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Reflections on Asia's journey to prosperity

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# Reflections on Asia's journey to prosperity

Hal Hill

The Asian Development Bank is the premier financial development institution for the Asia Pacific region. To commemorate its first half-century, it has released a major study of the economic development of its 46 developing member countries, *Asia's Journey to Prosperity*. It is arguably the most comprehensive analytical survey of the region's socio-economic development over this period. This paper reviews the volume.

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# Reflections on Asia's Journey to Prosperity

Hal Hill\*

Publishing can be a tough business. To commemorate its first half-century, the Asian Development Bank (ADB) set itself the worthy goal of writing an analytical survey of the economic development of its member countries since the 1960s.<sup>1</sup> This was a high-priority assignment for the senior officials at the Bank. But just as the volume was launched at the beginning of this year, and its staff was preparing to go on various road shows to publicize the volume, Covid-19 struck and the region's almost exclusive focus shifted to managing the most serious pandemic in a century and the deepest economic crisis in 90 years.<sup>2</sup>

Nevertheless, this is a volume for the long haul. Once the pandemic is overcome and economic health is restored, the challenge of achieving rapid and sustainable socio-economic development will again take centre stage for the region. Policy makers and scholars will then be able to turn to this volume for what is arguably the most comprehensive analysis of Asia-Pacific economic development yet published.<sup>3</sup>

For the uninitiated some background information is useful.<sup>4</sup> The ADB was established in 1966. It is headquartered in Manila and has 31 field offices. It is the region's premier development banking institution. The Bank's operations are shaped by its parentage and its *raison d'être*. It is important to remember that it is first and foremost a *development bank*. Apart from its member contributions and its concessional window, the Asian Development Fund, the Bank's operations are sustained by its ability to borrow at prime rates on international capital markets and to on-lend to its developing member countries on favourable terms for extended maturity periods.

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<sup>1</sup> Asian Development Bank, *Asia's Journey to Prosperity. Policy, Market, and Technology Over 50 Years*, Manila, 2020. Pp. xxix + 583. ISBN 978-92-9261-978-7.

<sup>2</sup> Unfortunately for the Bank this was not the first occasion that unforeseen external events sidelined one of its major publications. ADB (1997) was released just as the 1997-98 Asian financial crisis hit the region.

<sup>3</sup> A disclaimer and a note on geographic coverage are relevant here. The disclaimer is that the reviewer was an editorial advisor (but not drafter) for the project.

The geographic coverage of the volume is defined by the Bank's regional member countries. The 46 developing member economies comprise 5 in Northeast Asia, 10 in Southeast Asia, 8 in South Asia, 8 in Central Asia, and 15 Pacific Islands nations. Throughout this paper we describe this group as 'Asia-Pacific'.

Note that the Bank quaintly persists with the terminology that the four Asian NIEs, Hong Kong, Korea, Singapore, Taiwan, are described as 'developing'. Note also that two of the 46 members are 'economies' not countries. That is, Hong Kong and Taiwan, the latter recorded in Bank documents as 'Taipei,China'. In fact the Bank is one of the few international organizations where China and Taiwan are both members; a credit to its deft diplomacy.

The Bank also has what it describes as three developed country members, Australia, Japan and New Zealand. These three countries are included in parts of the study, but this review article focuses on the 46 'developing' economies.

<sup>4</sup> Peter McCawley's (2017) official history of the Bank examines these issues on great detail.

The Bank's parentage matters in the sense that it is an institution with a pragmatic development focus. In part reflecting its continuous Japanese (Ministry of Finance) presidency, its operations have focused on what it perceives to be growth-enhancing supply-side investments, particularly in infrastructure. The Bank has generally eschewed the grander ideological debates (and associated proselytizing) that have occasionally permeated the World Bank. Moreover, relative to the World Bank (and the International Monetary Fund for that matter), the ADB's research resources are relatively limited. It is not a criticism of the Bank's many useful publications, including its flagship *Asian Development Outlook* and its journal, *Asian Development Review*, and its many extremely informative seminars and conferences, to observe that the Bank is more an action and program-oriented institution than an 'ideas bank'.

