Introduction to East Asia

Economies of East Asia – ECON 3077

Please introduce yourself:
- **Name**
- **Reason for choosing this course**
- **Prior knowledge/experience with East Asia**
- **Your particular interest in East Asia**

1

1

Where is East Asia?

2

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***

3

3

Why Bother About East Asia?

- **The total population is approximately 2.2 billion people, combining East Asia (around 1.65 billion) and Southeast Asian countries (approximately 565 million). The majority of the population is in East Asia, primarily due to China's large 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**

https://www.worldometers.info/population/countries-in-asia-by-population/

4

4

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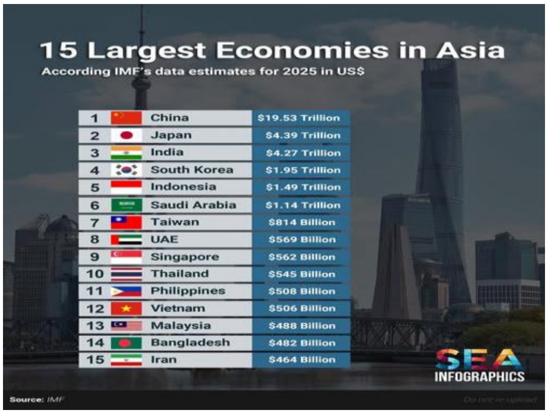

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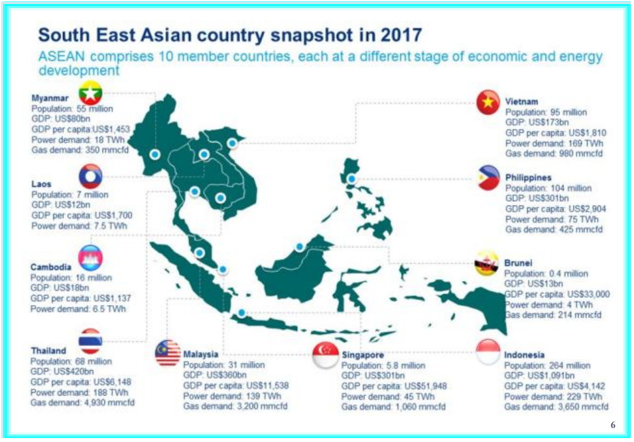

6

Developing Asia's growth is expected to ease in 2025 and 2026.

	GDP Growth					Inflation				
	2024	2025		2026		2024	2025		2026	
Subregion/Economy		April	July	April	July		April	July	April	July
Developing Asia	**5.1**	**4.9**	**4.7**	**4.7**	**4.6**	**2.6**	**2.3**	**2.0**	**2.2**	**2.1**
Developing Asia excluding the PRC	**5.1**	**5.0**	**4.8**	**5.1**	**4.9**	**4.8**	**4.0**	**3.6**	**3.7**	**3.7**
Caucasus and Central Asia	**5.7**	**5.4**	**5.5**	**5.0**	**5.1**	**6.8**	**6.9**	**7.8**	**5.9**	**6.7**
Kazakhstan	4.8	4.9	5.1	4.1	4.3	8.7	8.2	10.2	6.5	8.4
East Asia	**4.7**	**4.4**	**4.3**	**4.0**	**4.0**	**0.5**	**0.6**	**0.4**	**0.9**	**0.6**
People's Republic of China	5.0	4.7	4.7	4.3	4.3	0.2	0.4	0.2	0.7	0.4
Hong Kong, China	2.5	2.3	2.0	2.5	2.1	1.7	1.9	1.6	2.0	1.6
Republic of Korea	2.0	1.5	0.8	1.9	1.6	2.3	1.9	1.9	1.9	1.9
Taipei,China	4.8	3.3	3.5	3.0	3.0	2.2	2.0	1.8	1.8	1.5
South Asia	**5.9**	**6.0**	**5.9**	**6.2**	**6.2**	**6.5**	**4.9**	**4.4**	**4.5**	**4.5**
India	6.5	6.7	6.5	6.8	6.7	4.6	4.3	3.8	4.0	4.0
Southeast Asia	**4.8**	**4.7**	**4.2**	**4.7**	**4.3**	**3.0**	**3.0**	**2.6**	**2.8**	**2.7**
Indonesia	5.0	5.0	5.0	5.1	5.1	2.3	2.0	1.5	2.0	2.0
Malaysia	5.1	4.9	4.3	4.8	4.2	1.8	2.5	2.4	2.5	2.4
Philippines	5.6	6.0	5.6	6.1	5.8	3.2	3.0	2.2	3.0	3.0
Singapore	4.4	2.6	1.6	2.4	1.5	2.4	2.0	1.0	1.7	1.2
Thailand	2.5	2.8	1.8	2.9	1.6	0.4	1.0	0.5	1.1	0.8
Viet Nam	7.1	6.6	6.3	6.5	6.0	3.6	4.0	3.9	4.2	3.8
The Pacific	**4.1**	**3.9**	**3.9**	**3.6**	**3.5**	**2.0**	**3.4**	**3.4**	**3.7**	**3.7**

