

Introduction to East Asia

Economies of East Asia – ECON 377



Please introduce yourself:

- Name
- Reason for choosing this course
- Prior knowledge/experience with East Asia
- Your particular interest in East Asia

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Where is East Asia?



What Countries Do We Include?

- ✓ China (including Hong Kong*)
- ✓ Cambodia
- ✓ Japan
- ✓ Republic of Korea (South Korea)*
- ✓ Laos
- ✓ Indonesia
- ✓ Malaysia
- ✓ Myanmar
- ✓ North Korea
- ✓ Philippines
- ✓ Singapore*
- ✓ Taiwan (Chinese Taipei)*
- ✓ Thailand
- ✓ Vietnam

** Used to be called the Tigers*

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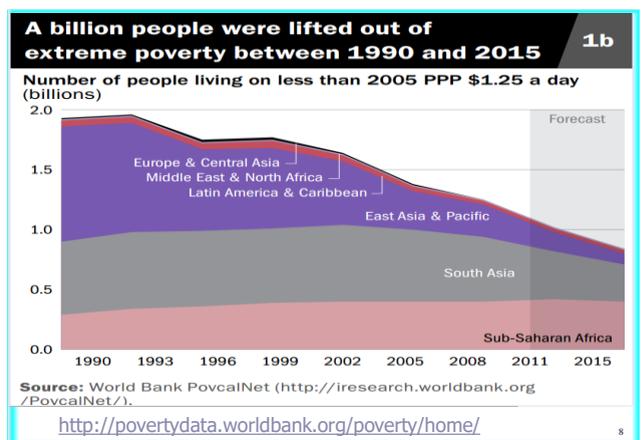
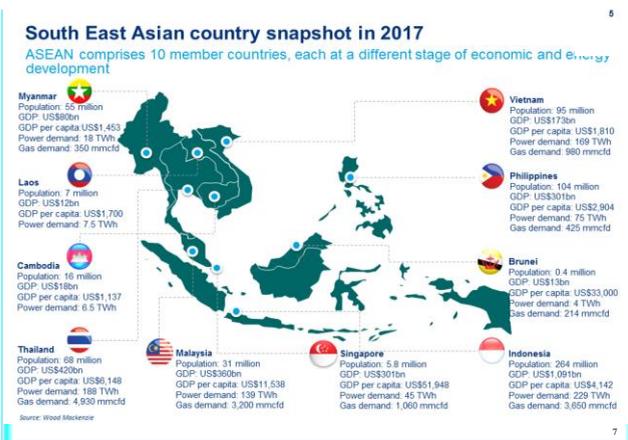
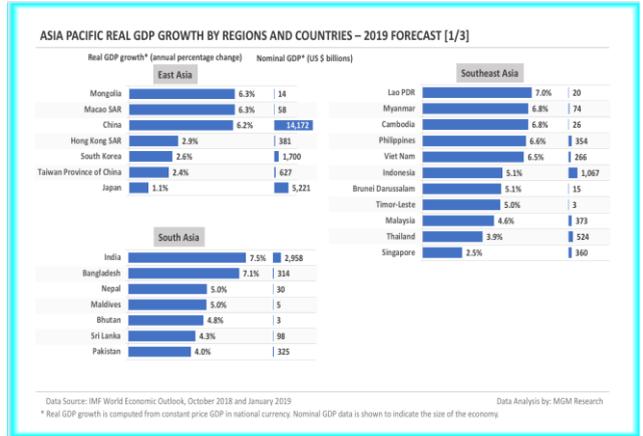
Why Bother About East Asia?

