

Globalization and Asia-Pacific Economic Development



Where are We?

Economic Growth → Asian Growth Miracle

→ Growth Accounting

Capital Accumulation

- High saving and investment rates in Asia-Pacific economies
- Why do East Asian people save so much?

Labor

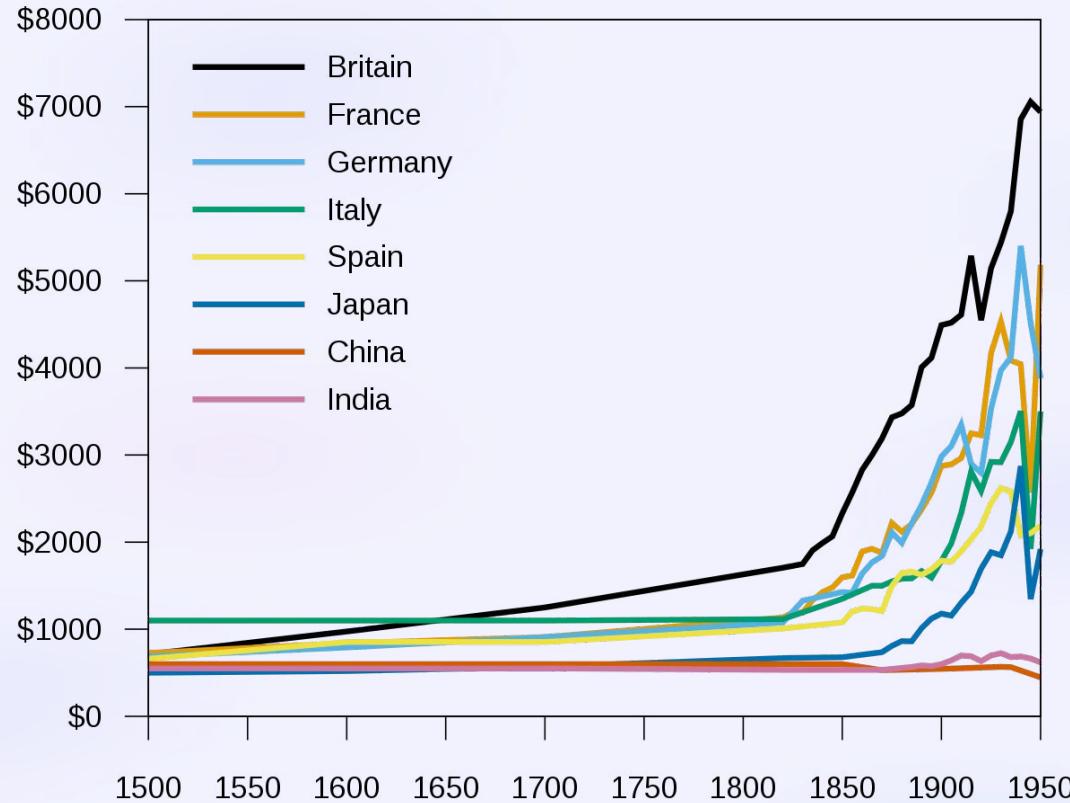
- Demographic dividend in Asia-Pacific economies
- Low fertility rates and policy responses

Escalating Trade Wars

- 01/02/2015: President Donald J. Trump is implementing a **25%** additional tariff on imports from Canada and Mexico and a **10%** additional tariff on imports from China.
- Q: How much do Canada, Mexico, and China account for the U.S. imports?
- Q: How does Trump justify his tariffs?
- Q: Do you agree with President Trump? Why or why not?



Can economies grow in isolation? Great Divergence between the West and East



(Note: GDP per capita in Y-axis)

Roadmap

- 1 Why is International Trade Important for Economic Growth?
- 2 Export promotion and global value chains in Asia-Pacific economies
- 3 US-China trade wars and de-globalization

Why is International Trade Important for Economic Growth?