Returning to the Journey, the basic story is an unambiguously positive one. One only has to recall the Asia-Pacific of the mid 1960s. Only one Asian country, Japan, had established a track record of rapid economic development. It was too early to be sure that the promising economic dynamism of the four Newly Industrializing Economies (NIEs) was going to be sustained. The two Asian giants appeared mired in poverty and low growth. China had essentially closed off to the world and was experiencing periodic political convulsions. For India the 'Hindu Equilibrium' of 1% annual growth in per capita GDP appeared to be the norm (Lal, 2005). In another populous country, Indonesia, per capita income was similar to what it was 50 years earlier.<sup>5</sup> The Vietnam War cast an ominous shadow over all of Southeast Asia. There was a fractious relationship between the two South Asian giants, India and Pakistan (the latter then including what is now Bangladesh). The states of Central Asia were part of the Soviet Union and hence closed off to the west. The economics profession itself could only provide limited intellectual guidance. Central planning, ICOR's, a big push, and import substitution via the influential Argentinian economist Raul Prebisch were in vogue.<sup>6</sup> The development gap between the so-called first and third worlds appeared to be widening.

A few statistics summarize the development record since the 1960s. The volume's very first table (Table 1.1) presents perhaps the single most important set of statistics, on average annual per capita GDP growth, 1960-2008. The table shows that while the world averaged 1.9% growth, and the OECD countries grew at 2.2%,<sup>7</sup> the Asia-Pacific achieved 4.7%, more than double the global average. The contrast with other major developing regions is also stark: Latin America and the Caribbean (LAC) grew at 1.7% while for Sub-Saharan Africa it was just 0.7%. In other words the latter two regions – particularly Africa – have fallen further behind since 1960. This in a nutshell encapsulates the 'rise of Asia'.

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<sup>5</sup> Not surprisingly, Benjamin Higgins' (1968) leading economic development textbook of the time characterized the country as a 'chronic economic dropout'.

<sup>6</sup> See Arndt (1987) for a survey of development thinking over this period.

<sup>7</sup> Using the OECD group as an imperfect proxy for rich countries. Imperfect because some middle-income economies are members of the OECD (eg, Mexico), while some very rich countries are not (eg, Singapore). South Korea is the only member among the 46 in this study.

Note that henceforth 'South Korea' and 'Korea' (formally the ROK) are used interchangeably. North Korea (the DPRK) is not included in the study, the only Asian country not to be included.

Two additional dimensions of this record deserve emphasis. The first is the diversity *within* the Asia-Pacific. The most dynamic region has been Northeast Asia, with 6.5% annual average growth, followed by Southeast Asia's 3.5%. Seven economies within these two regions constituted the World Bank's (1993) East Asian 'miracles'. In fact, over the long haul the South Asian record of 3.1% is not far behind that of Southeast Asia. Then there are the two regional 'laggards', principally the more remote regions of Central Asia with 2% growth and the Pacific Islands at 1.5%.<sup>8</sup> This highlights the fact that developing Asia comprises both 'leaders and laggards'. It also draws attention to the challenge of writing an analytical narrative on such a diverse group of economies.

The second dimension is the episodes of rapid development. Rapid, broad-based economic development commenced only around 1970, and later still in most of South Asia. In the 1960s the Asia Pacific economies grew at only 2.2%, about half the OECD rate for that decade and slower than LAC. Thereafter it has grown at double and for some decades quadruple the global rate.

Correspondingly, the improvement in social indicators since 1960 have been dramatic: for the region as a whole, an additional 5.4 years of schooling and 27 years of life expectancy; an infant mortality rate one-fifth what it was in 1960, and a headcount poverty rate less than one-tenth what it was.<sup>9</sup>

What explains this dramatic if diverse success story? The Bank adopts an eclectic approach, sensibly (in this reviewer's opinion, for much of this work is inconclusive) not going down the growth econometrics route. The conditioning (or predisposing) factors initially highlighted in the study include peace and political stability, and a conducive international economic environment. The authors then identify three over-arching features of the success stories. These are 'pragmatism in making policy choices', including testing major policy changes before full-scale implementation (obviously relevant for China); learning from their own and other countries' successes and failures; and decisiveness in introducing major reforms.

