The fourth lesson is the reliance on the private sector. In these economies, the private sector was allowed a free hand in the production, distribution and trade of goods and services.

Japan had shown the way through big industrial conglomerates Keiretsus/Zaibatsus as did Korea through Chaebols. Taiwan adopted a different strategy – to promote industrialisation through small-and-medium enterprises. China, Thailand, Indonesia, Philippines and Malaysia encouraged foreign direct investment and joint ventures. In China, the share of state owned enterprises in the economy has fallen to 30-40 percent from 100 percent. Most of the town and village enterprises owned by the local governments were guided by market signals and acted as if they were private-sector entities.

An economy of the size of Vietnam has attracted $250 billion of foreign direct investment. The success of these strategies can be gauged from the migration of the product cycle. In the 1970s, American firms such as RCA and Westinghouse dominated domestic appliances markets in the world. In the 1980s, Sony, Sanyo and National of Japan took over this market. In the 1990s, the production shifted to Korea with Samsung, LG, etc – and in the last decade Chinese companies such as Haier began to assert themselves. Private-sector firms were responsive to changing market conditions and took full advantage of the lower costs of production in adapting to these changed conditions.

The fifth is the openness of the economy to trade and investment and the export push which has served the East Asian countries well. Tariff rates are uniformly low – in single digits – and non-tariff barriers hardly exist. Intensified efforts to access global markets have stimulated both import and exports of goods and services to the extent that in Malaysia and Vietnam the trade-GDP ratio exceeds 100 percent. China and India both had almost identical levels of exports of $10 billion in the late 1970s. A relatively more open trade policy pursued by China has enabled it to increase its exports to more than $2590 billion last year while India was able to reach about $276 billion.

Similarly, FDI flows are welcomed by all the Asian countries as they benefit the domestic economies in the form of new technology, better managerial skills, networking with the global supply chain and infusion of foreign capital. FDI flows to East Asia in 2020 amounted to $292 billion. China alone received $1 50 billion and most foreign enterprises produce goods not only for the Chinese markets but also for exports. Sixty-five percent of China’s increase in exports in the last ten years was generated by foreign firms and their joint ventures.

In addition to trading among themselves, these countries have expanded their volumes by entering into a number of free and preferential trade agreements. This policy of openness makes a lot of sense and those who favour inward strategies by creating tariff and non-tariff barriers to protect domestic firms from external competition and argue against exploiting the opportunities offered by globalisation are, in fact, condemning their countries to a perpetual state of backwardness, poverty and misery.

Sixth is regional integration. A question that is often asked is: why have the Asian economies been recording very high growth rates even in times of turbulence in the world economy, slowdown in the US and European economies, and overall stagnation? How have they been able to successfully weather the external shocks of the Asian crisis of the mid-1990s, global recession of 2008 and the recent Covid-19 pandemic? This was possible because regional trade integration has insulated them or diluted the impact of these external shocks to a very large extent.

The rising share of intra-regional trade has in fact created a barrier against the tidal waves of adversity in the world economy. This can be seen from the differential growth in intra-regional trade in East Asia and the growth in world trade. For example, intra-regional trade grew at an annual rate of 16.4 percent between 1975 and 2001 while world exports were growing at 8.2 percent per annum.

China has become a pivot around which the countries in the region revolve around. Global supply chains where the components and parts are shipped from various Asian countries for final assembly and exports from China have become a standard feature of the export strategies. This linkage may prove to be a liability at some future point if something goes wrong with the Chinese economy but even then trade among these countries other than China has also picked up.

Thirty products account for half of the intra-regional trade. Of these, 20 are inputs for further production. The basis for intra-regional trade is that they buy raw materials and commodities from each other to make labour-intensive products for the American and European markets. South Asia, on the other hand, is the only region in the world where the tentacles of regional integration are least spread out and intra-regional trade linkages hardly exist. The potential for rapid economic growth through improved trading relations in the region is quite high but political differences have not yet allowed this potential to be harnessed. Given the fact that South Asia is a region which has the highest number of the poor in the world, the sense of urgency is quite obvious but lack of political will has so far retarded the progress.

Seventh, investment in human development through education, health, drinking water and sanitation, nutrition, family planning services has made a significant contribution to growth, reduction in the incidence of poverty and improvement in social indicators in the East Asian countries. Healthcare focuses on diseases that particularly affect the poor and is focused on primary healthcare and targeting rural areas.

Broad access to primary and increasingly secondary education has led to the educational attainment of the work force a third higher than their parents' generation. Forty percent of students are realising impressive learning outcomes at or above OECD levels. The average years of schooling in Korea are 12.2 years; 10.2 years in Malaysia 11.5 years in Singapore; and 9.4 years in the Philippines compared to 5.2 years in Pakistan. The emphasis on female education led to reduced fertility, mitigating the adverse effects of population pressure and increasing the supply of educated labour. Most East Asian countries have almost 100 percent literacy rates with high life expectancy, low infant and maternal maternity and universal primary education. The productivity effects of such elevated social indicators on the economies of these countries are quite obvious and productivity is the key variable determining how fast the economy can grow.

Eighth is the quality of the labour force. Closely related to human development is the training and skill upgrading of the labour force. Asian countries do not only hire educated and literate workers but provide continuous training to these workers in acquiring new knowledge, techniques of production or improvement in processing. In 1991, a US manufacturing worker was 40 times more productive than his Chinese counterpart. By 2000, that gap had narrowed to only 10 times.

Chinese labour productivity has increased four-fold in the past decade, thus lowering the unit labour cost in manufacturing. China's wage rate is $2-4 per hour compared to the US rate of $16-25. Taking into account the labour productivity differences between the two countries, the unit labour cost in China is still lower.

To be continued