Asian Century

Superclans

October, 2025

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Executive Summary

The Asian Return

As Francis Fukuyama can attest to, complex concepts which make their way into the popular consciousness, be it as book titles or popular soundbites, often come to mean something quite remote to their original tapestry of ideas. In the same manner that the Hegelian 'End of History' represented less an unadulterated victory trumpet for the United States' after the end of the Cold War but a multi-faceted warning about the world ahead, so did the 'the Asian Century' take a life of its own over the past few decades. The 'Asian Century' first seemed to coalesce in the Western media during the late 1970s and 1980s, in the tumultuous sunset years of the Japanese Economic Miracle as angst best described in the Confidence Trap by Gideon Rachman came to be projected on East Asian civilization with a mix of admiration and and economic anxiety. It grew and weaned as actual economic waves entered public consciousness, first in the form of the Asian Tigers, the Asian Financial Crisis, the rise of China and, contemporaneously, both the trend towards regionalism as well as the end of the Third Wave of Globalization. Often a lagging indicator and emotionally-charged, be that emotion positive or negative, it obscured something larger.

In many respects, if taking the wider view of history, it may come across as almost odd to pay too much thought to the concept: most centuries, as a function of its sheer economic, demographic and cultural weight, were in many respects Asian, with the outliers being the 'European Century' of the 1800s and the, mostly American, century of the 1900s.

Goldman Sachs, WTO

Asian Century *in* Brief

Global GDP

2023, East Asia plus India, Current USD

31%

Global GDP

Expected of total, to 2075

65%

Capitalization

2024, USD Trillion

62%

Trade

2024, Proportion Intra Regional

67%

First, we will explore the model from its early formulation to the present day, detailing the flow of export competitiveness, technology transfers, capital formation and post-1990s foreign asset accumulation. I found this latter point to be particularly relevant in the case of its three main proponents in the forms of Japan, South Korea and China, with Japan's ratio of foreign assets and foreign liabilities standing at over 600%, having completed all stages of the model.

Next, I show the crucial aspect of family business in the model not as a bug but very much a feature that re-emerged not only in the case of conscious adopters such South Korea but also China in its own variation.

Based on the templates established with the first three, we then look at countries such as India, Qatar or Uzbekistan to establish variants of the family-business centric Asian Model. Viet Nam, for example, has emulated the model statistically but with the caveat that about 73% of its exports are from foreign-owned firms. Likewise, Qatar is in many ways a mirror to 1980s Japan with the natural gas industry replacing manufacturing. Meanwhile, India, where about 40% of national wealth is held by the top 1% of families and which is in some respects redefining family wealth, otherwise show the aspects of the model in the context of the secondary sector's decline as a source of employment and how that changes the "superclans'" impact on the economy and country at large.

Lastly, we look at Asian wealth in general and its future with a focus on the top 10% of wealthy families. While the Asian Model itself did not allow for overly-expansive equity markets - meaning significant amounts of wealth is held in property - this does not imply Asian wealth didn't have or won't continue to have exposure to Western markets, given the fairly vast foreign asset holdings of both the government and large companies. It does however imply that, in line with projections from Goldman Sachs, the Chinese and Indian equity markets to which Asian wealth is most directly exposed to will remain below 15% of global market capitalization.

What Asian wealth may however take comfort in is the fact that it is tied to some of the most effective governments and resilient public finances globally, a factor that may rise in importance as the near ideal past few decades recede. Indeed, one of the tentative conclusions of the report is that Asian family business may be the only model of economic development outside of the 'West' which has proved successful over time. Furthermore, if the World Bank and the U.S. National Intelligence Council's projections may be taken at face value, Asian family business may have created one of the last broad wealth creation events for the foreseeable future.

Radu Magdin

Radu Magdin

CEO, Smartlink Communications

October, 2025

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A look at the Asian Century

The fall of Asia

Mean Reversion

The first matter that merits clarification when discussing the Asian Century is quite simply the degree to which it represents historic means reversion that has yet to complete Using estimated data from the University of Groningen, the GDP per capita in rough PPP terms in East Asia was 47% of the level of Western Europe in 1820 and 41% in 2018. While GDP growth in Europe itself may become increasingly irrelevant, Goldman Sachs estimates that to 2075 GDP per capita at current market rates in China or India will remain at about 50% of that of the United States at current trajectories

47%

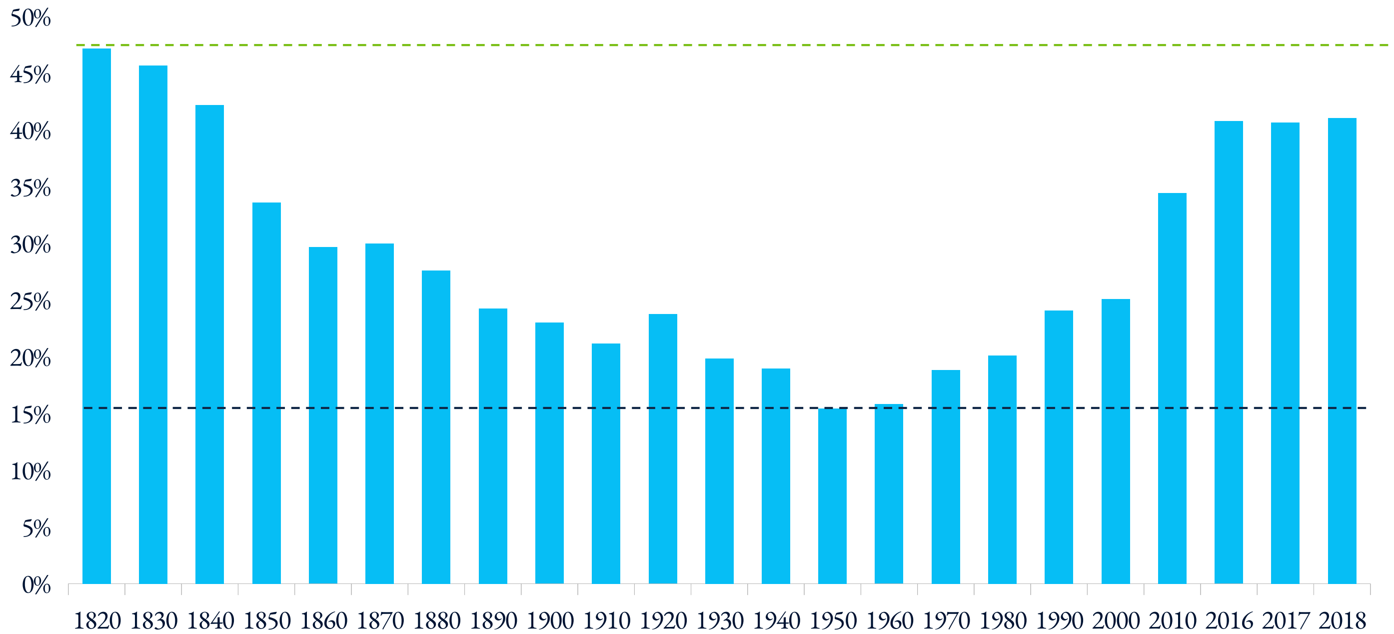
Ratio of East Asian GDP per capita to West European GDP per capita, 1820.

