

Asia 2050

Will this be Asia's Century?

Jayant Menon

**Office for Regional Economic Integration
Asian Development Bank**

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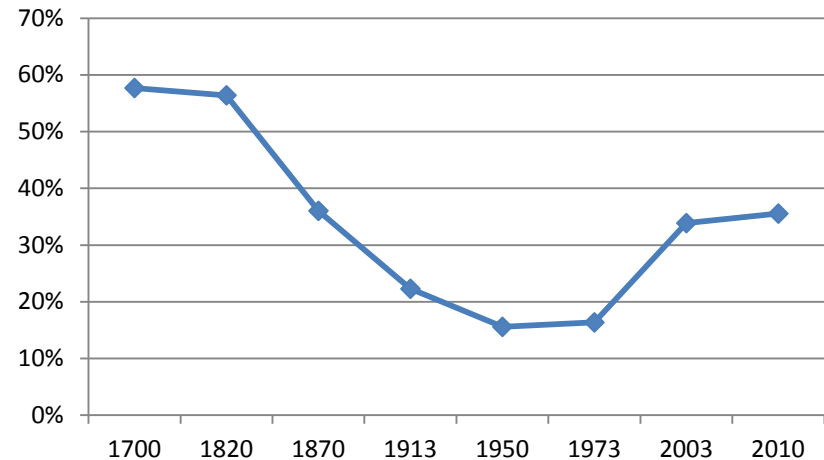
WHY ASIA 2050 & SOME CAVEATS

- Inject sobriety, balance into the euphoria surrounding Asian growth
- Key message – Asia’s rise is plausible but not pre-ordained
- Japan joined the OECD about 40 years ago: what about 40 years ahead?
- “Asia”: East Asia, South Asia and Central Asia – highly diverse region with 58% of world population, 20% of land
- Forecasting growth 40 years into the future with any degree of accuracy, for as many or more countries, is a formidable, if not insurmountable, task
- Therefore, focus of study is on issues rather than countries or associated numbers

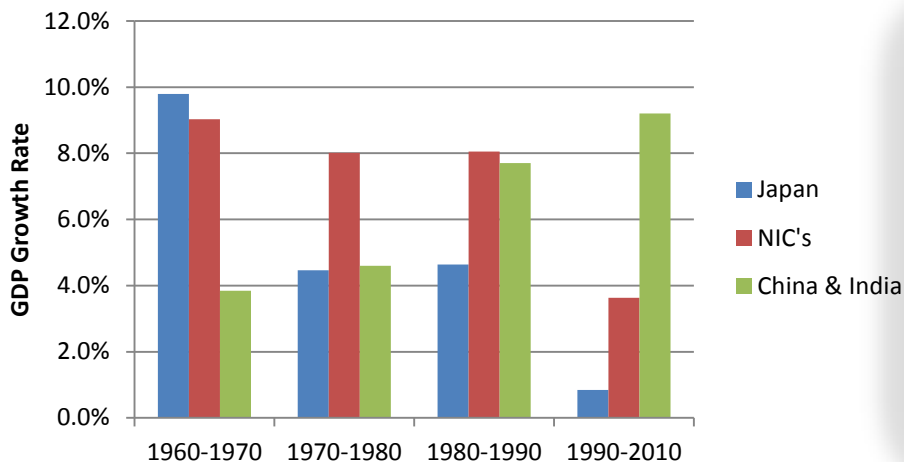
RE-EMERGENCE OF ASIA

- Asia accounted for about 60% of world economy before Industrial Revolution
- In the following two centuries, Asia's share declined to 15%
- Asia's share today is 28%

Asian Share of Global GDP



Asian Growth Rates



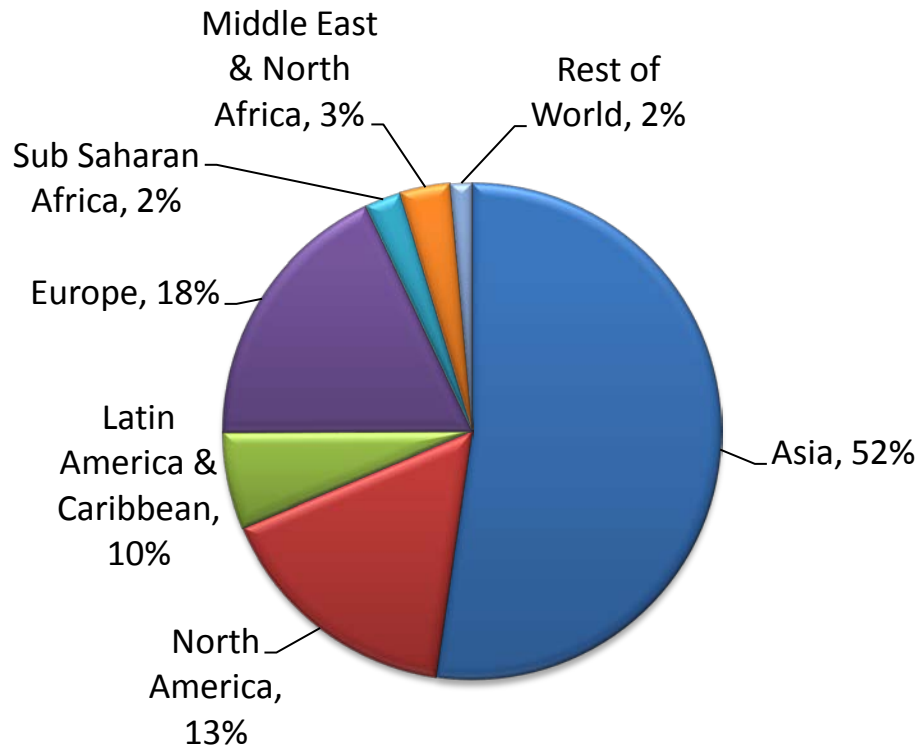
- Asia began to re-emerge after 1950, spurred first by Japan, followed closely by the NICs
- Starting in 1980s, first PRC then India gave further boost

