



IT'S NOT JUST THE MARKETS, ALL OF ASIA IS IN TURMOIL

THE ASIA MIRACLE IS FADING AND THE CONTINENT IS IN DIRE NEED OF
REFORM

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From West to East, Asia is currently a continent in turmoil. I am generally reluctant to generalize about "Asia" on the grounds that the Asian continent is too huge, too diverse in every possible domain (religion, economic development, political systems and more) and with far too many people (some 4.5 billion). Yet, the one thing that seems to unite this vast continent is that it is currently in potentially explosive turmoil.

Of course at the moment, wherever one looks, the global landscape is not particularly bucolic: Economic recession, socio-political unrest, mayhem, wars, terrorism, refugee crisis and the list goes on.

As bad as conditions may be elsewhere, they are worse and more alarming in Asia and far more likely to have a global impact. Notably, for example, the fact that China's economic downturn is having a deleterious effect on the growth prospects of commodity exporting nations from Africa, Asia and Latin America. Asia's turmoil can be illustrated both by headline grabbing incidents and by underlying trends.

The erstwhile ballyhooed Asian "economic miracle" is fading. While growth has been spectacular in many Asian economies, the failure to reform has meant that it has become less sustainable. Following two lost decades, Abenomics seems to have failed, so far at least, from delivering the expected goods. South Korea's failure to reform is well captured by the [remark of John West](#) that while the North may be a "people's republic", the south is a "chaebol republic" – referring to the overwhelming power of the big conglomerates à la Samsung & co. South Korea along with the other ex "Asian tigers" – Hong Kong, Singapore and Taiwan – are in the economic doldrums.

China's prospects are, naturally, the greatest cause for concern: in China itself of course, in Asia and in the world. China's own past outstanding economic performance has had a huge impact on global growth. This has been especially the case since the global financial crisis of 2008. Effectively China has been the world's economic locomotive. As HSBC's senior economist [Stephen King](#) has pointed out, should the Chinese global economic locomotive stall, there is no other apparent alternative. There is, in my view, no cause to be excessively alarmist, as some analysts are, about the prospects of the Chinese economy, but preoccupation is more than justified. As with the Tianjin tragedy, part of the problem in reading the Chinese tea leaves is that the cup is so opaque!

Economic fragilities and uncertainties are correlated, in terms of reciprocal causes and effects, to the Asian continent's geopolitical fragilities and uncertainties: the ones exacerbate the others, and vice versa.

Probably the hottest point of contemporary global geopolitical risk is the East and South China Sea. Not only are there very tense relations between China and several of its neighbors, especially Japan, Vietnam and the Philippines, but it is also probably the most critical potential area of confrontation between the US and China. If there is to be a World War Three (and I am not saying there will be), the South China Sea could be its "Sarajevo".

Territorial disputes are not limited to East Asia but prevail across the continent: in the Levant, between Afghanistan and Pakistan, between India and Pakistan and India and China, between Japan and Korea, Japan and China, and Japan and Russia, between Thailand and Cambodia.

There is an arms race across the Asian continent. Japan as a result of policies enacted by the Abe government is renewing its vocation to be a major player in the military industry. Among the world's nuclear powers, four have refused to adhere to the Nuclear Non-Proliferation Treaty (NPT) – Israel, India, Pakistan and North Korea – all of which are Asian.

Much of Asia is an environmental disaster zone while resources get depleted and the risk of water shortages are becoming increasingly acute.

All this is not to play the role of Cassandra. I am not suggesting an Asian Armageddon. But there is significant cause to be worried; complacency must be forcefully eschewed.

It should also be stressed of course that it is not all clouds; there are silver linings. The prospect of making peace with and repairing injustices committed against Iran, bringing the country back into the global community, would be, as I have argued [before](#), a great achievement for Asia and for the world. I also believe that the [New Silk Road and Maritime Route](#) has potentially tremendous possibilities. Even though recent data indicate that the urban Asian middle class may not be [growing](#) as exponentially as had been expected, it remains the case that recent decades have seen great improvements in standards of living.

The main weakness in many individual Asian countries and across the continent has been [the paucity and frailty of its institutions and institutional framework](#). While in many parts of the continent the economic edifice has been impressive, it has been hampered by the weakness of its institutional foundations and legal systems. Edifices with weak foundations are more prone to crumble. The importance of institutions can be gauged from Asian examples. Southeast Asia in the initial post-WWII decades was one of the world's most explosive war zones: the establishment of ASEAN in 1967 helped to transform the region from a battlefield to a market place. But ASEAN currently faces a number of significant challenges that require reform and re-enforcement. The absence of proper institutions and platforms for confidence building and dialogue is especially alarming in Northeast Asia – in the China, Korean peninsula, and Japan triangle.

Asia still holds a lot of promise. But for the promises to be realized and the turmoil to be quelled, strong and sustained efforts at economic, social and political reform for sustainable growth, institution building, confidence building, and dialogue within and across borders are imperative and urgently needed!

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This article was based on a recent post on [Jean-Pierre's Forbes Blog](#).

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