Maddison

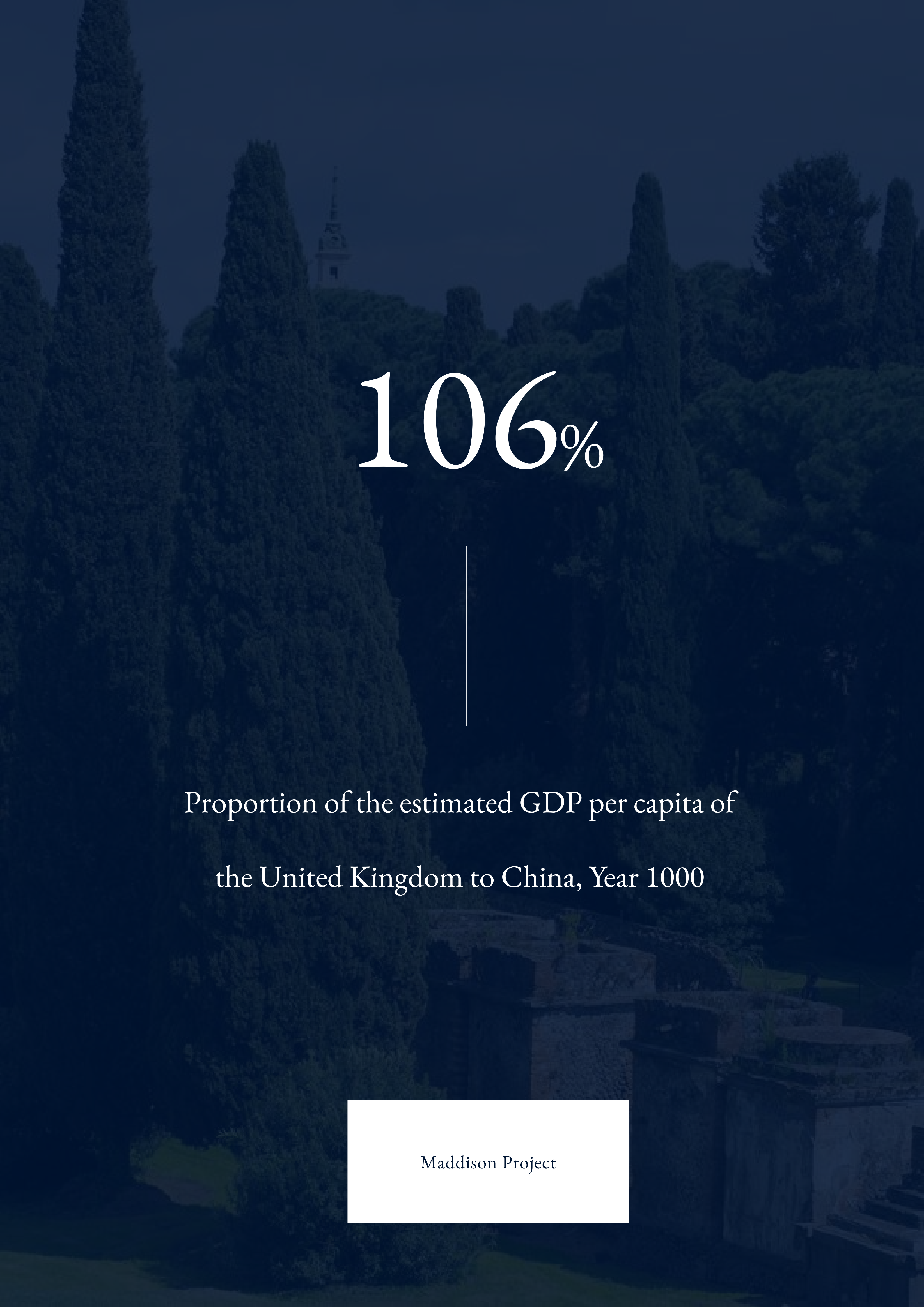
41%

Ratio of East Asian GDP per capita to West European GDP per capita, 2018..

Maddison



Ratio of the GDP per capita for East Asia compared to Western Europe, 1820 to 2018. Maddison



106%

Proportion of the estimated GDP per capita of the United Kingdom to China, Year 1000

Maddison Project

The Industrial Revolution

104%

Percentage GDP per capita in China compared to Western Europe, in 1500

Maddison

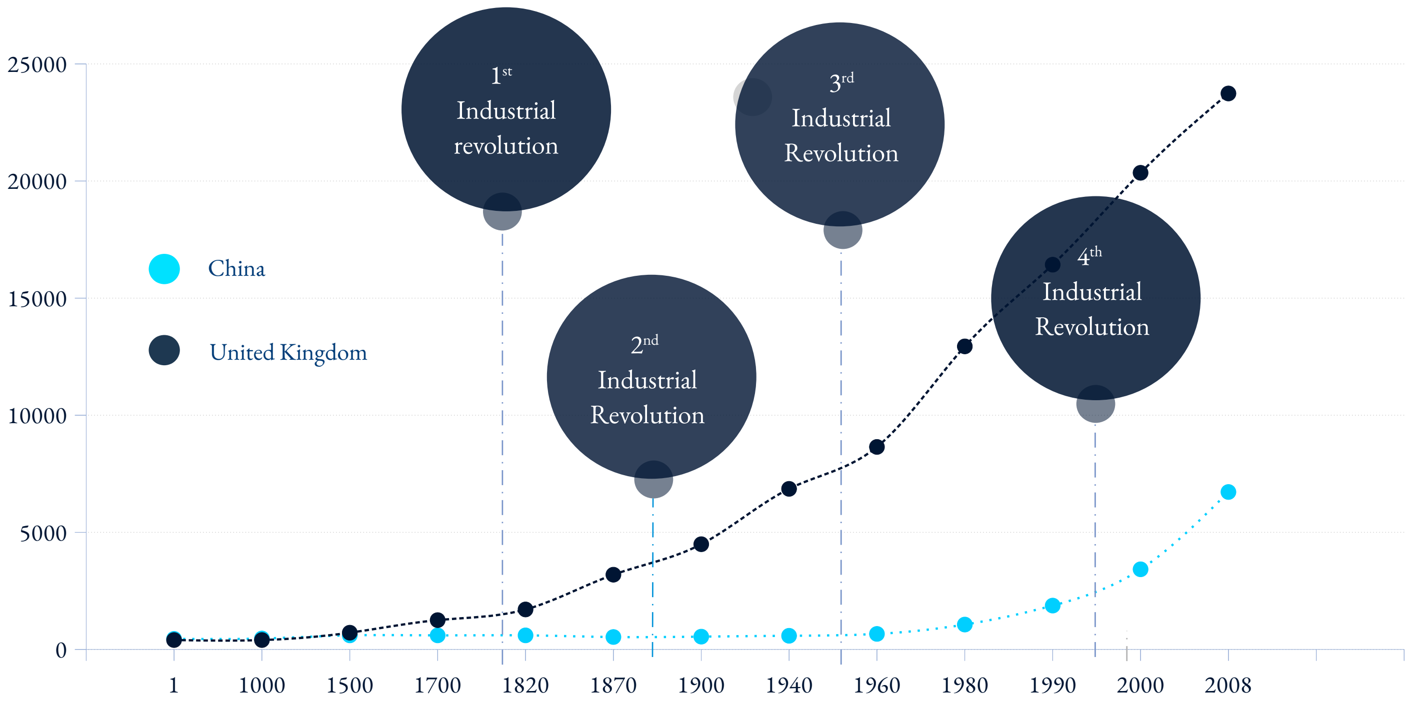
What 'made all the difference' came to be the acceptance of the social upheaval in the name of effi ciency and profi t. While both Asia and Europe actually had all the ingredients necessary for the Industrial Revolution, it was Northern Europe which, eventually, accepted the social dislocation that they brought.

Meanwhile, East Asia's relative comfort and post-Shang avoidance of social conflict meant that new methods of production associated with the First Industrial Revolution were not adopted.

9%

Percentage GDP per capita in China compared to Western Europe, in 1950

Maddison



Proportion of national wealth held by the top 10% in the United States, 1910 to 2012

Maddison

Without those, in themselves by no means lovely, qualities which set man in social opposition to man, so that each finds his selfish claims resisted by the selfishness of all the others, men would have lived on in an Arcadian shepherd life, in perfect harmony, contentment, and mutual love; but all their talents would forever have remained hidden and undeveloped. Thus, kindly as the sheep they tended, they would scarcely have given to their existence a greater value than that of their cattle. And the place among the ends of creation which was left for the development of rational beings would not have been filled. Thanks be to nature for the unsociableness, for the spiteful competition of vanity, for the insatiate desires of gain and power! Without these, all the excellent natural capacities of humanity would have slumbered undeveloped. Man's will is for harmony; but nature knows better what is good for his species: her will is for dissension. He would like a life of comfort and satisfaction, but nature wills that he should be dragged out of idleness and inactive content and plunged into labour and trouble, in order that he may be made to seek in his own prudence for the means of again delivering himself from them. The natural impulses which prompt this effort,—the causes of unsociableness and mutual conflict, out of which so many evils spring,—are also in turn the spurs which drive him to the development of his powers

Kant

Perpetual Peace

1.

