
Comments on
“The Shifting Relationship between Investment,
Productivity and Growth in Asia”
by Donghyun Park and Jungsoo Park

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Summary of the paper

- Two-stage analysis of the sources of growth in developing Asia during 1992-2007
 - Growth accounting
 - Cross-country growth regression
- Key findings:
 - Asian countries are changing their growth pattern - TFPG has become a more important source of growth in developing Asia since 2002.
 - Human capital and economic openness played significant roles in TFPG and economic growth in developing Asia.

General comment

- A nice paper which tackles an timely and interesting issue and is of great policy importance.
 - Is developing Asia at an inflection point for its growth pattern?
 - How can developing Asia sustain its fast growth?
- It could be nicer by providing a more comprehensive description on institutional and structural changes in developing Asia in past decade.

Table 2-1a. Growth Accounting without labor quality adjustments: labor share = actual, 1992-1997

Period (1992-1997)	non-Asian G5	Japan	4 NIEs	China	7 ADEs
Growth in :					
Output	2.35%	1.26%	6.99%	9.79%	5.64%
Capital	2.50%	3.29%	8.72%	11.45%	8.04%
Labor	0.50%	0.61%	2.14%	1.17%	2.33%
C1. labor share = actual					
Contribution of :					
Capital	1.03%	1.63%	4.42%	5.39%	5.57%
Labor	0.29%	0.31%	1.03%	0.62%	0.70%
TFP	1.04%	-0.68%	1.55%	3.78%	-0.63%
(Relative contribution of TFP)	44.00%	-53.52%	22.18%	38.63%	-11.24%
Ish1992	60.00%	60.00%	60.00%	60.00%	60.00%
labsh1992	60.06%	49.12%	49.71%	52.33%	30.06%

Table 2-1b. Growth Accounting without labor quality adjustments: labor share = actual, 1997-2002

Period (1997-2002)	non-Asian G5	Japan	4 NIEs	China	7 ADEs
Growth in					
Output	2.58%	-0.19%	2.57%	7.69%	3.16%
Capital	3.23%	1.59%	4.95%	8.74%	3.92%
Labor	0.66%	-0.30%	1.49%	0.96%	2.46%
C1. labor share = actual					
Contribution of					
Capital	1.33%	0.78%	2.43%	4.10%	2.75%
Labor	0.38%	-0.15%	0.75%	0.51%	0.76%
TFP	0.86%	-0.81%	-0.61%	3.08%	-0.34%
(Relative contribution of TFP)	33.38%	431.85%	-23.75%	40.10%	-10.71%
Lsh1997	60.00%	60.00%	60.00%	60.00%	60.00%
labsh1997	57.89%	50.77%	50.20%	53.11%	30.68%

Table 2-1c. Growth Accounting without labor quality adjustments: labor share = actual, 2002-2007

Period (2002-2007)	non-Asian G5	Japan	4 NIEs	China	7 ADEs
Growth in					
Output	2.32%	1.73%	5.48%	12.20%	6.58%
Capital	2.78%	1.10%	3.74%	10.63%	4.92%
Labor	0.77%	-0.07%	1.46%	0.85%	2.25%
C1. labor share = actual					
Contribution of					
Capital	1.16%	0.55%	1.84%	4.98%	3.44%
Labor	0.44%	-0.04%	0.72%	0.45%	0.69%
TFP	0.72%	1.22%	2.91%	6.76%	2.45%
(Relative contribution of TFP)	31.06%	70.46%	53.11%	55.44%	37.25%
Lsh2002	60.00%	60.00%	60.00%	60.00%	60.00%
labsh2002	59.05%	50.97%	51.46%	53.11%	30.55%

TFPG, rather than capital accumulation, is becoming the key growth driver since 2002?