PRC = People's Republic of China, GDP = gross domestic product.

Note: **Developing Asia** refers to the following 46 members of the Asian Development Bank. The **Caucasus and Central Asia** comprises Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. **East Asia** comprises People's Republic of China; Hong Kong, China; Republic of Korea, Mongolia, and Taipei,China. **South Asia** comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. **Southeast Asia** comprises Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, and Viet Nam. **The Pacific** comprises Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Source: *Asian Development Outlook* database.

https://www.adb.org/outlook/editions/september-2025#east-asia

7

7

ASEAN-6 real GDP growth, %

	Historical average			DBS forecasts
	2000-09	2010-19	2020-24	2025 - 40
ASEAN-6	**5.1**	**5.3**	**3.1**	**4.8**
Vietnam	6.9	6.6	5.2	6.0
Philippines	4.5	6.4	3.0	6.0
Indonesia	5.3	5.4	3.4	5.6
Malaysia	4.7	5.4	3.1	4.2
Singapore	5.4	5.0	3.3	2.3
Thailand	4.3	3.6	0.5	2.2

Source: IMF, CEIC, DBS

8

8

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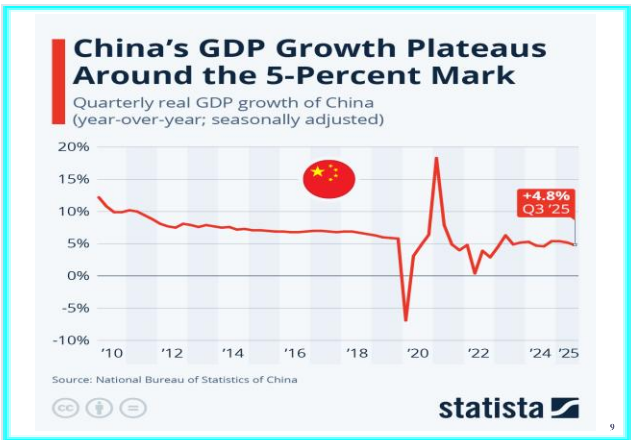

