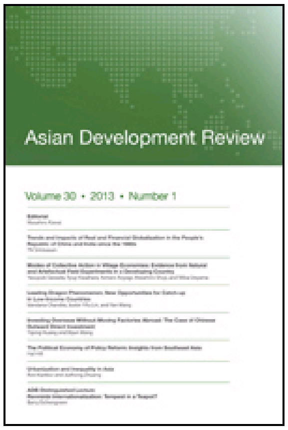

Biannual (March, September)
192 pp. per issue
6 3/4 x 10
Founded: 1983
ISSN 0116-1105
E-ISSN 1996-7241

Asian Development Review

March 2013, Vol. 30, No. 1, Pages 52-84
Posted Online April 1, 2013.
(doi:10.1162/ADEV_a_00003)

Leading Dragon Phenomenon: New Opportunities for Catch-up in Low-Income Countries

Vandana Chandra
Vandana Chandra (Vchandra@worldbank.org) is Senior Economist at the World Bank

Justin Yifu Lin
Justin Yifu Lin (Justinlin@ccer.pku.cn) is founding Director and Professor of the China Centre for Economic Research at Peking University

Yan Wang
Yan Wang (Ywang2005b@gmail.com) is Visiting Professor at George Washington University.

Full Text | PDF (1,799.737 KB) | PDF Plus (1,124.3 KB)

Modern economic development is accompanied by the structural transformation from an agrarian to an industrial economy. Since the 18th century, all countries that industrialized successfully have followed their comparative advantages and leveraged the latecomer advantage, including emerging market economies such as the People's Republic of China (PRC), India, and Indonesia. The current view is that Chinese dominance in manufacturing hinders poor countries from developing similar industries. We argue that rising labor cost is causing the PRC to graduate from labor-intensive to more capital-intensive and technology-intensive industries. This will result in the relocation of low-skill manufacturing jobs to other low-wage countries. This process, which we call the “leading dragon phenomenon,” offers an unprecedented opportunity to low-income countries. Such economies can seize this opportunity by attracting the rising outward foreign direct investment flowing from Brazil, the PRC, India, and Indonesia into the manufacturing sectors. All low-income countries can compete for the jobs spillover from the PRC and other emerging economies, but the winner must implement credible economic development strategies that are consistent with its comparative advantage.

By keywords
structural transformation
Asia
Africa
People's Republic of China
flying geese
B10
O10
O14
O25