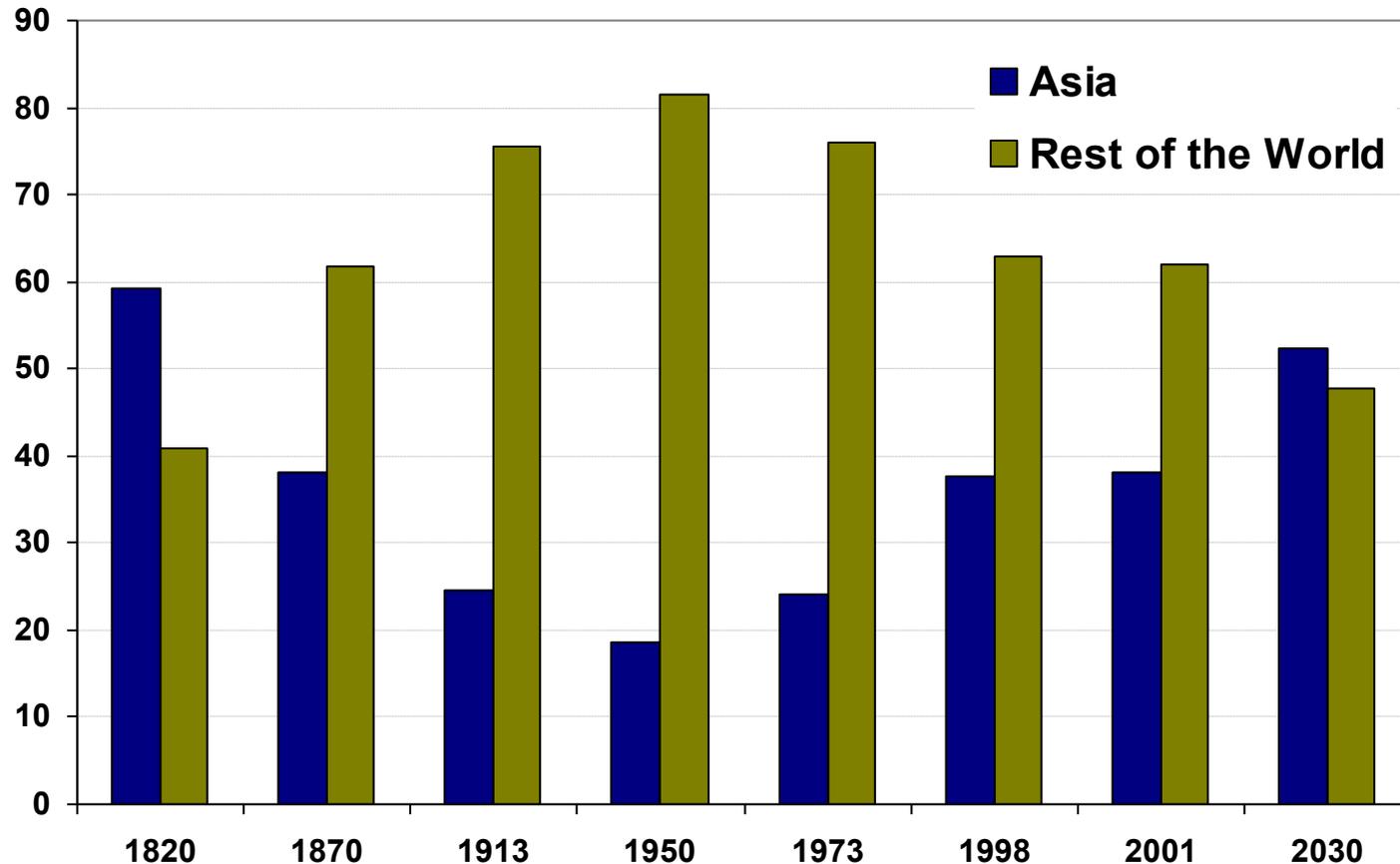


ECONOMIC POLICY AND GOVERNANCE: SOUTH ASIA AND EAST ASIA COMPARED

- The Asian century
 - The Shift to the East, accelerated by the GFC

Share of Global GDP for Asia and ROW

Share of Global GDP per World Region



(Million 1990 international \$) Source: Maddison and OECD

Share of Global GDP for parts of Asia

Share of Global GDP per World Region

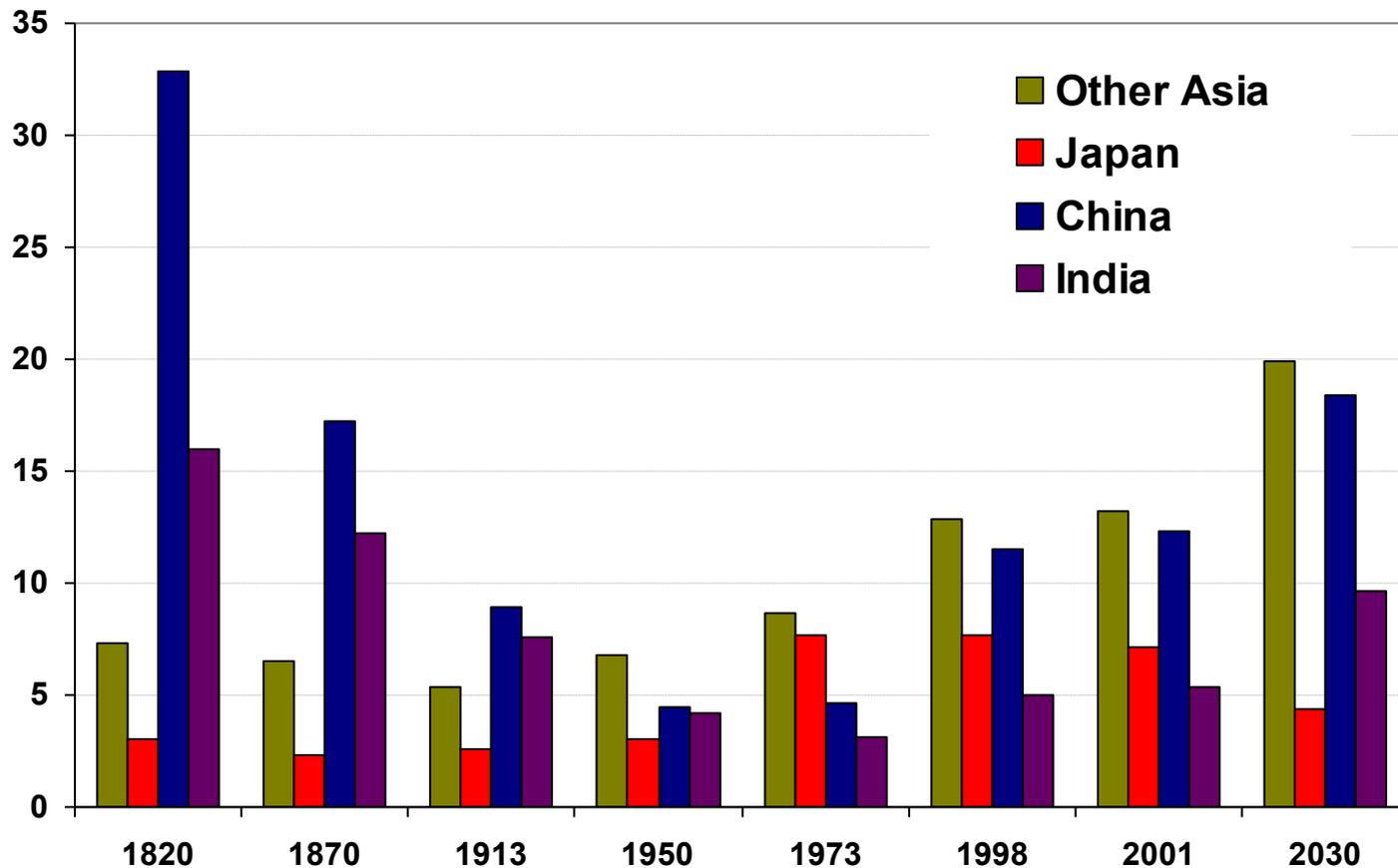


Table 5 China in the world economy, 1300–2030 AD

Year	China	Japan	India	Western Europe Population (million)	USA	World	China/World Ratio
1300	100.0	10.5	88.0	58.4	1.7	360.0	0.28
1500	103.0	15.4	110.0	57.3	2.0	438.4	0.23
1820	381.0	31.0	209.0	133.0	10.0	1,041.8	0.37
1913	437.1	51.7	303.7	261.0	97.6	1,791.1	0.24
1950	546.8	83.8	359.0	304.9	152.3	2,524.3	0.22
1973	881.9	108.7	580.0	358.8	211.9	3,916.5	0.23
2003	1,288.4	127.2	1,049.7	394.6	290.3	6,278.6	0.21
2030	1,458.0	121.0	1,421.0	400.0	364.0	8,175.0	0.18
Per Capita GDP (1990 international \$)							
1300	600	475	500	593	400	530	1.13
1500	600	500	550	771	400	566	1.06
1820	600	669	533	1,204	1,257	667	0.90
1913	552	1,387	673	3,458	5,301	1,526	0.36
1950	439	1,921	619	4,579	9,561	2,111	0.21
1973	839	11,434	852	11,416	16,689	4,091	0.21
2003	4,392	21,218	2,160	19,912	29,037	6,432	0.68
2030	14,416	27,758	6,227	30,566	44,574	11,207	1.29
GDP (billion, 1990 international \$)							
1300	60.0	5.0	44.0	34.6	0.7	190.0	0.32
1500	61.8	7.7	60.5	44.2	0.8	248.3	0.25
1820	228.6	20.7	111.4	160.1	12.5	694.6	0.33
1913	241.3	71.7	204.2	902.3	517.4	2,733.3	0.09
1950	239.9	161.0	222.2	1,396.2	1,455.9	5,331.6	0.05
1973	740.0	1,242.9	494.8	4,096.5	3,536.6	16,023.8	0.05
2003	5,659.2	2,699.0	2,267.1	7,857.4	8,430.8	40,384.6	0.14
2030	21,019.0	3,229.0	8,848.0	12,217.0	16,217.0	91,623.0	0.23

