

Appendix 1

PERCEPTIONS OF ASIA AND ITS FUTURE, 1945 TO 2008

HISTORICAL ANALYSES

The literature about Asia, its economic rise, and the prospects for the future is vast. In this appendix an attempt will be made to look at some of the many works published to give an idea of the many perceptions and thoughts put forward by various writers and institutions.

Over the last half decade, Asia has turned poverty and a dismal economic outlook to an economic miracle and is now generally looked upon as the new economic superpower, although discrepancies in internal living standards have grown.

This warrants two questions: how did it happen and how solid are the prospects for the prediction that the twenty-first century is Asia's century?

It is said that some years after the end of World War II, economists predicted that Burma, Indonesia, the Philippines, and Vietnam would emerge as winners among the Asian nations to sport strong and viable economies. The basis for this prediction was their endowment with rich resources. It completely missed the industrialization of Asia, propelling nations short of resources such as Singapore, Japan, and Korea, with Hong Kong and Taiwan, to the forefront. This is a classic example of making predictions by extending existing curves, without considering the possibility of abrupt changes forcing the curves to bend.

In 1968 Gunnar Myrdal published *Asian Drama — An Inquiry into the Poverty of Nations*.¹ Myrdal saw two dramas unfolding in Asia:² (a) modern ideals confronting the traditional and (b) different economic models being

offered to the populations. Its greatest value was to link various trends in a coherent framework not confining itself to a purely economic or sociological study. The book comes in three volumes, and social and sociological issues dwarf the number of pages analysing economics. Myrdal wrote in the mid-1960s, but many of the issues he evokes are still with us. Chapters on the relation of modernization ideals to other values, such as inequality, equality and democracy, corruption, investment in man, health, education, the school system, to mention the most interesting ones, also figure on the agenda forty years later, and Myrdal's observations still give food for thought although they are in many respects outdated. What is not outdated, however, is his approach, which deviates from pure economics.

Even today many economists have not realized the eternal wisdom in Myrdal's blunt statement that:³

Economic theorists, more than other social scientists, have long been disposed to arrive at general propositions and then postulate them as valid for every time, place and culture. There is a tendency in contemporary economic theory to follow this path to the extreme. For such confidence in the constructs of economic reasoning, there is no empirical justification.

He adds a little later:⁴

That the use of Western theories, models, and concepts in the study of economic problems in the South Asian countries is a cause of bias seriously distorting that study will be a main theme of this book.

Asian values have captured a good many headlines over the last decade or so; therefore it can be useful to look up what Myrdal says about that:

Insofar as there are considerable and systematic differences in conditions among the several South Asian countries there is undoubtedly something to the concept of a "national character". The same may be said of religions. And as the differences in conditions are much more pronounced between these countries as a whole and the Western world, there is room also for the concept of the "Asian" — or "South Asian" — mind. But these terms are not suitable for scientific use. They have been contaminated by being made to serve — in South Asia as in the Western world — speculative, nationalist, aggressive or apologetic ideologies.

The specific value of Myrdal's study is limited in today's world. But his main contribution to spread the analysis beyond economics, maybe even subordinating economics to social and sociological issues, has withstood the

change of time. His firm rejection of transferring Western concepts to Asia is another major contribution.

Myrdal concluded that the countries analysed were likely to be kept at a low stage of economic development as a rigid social structure prevented change and governments were too weak, or simply not willing/prepared to break established structures and norms. He attributed low growth to factors outside a purely economic framework and advocated social policies to stimulate growth.

It is one of the whims of history that at the same time that he published his book, political systems emerged in Southeast Asia setting most of the region on a firm growth pattern for the next thirty years.

Around 1990 the theory of the flying geese emerged showing that the rest of Asia was following Japan and Korea in their development pattern.⁵ The basic philosophy was that the strong Japanese economy was pulling the rest of Asia along, based on a primarily export-oriented economic model. And very few then were talking about China from the economic point of view, entangled as it was in its own system and the aftermath of the Cultural Revolution and the war with Vietnam. India was simply not regarded as a serious contender in the big league for many, many years to come.

