

Opinion: How to outgrow an export-led economy

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The global economic crisis was a defining moment for developing Asia. Its rapid rebound from the recession has changed how others view the region and how the region views itself. Now the region needs to refocus. We must turn our advantage into sustained economic growth. Keep unwinding stimulus, and, above all, become more efficient to sustain growth over the medium and longer term.

Developing Asia's recovery has led the world. This year, gross domestic product growth will probably reach 8.2 per cent, up from just over 5 per cent last year. This dynamism contrasts starkly with the fragile recovery in advanced economies.

While developing Asia is justly proud of its economic resilience, there is no room for complacency. It must look beyond recovery and grab the opportunity to restructure for steady growth over the longer term. Don't forget, for all its achievements, developing Asia remains home to two-thirds of the world's poor.

So how do we do this? First, a reality check. Post-crisis, advanced economies must get a grip on debt; developing Asia must make its savings more productive. In this environment, the region's traditional export-led growth paradigm has to evolve.

Bringing trade, human capital, infrastructure, and financial development to the next level are the pillars for developing Asia's next transformation.

Trade has been and will remain a critical component of the region's success. We must galvanise the region's huge domestic consumption potential to bolster intra-regional trade. The corollary is that, for Asia's weaker, smaller or landlocked economies unable to tap global trade, we must provide "aid for trade" to channel donor support for infrastructure development, removing impediments to trade, and building the expertise required to expand manufacturing and diversify exports.

People are key. We must improve labour productivity while taking in existing technology and promoting innovation. Education underpins developing Asia's economic surge. Asians want their children to learn. And governments must support this by investing to raise enrolment rates and ensure quality education.

Then there is infrastructure - a massive investment gap estimated at US\$8 trillion by 2020. No doubt infrastructure in developing Asia has expanded quickly. But it lags behind world averages in both quantity and quality. Rapid urbanisation means that new infrastructure is needed to improve traffic congestion, minimise environmental degradation, and ensure adequate services like power and water.

Finally, developing Asia must deepen its financial systems. It must move from mobilising savings for investment quantity to making quality investments more efficient. To do this, deeper, broader and more liquid financial systems are needed.

The region needs to reset its economic priorities. With the economic rebound in advanced economies likely to be gradual, developing Asia must transform itself once more to become the mantle of global growth.

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