First Industrial Revolution

This includes such developments as the spinning jenny and the first steam engines. This is the era when Northern Europe began its ascent in terms of GDP per capita as well as what became the greatest phenomenon of wealth creation in history, namely industrialization and the creation of modern nation states.

2.

Second Industrial Revolution

This includes such developments as electrification, the first steelworks and what we would today call mass manufacturing and Taylorism. This is also the era where the United States began overtaking Western Europe and eventually set-up the post-war political and economic order.

3.

Third Industrial Revolution

This refers to the developments in automation, digitalization and what came to be called the Information Technology Revolution during the 1970s. This in turn allowed for the globalization away from the United States while also dooming Soviet industry to increasing obsolescence

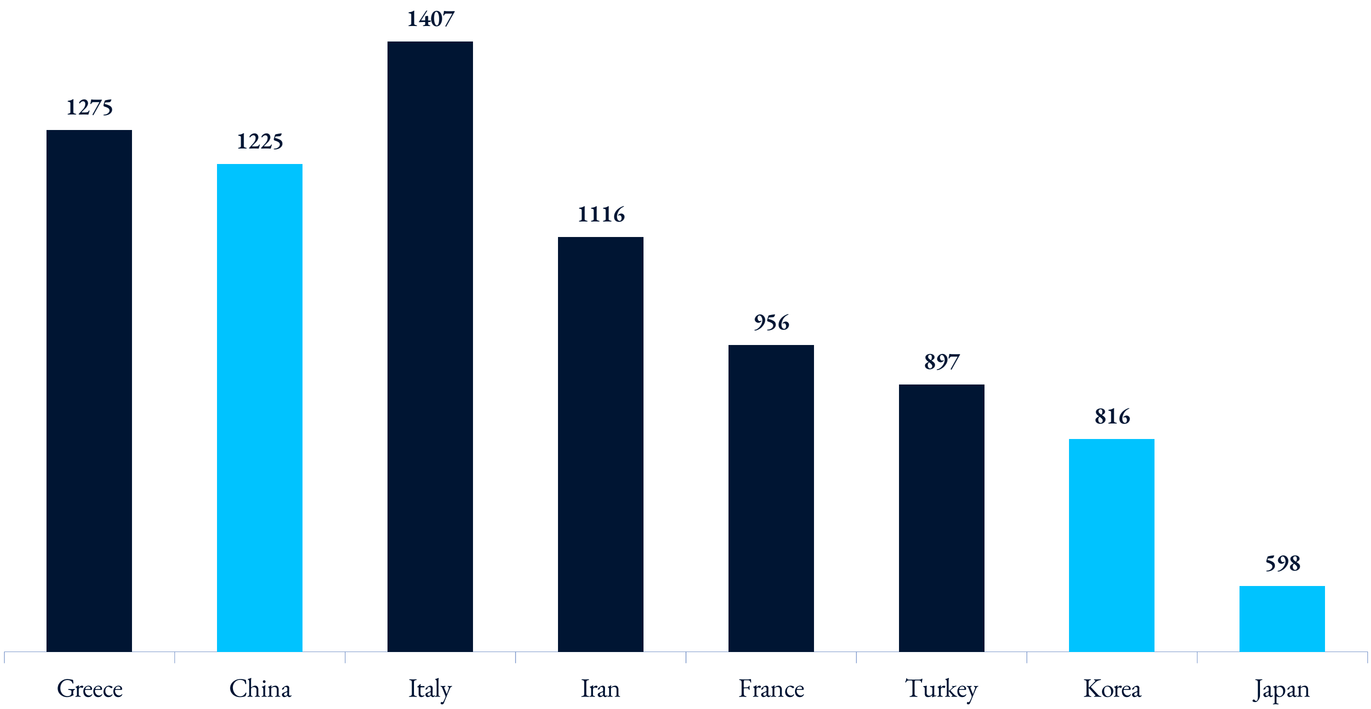
Over-optimisation

It would be supercilious to ascribe this to a particularly Asian issue as civilizations such as China or Persia retained some of their economic or cultural power well after Hellenic civilization declined. At one point in history, each contained about a quarter of the world's population within its military and cultural borders. The East, to an extent, just proved overly good at managing the Agricultural Age and maintaining a social consensus for it – with the thoughts, rationalisations, social structures and best practices that would be optimised for it.

96%

Average GDP per capita in China during 1 AD, as a ratio to contemporaneous Greek GDP per capita.

Maddison



Estimated GDP per Capita in Year 1 AD.

Maddison

Wherever there is an ascendant class, a large portion of the morality of the country emanates from its class interests, and its feelings of class superiority. The morality between Spartans and Helots, between planters and negroes, between princes and subjects, between nobles and roturiers, between men and women, has been for the most part the creation of these class interests and feelings: and the sentiments thus generated, react in turn upon the moral feelings of the members of the ascendant class, in their relations among themselves. Where, on the other hand, a class, formerly ascendant, has lost its ascendancy, or where its ascendancy is unpopular, the prevailing moral sentiments frequently bear the impress of an impatient dislike of superiority. Another grand determining principle of the rules of conduct, both in act and forbearance, which have been enforced by law or opinion, has been the servility of mankind towards the supposed preferences or aversions of their temporal masters, or of their gods. This servility, though essentially selfish, is not hypocrisy; it gives rise to perfectly genuine sentiments of abhorrence; it made men burn magicians and heretics. Among so many baser influences, the general and obvious interests of society have of course had a share, and a large one, in the direction of the moral sentiments: less, however, as a matter of reason, and on their own account, than as a consequence of the sympathies and antipathies which grew out of them: and sympathies and antipathies which had little or nothing to do with the interests of society, have made themselves felt in the establishment of moralities with quite as great force.