Looking at how Asia's growth has unfolded over the last fifty years we find it striking that Japan is in the forefront in upgrading education as a vital factor in promoting economic growth, realizing fully that investment in education is a long-term investment that may not realize its full potential until about thirty years later. It has also invested in machinery, following the German model, as no manufacturing economy can stay competitive without productivity and complexity gains from machinery. Korea and Taiwan followed the Japanese example on both counts, which is also the case for Singapore, while it seems doubtful if all other Asian countries have realized the importance of education and are ready to invest now, with the prospect of reaping the benefits over a horizon that may stretch to more than thirty years.⁶ In the late 1980s only Japan invested in science, China and India followed in the late 1990s, but only in a few selected areas.

In its 1993 study of East Asian countries,⁷ the World Bank⁸ highlights the significance of human capital through a determined educational effort and points out that education must span from basic schools to tertiary education.

The key findings are put this way:⁹

Aside from the ability to sustain rapid growth with fairly equal income distributions, the HPAEs¹⁰ also differ from other developing economies in three factors traditionally associated with economic growth. Elevated rates

of investment, exceeding 20 percent of GDP on average between 1960 and 1990, including remarkably high rates of private investment, combined with rising endowments of human capital because of universal basic education, tell a large part of the growth story. These factors “account” for roughly two-thirds of the growth in the HPAEs. The remainder is attributable to productivity growth. In fact, productivity growth in the HPAEs exceeds that of most other developing and industrial economies. This superior performance comes from the combination of success at allocating capital to high-yielding investments and success at catching up technologically to the industrial economies.

In 1994 Paul Krugman¹¹ published his analysis about Asia’s growth contradicting the conclusion of the World Bank study. He draws on earlier analytical work,¹² saying that basically Asia’s growth was not so much due to higher productivity, as to higher input of production factors. He admitted, however, the importance of education.

Turning to the future, John Naisbitt’s *Megatrends Asia*¹³ published in 1996 is a natural starting point. It deals with Asia as a whole and, contrary to Myrdal’s book, takes a strong positive outlook on Asia and its future, possibly inspired by several decades of high growth pulling a large part of Asia out of poverty, albeit a part of the population in most countries still lived near or below the poverty threshold.

Naisbitt’s book was certainly not the first to foresee Asia’s rise as the dominant economic region and to explain why that would constitute a permanent trend, accompanied by some repercussions, but it may be the first of its kind reaching out to a broad public. Basically he puts forward the thesis and defends it that the modernization of Asia means a decline for the West, not only economically, but also culturally and politically. As a side effect of modernization, Asia will be confronted with many of the social and sociological problems that have harassed the West for decades, such as crime and the breaking up of the traditional family structure.

FUTURE STUDIES

In 2006 the World Bank published “An East Asian Renaissance: Ideas for economic Growth”.¹⁴ The report analyses Asia’s economic growth over the last decades and underlines the importance of economies of scale as a driving force.

While it does not explicitly enter into forecasts or recommendations for the future, its selection of issues vital for future economic growth indicates both problems and opportunities for staying on a growth pattern.

The number of people living in the middle-income bracket will rise so strongly that most people in East Asia will live in this income bracket, with consequences for purchasing power and consumer preferences.

In the introduction, the World Bank emphasizes supercities as being probably the most important phenomenon to take place. “Cities are at the core of a development strategy based upon international integration, investment and innovation” is the key phrase. The outlook of the report is primarily economic, and it analyses and discusses the need for investment and how supercities interact in a competitive framework while the social and sociological aspects, such as impact on the traditional family structure, are not dealt with. Environmental consequences are ignored as are natural resources.

The World Bank sees a renaissance in innovation and networking, which leads to the term “A New Asia”.

There has been a “renaissance” in innovation, but it has not grown steadily nor consistently as some countries’ models espoused outsourcing revenue and job opportunities (China is an example). Such revenues were mapped into productivity improvements and not necessarily long-term investments in know-how infrastructure.

Kishore Mahbubani,¹⁵ who has a knack for saying things bluntly, followed up in 2008 on his other writings about the rise of Asia by pointing to two salient features of our historical epoch. “First, we have reached the end of the era of Western dominance of world history (but not the end of the West, which will remain the single strongest civilization for decades more). Second, we will see an enormous renaissance of Asian societies.”