Table 1. Overview of the *World Economic Outlook* Projections
(Percent change unless noted otherwise)

	Year over Year						Q4 over Q4		
	2010	2011	Projections		Difference from April 2012 WEO Projections		Estimates	Projections	
			2012	2013	2012	2013	2011	2012	2013
World Output 1/	5.3	3.9	3.5	3.9	-0.1	-0.2	3.2	3.4	4.1
Advanced Economies	3.2	1.6	1.4	1.9	0.0	-0.2	1.2	1.4	2.2
United States	3.0	1.7	2.0	2.3	-0.1	-0.1	1.6	1.9	2.5
Euro Area	1.9	1.5	-0.3	0.7	0.0	-0.2	0.7	-0.2	1.2
Germany	3.6	3.1	1.0	1.4	0.4	-0.1	2.0	1.0	1.8
France	1.7	1.7	0.3	0.8	-0.1	-0.2	1.2	0.4	1.1
Italy	1.8	0.4	-1.9	-0.3	0.0	0.0	-0.5	-1.9	0.4
Spain	-0.1	0.7	-1.5	-0.6	0.4	-0.7	0.3	-2.3	0.6
Japan	4.4	-0.7	2.4	1.5	0.4	-0.2	-0.5	1.9	2.2
United Kingdom	2.1	0.7	0.2	1.4	-0.6	-0.6	0.5	0.8	1.2
Canada	3.2	2.4	2.1	2.2	0.1	0.0	2.2	2.1	2.1
Other Advanced Economies 2/	5.8	3.2	2.4	3.4	-0.2	-0.1	2.5	3.2	3.3
Newly Industrialized Asian Economies	8.5	4.0	2.7	4.2	-0.6	0.0	3.0	4.4	3.6
Emerging and Developing Economies 3/	7.5	6.2	5.6	5.9	-0.1	-0.2	5.8	5.9	6.5
Central and Eastern Europe	4.5	5.3	1.9	2.8	0.0	-0.1	3.8	1.5	3.6
Commonwealth of Independent States	4.8	4.9	4.1	4.1	0.0	-0.1	4.4	3.1	4.5
Russia	4.3	4.3	4.0	3.9	0.0	-0.1	4.6	2.7	4.8
Excluding Russia	6.0	6.2	4.5	4.5	-0.1	-0.1	...	...	...
Developing Asia	9.7	7.8	7.1	7.5	-0.3	-0.4	7.2	7.7	7.6
China	10.4	9.2	8.0	8.5	-0.2	-0.3	8.9	8.4	8.4
India	10.8	7.1	6.1	6.5	-0.7	-0.7	6.2	6.4	6.4
ASEAN-5 4/	7.0	4.5	5.4	6.1	0.0	-0.1	2.6	7.5	6.4
Latin America and the Caribbean	6.2	4.5	3.4	4.2	-0.3	0.1	3.6	3.5	5.1
Brazil	7.5	2.7	2.5	4.6	-0.6	0.5	1.4	4.2	4.0
Mexico	5.6	3.9	3.9	3.6	0.3	0.0	3.9	3.4	4.2
Middle East and North Africa	5.0	3.5	5.5	3.7	1.3	0.0	...	...	...
Sub-Saharan Africa	5.3	5.2	5.4	5.3	-0.1	0.0	...	...	...
South Africa	2.9	3.1	2.6	3.3	-0.1	-0.1	2.6	2.8	3.7
<i>Memorandum</i>									
European Union	2.0	1.6	0.0	1.0	0.0	-0.3	0.8	0.1	1.5
World Growth Based on Market Exchange Rates	4.2	2.8	2.7	3.2	0.0	-0.2	2.3	2.5	3.4

World Trade Volume (goods and services)	12.8	5.9	3.8	5.1	-0.3	-0.5	...	...	...
Imports									
Advanced Economies	11.5	4.4	1.9	4.2	0.0	0.1	...	...	...
Emerging and Developing Economies	15.3	8.8	7.8	7.0	-0.6	-1.1	...	...	...
Exports									
Advanced Economies	12.2	5.4	2.3	4.3	0.0	-0.3	...	...	...
Emerging and Developing Economies	14.4	6.6	5.7	6.2	-0.9	-1.0	...	...	...
Commodity Prices (U.S. dollars)									
Oil 5/	27.9	31.6	-2.1	-7.5	-12.4	-3.4	20.8	-7.7	-2.1
Nonfuel (average based on world commodity export weights)	26.3	17.8	-12.0	-4.3	-1.7	-2.2	-6.4	-3.9	-2.5
Consumer Prices									
Advanced Economies	1.5	2.7	2.0	1.6	0.1	-0.1	2.8	1.8	1.7
Emerging and Developing Economies 3/	6.1	7.2	6.3	5.6	0.1	0.0	6.5	5.8	3.9
London Interbank Offered Rate (percent) 6/									
On U.S. Dollar Deposits	0.5	0.5	0.8	0.8	0.0	0.0	...	...	...
On Euro Deposits	0.8	1.4	0.7	0.6	-0.1	-0.2	...	...	...
On Japanese Yen Deposits	0.4	0.3	0.4	0.3	-0.2	0.2	...	...	...

Note: These forecasts incorporate information received through Friday, July 6, 2012. Real effective exchange rates are assumed to remain constant at the levels prevailing during May 7–June 4, 2012. When economies are not listed alphabetically, they are ordered on the basis of economic size. The aggregated quarterly data are seasonally adjusted.

1/The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.

2/Excludes the G7 and euro area countries.

3/The quarterly estimates and projections account for approximately 80 percent of the emerging and developing economies.

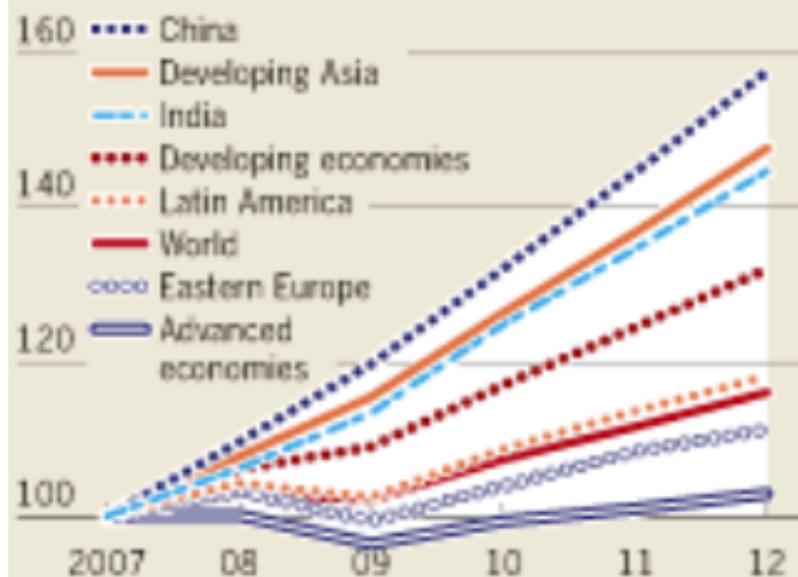
4/Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

5/Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$104.01 in 2011; the assumed price based on futures markets is \$101.80 in 2012 and \$94.16 in 2013.

6/Six-month rate for the United States and Japan. Three-month rate for the euro area.

GDP since the crisis

Real GDP (at purchasing power parity, rebased)



SOUTH ASIA AND EAST ASIA COMPARED

- The Asian century (cont.)
 - But much more an East Asian than a South Asian century

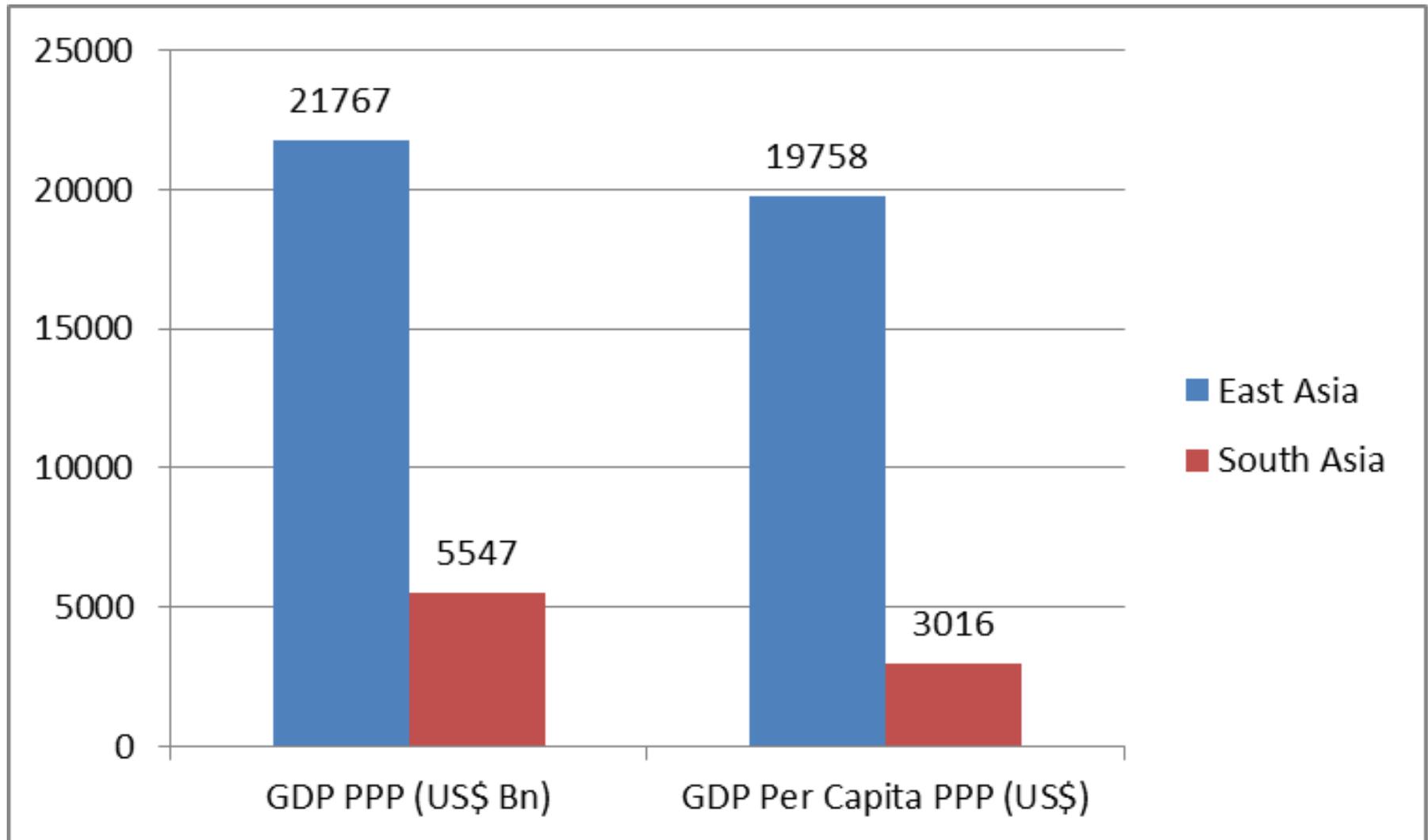
Asian countries: Economic and Trade Indicators 2012

