



of the erstwhile Soviet Union for half of the 50-year study period. West Asia is not covered in depth because its countries are natural resource-based economies and hence different from the rest of Asia.

For understanding the diversity in development, he considers 14 Asian countries—China, South Korea and Taiwan in East Asia; Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam in South-East Asia; Bangladesh, India, Pakistan and Sri Lanka in South Asia; and Turkey in West Asia. The data for the 14 countries cover the period between 1971 and 2016.

In Chapter 2, the author provides a historical perspective on the decline and fall of Asia in the world economy from 1820 to 1962. Asia's share in the world population declined from 65.2 per cent to 52.2 per cent. Its share in the world gross domestic product (GDP) fell from 56.5 per cent to 14.9 per cent, while that of the West increased from 36.9 per cent to 73.4 per cent in this period. Nayar attributes the decline and fall of Asia to "its integration with the world economy, through trade and investment, shaped by colonialism and driven by imperialism" (page 38).

The social and economic transformation in Asia between 1965 and 2016 is impressive. The population increased by 142 per cent; birth rate (per 1,000) fell from 40 to 17; life expectancy increased from 49 years to 72 years; and infant mortality (per 1,000 live births) fell from 160 to 23. The GDP per capita (in constant 2010 US\$) increased from 714 to 4,898. The share of the primary sector in the GDP fell from 27.4 per cent to 8 per cent. Gross capital formation as a percentage of GDP increased from 21.6 per cent to 37.6 per cent. During 1971–2016, the GDP growth rate in Asia was 5.8 per cent compared with the world GDP growth rate of 2.96 per cent. The inward flows of foreign direct investment (FDI), as a percentage of the world inflows, increased from 13 per cent in 1981–90 to 28.9 per cent over the 2011–15 period.

The macroeconomics of Asia-14 countries' growth in the 1971–2016 period is analysed in terms of indicators such as GDP growth rate, investment rate, savings rate, employment creation, gross fiscal balance, current account balance and inflation rate. China recorded the highest annual growth rate of 9.14 per cent, followed by South Korea at 6.85, Singapore 6.69 and Taiwan 6.42. India achieved a growth rate of 5.73 per cent. As for investment as a percentage of GDP, in 2015 China had 45.2, Indonesia 34.4 and India 32.7. Pakistan had the lowest, 15.1 per cent. Gross domestic savings as a percentage of GDP in 2011–15 was 53.6 in Singapore, 49.3 in China, 32.0 in India and 8.4 in Pakistan. On the demand side, the study finds private consumption expenditure as an important stimulus for economic growth. The rate of employment creation per annum was lower in the 1991–2016 period than in 1971–90.

Macroeconomic balances are reported in terms of indicators such as gross fiscal balance and current account balance, as a percentage of GDP, and inflation rate in per cent per annum. In 2015, all countries, except South Korea and Singapore, reported gross negative fiscal balance. The current account balance was positive for the three East Asian countries

and Malaysia, the Philippines, Singapore, Thailand, Vietnam and Bangladesh. It was negative for the other five countries. The inflation rate was high in India and Pakistan and was the lowest in Taiwan.

Nayyar says that many of the Asia-14 countries did not follow orthodox prescriptions of balanced budgets and price stability for macroeconomic management.

## Structural changes

Structural changes during economic transformation are analysed in terms of shares of primary, secondary and tertiary sectors in output and employment. These changes do occur because income elasticities of demand for these sectors differ—less than one for agriculture and above one for industry and services. In China, the share of the primary sector in the composition of output fell from 35.1 per cent in 1970 to 8.9 per cent in 2016. In the case of South Korea, the fall was from 28.9 per cent to 2.2 per cent. For India, the fall was from 44 per cent to 17.4 per cent; for Pakistan the share was 25.2 per cent in 2016. As for the secondary sector, only in China and Malaysia the share was 40 per cent or more. The share of the tertiary sector in 2016 was above 50 per cent in all countries except Indonesia and Vietnam.