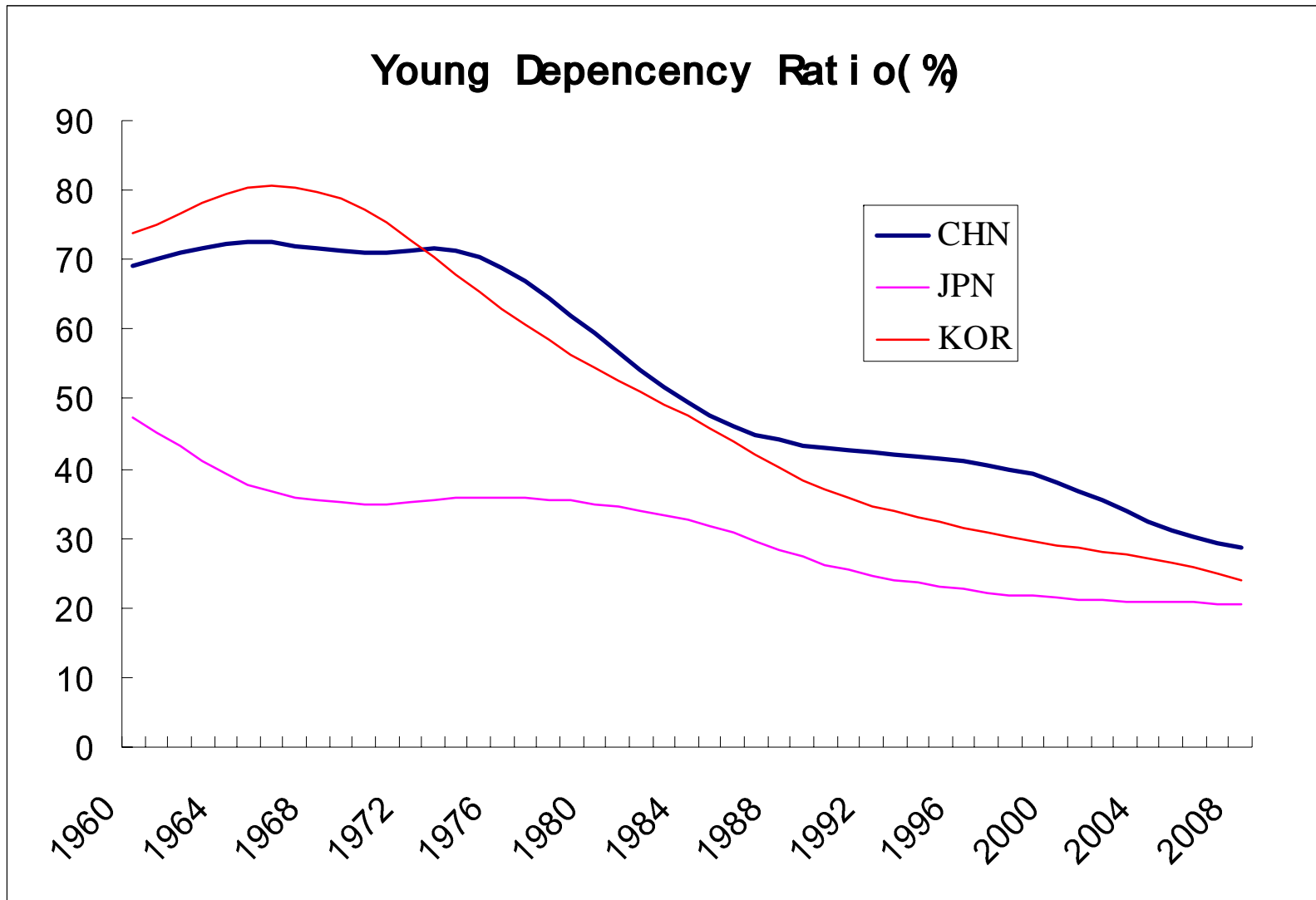
- TFPG is the measure of our ignorance.
- What are the real factors behind developing Asia's exceptional growth performance during 2002-2007?
 - The interaction between investment and TFPG
 - Structural changes
 - Intensified integration into global economy