And then, “One key message of this book is that the Asian March to Modernity ... represents a new opportunity both for the West and for the world.”

The book is an eloquent and lucid analysis of why Asia is rising and how it happened, but it tends less to offer a futuristic analysis of how Asia and Asian societies may be expected to adjust or react to the continued changes and challenges taking hold over the next twenty-five years.

Sanjeev Sanyal¹⁶ traces India’s decline from AD 1000 when its share of world gross domestic production was 29 per cent — even higher than China’s — to 1991 when it had fallen to only 3 per cent. From India’s independence from the British Empire in 1947, some — albeit limited — progress was made, but a centrally planned economy held it back. In 1991 reforms were introduced and they opened the way for a strong rise in growth and export, admitting India to the global economy and globalization.

Sanjeev Sanyal sees a bright and promising future for India, but does not hide the many obstacles and challenges this vast country faces, and points

out with almost acrid clarity that, unless reform policies are pursued, the risk of falling back to lower growth is agonizingly high.

It should be added that even in issues linked to modern infrastructure, such as telecommunications, there is an Indian tradition to build regulation in an awkward way making it prone to lower relative growth.¹⁷

This book, exclusively on India, is more future-oriented than Kishore Mahbubani's work covering Asia, in that it analyses a number of sectors such as education, law, technology, and savings, to mention a few, pointing out what kind of reforms need to be implemented and what the consequences may be if they are not. The reader sits back with the image of India as having enormous potential, but also with more and deeper problems than conventional wisdom tells us.

According to Sanjeev Sanyal, India will change and enter the hypergrowth phase, which will transform the country over the next few decades. He mentions the following crucial points that may also be of interest to other countries in a comparable situation.¹⁸

Urbanization will rise as a consequence of growth and will itself stimulate growth. The middle class will grow over its present level of about fifty million (thirteen million families) and promote institutional reforms. The schism between westernization and modernization holding back India's reforms may disappear with the higher growth and the rising middle class. Environmental costs will be high and a real problem for the economy. India will take its place on the global stage, reflecting its economic size and thus also acting as a stimulant for productivity and competitiveness. The growing film industry is an example of how India will project soft power.

A study commissioned by the Asian Development Bank (ADB)¹⁹ concludes that India could go from poverty to affluence in one generation, but not without difficulties and problems.

According to the ADB, India follows China in its development model, but with a ten-year time lag running into the obstacles and problems connected with economic growth that China has encountered. The well-known Indian service-led growth model gives way to a more traditional development with industry and manufacturing as drivers. Problems such as infrastructure, the environment, training of the labour force, and migration from rural to urban districts will dominate the agenda. Basically to succeed India must become a more cohesive country, be a globally competitive economy, and a responsible global citizen. The determining factors are abilities and political willingness to set up institutional machinery mapping out long-term objectives, pursue them, and monitor progress to step in with corrective action in case something starts to go wrong.

Five major challenges are mentioned and of interest because they apply to most other countries trying to get out of the low-income bracket. Cities must be turned into sustainable cities not gobbling up resources, but contributing to growth; the education system must be tuned to future demands, income inequalities must be addressed, combined with equal access to opportunities, and India's geographical environment must be stabilized so as not to disrupt the growth pattern.

Of particular significance for India is the warning of an oligarchic capitalistic system, where the market, under the control of a few large enterprises in conjunction with political power, malfunctions, drawing resources away from growth.

India has the chance to learn from some of the mistakes committed by East Asian countries in their drive to manufacturing. Fundamentally India will go through a strong growth, but the message is that unless it manages the problems and obstacles in an adroit way, growth will level off and leave India in the position of a middle-income country, not capable of moving on to a higher income per capita. If so, India will be caught in a position where it is not sufficiently high-tech to compete with countries such as the United States, the European Union, Japan, and possibly China, while at the same time operating at a wage cost level ruling it out of the competitive league dominated by low-cost producers.