The core of the book is organized around 14 key explanatory factors, each of which is examined in detail in a separate chapter. We briefly describe and comment on each one, and then return to some broader considerations and commentary.

1. *Market and private sector-driven* (chapter 2): This long (55 pages) chapter sets the scene for the chapters that follow. It is the closest that the volume comes to the sometimes elusive field of political economy. Governments are seen to be 'proactive', intervening where markets don't work adequately. There are 'visionary leaders' (for example Singapore's Lee Kuan Yew and (rather generously) Malaysia's Mahathir Mohamad). Good governance, high-quality

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<sup>8</sup> There are of course laggards within otherwise dynamic regions. Among the 10 Southeast Asian countries, for example, only Indonesia, Malaysia, Singapore and Thailand have achieved at least moderately strong growth for most of the past half century.

<sup>9</sup> In fact, this poverty decline was just for the period 1980-2018, as comprehensive international poverty data for the earlier period are not available.

institutions, and trust in government are seen as the key elements. The study shows that the ‘government effectiveness’ variable in the World Governance Indicators is clearly correlated with countries’ per capita income. There are also some useful case studies, including Japan, the NIEs, early and latecomer Southeast Asia, China, and others.

In all these respects the volume stays within the orthodox mainstream, and rarely strays outside. For example, on the high correlation between institutional quality and per capita income, which way does the causality run? Scholars continue to wrestle with this question, and it is unlikely that high-powered econometrics will ever decisively come to the rescue. Similarly, are these exceptional leaders ‘endogenous’ or ‘exogenous’? That is, was a leader like Lee Kuan Yew always likely to surface in Singapore? Moreover, does the type of political system matter? Apart from Japan, the early East Asian success stories were all authoritarian states. Yet the empirical evidence increasingly suggests that these states were outliers, that in the words of Acemoglu et al (2019), ‘Democracy Does Cause Growth’. But this complex issue is well outside the Bank’s intellectual territory, even though the authors undoubtedly have personal views on it.

2. *Facilitating Structural adjustment*: Chapter 3 examines the process of structural change, and the shift of resources from agriculture to industry and services over the long sweep of economic development. This informative analysis also includes snapshots of key sub-sectors (for example tourism) and the issue of ‘deindustrialization’. It comes close to asserting the primacy of manufacturing in this process – a hotly debated topic – but does include various caveats. The one statement that this reviewer would have rephrased appears on p.85: ‘structural transformation in Asia has been the primary driver behind the region’s rising income ...’ Arguably the causality runs in both directions, that is, rapid growth and rising incomes are also the drivers of the process. In subsequent discussion this anyway appears to be the authors’ intention.

3. *Promoting agricultural modernization*: Chapter 4 commences with a reminder of the prevailing Malthusian gloom in the 1950s, about whether Asia could feed itself. The gloom was compounded by under-investment in rural infrastructure, often the result of colonial era neglect, and a misplaced ideology that governments needed to tax agriculture and extract the ‘surplus’. A corollary was the effects of import substituting industrialization, through import protection for manufacturing and overvalued exchange rates, further discriminating against agriculture. From the mid 1960s technology came to the rescue, in the form of the green revolution and its transformative effects, and governments began to change their development priorities. The Bank played a useful role here in the form of its first major regional study, the influential Ohkawa-Schultz *Asian Agricultural Survey* (1969).

Taking the story forward, chapter 4 examines various other dimensions, including agricultural diversification, changing diets and marketing systems, and the rural nonfarm economy. Land reform is also emphasized, with particular reference to the Northeast Asian initiatives. This chapter is one of the volume’s most informative, and in effect it corrects an omission of the otherwise landmark World Bank (1993) ‘Miracle’ study.

4. *Supporting technological progress*: All the Asian success stories started well behind the global technology frontiers and successfully navigated the transition from ‘imitation to innovation’. The common elements were investments in universal education of a reasonable standard and, as incomes rose, taking universities seriously, support for basic R&D, and protection for intellectual property rights. The channels for technology acquisition have of course varied enormously, especially policies towards foreign direct investment (FDI), which have ranged from the historically cautious and restrictive in Japan and Korea to the very open regimes of Singapore and Hong Kong.