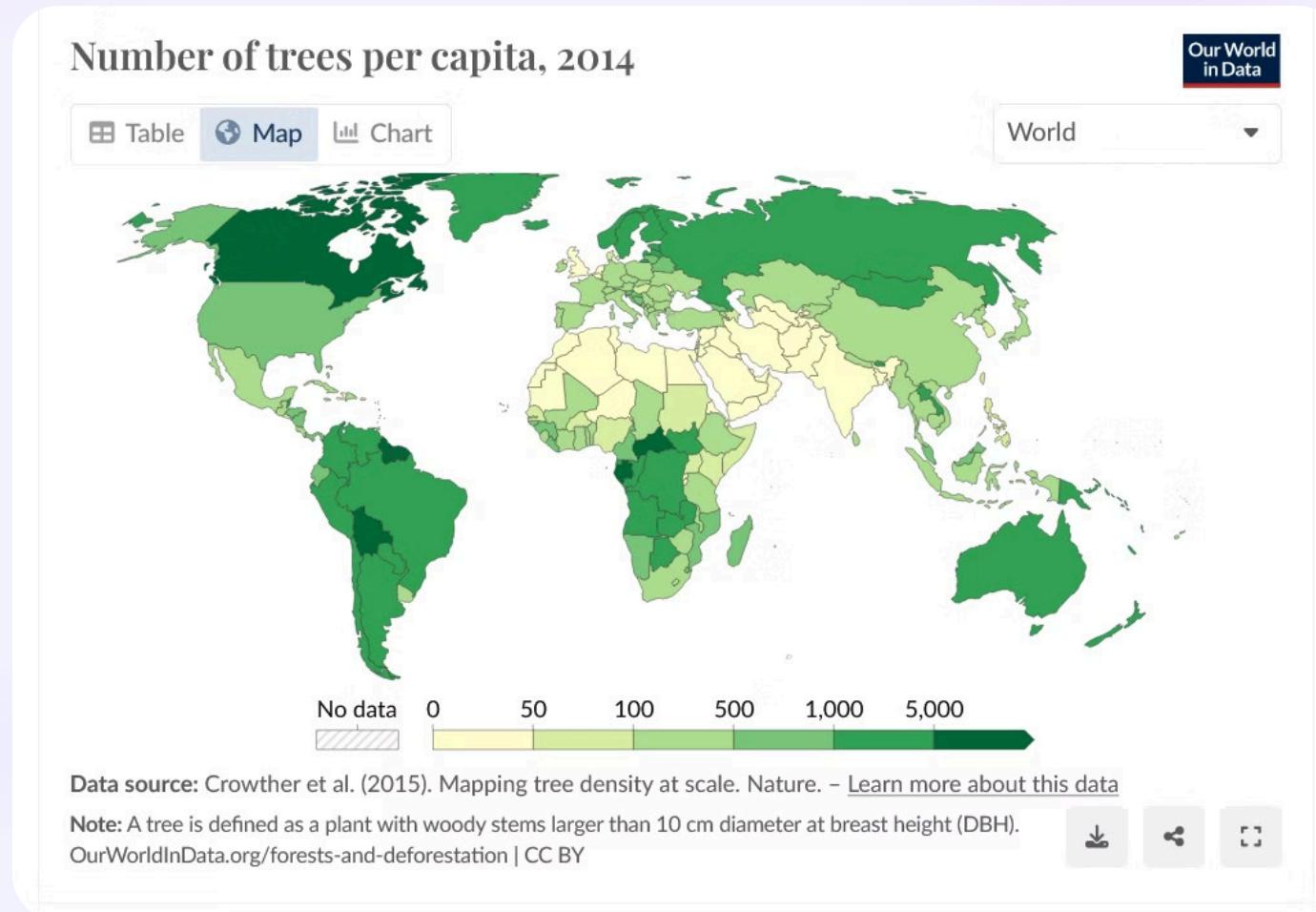
Comparative Advantage

Countries have different **endowments** or **technologies** in producing certain goods—**Export the goods you are good at producing in exchange of the goods others are good at producing**



