ASIA’S DEVELOPMENT CHALLENGES

The Asian Century: Plausible But Not Pre-ordained

...a five lecture series
Rajat M. Nag
Distinguished Fellow, NCAER
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LECTURE 1: THE TWO FACES OF ASIA AND THE NEED FOR INCLUSIVE GROWTH
LECTURE 1: The Two Faces of Asia and the Need for Inclusive Growth

GNI per capita, PPP

Source:
HDR 2014, Table 1, HDI and its components
HDR 2000, for GDP/capita for the sub-regions
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Poverty as percent of population ($1.25/day PPP)

Early

Later

Bangladesh
China
India
Indonesia
Pakistan
Asia-Pacific

Source:
- ADB/UNESCAP/UNDP
- Asia Pacific Regional MDG Report 2012/13 p. 76
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Human Development Index, 1980-2013

Source: HDR 2014, HDI Trends 1980-2013, Table 2

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Life Expectancy (years) at birth

Source: World Bank Data; data.worldbank.org/indicator
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Adult Literacy (% of age 15 and over)

Source: World Bank Data; data.worldbank.org/indicator
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Access to improved water source, rural (% of population)

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Access to improved sanitation (% of population)

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Maternal Mortality Ratio (per 100,000 live births)

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Infant Mortality (per 1,000 live births)

Source:
(1) HDR 2000, Table 9
(2) HDR 2014, Table 7
Asian Century

### Share of global GDP (%), MER

<table>
<thead>
<tr>
<th></th>
<th>Asian Century</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>52</td>
</tr>
<tr>
<td>PRC</td>
<td>20</td>
</tr>
<tr>
<td>India</td>
<td>16</td>
</tr>
<tr>
<td>United States</td>
<td>12</td>
</tr>
</tbody>
</table>

### GDP ($ trillions, MER)

<table>
<thead>
<tr>
<th></th>
<th>Asian Century</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>174</td>
</tr>
<tr>
<td>PRC</td>
<td>68</td>
</tr>
<tr>
<td>India</td>
<td>53</td>
</tr>
<tr>
<td>United States</td>
<td>38</td>
</tr>
<tr>
<td>World</td>
<td>333</td>
</tr>
</tbody>
</table>

### GDP per capita ($ PPP)

<table>
<thead>
<tr>
<th></th>
<th>Asian Century</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>40,800</td>
</tr>
<tr>
<td>PRC</td>
<td>52,700</td>
</tr>
<tr>
<td>India</td>
<td>40,700</td>
</tr>
<tr>
<td>United States</td>
<td>94,900</td>
</tr>
<tr>
<td>World</td>
<td>37,300</td>
</tr>
</tbody>
</table>

Source: Asia 2050, Emerging Markets Forum
Under the Asian Century Scenario, by 2050:

- Some 3 billion more Asians could become affluent
- Asia’s output could be just over half the world’s output
- Asia’s per capita income could rise six-fold in purchasing power parity (PPP) terms
- Asia could be about as prosperous as Europe today
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Asia’s share of global GDP, 1700-2050

Source: Asia 2050, Emerging Markets Forum

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BASIC PROPOSITION:
THE ASIAN CENTURY: PLAUSIBLE BUT NOT INEVITABLE

Eight Challenges Ahead:
1. Continuing and large deprivations, and rising inequality within countries (The Two Faces of Asia)
2. Population Dynamics and Demographics: a curse or a dividend?
3. Intense Competition for natural resources
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4. Infrastructure deficits/managing massive urbanization
5. Transforming Finance
6. Regional Co-operation and Integration
7. Governance and Institutions
8. Global warming and climate change
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The Middle Income Trap: Unable to compete

Source: Asia 2050, Emerging Markets Forum
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Achieve income and non-income prosperity

- Clean Growth
- Green Growth
- Inclusive Growth
- Sustainable Growth

Achieve income and non-income prosperity
Asia and the Pacific share of the developing world’s deprived people