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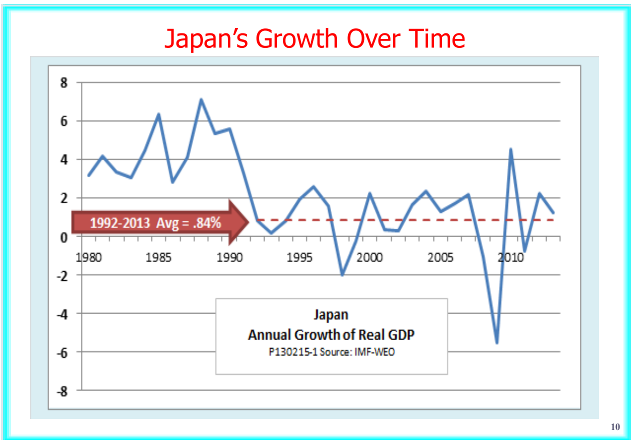
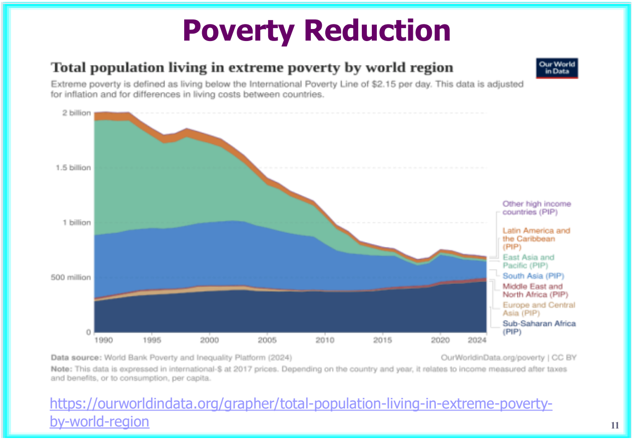


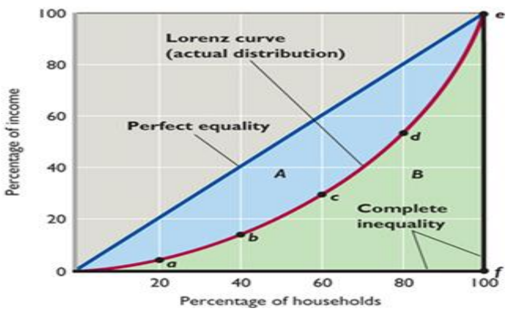
10



11

12

The Lorenz Curve



The Gini coefficient is the ratio of the areas A/(A+B) in the figure above

13

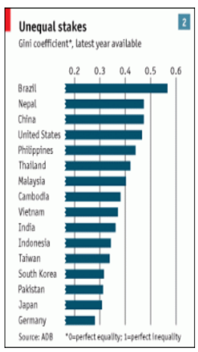
13

The Gini Coefficient

- To summarize inequality in a single number, some statistics were developed
- The most popular one is the Gini coefficient
  - The ratio of the areas A/(A+B)
  - Larger Gini coefficient means larger inequality (note that the coefficient is between 0 and 1)
  - Keep in mind, however, sometimes the value is based on 100 point scale.
- Another popular approach is to compare the income of different fractions of the population; for example: ratio between income of the 20% richest and income of the 20% poorest

14

14

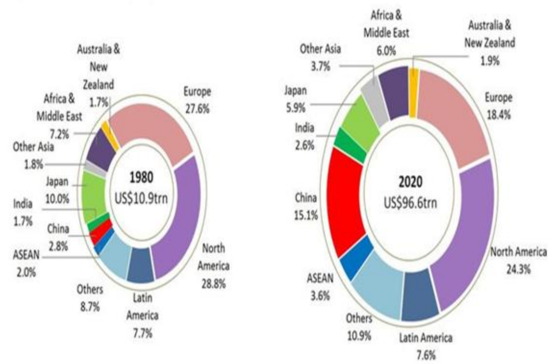


https://data.adb.org/dataset/gini-coefficient-asia-and-pacific

15

15

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



16

16

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)

17

17

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

18

18

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

19

19

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

20

20

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

21

21

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?
- 2020-2025 China's role in the world.

Keep in mind that history, culture, structure, politics matter

22

22

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
- Pollution
- Political economy (Tariffs)
- Human resource development institution building, governance for strengthening competitiveness
- Population Decline

https://www.imf.org/en/Blogs/Articles/2025/10/16/asias-economic-growth-is-weathering-tariffs-and-uncertainty

23

23

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

Deng Xiaoping (Former Chinese Prime Minister)

What does the above statement mean?

24

24