Countries/ Economy	GDP (US\$ bn)	GDP Growth (%)	Populatio n (mn)	GDP Per Capita PPP (US\$ mn)	GDP PPP (US\$ bn)	Merchan dise Exports (US\$ bn)	Service Exports (US\$ bn)	Total Merchan dise Trade (US\$ bn)	Service Trade (US\$ bn)	Trade/ GDP (%)	FDI Inflow (US\$ bn)	FDI Inflow/ GDP (%)	Inward FDI Stock (US\$ bn)	Inward FDI Stock/ GDP (%)
China	7318.5	9.3	1334.0	8466	11379.2	1898.6	182.8	3642.1	420.9	59	124.0	1.69	711.8	9.7
Japan	5867.2	-0.7	127.8	34249	4383.3	822.7	145.4	1676.9	313.0	29	-1.7	0.00	225.8	3.8
Korea	1116.2	3.6	49.8	30254	1506.0	555.2	94.8	1079.6	194.1	97	4.7	0.04	131.7	11.8
Taiwan	466.8	8.5	23.2	20100	876.0	*274.6	*40.1	*525.8	*77.2	*132	-2.0	-0.01	56.1	12.0
Hong Kong	243.7	5.2	7.1	49990	353.5	455.7	121.5	967.0	177.3	*440	83.2	34.14	1138.7	467.2
Indonesia	846.8	6.5	242.3	4668	1131.2	201.5	20.5	377.8	52.9	56	18.9	2.23	173.0	20.4
Malaysia	278.7	5.1	28.9	15589	449.9	227.0	35.0	414.6	72.7	149	12.0	4.30	114.5	41.1
Philippines	224.8	3.7	94.8	4140	392.7	48.0	15.4	112.1	27.3	62	1.3	0.06	27.5	12.2
Singapore	239.7	4.9	5.2	61103	316.7	409.5	*112.3	775.3	*208.8	391	64.0	26.70	518.6	216.3
Thailand	345.6	0.1	69.5	8703	605.0	228.8	*34.3	457.3	79.1	148	9.6	2.78	139.7	40.4
Vietnam	124.0	5.9	87.8	3435	301.7	96.9	8.8	203.7	20.7	168	7.4	5.97	72.8	58.6
ASEAN-6	2059.6	4.4	528.5	16273	3197.2	1211.7	226.3	2340.8	461.5	189	113.2	7.00	1046.0	64.8
India	1848.0	6.9	1241.0	3652	4533.9	296.6	*123.8	747.5	*240.6	54	31.6	1.71	201.7	10.9
Pakistan	211.1	2.4	176.7	2763	488.4	25.8	5.0	69.8	13.0	28	1.3	0.06	21.8	10.3
Bangladesh	110.6	6.7	150.5	1788	269.1	24.4	2.6	60.7	7.9	54	1.1	0.09	6.2	5.6
Nepal	18.9	3.9	30.5	1256	38.3	0.9	0.9	6.7	1.6	42	95.0	0.05	0.3	1.6
Sri Lanka	59.2	8.3	20.9	5620	117.3	10.2	3.1	30.2	7.1	60	300.0	0.05	5.3	8.9
South Asia	2247.8	5.6	1619.6	3016	5547.0	357.9	135.4	914.9	270.2	48	429.0	0.39	235.3	7.4

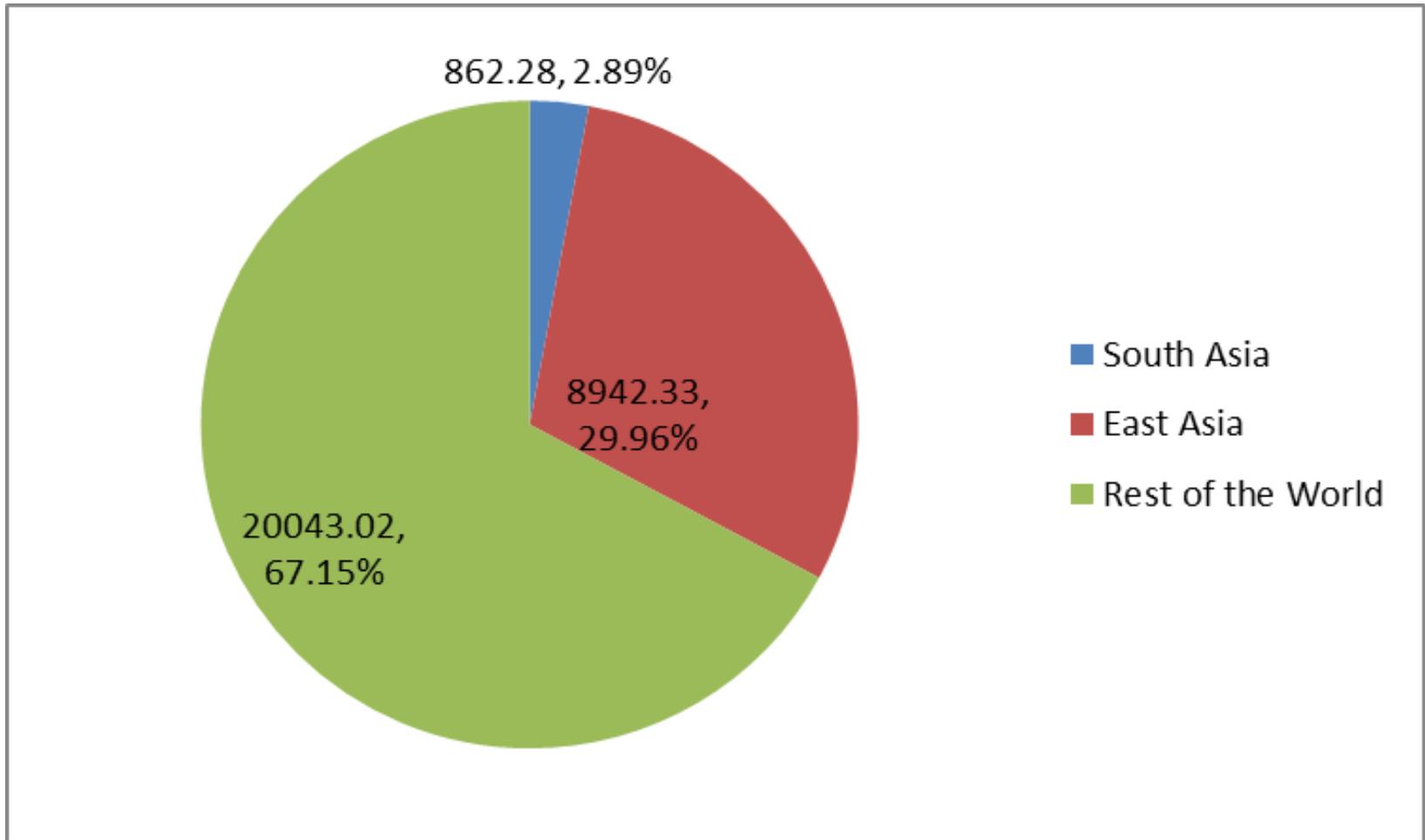
Source: World Bank, WTO Statistical Database, UNCTAD WIR 2012, IMF