- ✓ Consists of close to 2 billion people (what is this ratio to the world's population?)
- ✓ There is a need to understand the wide diversity of cultures - culture influence needs, political and security concerns as well as business practices
- ✓ Rapid development for several decades - "Asian Miracle" and "Pacific Century"
- ✓ Increasing economic and political importance - includes some of the world's largest markets
- ✓ Miracle disturbed by the Asian crisis in 1997
- ✓ What about the future? Obvious need to understand developments in the region
- ✓ Implications for world economic and political policy

<http://www.worldometers.info/world-population/eastern-asia-population/>

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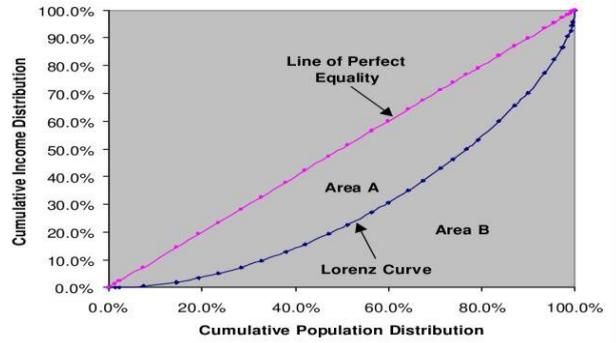
Population and Development Indicators for Asia and the Pacific

<http://www.unescap.org/sdd/>



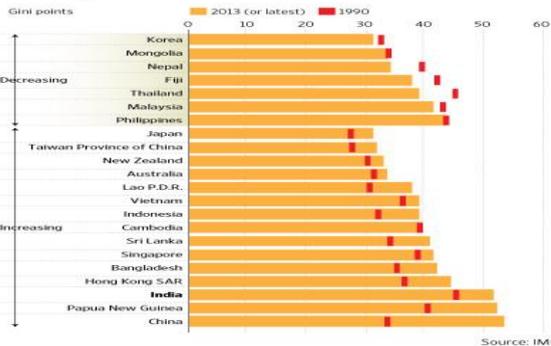
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Lorenz Curve



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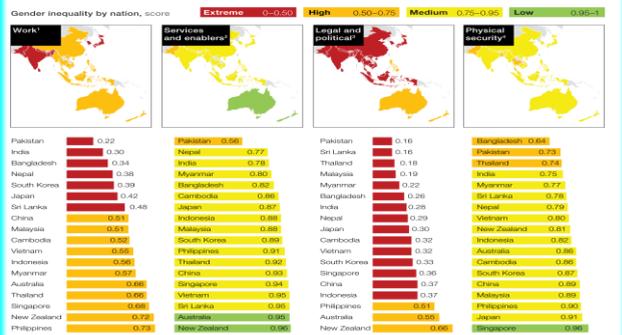
INEQUALITY IN ASIA



Asia's Wealth Gap Is Among The Largest In The World: What Can Leaders Do To Fix It? Source: IMF

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Gender inequality is high overall in Asia Pacific, with significant variations among countries.

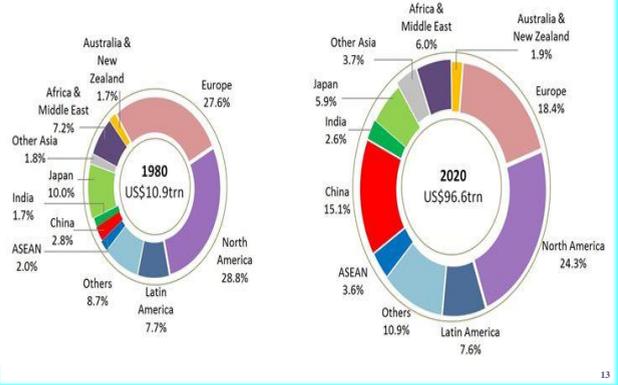


Note: GPS calculations use a sum-of-squares method with equal weighting of indicators. Numbers are rounded to two decimal places. Color coding is based on overall, not rounded, values.
 *Comparing labor-force participation, professional and technical jobs, perceived wage gap for similar work, leadership positions, and unpaid care work.
 *Comparing overall need for family planning, maternal mortality, education, financial inclusion, and digital inclusion.
 *Comparing political representation and a legal-protection index.
 *Comparing sex ratio at birth, child marriage, and violence against women.
 McKinsey & Company | Source: McKinsey Global Institute analysis

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Figure 1: Global GDP by Region, 1980 vs. 2020



There is Diversity and Change in the Region

- ✓ Some of the richest and most advanced economies, but also some very poor countries
 - Speedy and the needy
- ✓ The largest country (China), but also the smallest (Singapore)
- ✓ Rapid changes during past decades
- ✓ Some natural resource-rich, some natural resource-poor
- ✓ In some population predominantly urban, in manufacturing/services, some, still predominantly rural, in agriculture
- ✓ Still large differences in social structure (income distribution, health and education indicators)