Scale Economies

Comparative Advantage



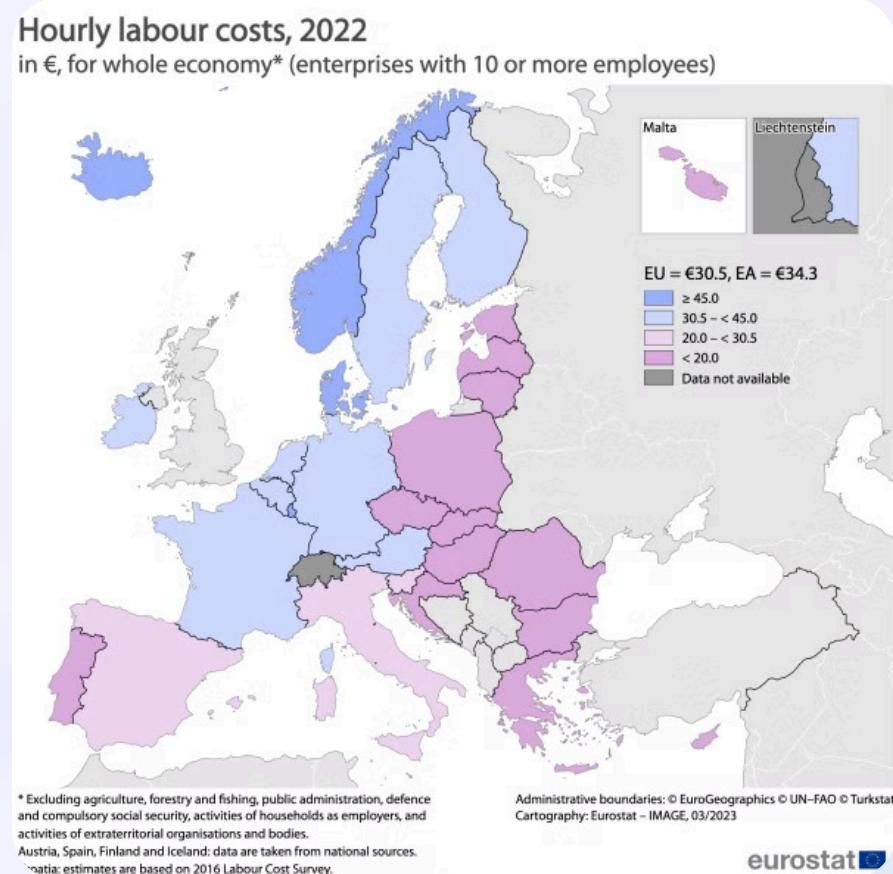
Comparative Advantage



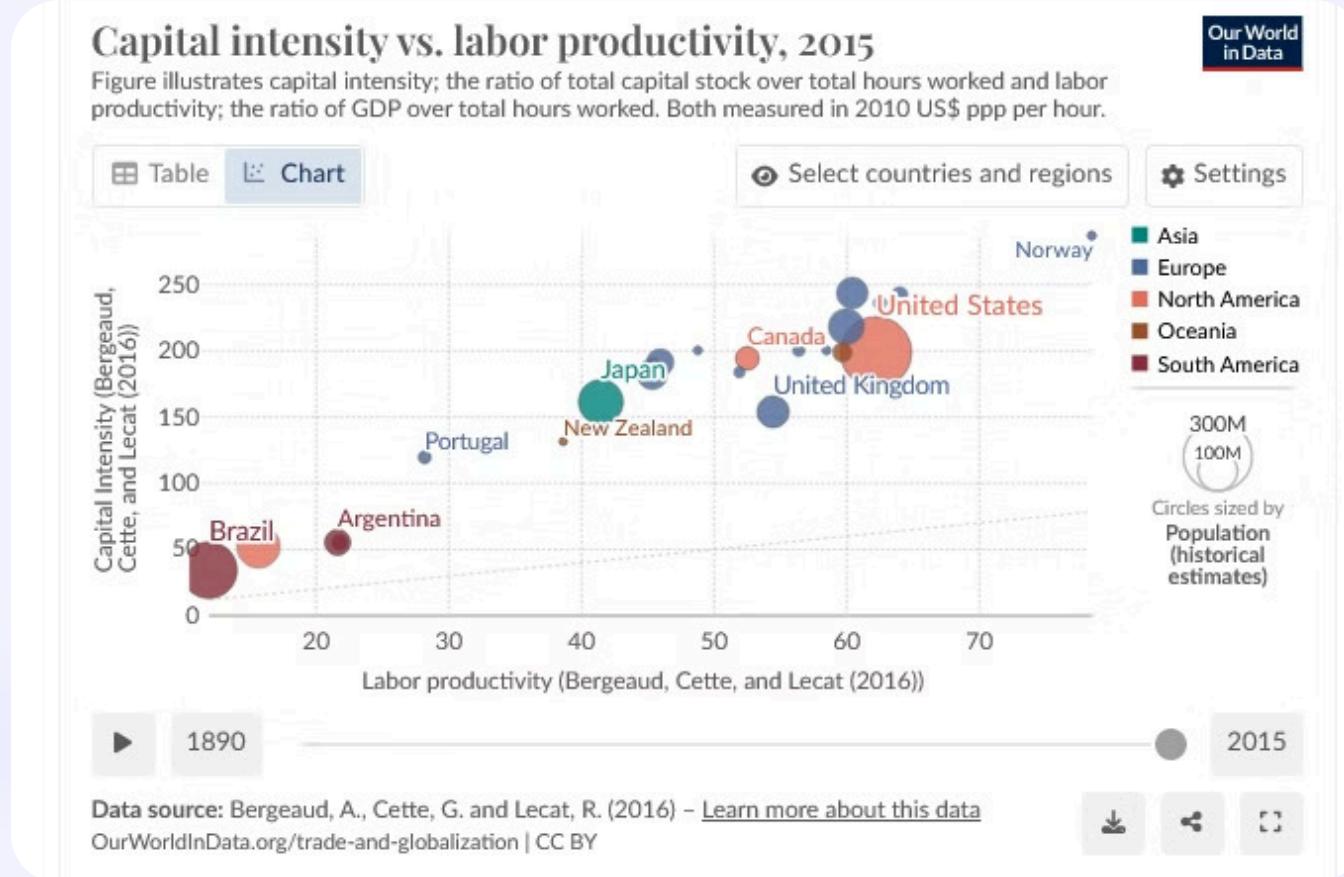
Comparative Advantage



Comparative Advantage



Comparative Advantage



Why is International Trade Important for Economic Growth?