An ambitious attempt to sketch broad lines of development until 2050 (and even further) was made in 1998 by Barry Buzan and Gerald Segal.²⁰ The book is still very readable and has the added value that after more than ten years it offers an opportunity to test future forecasting. It weathers such a vetting in fine shape.

The following excerpt from the book gives a short summary of its messages:²¹

We can project with reasonable assurance some of the characteristics of the world.... Political and cultural framework in 2050 will be quite similar to our own. Most of the familiar states and nations and major languages will probably still be there, as will many of the international and transnational organisations (or their recognisable successors). Large parts of Asia will have carried through their process of modernisation, though whether this will have been achieved without wars in the region is less certain. The world will still be heavily divided by patterns of uneven development and inequality. The restraints on war amongst the leading world powers will probably be stronger and somewhat more widespread, but so too will the problem of failed states and the proliferation of privatised violence. The development of the global economy and global

communications will have continued, and be much deeper rooted, and more widespread. The world population will be something like double what we now have, but it will be peaking, with only a few areas still showing sharp growth. A great redistributing of population will have taken place, with the old West having shrunk to a smallish percentage of the world's people, and containing a relatively even mix of age groups; and the rest of the world containing the bulk of humanity, and with a preponderance of younger age groups.

Buzan and Segal dwell on the notion of *mondoculture*,²² which they see as a staple, pluralist sense of identity embracing most of humankind.²³

They predict continued nationalism, but in a weaker form, leaving the door open for localism and many non-geographical threads of linkages to communities of shared interests. Cultural identity moves gradually from established nationalism to a feeling of belonging culturally, and with regard to a chosen set of values, to larger communities reaching across political borders and geographical distances. This diversification makes it easier for them to take a welcoming or, at least, tolerant attitude to those belonging to other human communities. In such an environment, *mondoculture* emerges as attitudes making it possible for human beings to live with others more closely, while retaining their myriad of identities.

The first signs of *mondoculture* will be seen in most culturally-mobile forms of the arts and entertainment, music, sports, fashion, and food. This will not harmonize tastes or produce homogenized world products, but instead generate global market segments where consumer groups enjoy the same kind of lifestyle wherever they live, and feel a common bond with consumers enjoying the same services, irrespective of geographical and/or political/religious differences.

Buzan and Segal foresee conflict, even wars, social unrest, terrorism, and various forms of disruption, but offer the conclusion that around 2030, the world will move into what they term “geo-economic diplomacy” as a result of increasing interplay between business and political global relations.

They discuss population explosion and environmental problems, but conclude by stating that even if these problems and challenges will not be negligible, the world will survive and by year 2050 have weathered the storm.

The National Intelligence Council (NIC)²⁴ in the United States published in 2008 its report called “Global Trends: A Transformed World”, which sketches a geopolitical picture of the world in 2025. Its basic conclusion is that the present global system, anchored in overwhelming U.S. power, will

give way to a multipolar world with China and India as rising powers asking for, and getting, influence on the system. China will be the second largest and India the third largest economy. The third Asian power, Japan, will not be able to keep its place, and must accept a slide down in ranking and less economic clout.

The impact on Asia of such a likely scenario is less stability and a more pronounced power game, where a number of players will jostle for position and play one against another — a scenario judged from history to invoke, at best, instability, and, at worst, armed conflict.

A somewhat “inconvenient truth” analysis focusing on the many challenges flowing in the wake of rising populations and limited resources, is found in a classic scenario building published by Forum for the Future.²⁵ It starts by outlining seven categories of factors shaping the future response to climate change.

- Climate change is a scientific certainty, but we do not know how quickly it will happen and where different impacts will be felt.
- The perception of climate change among the public will have a profound influence over what can and will be done.
- The same goes for how the business community responds, faced with the shift to a low-carbon economy.
- It is still anyone’s guess how the global economy will develop over the coming years, including the reaction to the global financial/economic crisis that took hold in late 2008 and is expected to continue until 2010.
- Resource shortages in areas other than climate change will play a major role.
- The political response and its support from the population reflect a wide range of views, keeping us in the dark about which policies will be implemented and based on what kind of philosophies.
- New technology will be developed and implemented, but the time frame is not defined.

