective.

### *C. Future prospects of Asia*

The future prospects of Asia in the world economy are likely to be influenced by the five questions on the international context. 1) Do recent changes in the global political economy have any longer-term implications for Asia? 2) What is the likely impact of the profound technological changes on the horizon for development in Asia? 3) What are the possible environmental consequences of Asia's rise? 4) How would the leading industrialized countries respond or adjust to the erosion of their economic dominance and political hegemony? 5) Is this going to be an Asian century?

In the coming decades of the 21st century, economies might become global, but politics remains national. A political backlash in the form of resurgent nationalisms riding on populist sentiments may exploit

fears about openness in immigration and trade as a threat to jobs. The political backlash in Asia might be partly attributable to the rising economic inequalities within and among Asian countries. The fears about openness are now coming in an unimaginable conjuncture of the Covid-19 pandemic. The future will be shaped by how Asia responds to the challenge.

Technological changes, already on anvil or on the horizon, include advanced robotics, artificial intelligence, 3D printing, and the Internet of Things, which could have far-reaching implications for the location of production, manufacturing-led development, and the future of work. Global value chains that are engaged in offshoring production through assembly operations or component manufacture in Asia, could be partly replaced by a re-shoring or relocation of production in the United States or Western Europe. Thus, developing countries in Asia might lose employment if activities are moved out or if labor is displaced by adopting new technologies.

The environmental consequences of rapid growth in Asia are bound to be significant which were not discussed in the book. However, recognizing the problem is essential. The energy needs of the two mega-economies—China and India—are enormous. The same is true for Indonesia and many medium-size countries in the Asian-14. The growing consciousness about environmental stress and climate change, among people and countries in Asia, could lower thresholds of tolerance on what are acceptable levels of pollution.

The rise of Asia, beginning *circa* 1970, which gathered momentum after 1990, slowly chipped away at the economic dominance and political hegemony of the United States and Western Europe. Under President Donald Trump, it would seem that *Pax Americana* is in a voluntary decline. Concurrently, the decline of Western Europe is discernible. Dominant powers are reluctant to cede economic or political space to newcomers. However, the emergence of new centers of production in economics and new centers of power in politics have a profound effect on hegemonic powers in terms of political economy.

Generally, Nayyar, the author, is optimistic for the future development in Asia. According to his analysis, the past and the present suggest that Asia will perform well in terms of economic growth over the next 25 years. Its GDP will continue to rise, and its GDP per capita will converge to the world average, but the income gap in relation to industrialized countries will narrow slowly and persist much beyond



2050. Political systems in Asian countries are diverse but many more countries exist with democratic systems than there were 50 years ago. Although democracies in Asia are flawed, they are democracies, with some institutionalized checks and balances that could function as self-correcting mechanisms. The growing political consciousness among people as citizens, together with their aspirations for better lives, empowered by digital technologies and demonstration effects, will make governments greatly accountable over time. In sum, even if the future is uncertain, the past and the present provide reason for optimism.

The early 19th century was the turning point for the beginning of the end of Asia's overwhelming significance and the rise of Europe, particularly Britain, in the world economy. The early 20th century, the next turning point, was the beginning of the end of Britain's dominance and the rise of the United States to world dominance. The early 21st century perhaps represents a similar turning point, the beginning of the end of the American dominance but the recent rise of Asia and the emergence of its powerhouse economies, which comprises a striking transformation. The argument led to a belief, voiced by some, that this could be the Asian century. This belief, however, seems merely a hyperbole.

In *circa* 2050, a century after the end of the colonial rule, Asia will account for over one-half of the world income and will be home to over one-half of the people on earth. Thus, it will have an economic and political significance in the world that would have been difficult to imagine 50 years ago. In terms of income per capita, however, it will be nowhere as rich as the United States or Europe. Asian countries would emerge as world powers, without the income levels of rich countries. China, and perhaps India, will be large and influential, but, as a continent, Asia will not have the dominance that Britain had in the past or the United States has currently. The most likely scenario, in 2050, is a multipolar world, in which dominance might not be as striking. The United States and China will most probably be the leading countries, but it is likely that this group will be sizeable, including India, Indonesia, and Japan from Asia, Brazil and Mexico from Latin America, with Germany, France, possibly Britain from Europe. Regrettably, Korea, South or Unified, is not included in the larger group in Asia.

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