GROWTH PROJECTIONS

- Simple growth accounting framework, following Growth Commission approach, modified by Kharas
- History matters, for projections of K and L, and technology parameter distinguishes productivity growth for converging and non-converging states.
- Two scenarios: Asia Century (AC, high case) and Middle Income Trap (MIT, low case) scenarios.
- AC – 11 converging economies continue their past 30 yr trend and break out of MIT; MIT – these economies fall into MIT in the next 5 – 10 years
- These scenarios assume no crises or catastrophes – worst-case “perfect storm” scenario recognized but not quantified

THE ASIAN CENTURY

Converging Asia Scenario: 2050



GDP at market exchange rate (Trillion)	
World	333
Asia	174
United States	38
GDP per capita at Constant PPP	
World	37,300
Asia	40,800
United States	94,900

Per cap incomes similar to Europe today; No poor country.
 Asian century driven by Asia 7: India, Indonesia, Japan, Malaysia, PRC, Republic of Korea, and Thailand projected to account for 91% of Asia's growth between 2010-2050.

REALIZING THE ASIAN CENTURY

- Mostly national actions, but also regional and global



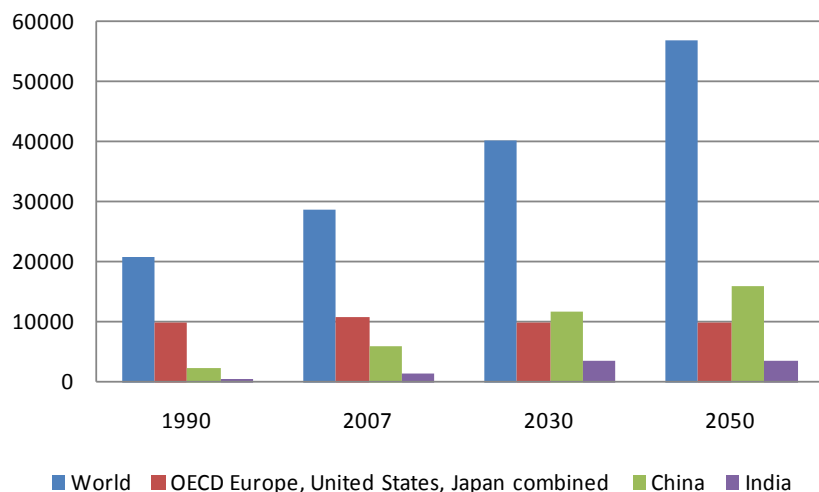
GROWTH WITH INCLUSION AND EQUITY

- Growth has to be more inclusive in order to address:
- Inequities within countries (e.g. rural vs. urban, ethnic, gender) that threaten social and political stability
- Risk to future growth (ref. China)
- Disparities across countries which increases risk of mass migration, rising tensions or even conflict
- Creation of productive, sustainable jobs, while removing barriers that limit participation in growth process: education, health, discrimination (access and opportunity)

RESOURCE EFFICIENCY AND DIVERSIFICATION

- Rapid growth leading to intensified global competition for resources, sharply rising dependency on imports, and unsustainable increase in emissions

Energy Related Carbon Emissions



- Asia must pursue radical improvements in resource use
- Early and aggressive action on climate change is in Asia's self-interest

Energy Efficiency and Diversification

Year	2007	2050	
		Business as Usual (BAU)	EED Scenario
Total Energy (MTOE)	3,350	10,370	8,960
Energy Mix (%):			
Coal	50	52	32-41
Oil	23	21	12
Gas	8	10	10
Nuclear	1	5	18-29 (?)
Hydro	2	2	3
Biomass	15	7	8
	1	3	7

DEMOGRAPHIC CHANGE

- Truly a very long run issue
- “Aging” economies: address fiscal affordability issues; shrinking labor force;
- “Young” economies: Deliver economic growth that creates jobs in order to realize demographic dividend
- Key lies with overcoming obstacles to increasing labor mobility

INNOVATION AND TECHNOLOGICAL DEVELOPMENT

- Innovation vital for continued improvements in productivity
- Converging economies, particularly PRC and India, must transition from “catch-up” to “frontier” entrepreneurship and put in place a supportive “ecosystem”:
 - Access to quality education: primary, secondary, tertiary
 - Research and development
 - Protection of intellectual property rights
 - Multi-tiered financing structure including venture capital
 - Policy framework away from government controls to individual initiative
 - Clusters of innovation

FINANCIAL TRANSFORMATION

Financial deepening reaching advanced country standards means Asia would have the largest stock market, banking and debt markets.

