WHEN GRAVITY SHIFTS:

The Rise of Asia in the World Economy

Djisman S. Simandjuntak
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 (1\textsuperscript{st} Tier: Japan, Sing, ROK, HK SAR, Taiwan; 2\textsuperscript{nd} Tier: Mal, Thailand, Indonesia, Philippines, Vietnam; 3\textsuperscript{rd} 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 cooperation
• 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