In terms of employment, the share of the primary sector fell in all the 14 countries. In 2016, it was above 40 per cent in Bangladesh, India, Pakistan and Vietnam. The share of the secondary sector in employment in 2016 varied from 16.3 per cent in Singapore to 35.9 per cent in Taiwan. The process of structural transformation is seen in the migration of the rural population to urban areas.

International trade in goods and services and flows of FDI are viewed as the most visible forms of economic openness. Merchandise exports, as a percentage of GDP, were high for Malaysia and Singapore even in 1970. In the case of China, it increased from 2.6 in 1970 to 31.1 in 2008 and fell to 18.7 in 2016. For India, it increased from 3.4 in 1970 to 15.5 and fell to 11.7 in 2016. Exports of services, as a percentage of GDP for Asia-14, increased from 2.2 in 1980 to 5.0 in 2013. The share of services in 2013 was the highest for Singapore, at 40.5 per cent.

## FDI flows

The annual flows of FDI, as a percentage of gross domestic capital formation, in Asia-14 increased from 2.1 in 1981-90 to 7.4 in 2001-08 and fell to 4.6 in 2009-16. In 2009-16, it was 73.8 in Singapore. Manufacturing value added (MVA), as a percentage of GDP, is considered an important outcome of industrialisation. For Asia-14, the MVA increased from 9.8 in 1970 to 26.3 in 2010 and fell to 24.3 in 2016. It was above 25 per cent in East Asian countries, between 14 and 27 per cent in South-East Asian countries and between 12 and 17 per cent in South Asian countries.

Nayyar states that openness, while necessary, is not sufficient for rapid development. “It was conducive to industrialisation only when combined with industrial policy” (page 152).

The success stories of South Korea, Taiwan, Singapore, China and Vietnam in industrialisation illustrate how firms could realise economies of scale, vertical diversification and technological upgradation through government intervention. According to him, India lagged behind the leaders because India's "industrial policy was poorly implemented or was not simply used" (page 152).

Nayyar delineates the economic and political roles of the state in the process of economic development. In many Asian countries, governments performed a crucial role, ranging from leader to catalyst or supporter. He argues that the state and the markets complement each other and their respective roles differed from country to country and changed over time. The developmental states of South Korea, Taiwan and Singapore coordinated policies across sectors using the carrot-and-stick approach. China emulated these developmental states in a different political context. India followed centralised planning until 1990 and started the process of liberalisation. The experiences of the other Asia-14 countries also differ.

The distribution of GDP among the regions became more unequal during the 50-year period. The share of East Asia rose from less than two-fifths to three-fifths; the share of South Asia fell from three-tenths to one-eighth, while the share of South-East Asia remained unchanged.

## Income inequality

Inequality in income distribution is measured using the Gini coefficient, a value of zero implying perfect equality and a value of 100 implying perfect inequality. The Gini coefficient for China increased from 27.9 in 1970 to 46.2 in 2015, implying increase in inequality. In the case of South Korea, Taiwan, Indonesia and Thailand, there were small changes. Inequality is decreasing in Malaysia, the Philippines and Thailand but increasing in Singapore. In South Asia, inequality is increasing in Bangladesh, India and Sri Lanka. In Pakistan, there is no trend.

The percentage of poor having income below the purchasing power parity of \$1.90 a day in China fell dramatically from 75.8 in 1984 to 6.5 in 2012. The percentage declined in all the countries. In India, it was 21.2 per cent in 2012, the highest among the Asia-14 countries. Well-being is analysed in terms of three indicators, infant mortality rate, life expectancy at birth and adult literacy rate. Between 1970 and 2016, infant mortality fell below 10 per 1,000 live births in China, South Korea, Taiwan, Malaysia, Singapore, Thailand and Sri Lanka. It was high for India, at 34, and Pakistan, at 63. Life expectancy has increased in all these countries.

The adult literacy rate has also improved in all these countries. It is above 90 per cent in East Asian and South-East Asian countries and was relatively low in 2016 in Bangladesh (73), India (69), and Pakistan (57).