Comparative Advantage

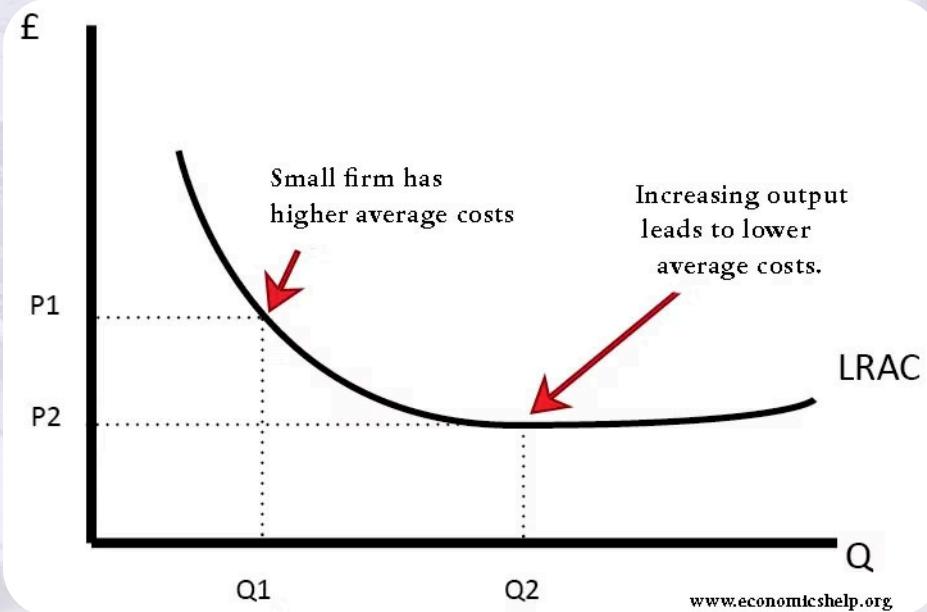
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Scale Economies

The costs of production decrease as the **scale of production** increases

Scale Economies



- \$140,000 in 2007 → \$80,000 in 2009
- Why?

Scale Economies



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Be part of progress



SAMSUNG

The Samsung logo is shown in blue capital letters.

Summary

Getting access to global market can

- 1 Utilize comparative advantage
- 2 Reduce the costs of production by increasing the scale of production

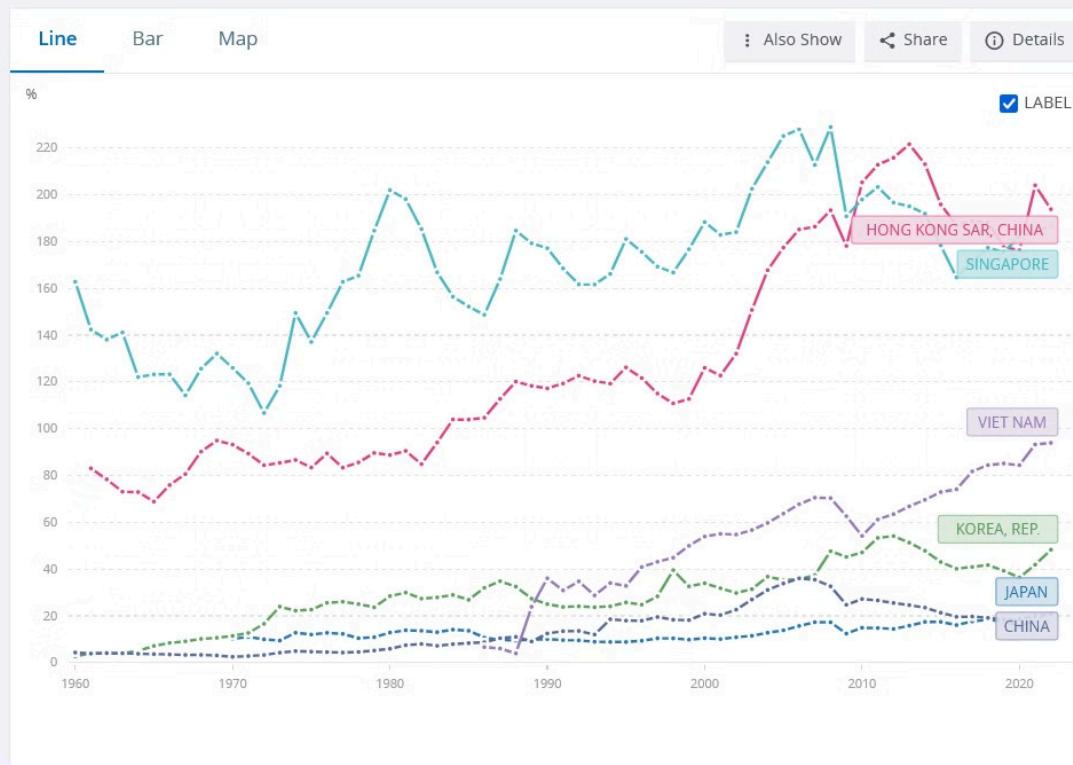
Q: Which economies rely more on international trade?
Small economies or large economies?