Chapter 4 also surveys a variety of country experiences. It notes the early attraction of the Soviet model of state-driven heavy industrialization, especially in China and India, and (very briefly) alludes to the consequent costly diversion of resources in both countries. Perhaps more could have been made of the continuing allure in many countries to the concept of a ‘great leap forward’ in technological advance. For example, even in the open Malaysian economy the government adopted a ‘Look East’ strategy of trying to pick winners during the 1980s, which was not only costly but also meant that the country missed out on the opportunity to develop an efficient, internationally-oriented automobile industry. (Instead, through a more flexible policy approach Thailand became the ‘Detroit of Asia’.)

Much of the analysis focuses on the period from the 1980s onwards, presumably because it was at this stage that several Asia Pacific economies were rapidly losing their comparative advantage in labour-intensive activities. The chapter includes some useful discussion of issues such as robotization, a dismissal of the ‘myth’ of Asian development’ (including the Singapore total factor productivity debate, popularized by Paul Krugman, that its growth was driven primarily by input accumulation), and the various measures of technological capability. This chapter could also link back to the previous analysis of agriculture modernization, including for example the fact that in the 1960s Southeast Asia (particularly Malaysia) led the world in tropical cash crop innovation, centred on rubber and palm oil.

5. *Investing in education and health*: In spite of some mixed econometric evidence, investment in human capital has been an essential ingredient of the region’s socio-economic success story. The education story in the successful economies is generally a well known one: governments moved fairly quickly to achieve universal education, particularly in Japan, the four NIEs, Sri Lanka, and the Central Asian former Soviet republics. In time they also strongly supported tertiary education for technological progress and vocational education to provide a wider skills base. In spite of rudimentary quality in the early periods and contentious pedagogical techniques (rote learning and so on), education policy was largely effective on both efficiency and equity grounds.

Elsewhere the story is mixed. For example, in much of Southeast Asia the quantitative indicators have improved rapidly, but quality has lagged well behind, at least according to admittedly debatable international exam scores. In most of South Asia illiteracy and severe gender differences (discussed below in chapter 12) have persisted until very recently. Both these factors suggest that education has not been the equalizing force that it was in the early developers. University excellence remains an aspirational goal outside a small handful of

countries. Perhaps this makes sense when the primary and secondary sectors have great needs.

The record on health is also mixed. Although life expectancy has increased impressively, and there have been some notable successes (for example, widespread immunization), major challenges remain. There are major gaps in health outcomes by socio-economic class, more so than is the case for education, suggesting that public health investments have not been so well targeted. Most countries have an aspirational target of universal health coverage, through a mixture of state support and self-funded insurance, but remain some way off its realization. The current Covid pandemic is quickly demonstrating the benefits for the countries that have undertaken concerted public health investment.

Chapter 6 also examines demographic issues, including the demographic transition and the challenge of rapid ageing. This is especially in countries that are becoming ‘old before they are rich’; China and Thailand come to mind here. Migration, both domestic and international, is also mentioned. The treatment of these important topics, and the operation of labour markets, is surprisingly brief.

*6. Achieving and mobilizing high levels of savings:* All the high-growth Asian economies have been high savers. The literature on this subject underlines the virtuous circle of growth and savings, and decomposes the latter into household, corporate and government savings. In many, but not all, cases prudent fiscal policy has been a contributor. Slower progress with the efficient mobilization of these savings has resulted in many cases of shallow, bank-based financial systems which lack well-regulated and trusted stock markets and long-term bond markets. (On the latter the Bank has done a lot of work.) Presumably these will evolve over time in line with the increased sophistication of financial regulations.

Are some countries over-saving, and do the large global imbalances (with much of the surpluses originating in Northeast Asia) matter? The evidence suggests yes to both questions – in the former case because living standards do not rise as quickly as they could, and in the latter case because it links to trade tensions, particularly with the USA. By and large chapter 7 of the volume leaves these sensitive issues for further study.

