

WHEN GRAVITY SHIFTS:

The Rise of Asia in the World
Economy

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ASIA

- Immense area and population where all ancient civilizations emerged (Mesopotamia, Indus, China)
- For practical purpose: The original East Asia Summit (EAS) participants or ASEAN+6
- Covers sub-regions: ASEAN, Northeast Asia, India and Oceania, housing more than 4/10th of human population

DIMENSIONS OF THE RISE OF ASIA

- Punctuated progression to higher groups of income and wealth (1st Tier: Japan, Sing, ROK, HK SAR, Taiwan; 2nd Tier: Mal, Thailand, Indonesia, Philippines, Vietnam; 3rd Tier: CLM)
- Resilience or ability to withstand external shocks such as the Fin. Crisis of 1997-98, the Sub-Prime mortgage crisis of 2008-09 and the ongoing public debt crisis

Dimensions

- Rising share in world trade and investment flows and stock (WTO Statistics)
- Progression to knowledge-intensive cells of the value chain (UNESCO's World Science Report, WIPO Annual Report, Royal Society's Report on International R&D Collaborations)
- Progress in community building in form of building blocks that can be put together into a coherent architecture (BKK Declaration, Bali Concord, CMIM/AMRO, ASEAN Charter: substantive deepening)
- Emerging Asian citizenry

Dimensions ...

- Progress in political reform toward greater pluralism, implying a reduced vulnerability to external shocks
- Indonesia and Philippines: multiparty system, highly decentralized/even fragmented, but delivery below expectation (rampant corruption)
- China: One-party system, decentralized policy making, controlled by CCP personnel policy

Dimensions ...

- Ascent to prominent ranks in competitive sports and performing arts
- Sprawling well-connected super-cities
- No longer exclusively host to sweat shops
- Asian designs and brands compete for increasingly demanding buyers

INCOMPLETENESS/IMPERFECTIONS

- Still huge distance to top tier economies of Europe and North America
- Why care? Human nature to prefer more wealth than less, Easterlin Paradox
- Sub-regional gaps: NEA far ahead of SEA which in turn is struggling with inequality of cross-border and internal nature
- Access to health, education and capital is skewed (human capital = health*literacy*skills*entrepreneurship), UNESCO's Education Report, WHO's Health Report

ASIAN ASPIRATIONS

21ST CENTURY

- RICH = Resilient, Inclusive, Competitive, Harmonious
- Further progression in the development ladder: Malaysia and Thailand arrive at high-income status by 2030; China, Indonesia, Philippines and Vietnam arrive at upper middle-income status; CLM climb into low-middle income group
- Japan, ROK, Singapore, HK SAR graduate to top-tier status

OPPORTUNITIES

- Resilient world trade and investment, counting that Europe will find solution to the current debt and unemployment crises and recover to pre-crisis pace
- Cyclical and structural stimulation of domestic demand: infrastructure, boost to health and education spending of households and governments, better social protection (ILO's World Social Report, World Wages Report)
- Demographic dividends (Asia offers a diversified labor endowment)

Threats

- Deterioration of the European crisis into a global recession
- Return of protectionism (trade, investment, IPRs)
- Possible worsening frictions in the wake of the shifting gravity to Asia (how does Asia plan to exercise leadership in the world economy?), intra-Asian as well as extra-Asian

ASIAN CONCERT

- Asia is confronted with numerous disputes which are defused for the sake of co-operation
- Through ASEAN confidence building has been promoted (Treaty of Amity)
- Institutionalization of confidence building under the framework of EAS

STRENGTHS

- The art of developing progressively (in politics, business and civil societies)
- The art of crafting Asian community in incremental way centered round ASEAN with eventual consolidation into a coherent architecture
- Networks of functional co-operation with possible upgrade