



# Asia's Economic Transformation

*a half decade journey*

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# Economic Shifts: 1970 to 2022

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*Over the last half century* we have witnessed a global economic transformation.

A few countries that once held predominant influence in the world's economic landscape during the early 1970s have gradually relinquished their positions to emerging economies. These emerging economies have increased their shares in the world economy, both in significance and pace.

The shift is evident in their declining global shares across four key economic metrics:

- Total output
- Trade in goods
- Manufacturing value added
- foreign direct investment (FDI)

Source: Ing and Lin, Economic Transformation in 'New Global Economic Order' eds. Lili Yan Ing and Dani Rodrik [forthcoming in July, 2024]

# Economic Shifts: 1970 to 2022

**Outputs of developed countries**, represented by G7 members, decreased from 58% in 1970 to 44% by 2022.

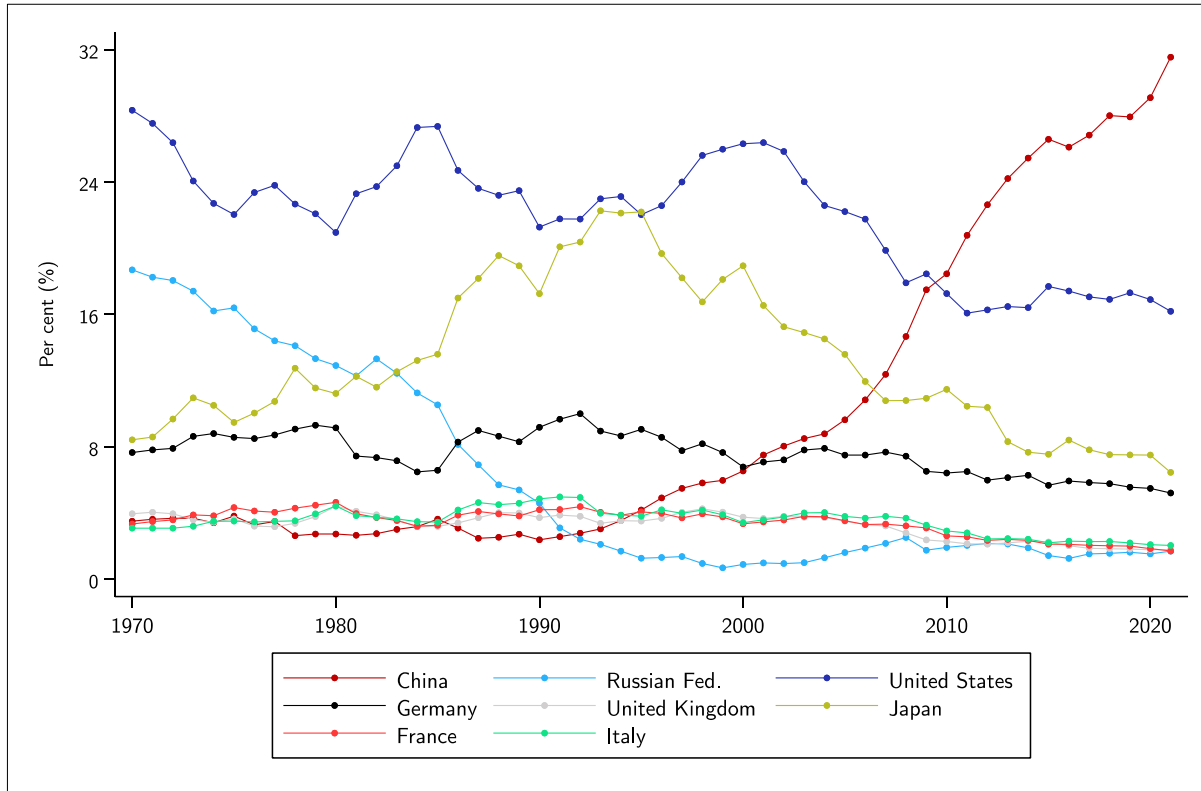
**China**, on the other hand, managed to increase its share in global GDP from 2.7% in 1970 to an impressive 18% by 2022. South Korea, India, and Southeast Asia (ASEAN), collectively increasing from 3.2% in 1970 to 8.7% by 2022.

In contrast, **Eastern Europe, and Central Asia (EECA)** have experienced the most substantial decline in global GDP share, dropping from 15.3% in 1970 to 5% by 2022, coinciding with the decline and eventual collapse of the Soviet Union.