Historical Background: Links, Similarities and Differences

- ✓ Historical links in Asia go back many centuries
 - Chinese and Indian cultural influences and links
 - Trade links
- ✓ Direct western colonial rule: South Asia, Southeast Asia (except Thailand)
 - British, Dutch, French, Portuguese, Spanish-American
 - Western domination : China, Thailand
 - Japanese colonialism

Differences in the Political Environment

- ✓ Political systems can vary from democratic to totalitarian
- ✓ Democratic system - multiple centers of power, none of which is powerful enough to completely control decision making
- ✓ Totalitarian system - political power is highly concentrated in a small elite group

GIVE EXAMPLES

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Differences in Political Ideology

- ✓ Political philosophy covers issues as government intervention, role of market forces and attitudes towards profit and risk
- ✓ Ranges from capitalism to socialism
- ✓ Capitalism - private ownership of business enterprises is encouraged
- ✓ Socialism - public ownership of businesses is common, with substantial government regulations of the workings of a free market

GIVE EXAMPLES

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Independence and Post-Independence

- ✓ Nationalist movements: relatively peaceful vs revolutionary/violent
- ✓ Communist movements in independence struggles
- ✓ Regional conflicts
- ✓ Political ideology and circumstances, and economic policy

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Convergence in Economic Policies

- ✓ Since late 1970s, process of economic policy liberalization – market oriented policies
 - ✓ Late 1980s-early 1990s, pace of liberalization accelerated
 - ✓ 1997 crisis and aftermath
 - ✓ 2001 on – rapid development in China, Vietnam
 - ✓ 2008-9 How has the region weathered the financial crisis?
 - ✓ 2019- China's role in the world.
- Keep in mind that history, culture, structure, politics matter

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What About Asian Economic Integration?

- ✓ Geographical proximity
 - ✓ Some (limited) sense of common cultural heritage
 - ✓ Economic links have been growing:
 - regional integration arrangements
 - 'natural' economic complementarities
 - ✓ "Asian" economic crisis and 'contagion', "yen" zone.....or maybe "Yuan" zone
- What are some of the regional groups?*

✓ ASEAN <http://asean.org/>

✓ APEC <http://www.apec.org>

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Economic Links in Trade, Capital and Labor Markets

- ✓ Trade Links - <http://www.asean.or.jp/en>
- ✓ FDI and portfolio capital flows
- ✓ http://unctad.org/en/PublicationsLibrary/wir2018_overview_en.pdf
 - Changing attitudes to FDI
 - Multinationals: first world and third world MNCs
 - Development of equity markets and relaxation of controls on cross-border capital movements
- ✓ Labour movements in Asia: labour migration from low wage countries to high wage countries

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Some Important Issues for East Asia

- ✓ Maintaining regional peace and security
 - South China Sea issues
- ✓ Narrowing the gap between early developers and latecomers
- ✓ Promoting globalization while mitigating its negative impacts
- ✓ WTO, Economics Liberalization
- ✓ Bird Flu, Swine Flu, Pollution
- ✓ Political economy
- ✓ Human resource development institution building, governance for strengthening competitiveness

<https://www.foreignbrief.com/category/asia-pacific/>

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Data Resources

- ✓ Asian Development Bank
- ✓ <http://www.adb.org>
- ✓ Country Watch
- ✓ <http://www.countrywatch.com/>
- ✓ Human Development Indicators
- ✓ <http://hdr.undp.org/en/countries>
- ✓ IMF Country Information
- ✓ <http://www.imf.org/en/countries>
- ✓ World Factbook <https://www.cia.gov/library/publications/the-world-factbook/docs/profileguide.html>

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"It doesn't matter whether the cat is black or white, as long as it catches mice."

Deng Xiaoping (Former Chinese Prime Minister)

"We are not afraid of capitalist enterprises, but of not being able to supervise and control them."

Do Muoi (Former Vietnamese Communist Party General Secretary)

What do the above statements mean?

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