John Stuart Mill

On Liberty

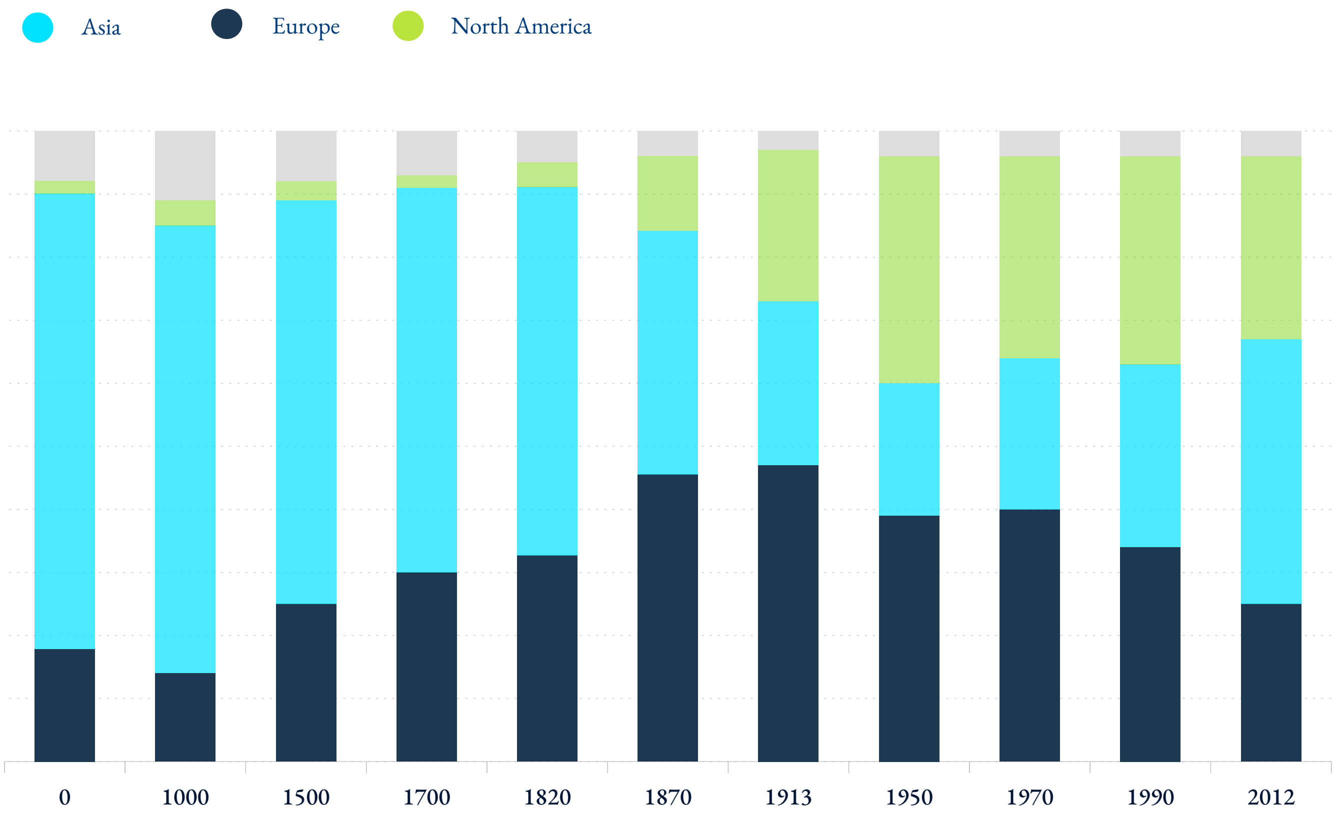
The European Long Century

This puts into focus one pervasive issue about the 'Asian Century'. Outside of the period between 1850 and 2000, in what may be called the Long European Century, most centuries were 'Asian'. This was the impact of the Industrial Revolution, with the declining share of global GDP seen in Asia being less a matter of Asian loss so much as extraordinary West European and American gain: between 1000 and 1950, Asian GDP per capita grew by 65%. North American GDP per capita grew by 1500%.

160

Number of approximate years that Asia GDP represented less than 50% of global GDP at historic estimates

Maddison



Estimated proportion of Global GDP for Asia, Europe and North America, based on estimated fro the University of Gronigen

Maddison

GDP Per Capita in 1950 *compared to* 1000

Asia
1000-1950

+ 65%

Europe
1000-1950

+ 887%

U.S.
1000-1950

+ 1500%

Africa
1000-1950

+ 200%

The rise of Asia

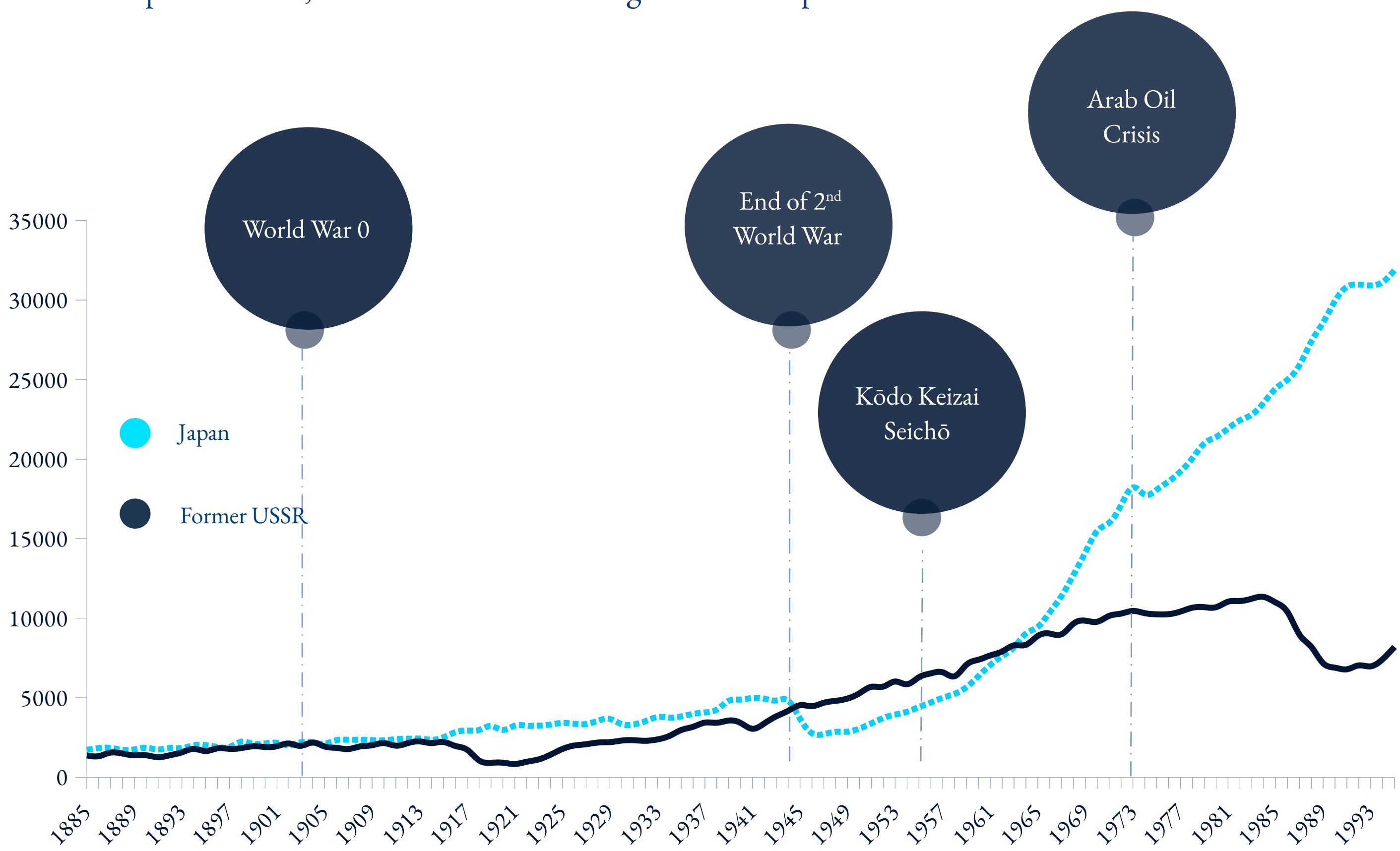
The Great Adaptation

The 'non-Europeaness' of that may be seen with the case of the Meiji Reforms in Japan, free from Tokugawa 'social harmony'. By quite consciously adopting the nation state, industrial production and mass education, Japan, in less than 37 years, went on to defeat another late comer to the Industrial Revolution, namely Russia, in what came to be known as 'World War 0'. That unleashing of what Mill would call 'character' would later act as a the model and building block for East Asian development through the flying geese conceptual model, in Akamatsu's Four Stages of Development.

37

Number of years between the Meiji Restoration and the Russo-Japanese War, won by Japan.

Encyclopedia Britannica



GDP per capita in PPP terms for the former USSR and Japan.

Maddison

There is no natural connection between strong impulses and a weak conscience. The natural connection is the other way. To say that one person's desires and feelings are stronger and more various than those of another, is merely to say that he has more of the raw material of human nature, and is therefore capable, perhaps of more evil, but certainly of more good. Strong impulses are but another name for energy.

Energy may be turned to bad uses; but more good may always be made of an energetic nature, than of an indolent and impassive one. Those who have most natural feeling are always those whose cultivated feelings may be made the strongest. The same strong susceptibilities which make the personal impulses vivid and powerful, are also the source from whence are generated the most passionate love of virtue, and the sternest self-control. It is through the cultivation of these that society both does its duty and protects its interests: not by rejecting the stuff of which heroes are made, because it knows not how to make them.

A person whose desires and impulses are his own—are the expression of his own nature, as it has been developed and modified by his own culture — is said to have a character.

Mill

On Liberty

Akamatsu Four Stages

of East Asian Development

1.

At this stage an economy imports consumer goods and exports primary goods, while engaging in very limited industry.

2.

At this stage an economy imports consumer goods and fixed capital goods while beginning production of domestic consumer goods.

3.

At this stage an economy begins exporting consumer goods, importing primary materials and produces its own capital goods.

4.

At this stage an economy exports both consumer goods as well as capital goods through foreign direct investment.