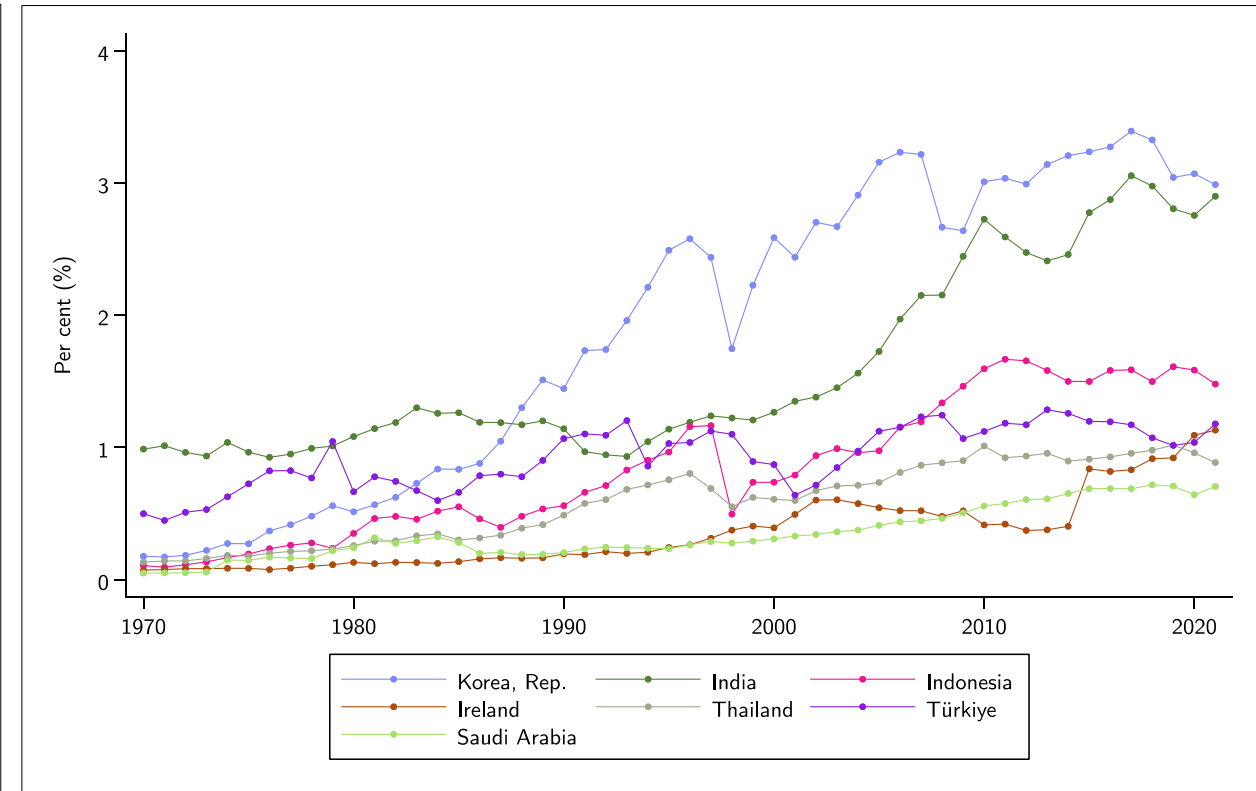
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# Share (%) in World's Manufacturing Value Added, 1970-2022

## Top 7 Decliners, except China



## Top 7 Gainers (excluding China)



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# Challenges for Asia

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*Rising protectionism continues...*

- Geopolitical tensions and
  - US —China trade tensions (now extended to technology, strategic industries, and security), Wars in Ukraine and Middle east
  - Stalled Multilateral Trading System (WTO)
  - Trade coercions and sanctions
- Rising anti-globalization and protectionism
  - Export and import bans, Local Content Requirements, Investment barriers, Picking Winner policies, Non-automatic licensing system, etc.
- How to level up value added?
- Climate change

# Way Forward



# Way Forward

## *Improve cooperation*

### 1. Deepen trade and investment ties with existing and potential partners

- Ensure the effective functioning of the multilateral trading system and optimize the use of bilateral and regional FTAs