Export Promotion in Asia

Exports of goods and services (% of GDP) - Japan, Korea, Rep., China, Hong Kong SAR, China, Singapore, Viet Nam

World Bank national accounts data, and OECD National Accounts data files.

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Why did Asia-Pacific economies emphasize exports in their taking-off periods?

Export Promotion in Asia

Challenges of Exports

- 1 Low quality
- 2 Low productivity
- 3 Lack of understanding of global market
- 4 Lack of branding

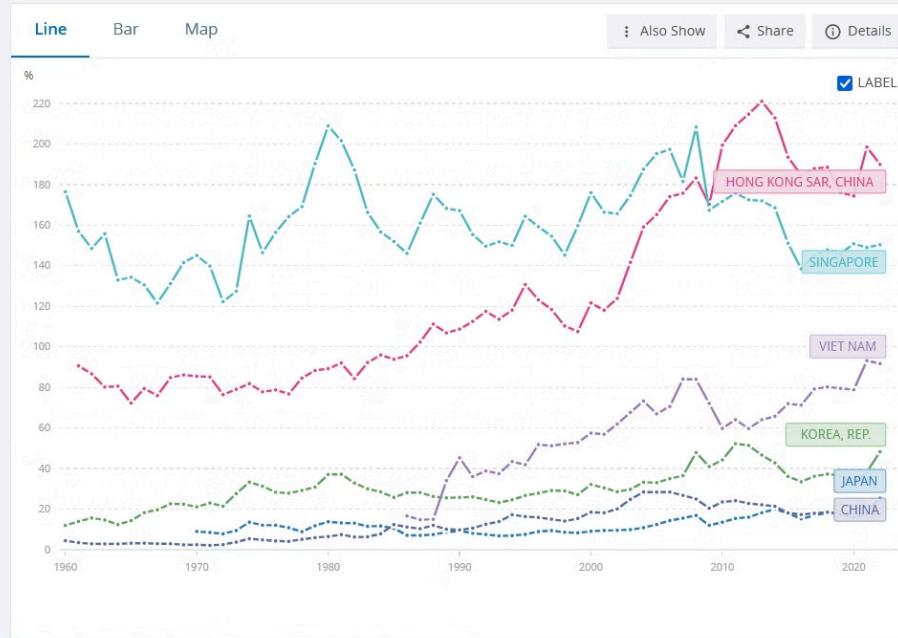
Policy Responses

Imports and Assmebly

Imports of goods and services (% of GDP) - Japan, Korea, Rep., China, Hong Kong SAR, China, Singapore, Viet Nam

World Bank national accounts data, and OECD National Accounts data files.

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Apparel Assembly



Alternative Strategy: Import Substitution

- 1 Barriers for imports ↑
- 2 Promote domestic production

Pros and Cons?