* Figures from 2011

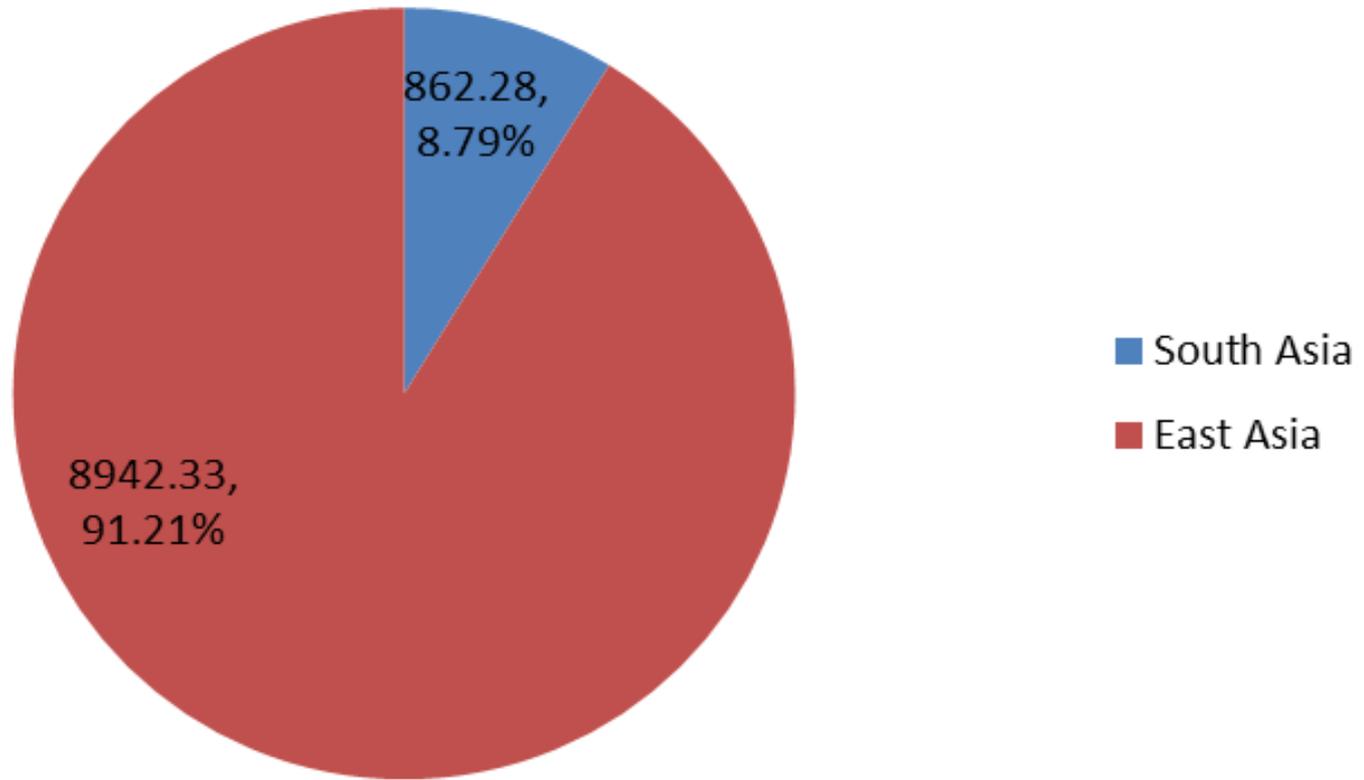
East Asia / South Asia



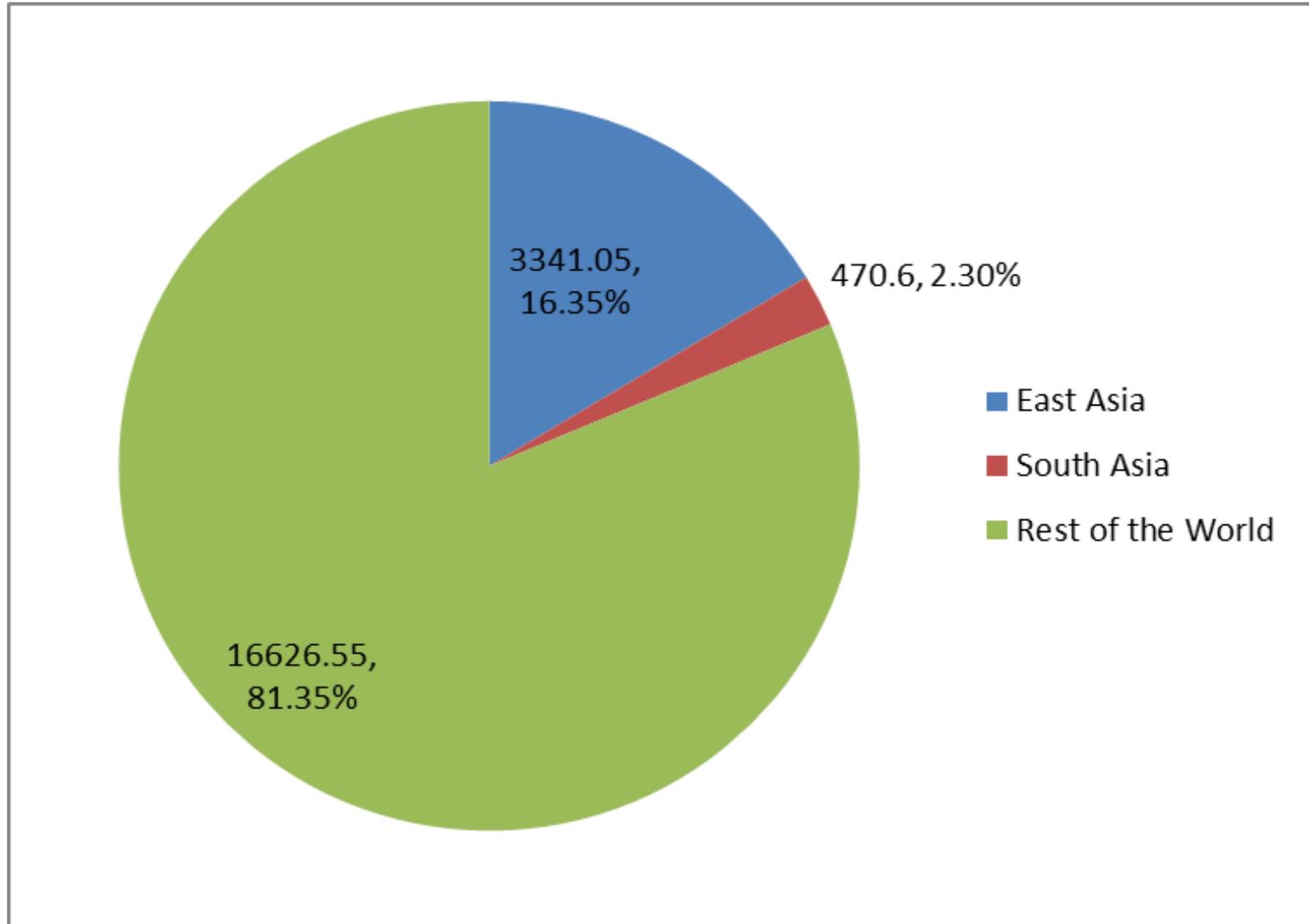
Share of World Trade (US\$ Bn)



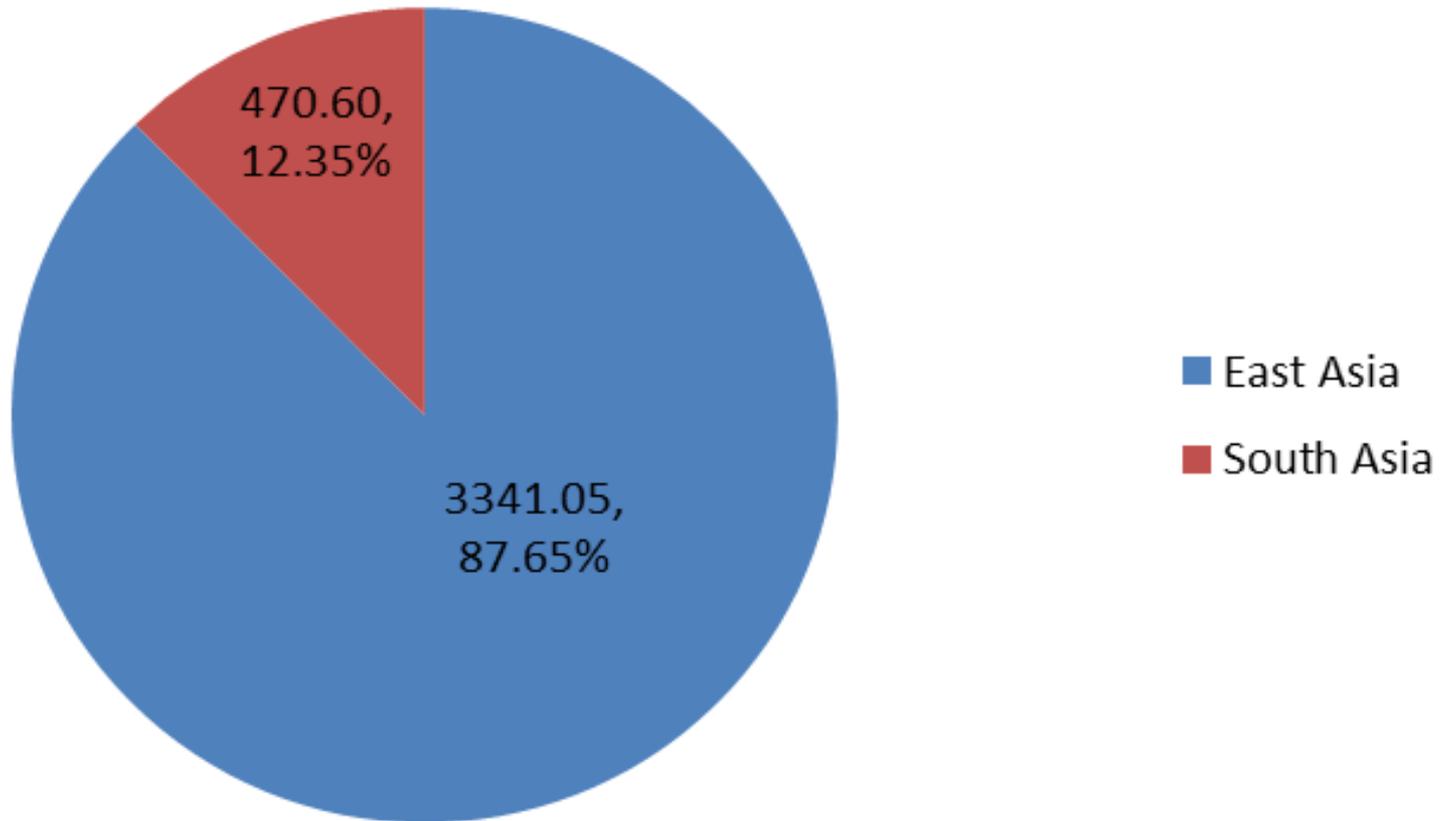
Share of World Trade (US\$ Bn)