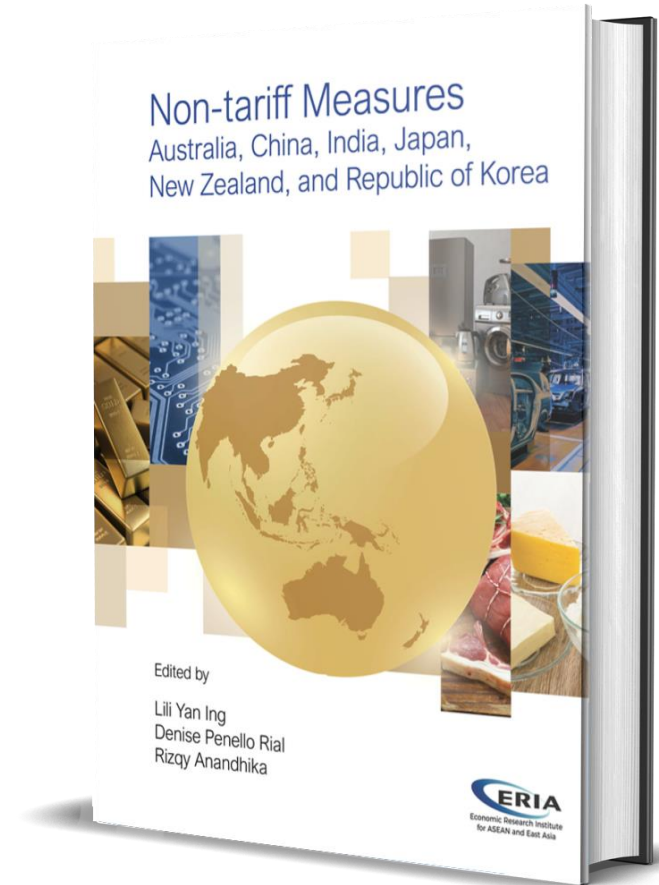
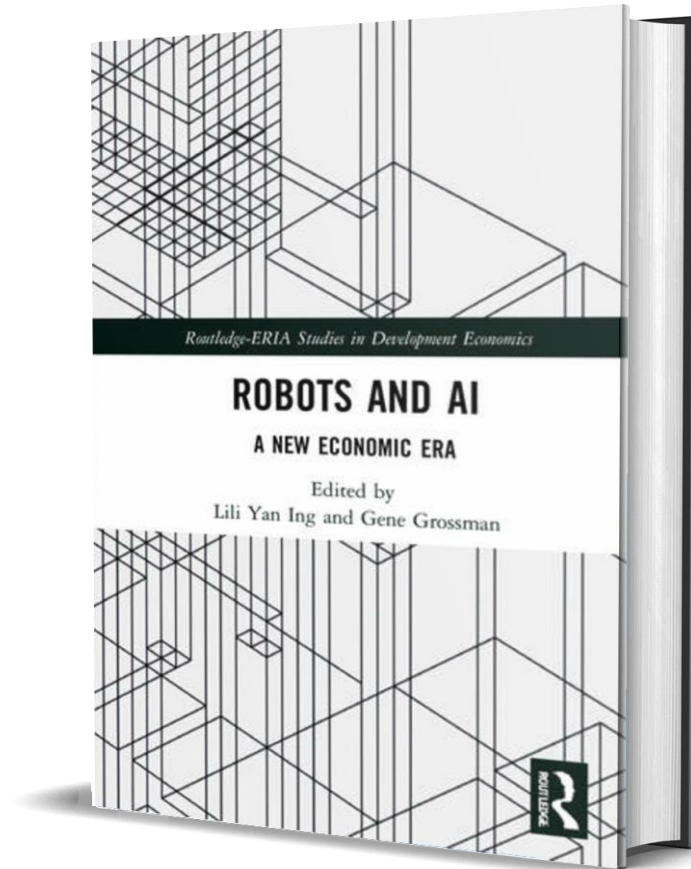
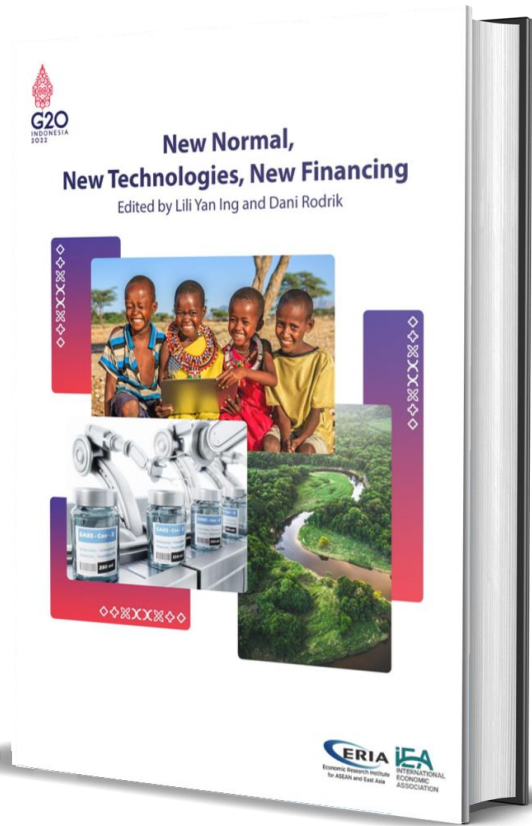
### 2. Improve trade and investment climate

- Create conducive environment to all sectors and industries (*Not picking the winners*)
- Improve transparency in licensing, permits, and regulatory process by implementing corporate governance standards

### 3. Optimize the use of digital technologies

- Optimize the use of digital technologies to increase productivity in all sectors
- Invest in physical and digital connectivity and human capital

### 4. Sustainable development



# Thank You

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