A Resurgent East Asia
Navigating a Changing World

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THE WORLD BANK
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East Asia & Pacific
Key messages

• East Asia’s development over the past quarter century has been remarkable

• Sustained growth has dramatically reduced poverty while fostering economic security

• Developing East Asia’s resurgence is far from complete – income, productivity and human capital levels are far lower than in high-income countries

• And times are changing, bringing new development challenges

• Countries in developing East Asia will need to adapt their development model if they are to sustain progress in changing times
The East Asian development model has worked:

- Outward-oriented, labor-intensive growth
- Basic human capital development
- Sound economic governance
More rapid growth than other developing regions
Lower poverty, greater security, and a growing middle class

- Extreme poor (less than PPP US$1.90 per day)
- Moderate poor (PPP US$1.90–US$3.20 per day)
- Economically vulnerable (PPP US$3.20–US$5.50 per day)
- Economically secure (PPP US$5.50–US$15.00 per day)
- Middle class (PPP US$15 and higher per day)
More effective governments
Changing times, rising challenges
Emerging Challenges

• Slowing productivity growth

• Inclusion at risk

• Rising demands on state institutions
Global trade growth is slowing, especially in goods
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Trade restrictions on services remain high across the region.
Multiple challenges in building vibrant innovation systems

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<th>Country</th>
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<th>Human capital</th>
<th>Infrastructure</th>
<th>Market sophistication</th>
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More industrial robots

a. Number of robots

- Japan
- China
- Korea, Rep.
- Taiwan, China
- Thailand
- Singapore
- Malaysia
- Indonesia
- Vietnam
- Hong Kong SAR, China
- Philippines

Thousands

b. Number of robots per 1,000 employees

- Korea, Rep.
- Singapore
- Japan
- China
- Taiwan, China
- Hong Kong SAR, China
- Thailand
- Malaysia
- Vietnam
- Indonesia
- Philippines

Number per 1,000 employees
Differences in internet access persist across countries and within them.
Differences in learning outcomes remain across countries and within them.
Relatively low public spending on the social sectors
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The region lags on voice and accountability

The chart shows the percentile ranking of voice and accountability in East Asia compared to developing countries and lower-middle income countries from 1996 to 2016.
Fewer constraints on executive decision making in the region than in most upper-middle income countries
Relatively low government revenues
Navigating a changing world
Directions for policy
Policy makers in the region will need to focus on both new and traditional policy priorities in five key areas:

1. Boosting economic competitiveness
2. Building skills
3. Fostering inclusion
4. Strengthening state institutions
5. Financing the transition to high-income status
Boosting economic competitiveness

- **Emerging policy priorities**
  - Reforming services sectors
  - Deepening trade agreements
  - Broadening innovation policies
  - Improving SME access to finance

- **Foundational policies**
  - Improving business climate and reforming the regulatory environment
  - Strengthening financial sector infrastructure
Building skills

- **Emerging policy priorities**
  - Developing higher-order cognitive and socioemotional skills
  - Building continuous skills development systems
  - Enhancing people’s digital and technical capabilities

- **Foundational policies**
  - Strengthening learning outcomes, including for lagging groups and regions
  - Working to universalize primary and secondary education
  - Broadening access to university education
Fostering inclusion

- **Emerging policy priorities**
  - Strengthening employment support services
  - Broadening unemployment benefit schemes, linked to economic transitions
  - Enabling affordable access to digital technologies

- **Foundational Policies**
  - Reforming generalized subsidies, e.g., on food and fuel
  - Expanding targeted social assistance
  - Reorienting public spending to promote inclusive growth
Strengthening state institutions

• **Emerging policy priorities**
  • Expanding mechanisms to promote citizens’ voice and participation
  • Increasing government transparency
  • Strengthening the systems of checks and balances

• **Foundational policies**
  • Strengthening bureaucratic quality through
    • meritocratic hiring and promotions
    • enhanced performance management
Financing the transition to high-income status

• **Emerging Policy Priorities**
  - Expanding the tax base by introducing or expanding
    - direct taxes, including personal income taxes, property taxes, and/or wealth taxes
    - taxes that reduce negative externalities
  - Reducing tax competition, including through regional cooperation

• **Foundational Policies**
  - Simplifying tax codes, including for corporate taxes and VAT
  - Strengthening tax administration
Conclusion

• The East Asian development model has delivered rapid and sustained growth, reduced poverty and fostered economic security

• Evolving global and local circumstances require policy makers to rethink how best to achieve their development aspirations

• Although the precise nature and pace of change are uncertain, their direction is not

• Policy makers must act decisively or risk missing opportunities to sustain East Asia’s remarkable development performance
Thank you!

Find the report online at:
wrld.bg/KDA030mVcQ5

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