Financial sector deepening urgent

National financial markets may be large quantitatively, but remain shallow qualitatively

Major crises possible

Without major reforms, financial crises can recur

Huge agenda

Banking, capital markets, infrastructure financing, and inclusive finance

URBANIZATION

- Asia's urban population will double to 3 billion
- Asia's cities expected to account for more than 80 percent of GDP
- Centers of learning, innovation and cultural heritage
- Key to Asia's competitiveness
- Dysfunctional cities hotbeds of crime and social unrest

Asian Urbanization	2010	2050
Total Urban Population (millions)	1,587	2,982
Northeast Asia	764	1,092
South Asia	480	1,221
Southeast Asia	249	498
Central Asia	94	171
Urbanization (%)	40	63
Northeast Asia	49	73
South Asia	30	55
Southeast Asia	42	66
Central Asia	51	66

More compact, energy efficient, safer and livable cities.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Stem and reverse the decline in governance – more than dealing with corruption
- More transparent and accountable governance
- Effective decentralization
- Requires strengthening of institutions and building new ones
- Increased voice and participation of citizenry

REGIONAL COOPERATION

- Important bridge: interactions within Asia and rest of the world
- Collaboration rather than rivalry among the major economies
- Effective regional cooperation and integration to:
 - sustain economic growth over the longer term;
 - reduce cross-country disparities
 - play a more influential role on the global scene

Approach: flexible, pragmatic—open regionalism

Asia's larger footprint in the global economy brings new challenges, responsibilities and obligations

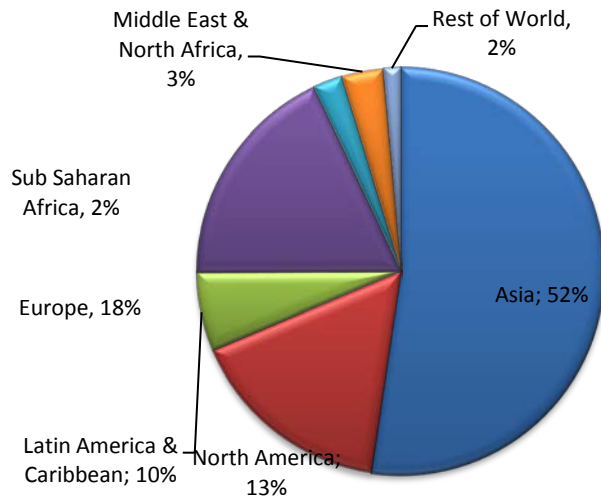
- Can no longer free-ride
- Take greater ownership of preserving the global commons – peace and security, financial system stability, rules-based and open trading system etc.
- Delicately manage rapid rise as major player in global governance
- Act- and be seen to act- as a responsible global citizen

NOT JUST ASIA'S CENTURY

- Asia's future prosperity must be earned, with actions at the national, regional and global levels
- The Asian Century is not just Asia's Century
- It should be the century of Shared Global Prosperity
- But the opportunity cost of failure is high, mainly to Asia but also the rest.

OPPORTUNITY COST OF FAILURE

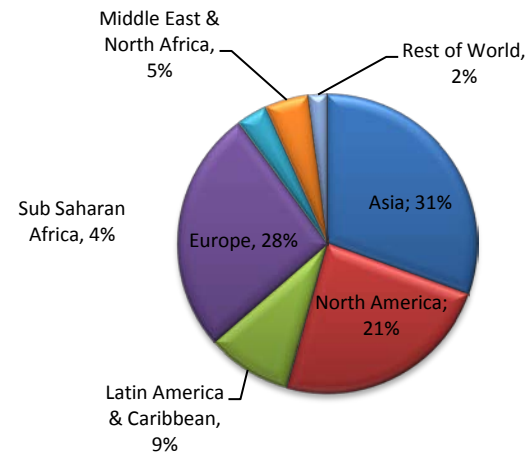
Converging Asia Scenario



Asian GDP: \$174 trillion
(52% of World)

Asian GDP per capita:
\$40,800

Middle Income Trap Scenario



Asian GDP: \$65 trillion
(31% of World)

Asian GDP per capita:
\$20,600

Thank you!

For inquiry or comments, please contact:

Jayant Menon

Tel: +63 2 632 6205

+63 999 999 6205

Email: jmenon@adb.org