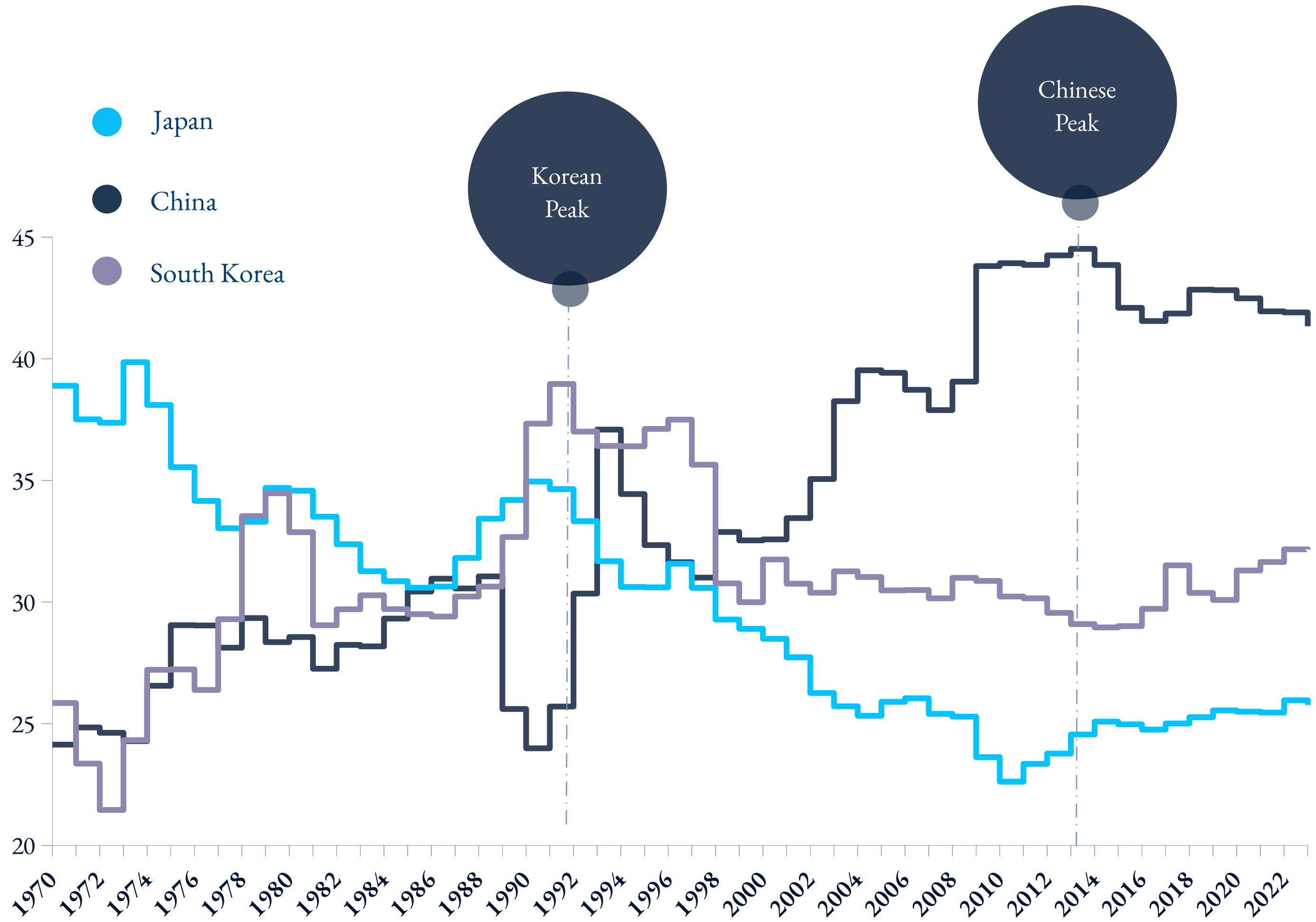
Capital Formation

This may be illustrated through the rise and fall of capital formation as a proportion of GDP, the cycle first occurring, again, in post-war Japan, then South Korea and then China. Each hit a peak of gross capital formation about 10 to 15 years before peak economic growth rates in absolute terms, partially by way of foreign direct investment and copying industrial production methods from the previous.

45%

Gross fixed capital formation as percentage of GDP, China, maximum historic value.

World Bank



Gross Fixed capital Formation as a percentage of GDP. Selected countries.

World Bank

In the past fifty years, Japan has upgraded its industries from textiles to consumer durables, to heavy and chemical industries, to automobiles, and to high-tech products. Korea and Taiwan seem to be following a similar industrialization path, a few decades later. And the ASEAN countries are chasing Korea and Taiwan up the industrialization ladder, while themselves being chased by China and Vietnam. This pattern of staggered industrialization by the Asian economies is often nicknamed the "flying geese pattern" (see Ito 1996, 1997b for the concept and earlier literature of this pattern). Capital flows play an important role in this pattern of economic development. As some industries, say textiles, lose competitiveness as the result of wage hikes in one country, say Korea, a company will seek to move its factories to a lower wage country, say Thailand. If management skills are transferable to different countries, this will accelerate the industrialization process of the host country. The host country will develop its own industries as skilled workers and middle-level management become available through training at the foreign firms on domestic soil. Technological transfer has to occur sooner or later. Korea and Taiwan have already become capital exporter.

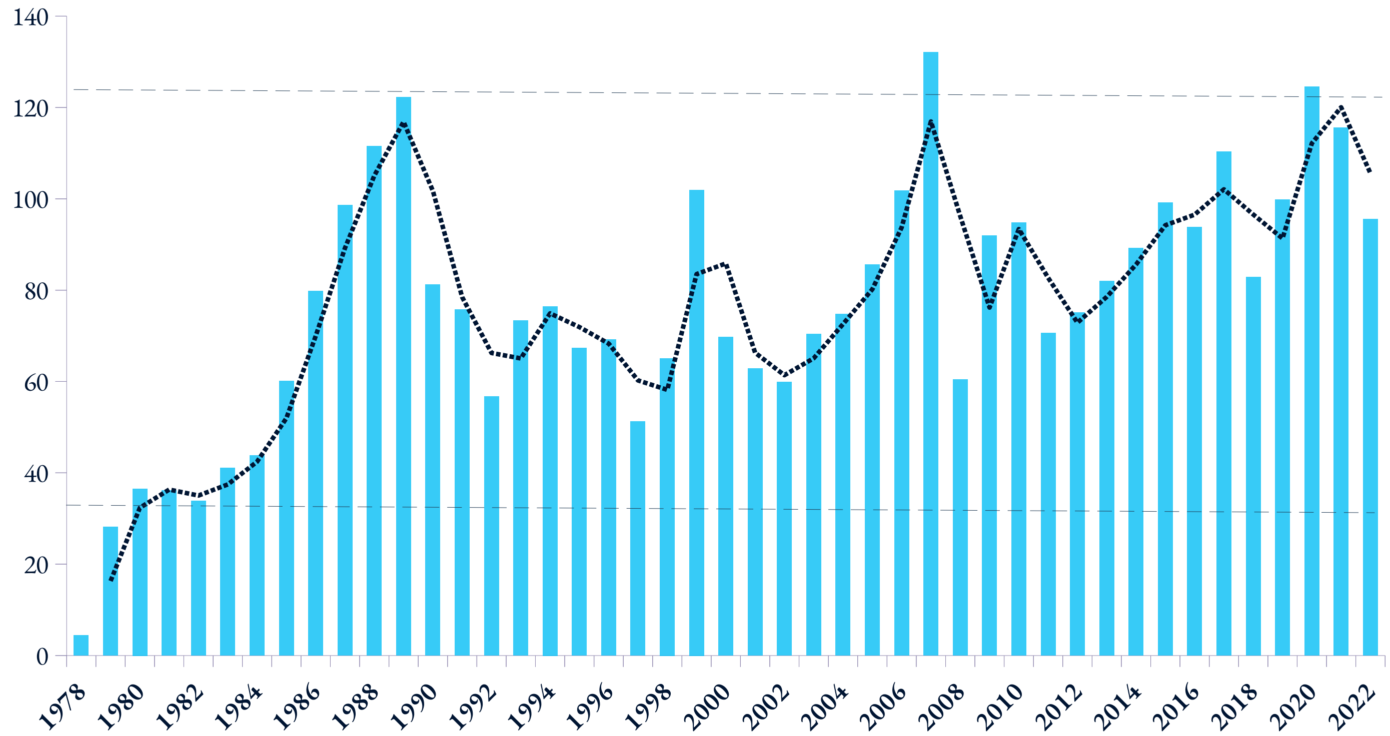
Regional Capitalisation

That may be further seen in the degree to which after the initial wave of Japanese equity growth, pan-regional stockmarket capitalisation across the East Asia and Pacific region as a proportion of GDP is surprisingly uniform compared to individual economies' domestic financial markets. First capitalisation rose from 4% of GDP in the late 1970s to 122% by the early 1990s and then it remained mostly within the range of 80% to 90%.