Specific comments on growth accounting exercise

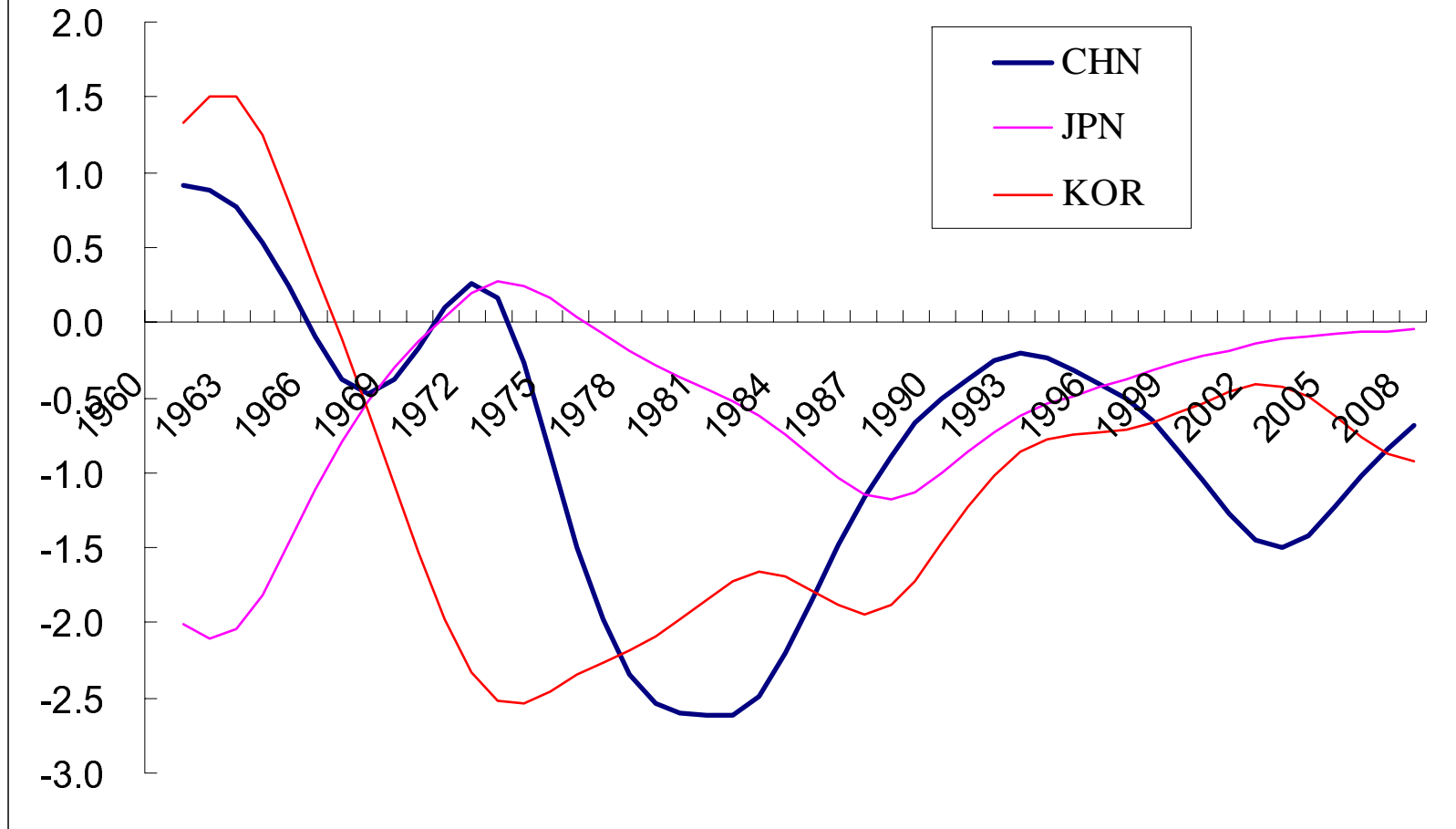
- Resource reallocation across sectors
- Composition and vintage effects of physical capital
- Aggregation of 7 DAEs
- Accounting of natural capital
- Elasticity of substitution between K and L and biased technical progress

China's growth experience since 2002

- Favorable demographic conditions
- Rapid urbanization
 - Inducing a vast transfer of labor forces from rural sectors to urban sector...
 - as well as large spending in urban infrastructure
- Massive infrastructure spending in 1998-2002



Change of Young Dependency Ratio (percentage points)



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Thank you!