Import Tariff in Argentina



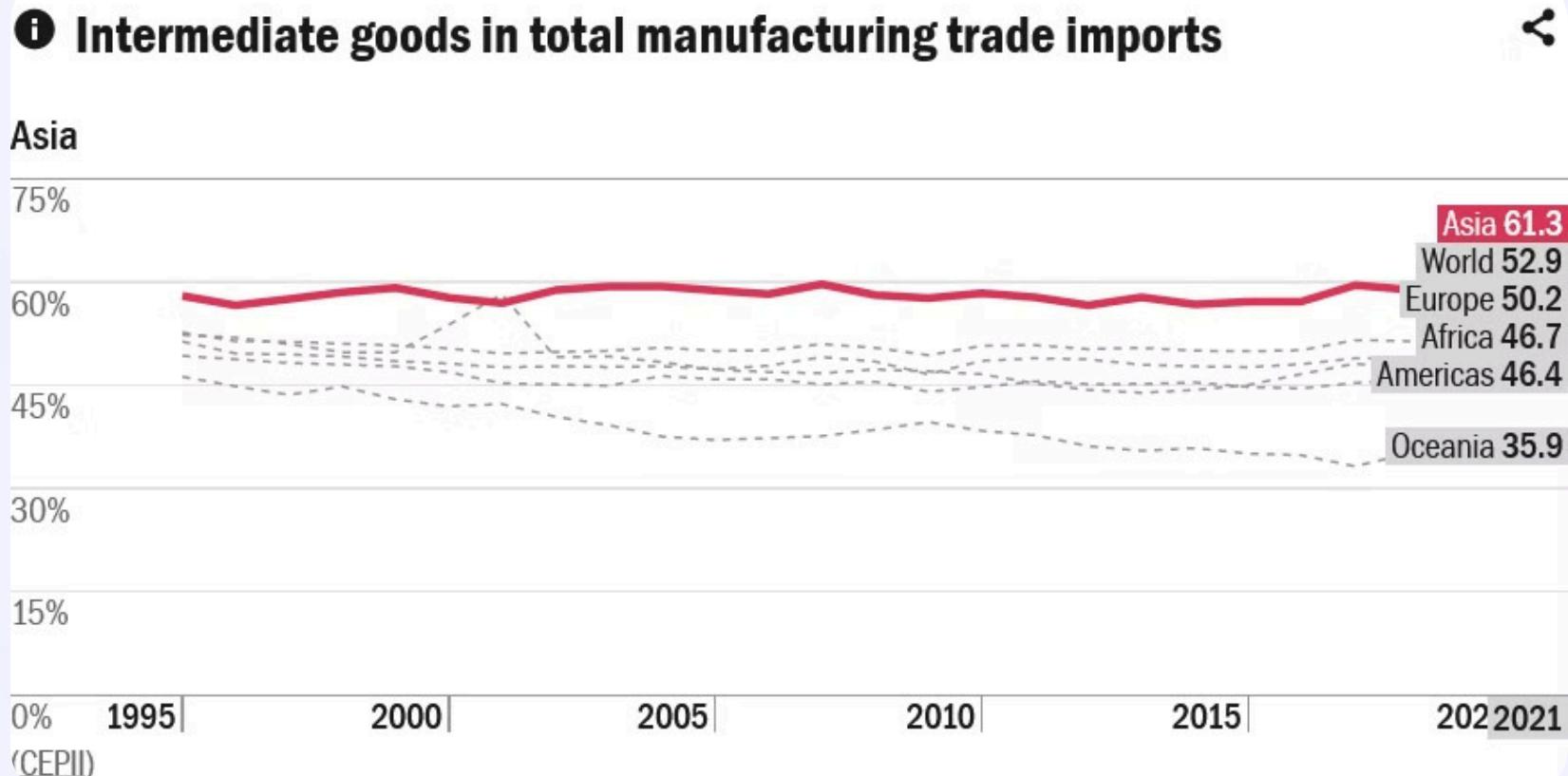
Global Value Chains (GVCs)

Production is broken into activities and tasks carried out in different countries