4%

Stockmarket capitalisation as a proportion of GDP, East Asia and the Pacific, 1978

World Bank



Market capitalisation of listed domestic companies as a percentage of GDP, East Asia and the Pacific, 1976 to 2024.

World Bank

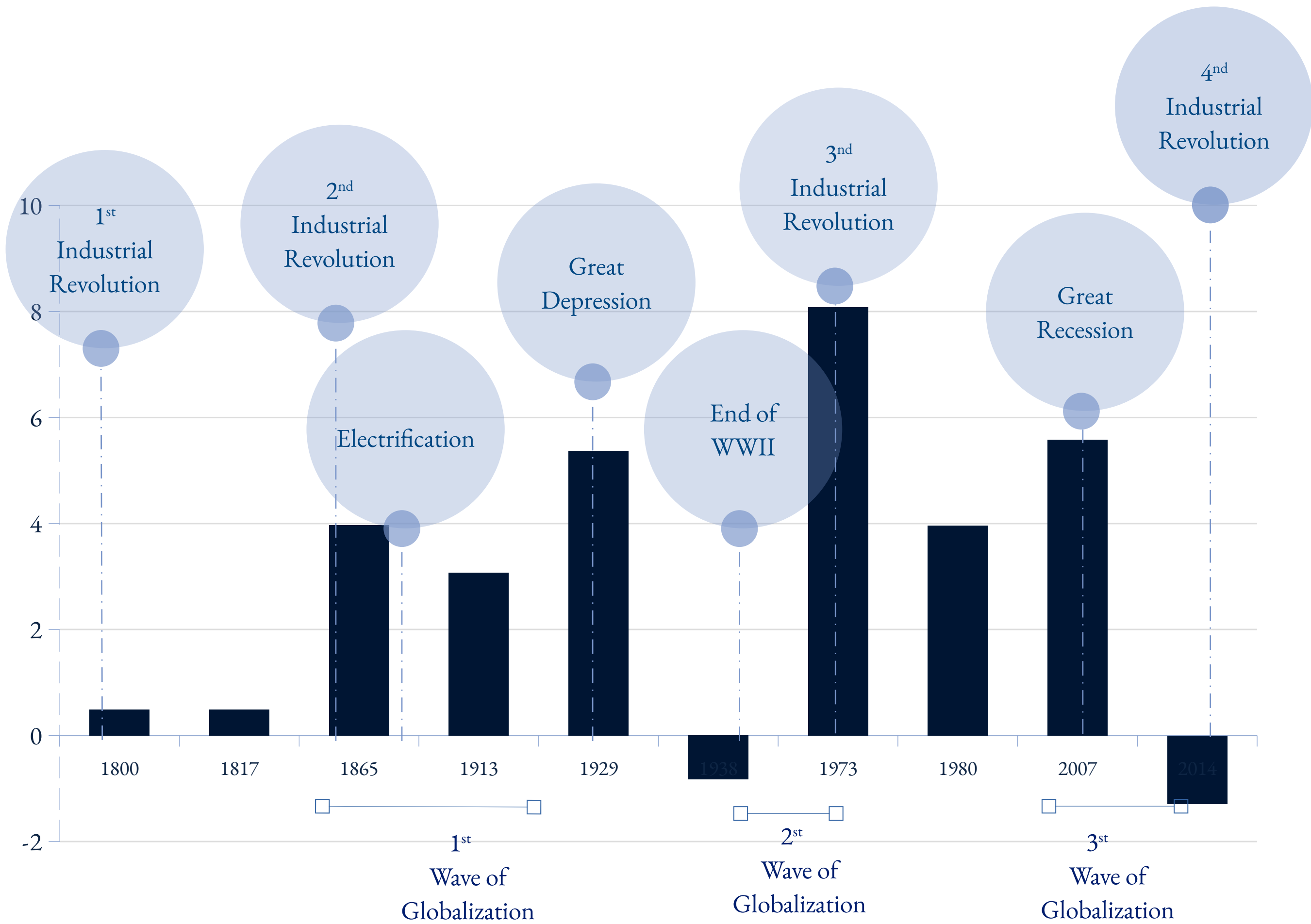
The Third Wave of Globalisation

However, while Japan could act as one of the first to go through the process and begin exporting capital goods to other economies such as South Korea or China through foreign direct investment, it could not, by itself, also act as the market for those goods. Which is where the U.S. and Western markets played a significant role during what has become known as the Third Wave of Globalization, allowing the third stage of that process to leverage the financial vastness of Western consumer markets.

11%

Trade as a proportion of GDP, United States, in 1970.

World Bank



First and second derivative of the rate of growth in trade as a proportion of global GDP, USD Constant 2016.

World Bank, Various

1.

First Wave of Globalisation

Between the 1800s and early 1900s, the first wave of globalization was characterized by the expansion of trade and investment driven by industrialization, advancements in transportation such as railways as well as communication technologies such as the telegraph.

2.

Second Wave of Globalisation

Following World War II, the second wave of globalization was marked by the establishment of international institutions to promote trade and economic stability, such as the General Agreement on Tariffs and Trade (GATT), which evolved into the World Trade Organization (WTO). This era focused on rebuilding economies through trade liberalization, multilateral agreements, and economic cooperation.

3.

Third Wave of Globalisation

The third wave of globalization emerged with the advent of neo-liberal economic policies and technological advancements in computing and telecommunications. The WTO, established in 1995, played a central role in expanding trade liberalization, addressing not only goods but also services, intellectual property, and investment. This era was defined by the integration of developing economies, such as China and India, into the global market.

