Introduction to East Asia

Economies of East Asia - ECON 377

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

Where is East Asia?

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

Why Bother About East Asia?
- Consists of close to 2 billion people (what is this ratio to the world's 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
Introduction to East Asia

Relative Size: Surface Area

- China
- Indonesia
- Malaysia
- Philippines
- Singapore
- Thailand
- Vietnam
- Japan
- Korea
- Hong Kong
- Taiwan
- Philippines

Economic Growth

Real GDP Growth Forecasts (2008-2013)

Poverty Reduction

Poverty data.worldbank.org/poverty/region/EAP

Population and Development Indicators for Asia and the Pacific

Population and Development Indicators

https://www.unescap.org/sdd
Introduction to East Asia

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)
Introduction to East Asia

**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

**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

**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

**Authoritarian Developmentalism in East Asia**

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Introduction to East Asia

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

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 weather the financial crisis? Keep in mind that history, culture, structure, politics matter

What About Asian Economic Integration?
- Geographical proximity
- Some (limited) sense of common cultural heritage
- Economic links have been growing:
  - regional integration arrangements
  - 'natural' economic complementarities
  - “Asian” economic crisis and ‘contagion’, “yen” zone......or maybe “Yuan” zone
What are some of the regional groups?
- APEC [http://www.apec.org](http://www.apec.org)
- Others?

Economic Links in Trade, Capital and Labor Markets
- Trade Links - [http://www.asean.or.jp/en](http://www.asean.or.jp/en)
- Changing attitudes to FDI
- Multinationals: first world and third world MNCs
- Development of equity markets and relaxation of controls on cross-border capital movements
- Labour movements in Asia: labour migration from low wage countries to high wage countries
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Some Important Issues for East Asia

- Maintaining regional peace and security
- Narrowing the gap between early developers and latecomers
- Promoting globalization while mitigating its negative impacts
- WTO, Economics Liberalization
- SARS, AIDS, Bird Flu, Swine Flu, Pollution,
- Political economy
- Human resource development institution building, governance for strengthening competitiveness

Data Resources

- Asian Development Bank: http://www.adb.org

- Countries at a Glance World Bank:
  /0_contentMDK:2048916~menuPK:1192694~pagePK:64133150
  ~piPK:64133175~theSitePK:239419,00.html

- BBC http://news.bbc.co.uk/3/hi/country_profiles/default.stm

- Millennium Development Goals:
  http://www.undp.org/content/rbap/en/home/mdgovoverview/

Geopolitical Issues in East Asia

What do the above statements mean?

“It doesn’t matter whether the cat is black or white, as long as it catches mice.”
Deng Xiaoping (Former Chinese Prime Minister)

“We are not afraid of capitalist enterprises, but of not being able to supervise and control them.”
Do Muoi (Former Vietnamese Communist Party General Secretary)