Press Points for Chapter 3: *Asia Rising: Patterns of Economic Development and Growth*

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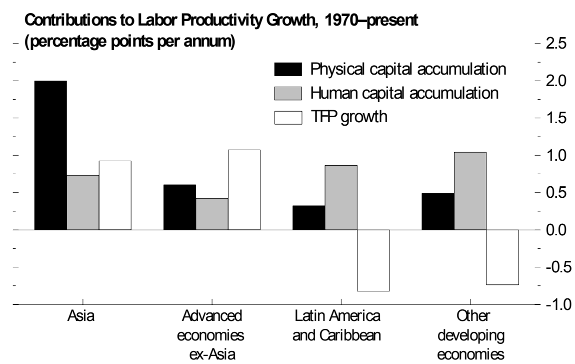
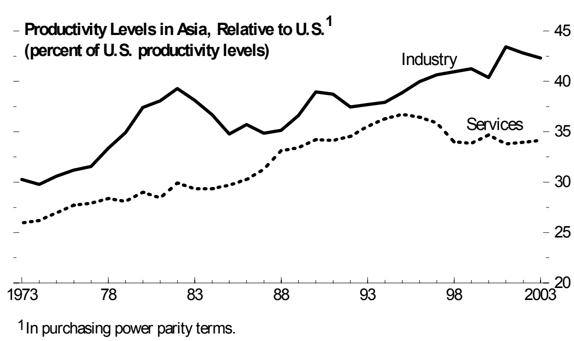
Key Points

- **Asia's remarkable growth has been driven by high investment and rapid productivity increases—both supported by the region's strong policy environment.**

- **Sustaining rapid growth will require meeting a number of key challenges:**
    - Implementing reforms to boost productivity growth in increasingly important service sectors.
    - Providing policy support for continuing the shift of resources from agriculture to industry and services.
    - Strengthening policy frameworks in late-developing countries.

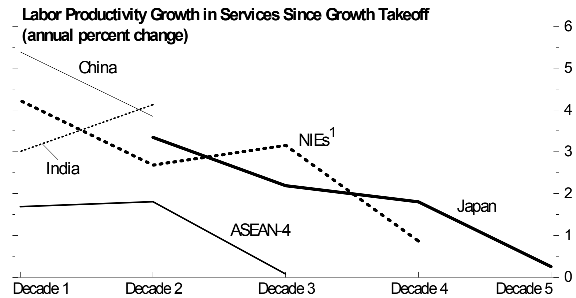


Asia's real per capita income has grown seven-fold since 1950. Growth in output per capita averaged 4 percent a year in the region as a whole, and more than 5 percent in fast developers such as the Newly Industrialized Economies (NIEs) and China. This growth has been driven by fast accumulation of physical and human capital, as well as rapid increases in total factor productivity. In turn, these developments reflect the generally strong policy environment in the region.



Nevertheless, many Asian countries still have a long way to go if advanced-economy income levels are to be reached. Achieving such convergence is critical to reduce the region's still high poverty rates. Policies therefore need to continue to spur strong productivity growth. In particular:

- **A key challenge is to boost productivity growth in the services sector, where catch-up to advanced economies has come to a halt despite productivity being only one third of U.S. levels**. Over the last ten years, if productivity in services had increased as rapidly as in industry, aggregate output would have grown by an additional 1½ percentage points per year. Fostering productivity in services will depend on boosting competition, removing barriers to entry, streamlining regulations, and strengthening human capital.



[1] Taiwan, Province of China, and Hong Kong, SAR, are excluded because data are only available from decade 2 onwards. The broad patterns are robust to including these two latter economies in the group.

- **Policy measures to support the continuing transition from agriculture to industry and services would help reduce rural poverty and boost growth**. Since 1970, labor shifts from agriculture to industry and services accounted for about a quarter of Asia's catch-up to U.S. productivity levels. Yet, agriculture still accounts for almost one half of total employment in developing Asia as a whole, reaching 60 percent in late developers such as Vietnam and Cambodia. Further liberalizing trade, broadening and deepening financial systems, strengthening human capital, fostering flexible labor markets and remedying widespread weaknesses in infrastructure, will help these countries sustain the structural transformation of their economies.

- **Late developing countries, both within Asia and in other parts of the world, should draw lessons from Asia's successes**. Since 1970, other developing countries have grown on average by a meager 1 percent per year, compared to the rapid growth in Asia, while within Asia there remain a group of countries with still very low per capita incomes. The Asian experience shows that stable macroeconomic frameworks, openness to trade, strong institutions, and well developed financial systems are key to strong and sustained growth.