*7. Investments in physical infrastructure:* Chapter 8 provides a wealth of information on the remarkable growth in energy, transport, water, and telecommunications infrastructure in much of Asia. This has been core business for the Bank, and the chapter is therefore written with great authority. The expansion has had transformative effects on economic efficiency and living standards, albeit with adverse environmental consequences in some cases. There are also the contrasts, somewhat less documented and explained in the volume, between the global infrastructure benchmark achievements as illustrated in the cases of China, Japan and the NIEs, and much of the rest of the region which struggles to deliver many of the requisite services.

The volume also lays the foundations for further work on this vast topic, especially on some key economic questions. Some large infrastructure projects have natural monopoly characteristics, for example, electricity generation, inter-city trunk roads, and city airports. In the absence of some market test, how should they be regulated? The general approach is to establish an independent regulatory authority to represent the public interest, but that is easier said than done. Then there is the question of transparent project appraisal, including social pricing to reflect community expectations for the provision of basic services, and to guard against corruption.<sup>10</sup> In some countries infrastructure price suppression and state-owned infrastructure providers cum regulators are significant problems.

*8. Adopting open trade and investment regimes:* Chapter 9 provides an excellent analysis of the link between economic openness (broadly defined) and economic dynamism, emphasizing in particular the generally benign environment in which the Asia Pacific economies engaged with the global economy since the 1960s. It also provides detailed coverage of trade patterns, FDI patterns and policies, the increased tradability of services (especially as internet facilities have vastly improved), and the rise of global value chains. Arguably more could have been made of the centrality of economic openness in every major economic reform in the Asia Pacific region, in Cambodia, China, India, Indonesia, Sri Lanka, Vietnam and elsewhere.

The book has less to say on the thorny question of threats to the open multilateral trading system, and how the Asia-Pacific, as a major beneficiary of this openness, might step up to protect it. Related, the volume largely avoids taking sides on the complex issue of the proliferation of preferential trading arrangements (PTAs), and whether they are ‘building blocks’ or ‘stumbling blocks’ to further unilateral and multilateral liberalization. The greater the number of PTAs, many of which bear little resemblance to the notion of ‘open regionalism’, and the weaker the multilateral institutional underpinnings, in this reviewer’s opinion the more likely is the latter (stumbling block) outcome. Region-wide initiatives such as RCEP and the CTCPP may provide a way forward, but the jury is still out on their capacity to deliver.

*9. Pursuing macroeconomic stability:* Chapter 10 is a short (23 pages) but excellent survey of macroeconomic management in the region. Perhaps it could be argued that the chapter is short because the Asia Pacific has experienced fewer macroeconomic crises than either Latin America or Africa. It draws attention to fiscal prudence, sound monetary policy, the growing independence of central banks, increasingly flexible exchange rate regimes, and the lessons learned from major crisis episodes, notably the Asian and global financial crises. An unstated but clear inference from the analysis is that prudent macroeconomic management is a necessary but not sufficient condition for rapid economic development, as illustrated by pre-reform India and many other such cases.

The region’s macroeconomic regimes are of course diverse, more so than is the case for trade regimes, and the outstanding macroeconomic policy reform agenda remains substantial. For one thing, some countries remain heavily dollarized, which entails a loss of policy autonomy (as well as being an affront to national pride), but which in most cases has proven to be a

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<sup>10</sup> As trade barriers have fallen, and with it the associated rent-seeking, infrastructure projects are invariably a major source of corruption, and patronage.

workable option in the absence of deeper trust in the national central banks. Another unresolved issue is the interaction with the global financial architecture, particularly the role of the IMF, and financial safety nets. Some countries, for example, Mongolia, Pakistan, appear to be more or less permanent (if intermittent) ‘clients’ of the IMF, which raises the question for both the Fund and these countries as to why more durable macroeconomic reforms cannot be implemented. Meanwhile, some countries, for example, Indonesia, Malaysia, are at the other end of the spectrum, in the sense that ever since the Asian financial crisis an IMF program has been (and probably still is) politically unacceptable. These countries essentially operate without an international safety net, especially because the regional arrangements do not yet appear to be functional.<sup>11</sup> Indonesia and Malaysia are therefore forced into suboptimal approaches, such as carrying very large foreign exchange reserves and/or targeting (restraining) the current account deficit.