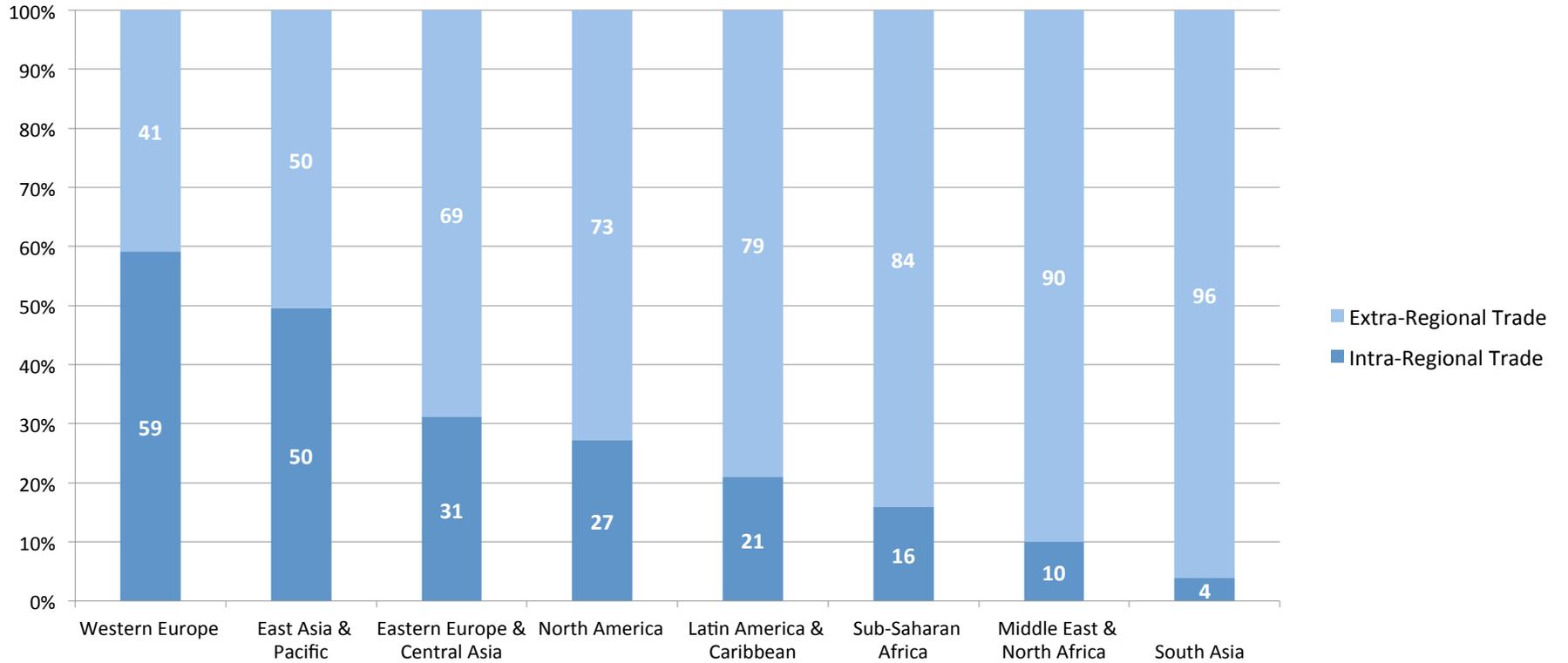
Inward FDI Stock (US\$ Bn)



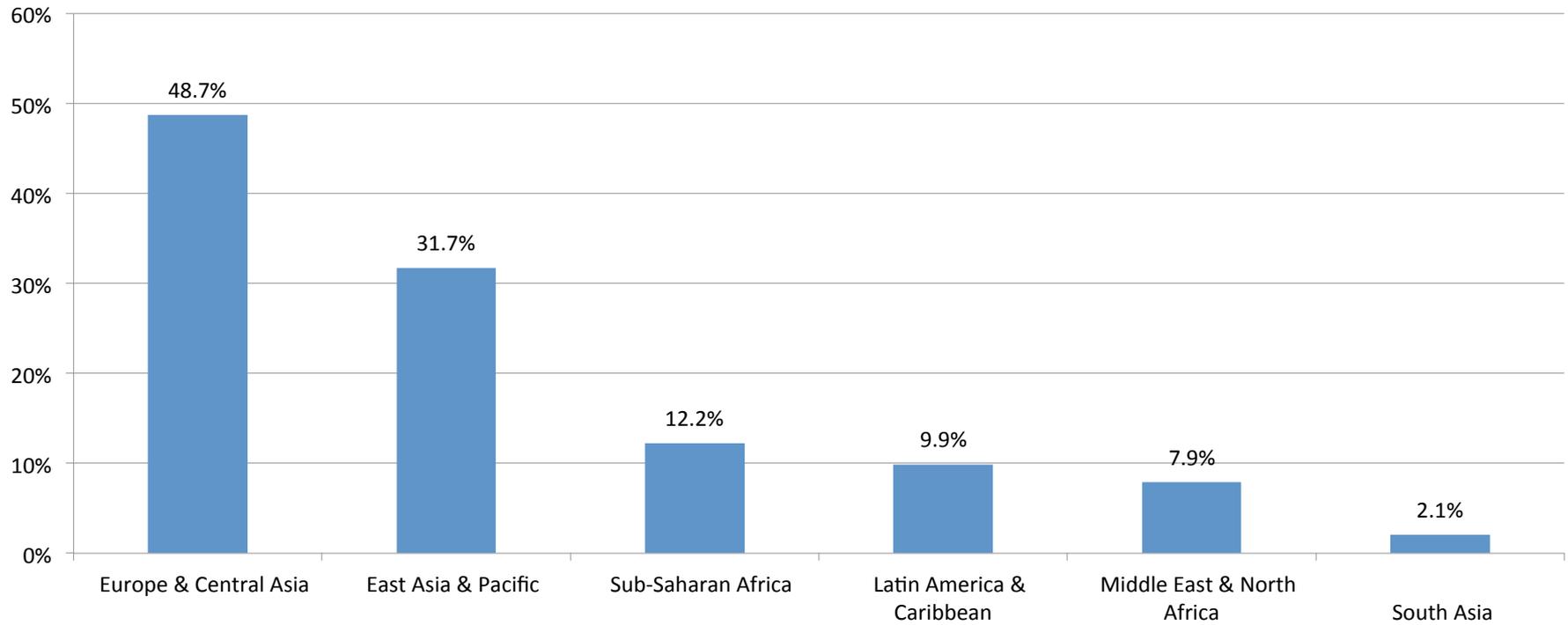
Inward FDI Stock (US\$ Bn)