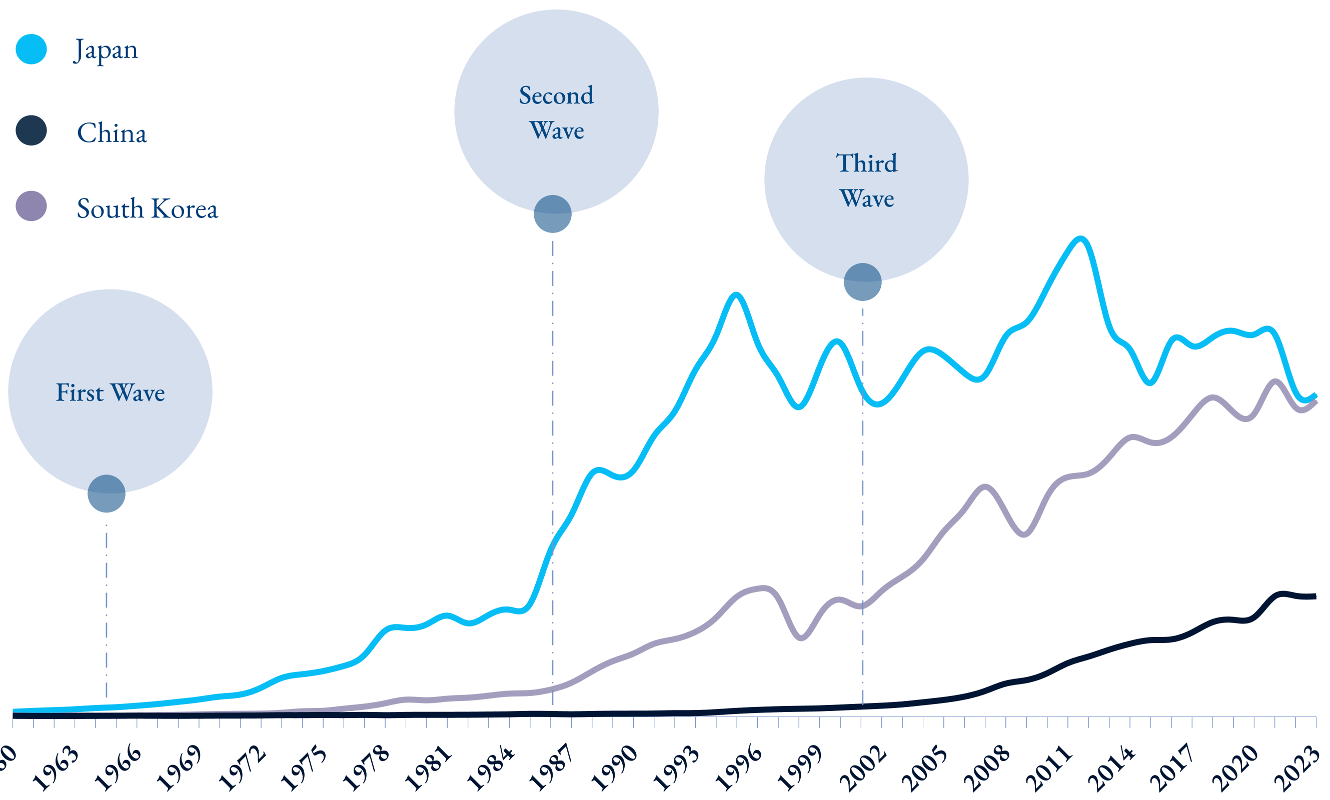
Equity Capitalisation Waves

Those high rates of gross fixed capital formation also reflect in the 'waves' of East Asian industrialization, as listed domestic companies eventually incorporated equity capital and, as a lagging indicator, created waves of stockmarket capitalization. This may be partially understood in terms of each previous wave's equities having exposure both in terms of direct investment as well as sales to the rising wave, with Japanese business investing in South Korea and, later, China alongside with South Korean companies.

164%

Ratio of foreign direct investment from Japan in China to that of the United States, 1991.

Shang-Jin Wei, NBER



Market capitalisation of domestic companies. Selected countries cumulative totals, 1960 to 2023.

World Bank

49

Times GDP USD Current was greater in China

in 2023 compared to 1990

World Bank

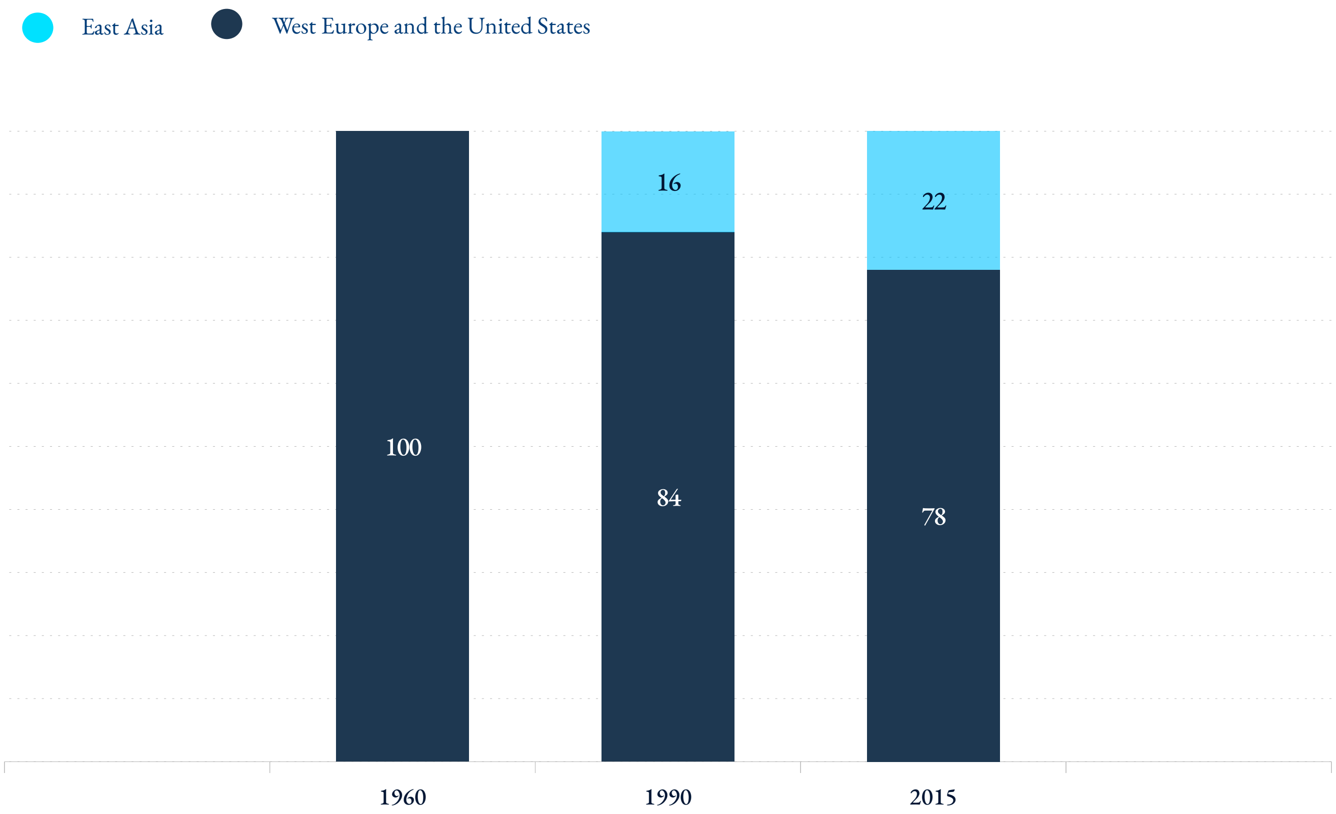
National Family Champions

Furthermore, while enjoying significantly smaller pools of capital than that available to Western competitors, Eastern family business successfully used both the Asian infusions of financial and technological capital as a force multiplier to the limited national bank-provided debt capital to help create national champions, often using in effect the same model as did the older clan-households did to challenge the Western, corporation-model, business.

84%

Representation in the top 10% of companies by region, cumulative for the United States and Western Europe, 1995.

McKinsey



Shares of business at the top 1% level by sales and capitalization between East Asia and Western Europe and the United States on the other.