**10. A commitment to poverty reduction and social inclusion:** Chapter 11 examines the region’s generally impressive progress with poverty reduction, arguably the single most important development achievement. The country experiences invariably demonstrate the strong link between economic growth and poverty reduction, and also draw attention to the additional ‘growth-plus’ factors. On the positive side, these include the labour intensity of economic growth (particularly export-oriented manufacturing), land reform, and the provision of universal education and health services. These were all significant factors in the success of the first generation of Asian ‘Miracle’ economies.

Conversely, rising inequality in many countries, especially since the 1990s, has blunted the poverty record, but not negated it. This chapter canvasses the various explanations for rising inequality, including increased skill premia, urbanization, and biased technological progress. The chapter eschews an overarching explanation, a la Piketty, understandably since this is an unresolved debate. Although the Bank has to be circumspect, one wonders here whether the political dimensions need to be factored in more explicitly. That is, do Asia-Pacific governments have the political will to reverse the rising inequality? The emerging international evidence on the difference between the Gini ratios before and after tax and transfers suggests that most Asia-Pacific governments do not engage in extensive redistributive fiscal measures, and that such social expenditures that do exist are not (yet) highly targeted. For example, the social transfers rarely extend beyond about the third income decile, and the very wealthy continue to be lightly taxed. Perhaps change will come in time as various conditional cash transfer programs are expanded and refined, and the tax system’s reach becomes more sophisticated. In addition, there is a range of unequalizing country-specific factors at work, including natural resource booms and (for China in particular) mobility restrictions that inhibit the ability of workers in poor regions to migrate to more prosperous regions.

**11. Promoting gender equity:** Chapter 12 extends the inequality analysis with particular reference to gender. The analysis draws attention to the significant improvements in education and health, but much slower progress in the labour market, legal systems, gender violence, and political representation. From this follows various policy prescriptions. For example, the

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<sup>11</sup> That is, the enhanced Chiang Mai Initiative Multilateralization (CMIM), which is an agreement among the ASEAN + 3 countries. In its 10 years of existence it has never been used, including the 2013 taper tantrums episode, nor thus far in the current Covid-19 crisis.

report suggest that, in spite of significant progress, the lagging female labour force participation, particularly in some countries, can be addressed by removing remaining discriminatory provisions in labour laws and by providing more family-friendly work environments, such as child care facilities and greater maternity (and paternity) leave. With regard to property rights, discriminatory inheritance laws need to be reformed. Whether more fundamental reforms in the commercial world and political systems are required, including even gender quota provisions, remain an open question.

12. *Gradually addressing environmental issues*: The Asia Pacific countries generally came late to addressing environmental challenges, broadly adopting a strategy of 'grow first and clean up later'. The familiar problems are documented in detail: rapid deforestation, land degradation, species loss, rising air and water pollution, declining maritime health and over-fishing, and the proliferation of plastic waste. The vulnerability to climate change is also highlighted, nowhere more starkly illustrated than in the Pacific Islands.

In fact, the volume documents empirically the proposition that the region has generally come late to these environmental challenges. The well known 'inverted U' Environmental Kuznets Curve is found to be present, but the turning point towards improved environmental amenities occurs at a relatively high per capita income. The urgency of climate change in particular suggests that environmental issues cannot be relegated to a later stage of development, and to this end various mitigation and adaptation strategies are proposed. There is of course no shortage of environmental regulations throughout the region, some originating from undoubtedly well-intentioned external advisors. The main issue is implementation, and in a least-cost, less distortionary manner.

13. *Development finance and regional cooperation* (chapters 14 and 15): These short chapters might have been merged into a single chapter, except that they are core business for the Bank, and it has been a prominent actor in both fields.

In the case of Official Development Assistance (ODA), the report surveys the recipient country experiences and those of donor countries and international agencies. It also reminds the reader that, following the successful graduation of many countries, ODA is now increasingly focused on the Pacific Islands and the least-developed country group. There is also some discussion of the link between ODA and economic development. The extension to this analysis would be the proposition that ODA is most effective when the recipient countries adopt 'good policies'. There is an ongoing (and unresolved) debate about whether the two are linked, that is, whether donors can nudge effective policy reform. The experiences of Indonesia's legendary 'Berkeley Mafia' in earlier decades, for example, indicates that far-sighted donors can be very effective in the right circumstances. Skeptics point to cases like Vietnam, which instituted major reforms in part precisely because of the looming cessation of Soviet aid.