<table>
<thead>
<tr>
<th></th>
<th>Millions deprived</th>
<th>Latest year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infected with TB</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Without basic sanitation</td>
<td>2,100</td>
<td>1,722</td>
</tr>
<tr>
<td>Underweight children under-5</td>
<td>129</td>
<td>77</td>
</tr>
<tr>
<td>Living below $1.25/day</td>
<td>1,627</td>
<td>743</td>
</tr>
<tr>
<td>Births without skilled attendance</td>
<td>36</td>
<td>20</td>
</tr>
<tr>
<td>Without safe drinking water</td>
<td>886</td>
<td>360</td>
</tr>
<tr>
<td>Children under-5 deaths</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Maternal deaths</td>
<td>0.31</td>
<td>0.10</td>
</tr>
<tr>
<td>Out of primary school</td>
<td>52</td>
<td>18</td>
</tr>
</tbody>
</table>

Asia-Pacific’s share of the developing world’s deprived people (%)
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Gender Inequality Index (2013)

Estimated GNI/capita in 2013 (2011 PPP $)

Source: HDR 2014
Primary School Completion Rates, by Disability Status

Disability
No Disability

Burkina Faso, Ghana, Kenya, Malawi, Mauritius, Zambia, Zimbabwe, Bangladesh, Lao PDR, Pakistan, Philippines, Brazil, Mexico, Paraguay
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2.1.2 Annualized change in inequality of expenditure or income, developing Asia, 1990s and 2000s

- Maldives
- Bhutan
- Uzbekistan
- Timor-Leste
- Kyrgyz Rep.
- Armenia
- Kazakhstan
- Fiji
- Samoa
- Thailand
- Pakistan
- Nepal
- Azerbaijan
- Malaysia
- Philippines
- Cambodia
- Viet Nam
- Taipei, China
- Tajikistan
- India
- Mongolia
- Bangladesh
- Georgia
- Republic of Korea
- Sri Lanka
- Lao PDR
- Indonesia
- PRC
Actual and simulated poverty rates at $1.25

Lao PDR = Lao People's Democratic Republic; PRC = People's Republic of China.

Note: Simulated poverty rate is the poverty rate that would have been observed in the final year (with the same mean per capita expenditure) had inequality remained at its level of the initial year.

Source: Simulations using PovcalNet (accessed 9 March 2012) and synthetic expenditure data derived from household surveys.
The Challenge:
To get these two faces of Asia to converge

The Need for Inclusive Growth
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Action Agenda

- Inclusive growth
  - High, efficient, and sustained growth to create productive jobs and economic opportunity
  - Social inclusion to ensure equal access to economic opportunity
    - Investing in education, health, and other social services to expand human capacity
    - Eliminating market and institutional failures and social exclusion to level the playing field
  - Social safety nets to mitigate the effects of transitory livelihood shocks and to prevent poverty
- Good governance and institutions

Source: Zhuang 2010
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Relationship between economic growth and the HDI and its nonincome components, 1970-2010
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**Asian Century Scenario**
- Europe: 18%
- Latin America & Caribbean: 10%
- North America: 13%
- Sub Saharan Africa: 2%
- Middle East & North Africa: 3%
- Rest of World: 2%

Asia GDP: $174 trillion

**Middle Income Trap Scenario**
- Asia: 31%
- Europe: 28%
- North America: 21%
- Latin America & Caribbean: 9%
- Sub Saharan Africa: 4%
- Middle East & North Africa: 5%
- Rest of World: 2%

Asia GDP: $65 trillion
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Population without access to improved water supplies

Source: Kohil and Mukherjee, 2011.
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THANK YOU
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Next Seminars…

Seminar 2  (Tuesday, April 28, 2015)

Population Dynamics and Demographics
Competition for Natural resources

Seminar 3 ( Tuesday, May 12, 2015)

Infrastructure Deficits
Transforming Finance
Seminar 4  (Tuesday, May 26, 2015)

Governance and Institutions
Regional Cooperation and Integration

Seminar 5: (Tuesday, June 9, 2015)

Global Warming and Climate Change
Conclusion