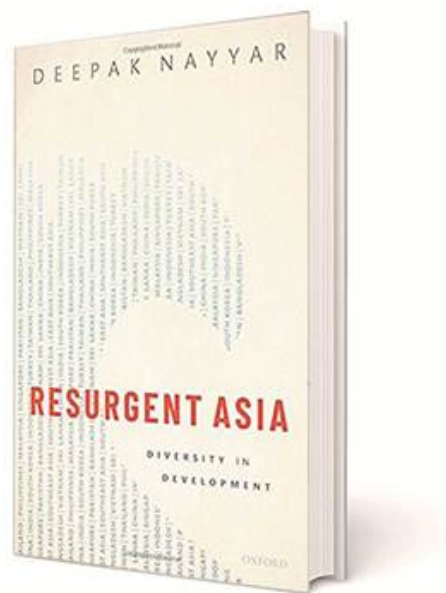


Crouching Tigers, Hidden Dragons

An analytical inquiry into the development experience of some of Asia's major economies and why there might be ground for optimism

Written by **Sanjaya Baru** | Updated: December 22, 2019 8:41:53 am



Front cover of Deepak Nayyar's book.

Title: Resurgent Asia: Diversity in Development

Author: Deepak Nayyar

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In 1968, the Swedish Nobel Prize-winning economist Gunnar Myrdal published a three-volume survey of Asian economies, *Asian Drama: An Inquiry into the Poverty of Nations*, taking a rather dim view of Asia's growth prospects. In India's case, Myrdal identified corruption in public life as a major cause of its poor economic

performance, inviting [Indira Gandhi](#)'s famous put-down, "Corruption is a global phenomenon." Most critics were astounded that Myrdal paid little attention to the impact and legacy of European colonialism in Asia. Thirty years after Myrdal's ahistorical study of Asian backwardness, the Cambridge economic historian Angus Maddison published his now famous statistical analysis of global development, demonstrating how China and India had been the world's largest economies till the 17th Century, how two centuries of European colonialism had altered their fortunes and how by the turn of the century Asia was once again resurgent.

On the 50th anniversary of Myrdal's book, economist Deepak Nayyar asked the question as to what happened in the interregnum that proved Myrdal wrong and explained Maddison's findings. Nayyar's *Resurgent Asia* is an analytical enquiry into the development experience of Asia's 14 major economies. Nayyar has chosen for his study China, South Korea and Taiwan from East Asia; Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam from Southeast Asia; Bangladesh, India, Pakistan and Sri Lanka from South Asia; and Turkey from West Asia. Taken together, Nayyar's 'Asian-14' account for nine-tenths of Asia's population and four-fifths of the continent's income.

The big picture is easy to paint. Led by the so-called 'Asian tigers' — Hong Kong, Singapore and Taiwan — and followed by South Korea, Malaysia and Indonesia the Asia to India's East rose on the back of export-led industrialisation aided not just by the support of the United States, as part of its Cold War strategy of arresting the spread of communism in Asia, but also thanks to the investment these economies made in human capital formation, efficient infrastructure and agricultural modernisation. China followed their example and the 'Asian miracle' was achieved. Ataturk's Turkey had a similar model of modernisation. South Asia is the laggard, but India began to rise, economically, after the 1980s with Bangladesh following suit. Sri Lanka was once viewed as a potential 'Singapore of South Asia' but the majoritarian politics of Sinhala extremists and their mishandling of minority Tamil grievances put paid to that prospect. Pakistan also began on a good note in the 1950s and 1960s, performing better than India, but after 1991, India took off and Pakistan was left behind.

Nayyar's painstaking statistical compilation demonstrates clearly as to what policies worked and what could not. The Asian growth story remains essentially an East Asian growth story with China adding heft to it. High rates of saving and investment, especially public investment, a strategic industrial policy that created globally competitive firms and rising levels of land and labour productivity were the key drivers. Not surprisingly, Nayyar identifies investment in education and the performance of that sector as an 'important driver of growth on the supply side'. Both supportive macroeconomic policy, that was not obsessed with low fiscal deficit and low inflation, and structural changes facilitated growth, while growth itself facilitated structural change.

While East Asian economies did well on the export front, they were also open to imports which meant that net export was not as important a driver of growth as is commonly imagined. Trade openness made these economies globally competitive but not excessively dependent on the global market. Nayyar makes the important point that none of the East Asian economies have yet become 'engines of global growth' because of which 'Asia could not drive world economic recovery in the aftermath of the global financial crisis despite the resilience of its economies.'

Linear growth projections show Asia regaining its lost share of world income, returning to the 1820 level by 2050. Nayyar does not dismiss this prospect but warns that 'the opportunities are juxtaposed with formidable challenges.' While rejecting the kind of pessimism about Asian growth prospects that Myrdal epitomised in the 1960s, Nayyar believes that despite challenges 'there is more reason for optimism than pessimism.' But such optimism is more on account of his reading of economic trends. A more nuanced political and sociological analysis may be less optimistic. Asia's challenges remain on the governance front. India is a classic example of a country whose economic performance over the past two decades gives us reason to be optimistic about the future, but whose political management makes one less so. In most of East, Southeast and West Asia also, it is the political risk that begs the question about the economic prospect.

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