The analysis puts forward five scenarios for 2030:

- Efficiency first, with rapid innovation in energy efficiency and novel technologies opening the door for the continuation of present lifestyles and business practices.
- Service transformation, with a high price of carbon, forcing a revolution of how people’s needs are satisfied.
- Redefining progress, which introduces new priorities of “well-being” and

“quality of life”, putting sustainable forms of living ahead of present day resource-intensive lifestyles.

- Environmental war, with resource shortages pushing the existing model to the limit, and political entities seeking solutions to gaining access to resources, even if that means conflicts with other political entities.
- Protectionist world, where globalization is rolled back and political entities, primarily in the form of nation states, try to shift the burden to others.

This analysis revolves around climate change as the main parameter, but illustrates how important aspects cannot be resolved in isolation and need to be seen in the context of globalization, both geographically and sectorally. No major problem can be singled out and solved without considering repercussions on other countries and other sectors.

An interesting and thought provoking attempt to make a forecast for the next hundred years is made by George Friedman (2009)²⁶ from Stratfor. Friedman’s analysis is exclusively geopolitical, confining itself to the struggle among great powers for supremacy. He does not deal with any kind of domestic, economic, or social issues, although many of these implicitly form part of his analysis and conclusions.

The world Friedman sees is dominated by the United States, which will move into unprecedented power and influence. China and India will not make it as real superpowers and are actually curiously absent from most of his analysis, as are Africa and Latin America. His underlying assumption that they will not be able to modernize themselves into great powers is in itself debatable and highly questionable, but even if that assumption is accepted, it is a long step from seeing them almost as non-players.

In Friedman’s scenario the next world war takes place in the middle of the twenty-first century between the United States on the one hand and a coalition between Japanese-led forces in Asia and a Turkish-led conglomeration of forces in Europe, where an emerged Polish sphere of influence is the closest ally of the United States. Germany and France end up more or less on the side of Turkey, while the United Kingdom finally decides to step in and support the United States and the Polish conglomeration of forces. The United States wins this war.

What is more interesting in Friedman’s book is his analysis of military conflict, where he points to the importance of space in armed conflict and talks about battlestars as some kind of future battleships from which

battles are directed and which are capable of administering enormous fire power.²⁷

Irrespective of his scenarios, the analysis setting out in clear text why precision weapons change warfare is undoubtedly right. In traditional warfare, targeting was imprecise, so to destroy a target an enormous number of bombs were needed. The allies dropped almost 600,000 bombs on the German city of Schweinfurt to destroy the factories there that were producing ball bearings, with debatable consequences at least until the end of the war. This required many platforms for delivering bombs, mass armies, and the mobilization of the whole nation. In a future war with precision weapons which hit the target, only one bomb and one platform is needed and the platform may be reusable. Therefore there is no need for a mass army and no need for the mobilization of the whole nation. In Friedman's scenario about a world war, losses of human beings are almost negligible compared with what happened during World Wars I and II.

This is an interesting contribution to the thinking about future warfare, but even more interesting is, of course, how relevant the basic idea of warfare seems to be in the next twenty-five years.²⁸

CONCLUSION

These studies are all valuable and give insights of various kinds. The common denominator is how Asia's vast resources and vast populations influence economic growth. Prior to around 1970, when Myrdal wrote, a large population, especially of the kind in Asia, was seen as a barrier to growth, eating up what economic growth could be mobilized. All the ingredients for a growth pattern, from savings to good governance, were lacking.

After that date, studies shift track and start to analyse the high growth rates afterwards so as to sketch trends for the future in an optimistic environment where Asia is predicted to be the rising power and to be the dominating continent in the twenty-first century.

The common denominator for all the optimistic studies appearing after 1970 and, in particular, in the 1990s and the beginning of the first decade of the current century, is an almost blind acceptance of American-style capitalism as the global model. Asia is seen to be growing by adopting the principles of this market-oriented and export-led growth model. Reservations are confined to non-economic problems such as the environment, without hiding many of the challenges further development poses to the political environment.