The brief (13 page) chapter on regional cooperation and integration (RCI) highlights the case for RCI, including the fundamental importance of getting on well with one's neighbours, and that some countries find regional liberalization a useful step on the way to deeper unilateral reforms. ASEAN is clearly the region's major durable success story; in fact arguably the only

one, with the possible exception of the South Pacific Forum. Indeed, it is worth noting that in some cases the region has deftly managed to achieve deep economic integration even in the presence of difficult political relationships. The Northeast Asian triangle, China, Japan, Korea, is the standout example of this proposition.

Summing up, in this reviewer's opinion the *Journey* is the most comprehensive and authoritative volume yet produced under the ADB authorship. It leaves very few stones unturned. It is attractively presented, accessible to a wide readership, and with further guidance for the reader who wants to dig deeper into the academic development literature. The charts and tables documenting long-term development trends and patterns are very useful, as are the various illustrative excursions and country snippets.

One volume, even one of this length, obviously cannot cover everything. The task is a herculean one, covering 46 economies, five decades and the many dimensions of development. In some respects it is impossibly complex to develop an over-arching narrative that embraces countries as diverse as Tajikistan, Thailand and Tonga. It is not a criticism of the volume to observe that it is more comfortable theorizing about what may be termed the Bank's core group of successful economies, initially mainly in Northeast and Southeast Asia, extending later to South Asia as most of the economies in that region began to grow more quickly. The framework adumbrated above generally works well in its application to these economies.

The more difficult terrain is the laggards, now principally in the Pacific Islands and Central Asia. Presumably, by inference, the explanations for their weaker socio-economic performance are also to be found in the 13 factors, at least to the extent that they are not being achieved. Like all international institutions and most bilateral donors, the Bank perforce cannot offend its member countries, and is under pressure to maintain its operational programs even in poorly performing economies. Nevertheless, a little more guidance on what the Bank staff have learned from its disappointing experiences might have been helpful to the reader. Walking the corridors of the Bank there is no shortage of insight and wisdom. Why is it, for example, that some of the countries that were expected to be stars did not achieve their potential?<sup>12</sup> India, Myanmar, Pakistan and the Philippines come to mind, although both the former and latter now appear to have durably rejoined the growth club.

More generally, can one identify turning points in countries' development histories, and the factors that underpin them? Why for example did the three Asian giants, China, India and Indonesia, experience decades of sluggish growth before decisively shifting to a higher-growth trajectory, conventionally documented as 1978, 1991 and 1966 respectively. The proximate answer is the adoption of major growth-enhancing policy reforms in all three cases. But the deeper answers lie in the realm of political economy, of political leadership with a vision for economic success and the capacity to implement the needed reforms. Conversely, why have some former 'stars' appear to have reverted to a slower growth trajectory? This appears to be

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<sup>12</sup> Morawetz (1977) provides a survey of early development forecasts and subsequent outcomes, at least until the mid 1970s. The flip side of the under-achievers has of course been the countries that have done much better than was earlier expected, such as Indonesia and Korea.

the case of Thailand for example, at least for the past decade. A convenient explanation is the so-called 'Middle Income Trap', but this is a label without a coherent analytical theory underpinning it.

Finally, in a world of rising nationalism, populism, anti-globalization, and collapsing international institutions, and hence an inability to agree to concerted, coordinated action on such pressing issues as climate change, global trading rules, migration, security and much else, can Asia step up and take a lead? For at least four decades after the end of World War Two, the major North Atlantic nations, together with Japan from the 1970s, forged a workable global consensus on most international issues. To be sure, it was a system that was shaped in their interests and vision, and the Cold War remained an ever-present threat. But that order worked satisfactorily for the emerging Asia Pacific economies, certainly for those that adopted economic openness as a guiding philosophy. Even before the current pandemic is overcome, that earlier world system was in tatters. It is likely that only Asia now has the economic muscle, not to mention self-interest, to assume the mantle of far-sighted global leadership. After the current Covid crisis is overcome, arguably this will be the region's biggest challenge.

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