Intra- and Extra-Regional Trade, 2008



Intra-Regional Trade as a Share of GDP, 2008

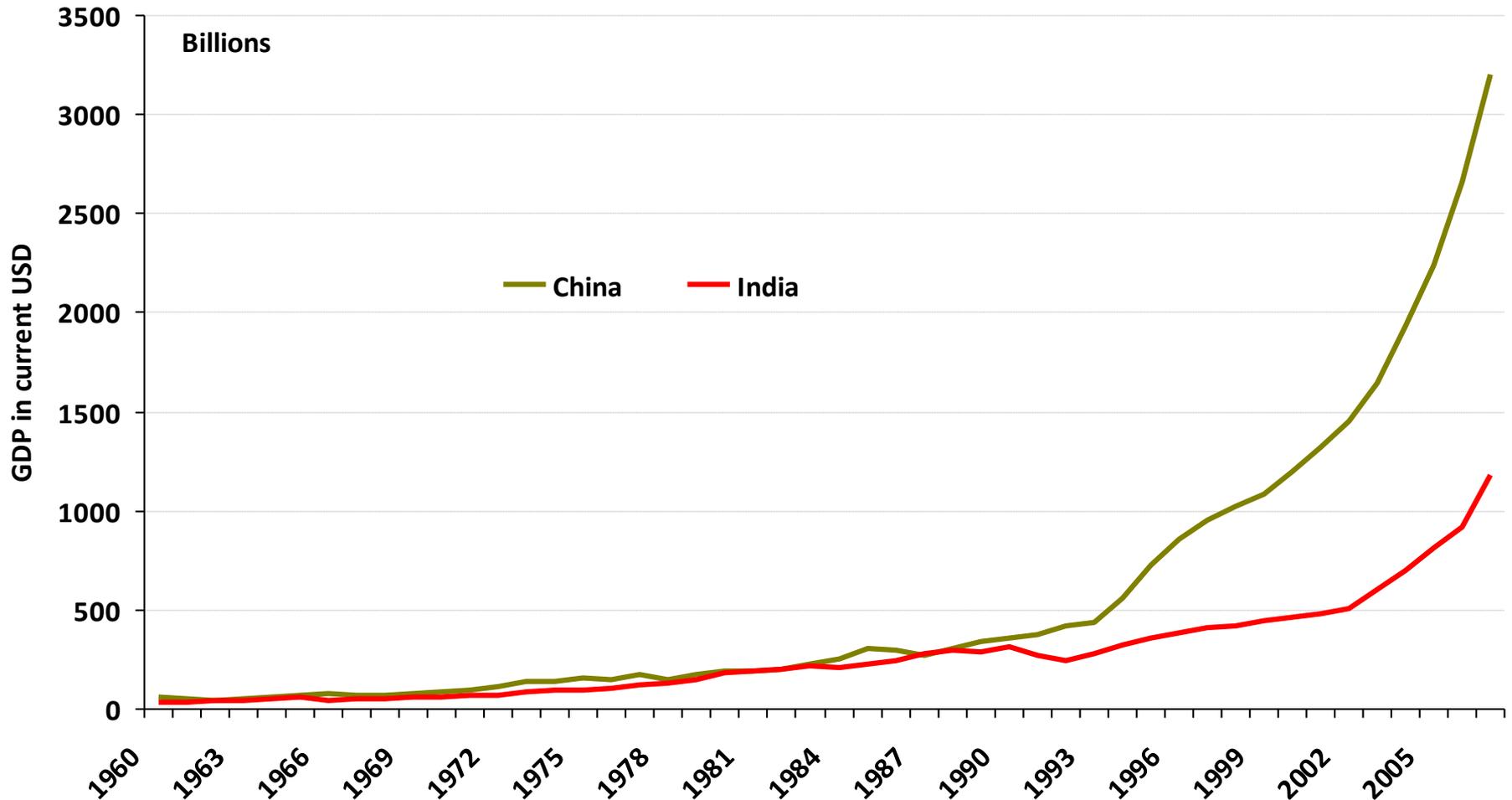


HDI Indicators 2012

	Human Development Index (HDI) Value	Life Expectancy at Birth	Mean years of schooling	Expected Years of Schooling	Gross National Income (GNI) per capita (constant 2005 PPP\$)	GNI per capita rank minus HDI rank	Nonincome HDI Value
Japan	0.901	83.4	11.6	15.1	32295	11	0.940
South Korea	0.897	80.6	11.6	16.9	28230	12	0.945
Taiwan	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hong Kong	0.898	82.9	10.0	15.7	44805	-4	0.910
Brunei	0.838	78.0	8.6	14.1	45753	-25	0.819
Singapore	0.866	81.1	8.8	14.4	52569	-22	0.851
Thailand	0.682	74.1	6.6	12.3	7694	-14	0.714
Indonesia	0.617	69.4	5.8	13.2	3716	-2	0.674
Malaysia	0.761	74.2	9.5	12.6	13685	-5	0.796
Philippines	0.644	68.7	8.9	11.9	3478	11	0.725
Vietnam	0.593	75.2	5.5	10.4	2805	8	0.662
Cambodia	0.523	63.1	5.8	9.8	1848	11	0.584
Laos	0.524	67.5	4.6	9.2	2242	4	0.569
Myanmar	0.483	65.2	4.0	9.2	1535	7	0.536
China	0.687	73.5	7.5	11.6	7476	-7	0.725
India	0.547	65.4	4.4	10.3	3468	-10	0.568
Pakistan	0.504	65.4	4.9	6.9	2550	-7	0.526
Bangladesh	0.500	68.9	4.8	8.1	1529	11	0.566
Nepal	0.458	68.8	3.2	8.8	1160	8	0.524
Sri Lanka	0.691	74.9	8.2	12.7	4943	12	0.768

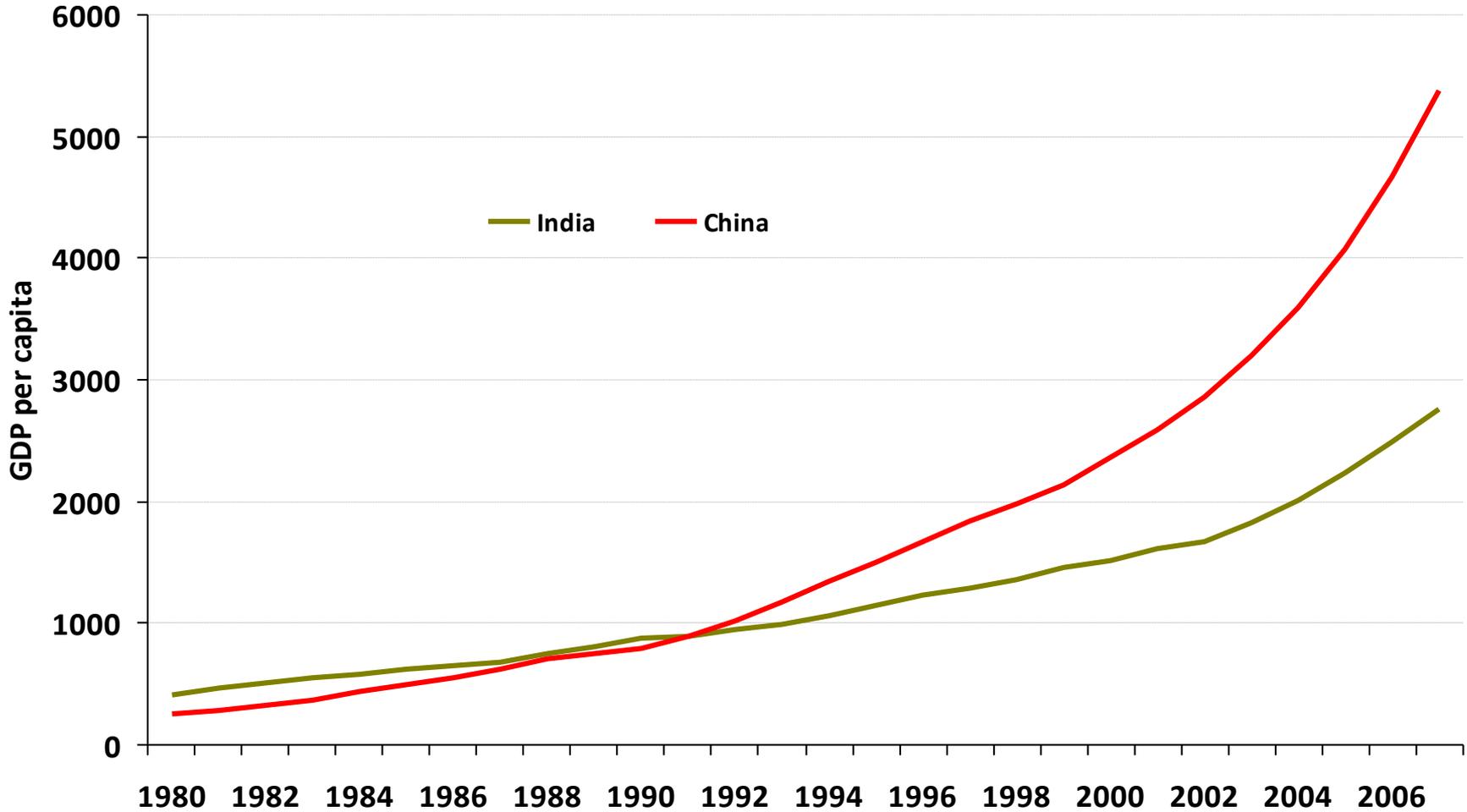
Aggregate GDP for India and China in US\$ (1960-2007)

GDP in current USD (India and China) 1960-2007



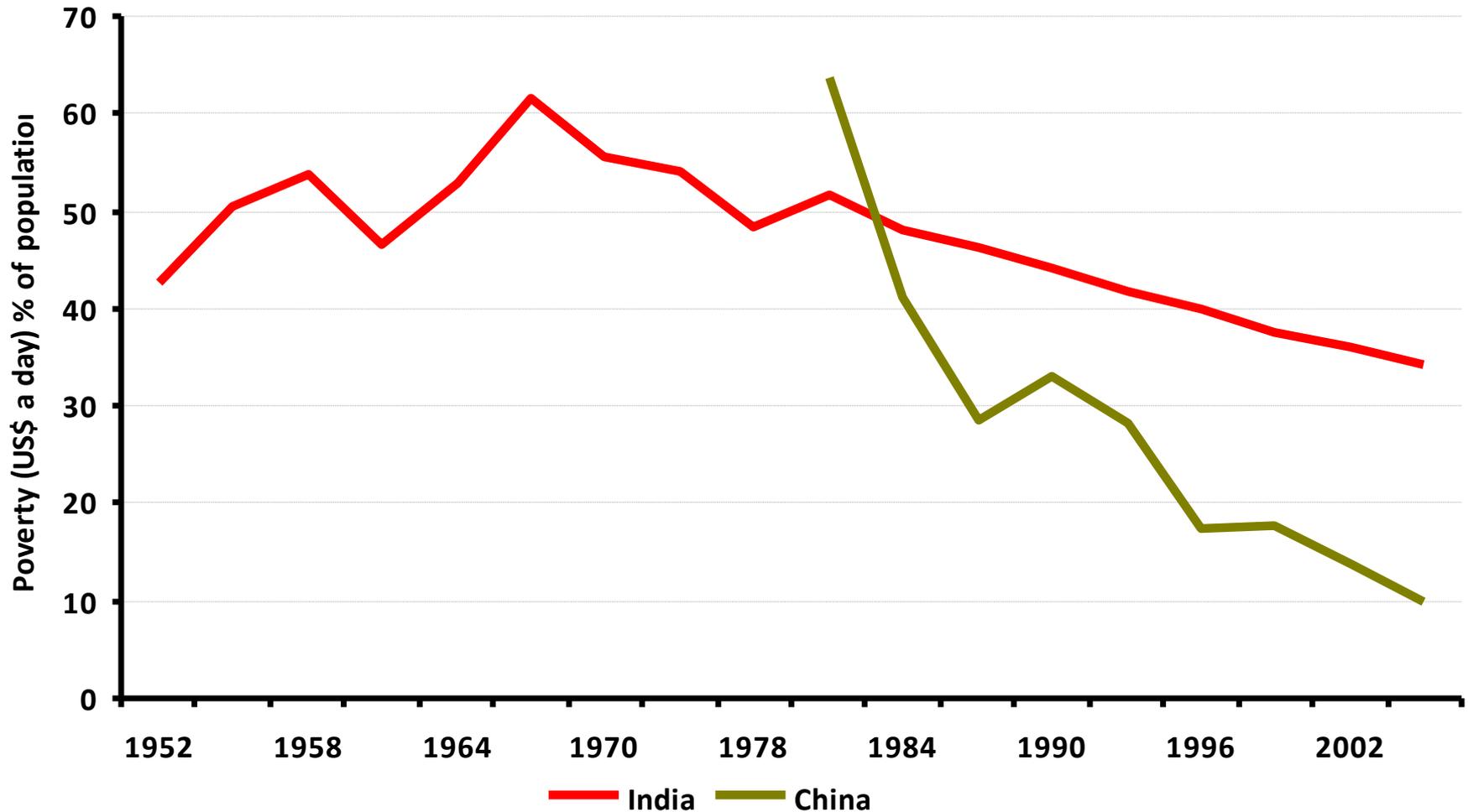
Per-capita GDP for India and China (1980-2007)