Typical industries: Semiconductor; Aircraft; Smart Phone; EV

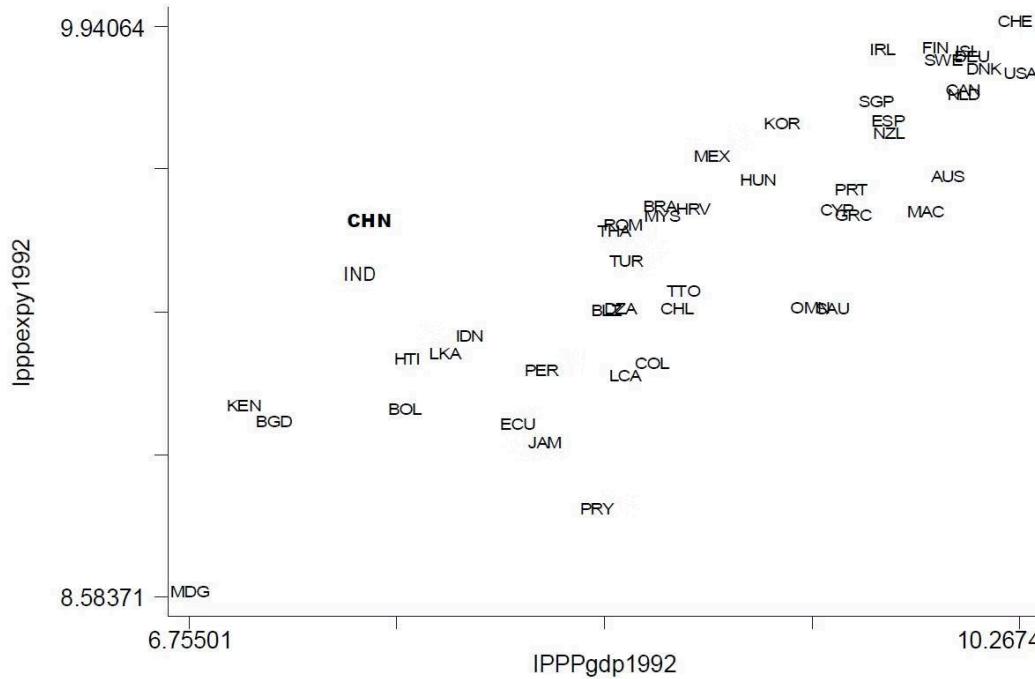


GVC Integration in Asia



GVCs and Economic Development

Figure 3. Relationship between EXPY and Per-capita Incomes in 1992

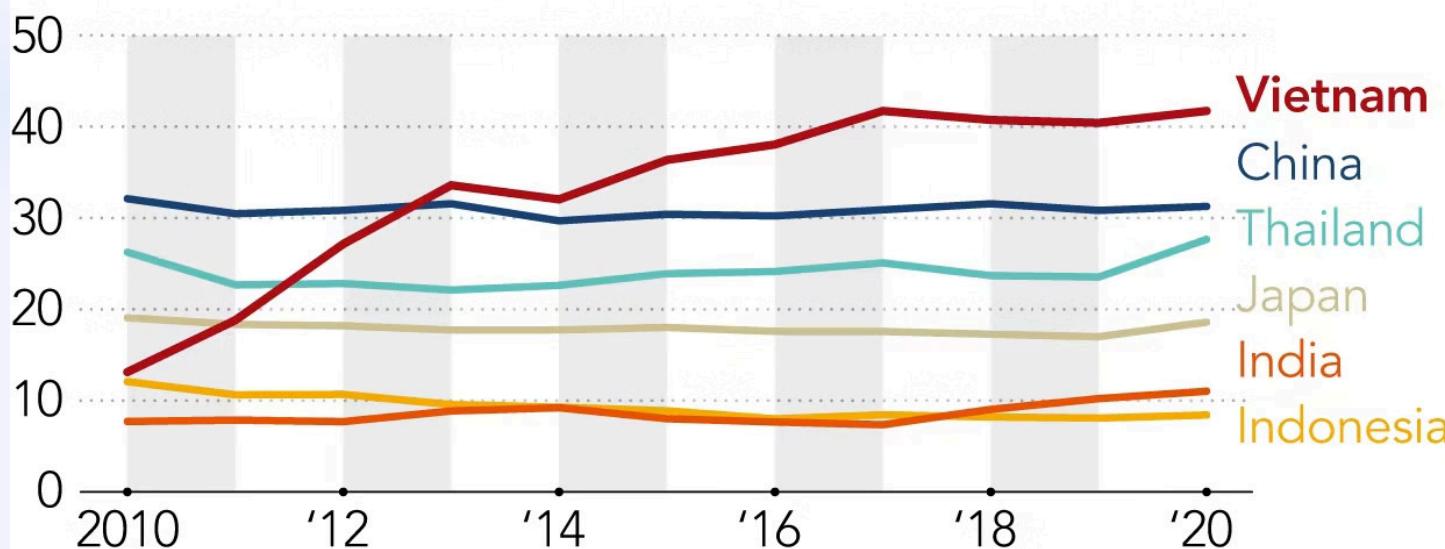


High EXPY in China means that the goods China exports are mainly exported by rich countries

GVCs and Economic Development

Vietnam's jump in high-tech exports

(Percentage of manufactured exports that are high-technology in selected Asian countries)



Source: World Bank

Summary

- 1 Export promotion is an important strategy for Asia-Pacific economic development
- 2 Encourage both imports and exports in order to integrate into GVCs

Q: Why didn't other developing economies achieve economic growth by promoting exports?

