

Media Release

Asia Uniquely Positioned to Lead Global Knowledge Economy - ADB

MANILA, PHILIPPINES (12 September 2014) — Asian countries have a unique opportunity to transform themselves and leapfrog older technologies to lead the global knowledge-based economy of the future, says a new report from the Asian Development Bank (ADB).

“Asia has a youthful population and large middle-class market. Its strong position in information technology-enabled services and creative goods should allow it to quickly build its knowledge-based economy, benefitting both rich and poor,” said Bindu N. Lohani, Vice-President for Knowledge Management and Sustainable Development at ADB.

Asia’s developing economies need to invest more in higher education and training, innovation, information and communication technology (ICT), and in improving their economic institutions to transform and shift beyond middle-income levels, says *Innovative Asia: Advancing the Knowledge-Based Economy*.

Innovation in service industries such as medical diagnostics, architectural design, and business accounting holds promise for Asia. Targeting new products and services at Asia’s poorer, more price-sensitive citizens - so called “frugal innovation” - is also an opportunity.

Knowledge economies use ICT, innovation and research, and higher education and specialized skills to create, disseminate, and apply knowledge for growth. Currently, developing Asia ranks well below the OECD average in the World Bank’s Knowledge Economy Index.

Advanced economies of Asia such as Japan; the Republic of Korea; Singapore; and Taipei, China have successfully shifted from agriculture to manufacturing to knowledge-based industries. Others, such as the People’s Republic of China and India, have built pockets of knowledge-based growth, but have not yet translated this into a broader economic model. Countries such as Bangladesh, Myanmar, and Lao PDR have yet to really embark upon knowledge-based growth.

Swift technological advances mean developing Asia is unburdened by older generations of technology, allowing it to quickly embrace new technologies. The International Telecommunication Union estimates that in 2013 there were nearly seven mobile subscribers for every fixed line in Asia. With the right policies and investments, Asia could therefore move to on-demand cloud-based services and wireless internet and mobile applications faster than more developed economies.

Actions to promote knowledge-based economies will differ by country. In general though, countries will require strong, coordinated government policies coupled with investment in ICT, including universal, affordable and high-speed broadband connectivity, better education notably tertiary and skills-focused training, and a culture of research and innovation with strong intellectual property rights. Flexible capital and labor markets are also crucial.

This shift to knowledge-based growth is critical since the region's comparative advantages in labor and capital-intensive manufacturing are fading. New technologies like robotics, and increasing stress on resources like energy and water, are emerging as threats to Asia's competitive edge. A shift to innovation-based growth would help countries avoid the middle-income trap and also address rising income inequalities.

On 12 September 2014, The Asian Development Bank launched *Innovative Asia: Advancing the Knowledge-Based Economy* detailing how Asia's emerging economies must and can shift to game-changing technologies to ensure long-term economic growth, avoid the middle-income trap and become global innovation leaders. In addition, ADB also unveiled a new Creative Productivity Index measuring how effective 22 Asian countries – including Singapore – are in turning investments into tangible innovative outputs.

The launch, in conjunction with the Lee Kuan Yew School of Public Policy, will comprise keynote remarks from ADB Vice-President for Knowledge Management Bindu N. Lohani and the Lee Kuan Yew School of Public Policy Dean Kishore Mahbubani, followed by a presentation of the book and index.