GDP per capita (India and China) 1975-2007



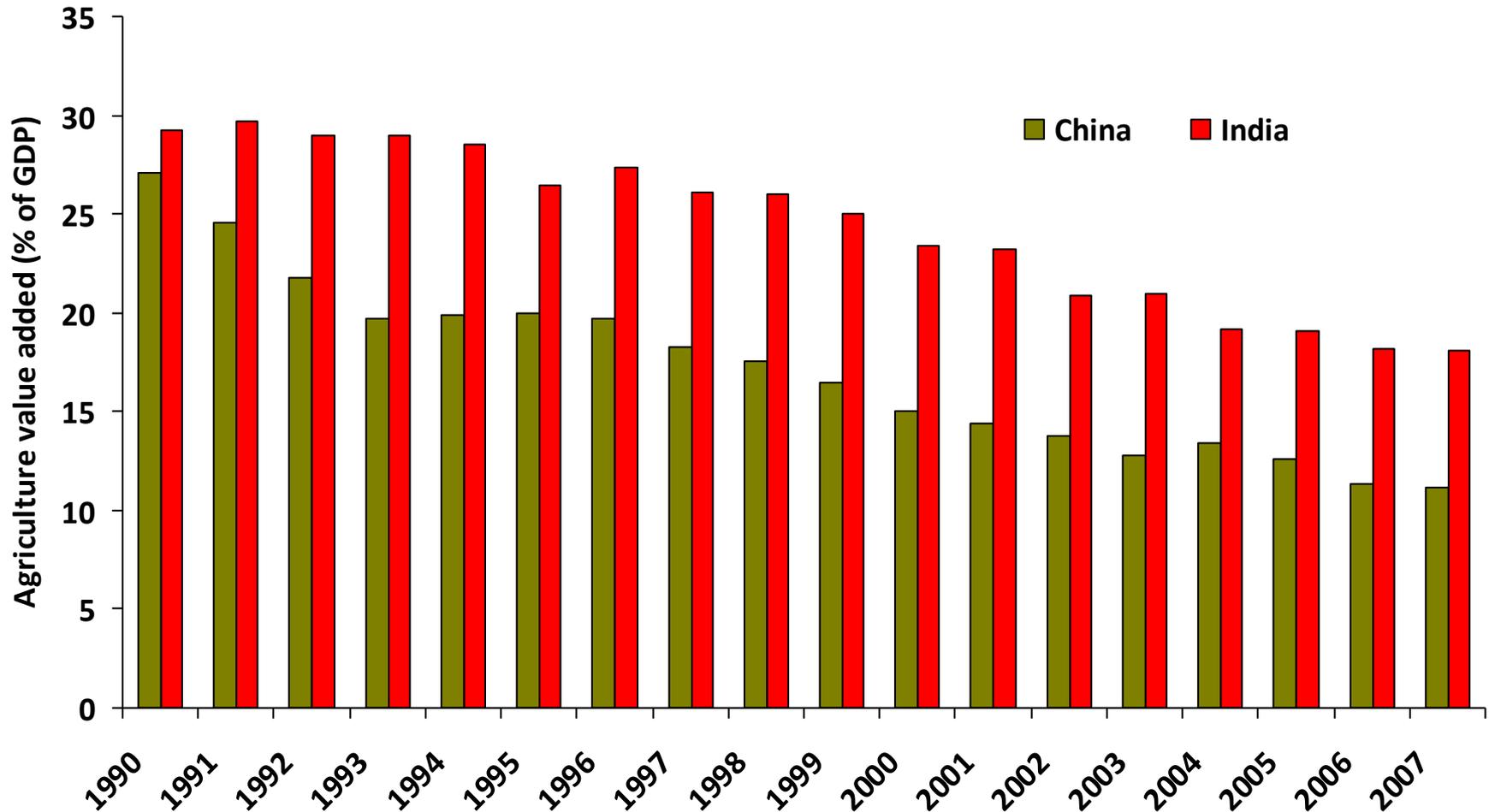
Poverty as % of Population for India and China (1950-2004)

Poverty (US\$ a day) % of pop. India and China (1950-2004)



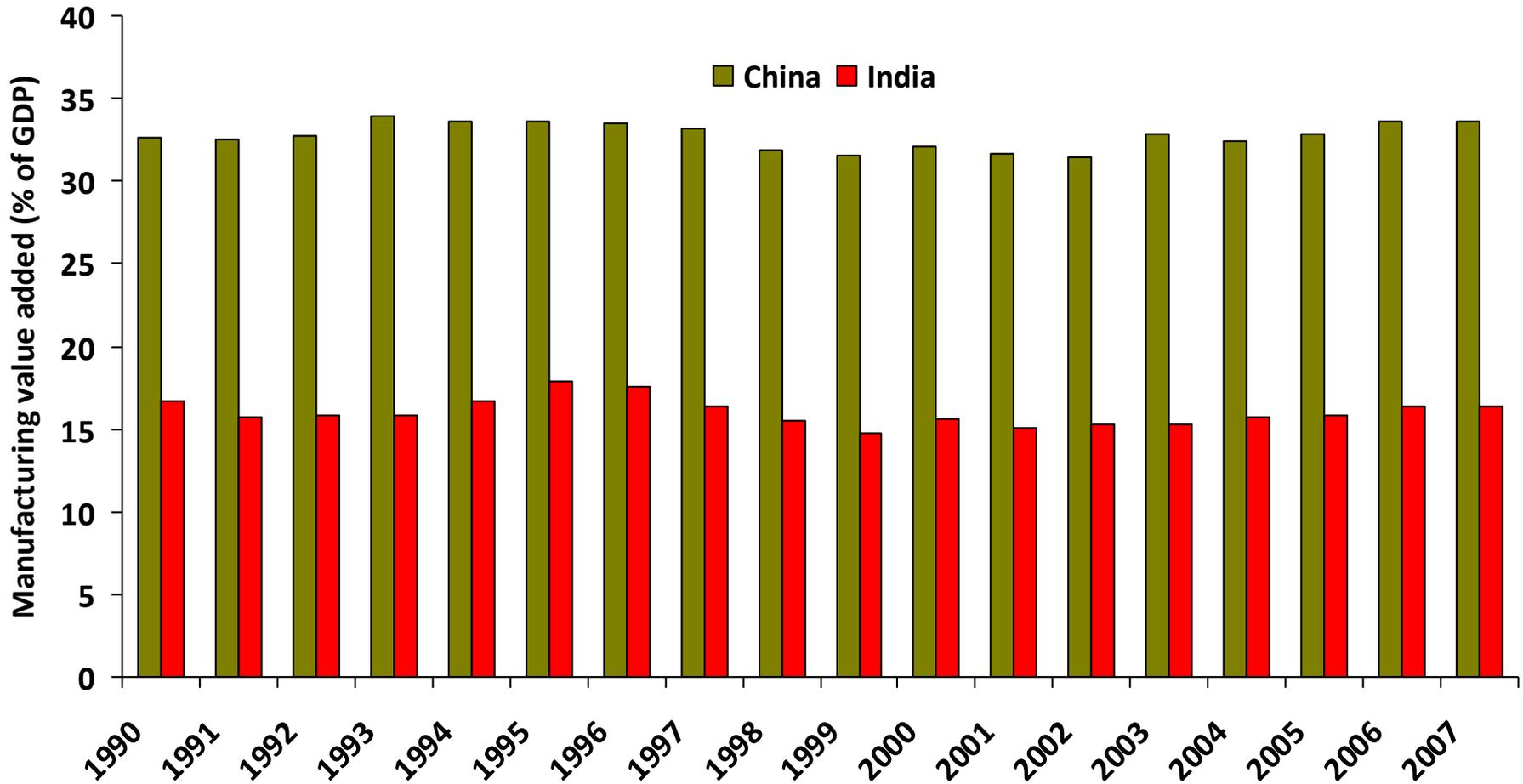
Share Agriculture in GDP for India and China (1990-2007)