Notes

- 1 G. Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations. A Twentieth Century Fund Study* (New York: Pantheon, 1968).
- 2 Although the word “Asia” is prominent in the title, the book actually excludes West Asia, China, Japan, and Korea. It confined itself to India, Pakistan (today’s Pakistan, plus Bangladesh), Sri Lanka, Myanmar, Malaysia, Singapore, Thailand, Indonesia, the Philippines, and, sometimes, what was South Vietnam.
- 3 Myrdal, *Asian Drama*, prologue, p. 16.
- 4 Myrdal, *Asian Drama*, prologue, p. 19.
- 5 Edith Terry and Chalmers A. Johnson, *How Asia Got Rich: Japan, China and the Asian Miracle* (Sharpe, 2002).
- 6 In July 1963 Japan’s Ministry of Education (Monbusho) published *Japan’s Growth and Education 1963*, sketching the role of education in promoting economic growth and referring to how education already played an important role in the Meiji Era modernization of Japan in 1868 <http://www.mext.go.jp/b_menu/hakusho/html/hpae196301/hpae196301_1_001.html>. An analysis of the early modernization of Japan, with emphasis on the role of education and technology, can be found in Wayne. E. Nafziger, *Learning from the Japanese: Japan’s Pre-war Development and the Third World* (Sharpe, 1994).
- 7 It is another whim of history that while Myrdal did not include the part of Asia which took off when he wrote his book, the World Bank concentrated on East Asia, writing one year after the 1992 economic reforms in India that launched that country on a growth pattern.
- 8 World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press, 1993).
- 9 *World Bank Policy Research Bulletin* 4, no. 4 (August–October 1993).
- 10 High Performing Asian Economies.
- 11 Paul Krugman, “The Myth of Asia’s Miracle”, *Foreign Affairs* (November/December 1994).
- 12 By Alwyn Young of Boston University and Larry Lau of Stanford University.
- 13 John Naisbitt, *Megatrends Asia: The Eight Asian Megatrends That are Changing The World* (London: Nicolas Brealey, 1997).
- 14 “An East Asian Renaissance: Ideas for Economic Growth” (Washington, D.C.: World Bank) <<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/0,,contentMDK:21056110~pagePK:146736~piPK:146830~theSitePK:226301,00.html>>.
- 15 Kishore Mahbubani, *The New Asian Hemisphere* (New York: Public Affairs, 2008).
- 16 Sanjeev Sanyal, *The Indian Renaissance: India’s Rise After a Thousand Years of Decline* (Singapore: World Scientific, 2008).
- 17 <<http://portal.acm.org/citation.cfm?id=1359998.1360005&coll=GUIDE&dl=GUIDE&CFID=45063031&CFTOKEN=51826540>>.

- 18 Sanjeev Sanyal, *The Indian Renaissance*, Chapter 8, “How India will change”.
- 19 Asian Development Bank, “India 2039: An Affluent Society in One Generation”, prepared for the Emerging Markets Forum (Manila, 2009) <<http://www.scribd.com/doc/16761658/India-2039-An-affluent-society-in-one-generation-by-htptrakin>>.
- 20 Barry Buzan and Gerald Segal, *Anticipating the Future: Twenty Millennia of Human Progress* (London: Simon and Schuster, 1998).
- 21 Ibid., pp. 215–16.
- 22 The authors define *mondoculture* in this way: “about the move away from a world of tightly bounded and geopolitically separated nations and states, and towards a more complicated multicultural world in which cultures penetrate each other, and up to a point blend and fuse”, p. 221.
- 23 Buzan and Segal, *Anticipating the Future*, p. 220.
- 24 National Intelligence Council, *Global Trends 2025: The National Intelligence Council’s 2025 Project* (Washington D.C.: Government Printing Office, 2008).
- 25 Forum for the Future, “Climate Futures, Responses to Climate Changes in 2030” (October 2008).
- 26 George Friedman, *The Next 100 Years* (New York: Doubleday, 2009).
- 27 The future world war starts with a Japanese surprise attack on the most important of three American “battlestars”. The attack comes from Japanese bases on the moon, which have secretly stocked weapons for such an attack, taking the United States completely by surprise as was the case with Pearl Harbor in 1941.
- 28 See Chapter 6.