In the 1970-2016 period, Asia's economic significance in the world economy, as a percentage of the world GDP, is seen in (a) rise in the GDP from 8.7 to 29.9; (b) increase in MVA from 3.6 to 40.8; (c) growth in merchandise exports from 8.4 to 36; and (d) increase in foreign exchange reserves from 11.2 to 53.9.

Nayyar considers the negative and positive effects of the rise of Asia on the global economy. The negative effects might arise because (a) the burgeoning demand in China and India could drive up the prices of primary commodities, and rising real wages in Asia could drive up the prices of labour-intensive manufactured goods in the world market. Both could turn the terms of trade against industrialised countries; (b) for the industrialised countries, Asian countries could emerge as potential locations to compete for investment; (c) the economic rise of Asia may lead to downward pressure on employment levels and real wages in the industrialised countries (page 213). The positive impacts are (a) expanding markets for exports from industrialised countries; (b) reduced inflationary pressures in industrialised countries owing to imports of cheap manufactured goods; and (c) Asia as a new source of technologies such as mobile phones and solar panels (page 214).

Nayyar raises the following question: What does transformed Asia imply for international institutions, multilateral rules and global governance? Western countries created the International Monetary Fund and the World Bank after the Second World War with minor roles for developing countries in management.

In the United Nations Security Council, only China is a permanent member from among the developing countries. The World Trade Organisation (WTO) was established in 1995. It is democratic and rule-based, but the position of developing countries in trade negotiations and bargaining appears to be weak. The failure of the Doha Round is a recent example. Now, developing countries fear that they may lose the special and differential treatment provision in the WTO.

## Environment

*Resurgent Asia* does not address environmental issues although it recognises the problem (page 232). In 2015, U.N. member states adopted 17 sustainable development goals (SDGs) as “a universal call to end poverty, to protect the planet and to ensure that all people enjoy peace and prosperity by 2030”. Most SDGs are in the nature of global public goods via global public choice. Sustainable development has three pillars—economic, social and environmental.

Past economic policies focussing only on economic growth resulted in degradation of natural resources. According to the Environmental Performance Index (based on environmental health and ecosystem vitality indicators) prepared by the Yale Centre for Environmental Law and Policy, of the 180 countries covered, the ranking of Asia-14 ranges from Taiwan (23) to Bangladesh (179). India's rank is 177 and China's is 120. Only six of the Asia-14 countries figure below 100 in the ranking.

Principle 7 of the Rio Declaration on Environment and Development, 1992, notes that in view of the different contributions to global environmental degradation, states have common but differentiated responsibilities (CBDR).

The U.N. Framework Convention on Climate Change incorporates this Rio principle in addressing climate change. Greenhouse gas accumulation is a global public bad.

Since developed countries are historically responsible for the current level of the stock, and as they have the resources and technologies for climate change mitigation, they are required to shoulder a large burden in climate change mitigation. For this reason, developing countries were exempted from greenhouse gas emission reduction requirements under the Kyoto Protocol.

In the World Conference on Environment and Development, 2012, some developed countries were against the CBDR. The Paris Agreement on climate change in 2015 expects all nations to undertake efforts to combat climate change. The United States considers the Paris Agreement unfair to it and decided to withdraw from it. It is a setback to global environmental governance.

The recent economic slowdown and political backlash (resurgent nationalism riding on populist or chauvinist sentiments) would result in elimination of concessions and development assistance enjoyed by developing countries, particularly Asia. Sustainable development requires resource conservation, waste minimisation and planning economic growth subject to ecological limits. Hence, in order to achieve sustainable development, Asian countries must integrate and balance the three pillars in policy formulation and implementation.

Through the U.N./WTO, they must negotiate access to environment-friendly technologies from developed countries on affordable terms. They must also evolve common positions on multilateral negotiations relating to trade, environment, technology transfer and global environmental governance.

Nayyar's brilliant analysis, based on historical and statistical analysis, using the Asian perspective, enables the reader to understand the socio-economic transformation of Asia in the past 50 years. Students of economic development, researchers and economic policymakers will find the book an excellent reference material.