Share of Agriculture in GDP (India and China) 1990-2007



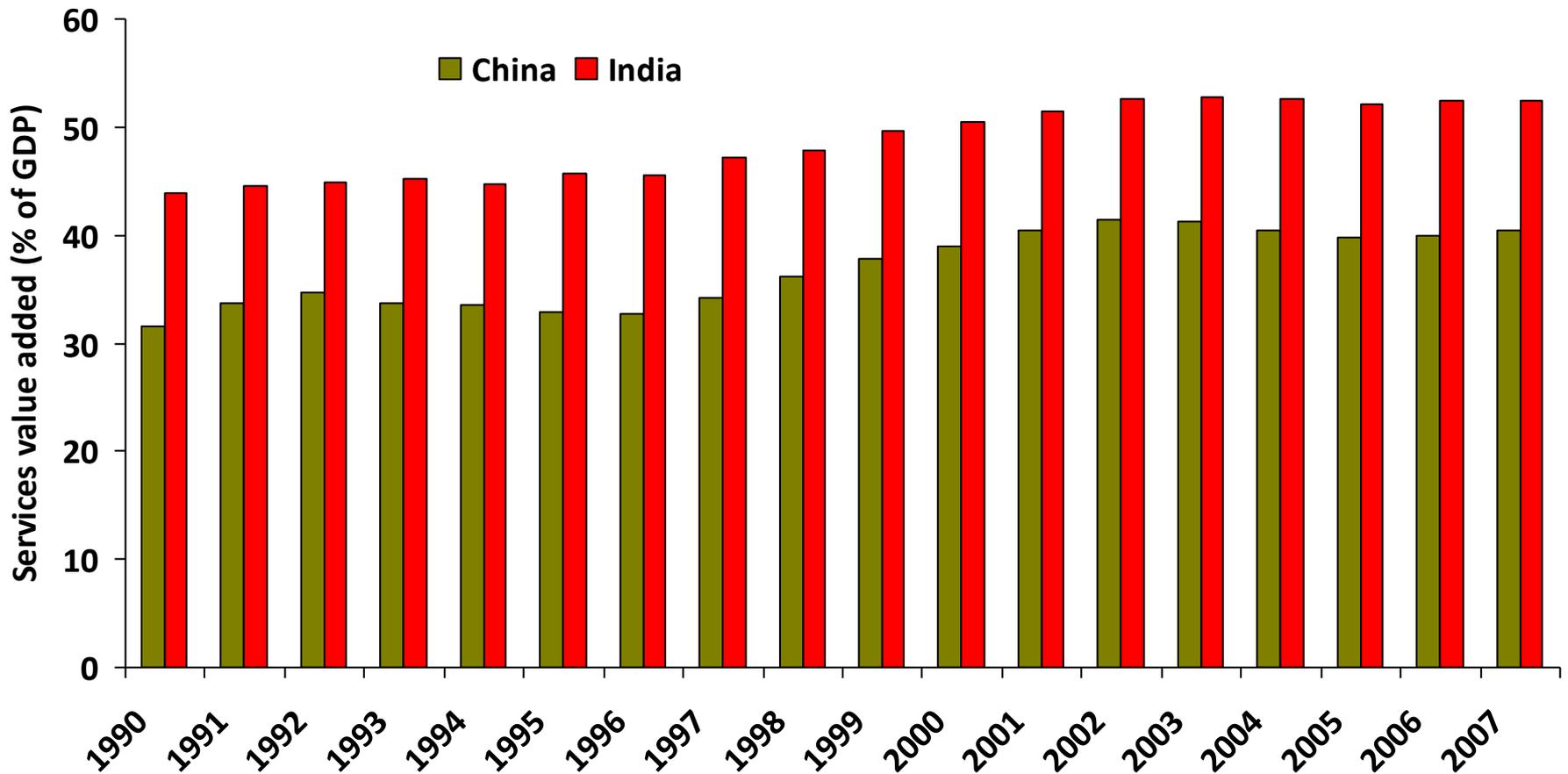
Share Manufacture in GDP for India and China (1990-2007)

Share of Manufacturing in GDP (India and China) 1990-2007



Share of Services in GDP for India and China (1990-2007)

Share of Services in GDP (India and China) 1990-2007



2.2.1 Trade indicators

	Openness		Global market share		Export concentration		Tariff barriers		Logistics performance	Economic growth
	(Exports as share of GDP, %) ^a		(Share to world exports, %)		(Export diversification index) ^b		(Applied tariffs) ^c		(Logistics Performance Index) ^d	(Average GDP growth rate, %) ^a
	1999	2008	1999	2008	1999	2008	1999	2008	2009	1999–2008
Developing Asia	35.6	46.4	16.9	21.4	66	67	13.9	6.9	2.7	6.7
Central Asia	32.3	54.4	0.2	0.8	74	75	5.1	3.5	2.6	9.6
East Asia	38.8	49.2	8.6	12.9	54	58	7.5	3.1	2.9	7.3
China, People's Rep. of	20.4	38.1	3.4	8.8	46	45	15.0	4.1	3.5	9.6
Pacific Asia	58.2	66.1	0.0	0.0	70	77	15.6	9.3	2.3	2.4
Southeast Asia	50.5	62.7	7.1	6.3	63	63	9.5	5.5	3.0	5.2
South Asia	13.2	21.5	1.0	1.4	65	65	25.8	11.9	2.5	6.8
India	11.4	21.9	0.6	1.1	60	53	28.6	6.1	3.1	7.1
Vulnerable economies^e	21.9	20.9	0.2	0.2	68	73	17.8	10.6	2.4	3.9

^a Weighted by GNI, Atlas method (current US dollars).

^b Ranked 0–100, with 100 = most concentrated export basket.

^c Weighted mean of all product lines; no data for Pacific Asia and Vulnerable economies in 1999 but assumed equal to 1998.

^d 1 = lowest, 5 = highest.

^e Afghanistan; Bangladesh; Bhutan; Cambodia; Cook Islands; Fiji Islands; Kiribati; Lao PDR; Maldives; Marshall Islands; Micronesia, Federated States of; Myanmar; Nauru; Nepal; Palau; Papua New Guinea; Samoa; Solomon Islands; Timor-Leste; Tonga; Tuvalu; and Vanuatu.

Sources: ADB calculations based on data from UNCTAD Handbook of Statistics online, <http://stats.unctad.org>; World Bank. World Development Indicators online database, <http://data.worldbank.org/indicator> (both online databases accessed 21 August 2010); and *Asian Development Outlook* database.

Source: ADB, 2010

World Ranking in Ease of Doing Business (2012)

	Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contract	Resolving Insolvency
Japan	20	107	63	26	58	24	17	120	16	34	1
South Korea	8	24	26	11	71	8	79	38	4	2	13
Taiwan	25	16	87	3	33	67	79	71	23	88	14
Hong Kong	2	5	1	4	57	4	3	3	2	5	16
Brunei	83	136	83	28	107	126	122	20	35	151	44
Singapore	1	4	3	5	14	8	2	4	1	12	2
Thailand	17	78	14	9	28	67	13	100	17	24	51
Indonesia	129	155	71	161	99	126	46	131	39	156	146
Malaysia	18	50	113	59	59	1	4	41	29	31	47
Philippines	136	158	102	54	117	126	133	136	51	112	163
Vietnam	98	103	67	135	47	24	166	151	68	30	142
Cambodia	138	171	149	130	110	98	79	54	120	142	149
Laos	165	89	80	138	72	166	182	123	168	110	183
Myanmar	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	91	151	179	115	40	67	97	122	60	16	75
India	132	166	181	98	97	40	46	147	109	182	128
Pakistan	105	90	104	166	125	67	29	158	75	154	74
Bangladesh	122	86	82	182	173	78	24	100	115	180	107
Nepal	107	100	140	99	24	67	79	86	162	137	112
Sri Lanka	89	38	111	95	161	78	46	173	53	136	42

Percentile world rank of governance indicators (2008)

	Voice and Accountability	Political Stability / No Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Japan	77.93	79.25	87.68	78.20	86.85	90.52
South Korea	68.54	55.19	86.26	79.15	80.75	70.14
Taiwan	74.18	76.42	83.41	84.36	82.63	77.73
Hong Kong	64.79	77.83	64.31	99.05	90.61	94.31
Brunei	29.11	88.21	77.25	84.83	77.39	77.25
Singapore	42.72	90.09	99.05	97.16	93.43	96.21
Thailand	33.33	16.51	59.72	56.40	48.36	44.55
Indonesia	46.95	21.23	46.92	41.71	30.99	27.49
Malaysia	33.80	52.36	81.04	74.41	66.20	57.82
Philippines	48.33	8.96	55.92	43.60	37.74	22.75
Vietnam	8.45	52.83	45.02	29.38	38.50	29.86
Cambodia	24.88	33.02	25.59	35.07	15.49	12.80
Laos	5.63	47.17	17.06	19.43	18.31	13.74
Myanmar	2.35	13.68	2.37	1.42	4.23	0.47
China	4.69	25.00	60.66	45.50	82.63	28.91
India	59.15	12.74	54.50	40.28	52.58	35.07
Pakistan	26.29	0.47	22.27	29.86	20.66	15.64
Bangladesh	37.09	7.08	19.91	22.27	28.64	16.11
Nepal	31.46	6.13	22.75	25.59	17.37	23.70
Sri Lanka	30.99	28.30	52.61	50.71	53.05	40.76

SOUTH ASIA AND EAST ASIA COMPARED

- What needs to be done in South Asia?
 - What lessons can it learn from East Asia?
 - How can it hook up with East Asia?
 - How can it better exploit global opportunities?

SOUTH ASIA AND EAST ASIA COMPARED

- East Asia
 - The East Asian Miracle: “getting basics right”; industrial policy and the “developmental state”
 - Japan, South Korea, Taiwan
 - Hong Kong and Singapore
 - ASEAN countries
 - China
 - Regional integration: manufacturing supply chains; FTAs; regional policy initiatives

SOUTH ASIA AND EAST ASIA COMPARED

- South Asia

India

- Enormous progress in the last 20 years but stop-go reforms
- Lopsided growth and big reform gaps
- Advantages (compared with China): British-endowed liberal institutions and an open society; emerging world-class private-sector companies; English language; decentralised governance in a federal system; demographic dividend

SOUTH ASIA AND EAST ASIA COMPARED

Other South Asia

- Pakistan, Bangladesh, Nepal, Sri Lanka

Regional integration

- Tiny shares of Asian and world trade
- Hardly integrated into global supply chains
- Most malintegrated region in the world
- Poor cross-border infrastructure
- Relatively high trade barriers
- “Trade-light” FTAs and regional cooperation

SOUTH ASIA AND EAST ASIA COMPARED

- Conclusions: what can South Asia learn from East Asia?
 - Primacy of unilateral reforms at national and sub-national levels, diffused by competitive emulation
 - Get basics right for catch-up growth (“first-generation reforms”)
 - Avoid selective industrial policy (“picking winners”)
 - Improve institutions: governance and rule of law
 - Structural and institutional (“second-generation”) reforms for productivity-led growth, esp. in more advanced parts of the region (e.g. advance guard of Indian cities and states, Sri Lanka)

SOUTH ASIA AND EAST ASIA COMPARED

- Conclusions (cont.)
 - Importance of labour-intensive manufacturing: exports, FDI; link up with East Asian/global supply chains; niche services and manufacturing far from sufficient!
 - Boost regional integration through reduction in tariff and esp. non-tariff barriers; SAFTA and bilateral FTAs vehicles but unilateral liberalisation more important; critical for India to lead by example
 - Boost cross-border sub-national links, eg. between cities, Sri Lanka and south India
 - Geopolitical stability also important: a problem for both east and south Asia