US-China Trade Wars

1

March 22, 2018

Trump asked the United States trade representative (USTR) to investigate applying tariffs on \$50–60 B worth of Chinese goods

2

March 15, 2019

Trump signed executive order 13873, placing Huawei on the Department of Commerce's **Entity List**



3

August 16, 2022

Biden signed the **Inflation Reduction Act of 2022 (IRA)**

4

February 1, 2025

Trump proposed a 10% additional tariff on imports from China

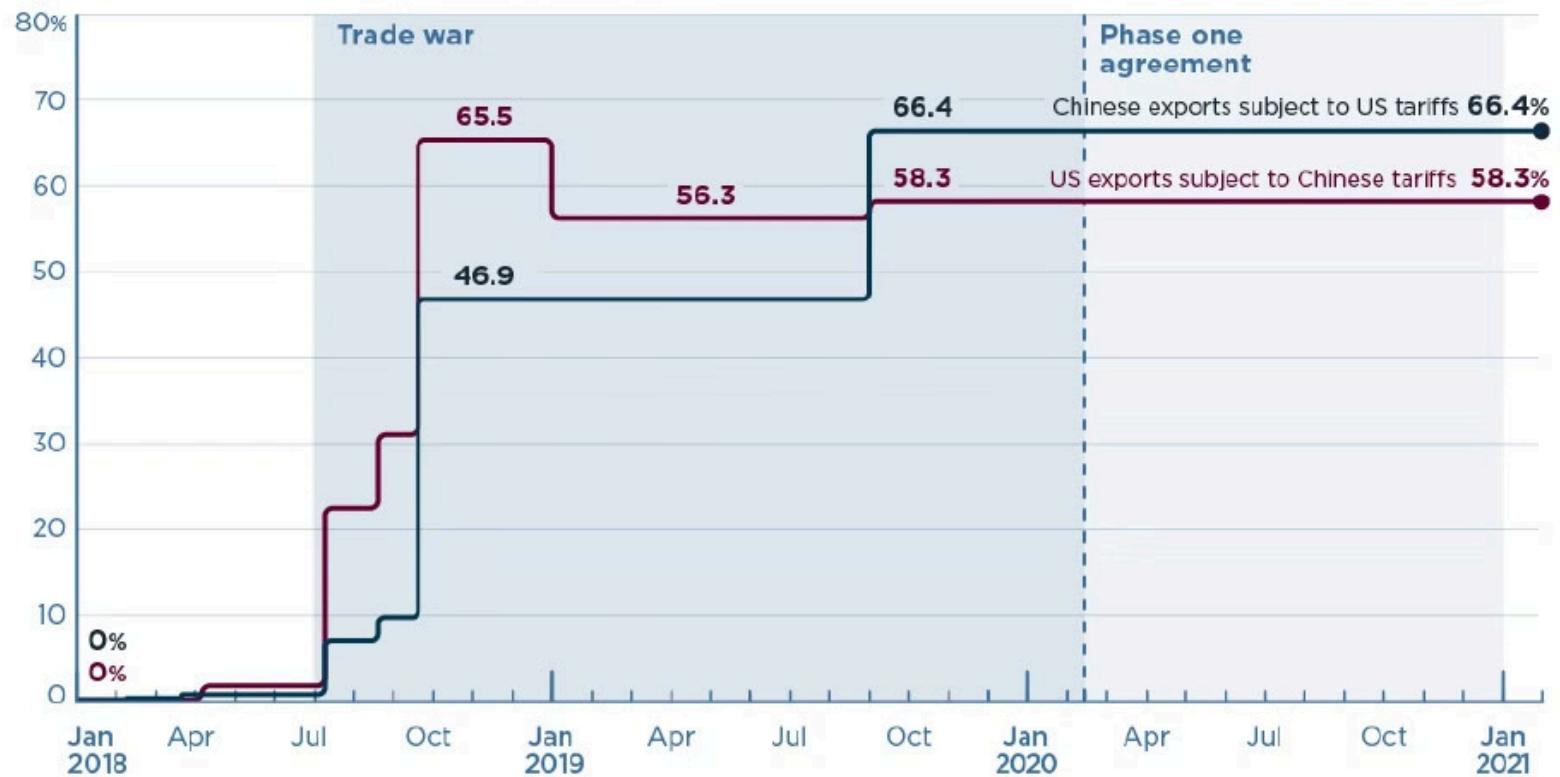
US-China Trade Wars

a. US-China tariff rates toward each other and rest of world (ROW)



US-China Trade Wars

b. Percent of US-China trade subject to tariffs



Summary

- 1 US and China compete via tariff, entity list, and industrial policy, leading to tremendous disruption of GVCs
- 2 Justification of trade wars: protecting jobs; reducing trade deficits; protecting IPs
- 3 US-China trade wars have substantial and persistent impacts on not only US and China but also other economies, in particular Asia-Pacific economies