McKinsey

35%

Proportion of Fortune 500 companies which are family controlled

Wharton Business School

3

Role of Family Business

The role of Family

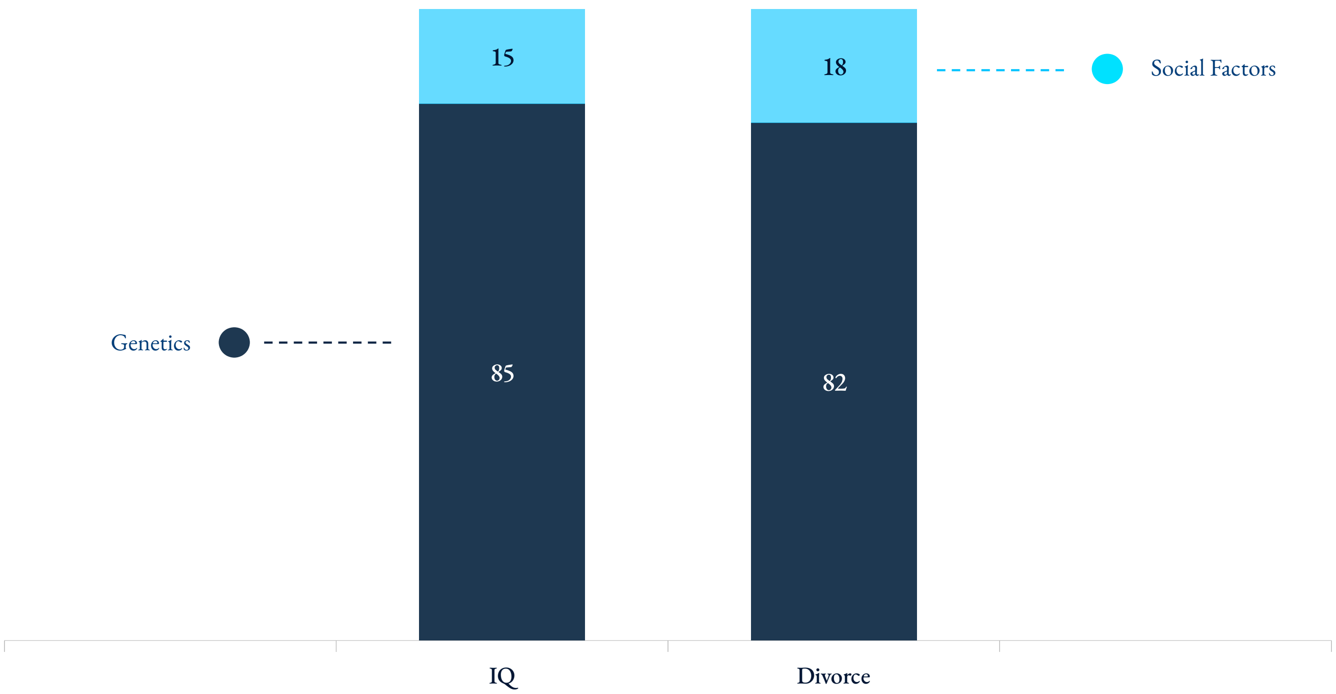
It runs in the family

Economic development, in so far as we have the phenomenon documented, often may be traced to a limited number of people engaging in political, social and business enterprise. Those people tend to run along family lines, partially because it implies access to the capital – social, cultural, financial – needed for such endeavours and partially because the propensity to engage in them to begin with seems to be highly heritable. In the case of East Asian development, perhaps the most extraordinary historically, such families played a foundational role that stretches from politics to industrialization.

75%

The degree to which the rate of self-employment among sons of fathers who were self-employed was higher than those whose fathers were not self-employed

Dunn, Holtz-Eakin



Estimated heritability of IQ and divorce rates, separate studies conducted in the United States, for IQ, and Denmark, for divorce rates.

Matt Ridley, Nature via Nurture

While parental wealth per se has a small positive effect on the transition for sons, the strongest parental effect does not run via financial channels.

Rather the most dramatic influence occurs through intergenerational correlation in self-employment that runs most strongly along gender lines. Thus, these data suggest strong roles for human capital per se and the transmission of these skills within families in enhancing the probability of making a transition to entrepreneurship

Characteristics

of Asian Family Business

1. Self-financing is common among Asian family companies, with the advantage of high resiliency when capital is scarce.

2. Conglomerates are far more common than in other places, with both resources, capital and talent pooled into a multi-sector entity.

3. Integration, both vertical and horizontal, is often both the source of cost efficiencies but also later innovations.

4. Many trace their linage several generations and are interwoven with national history, while upstarts aspire to the same.

70%

Proportion of global GDP which is created by family business

McKinsey

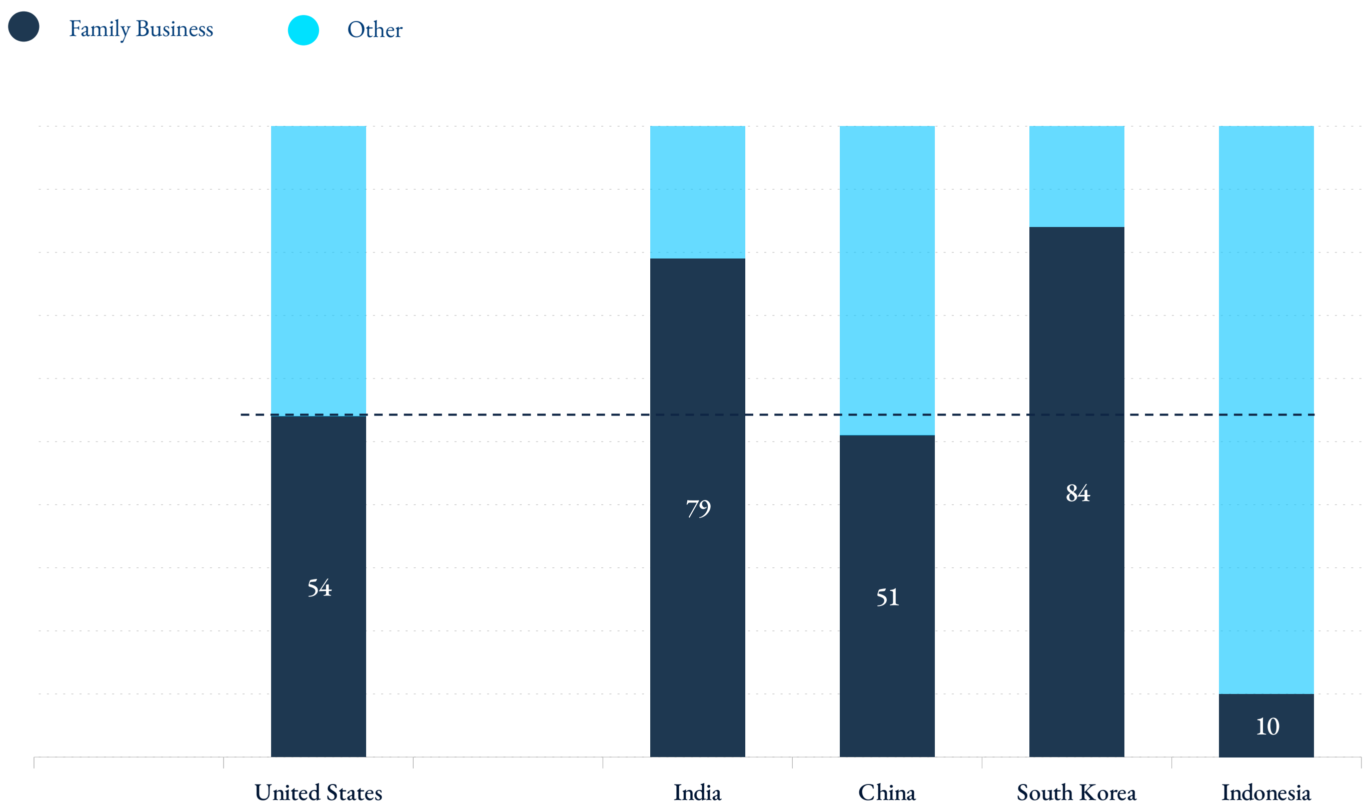
Family Industrialization

While Western industrialization partially began as inventions turned business ventures by the industrialists of the time, East Asian industrialization started and to a significant degree continued as a family business. Both nationally and commercially-minded, clan-households went from feudally-assigned enterprises to national businesses which served not only to advance the family's financial interests but also the modernization and industrialization of the country itself.

160

Number of approximate years that Asia GDP represented less than 50% of global GDP at historic estimates

Maddison



Estimated proportion of GDP being generated by family business, multiple dates.

Wharton Business School

Types

of Capitalism

1.

Shareholder capitalism involves the largest corporations being owned by a large number of shareholders, directly or through pension funds.

2.

State capitalism involves a central authority allocating capital to various private and public enterprises directly, over and above guidance, and usually involving some degree of planning.

3.

Family capitalism involves a limited number of wealthy families owning most capital and being the de-facto capital allocators of the economy.

4.

Bank capitalism refers to the concentration of capital in banking institutions and the allocation of that capital as debt capital to corporations in the economy.

The Meiji Restoration leaders planned to defeat the foreigners and restore Japan's splendid isolation, but they soon realized that beating the foreigners meant learning their ways. The Meiji leadership sent Japan's best students to universities throughout the world to learn about foreign technology, business, and governments, and to report back. The result was a cultural, economic, and political reinvention of Japan, in which the reformers cobbled together a new system based on what they saw as global best practice in legal, economic, and social institutions. The government founded state-owned enterprises to bring all manner of Western industry to Japan, and built up huge debts in the process. To extricate itself, the Meiji government conducted a mass privatization, in which most of these enterprises were sold to the Mitsui and Sumitomo families and to a few other family-controlled business groups that were gaining prominence, such as Mitsubishi. These groups, called zaibatsu, were family-controlled pyramids of listed corporations, much like those found elsewhere in the world. Later, other groups like Nissan, a pyramidal business group with a widely held firm at its apex, joined in as Japan's economy roared into the twentieth century. Thus, Japan began its industrialization with a mixture of family and state capitalism.

Morck, Steier

A History of Corporate Governance Around the World

The case of

Japan

During the feudal Takagawa period (1603–1868), Japanese firms were owned entirely by families—or, perhaps more properly, by clans. The Mitsui and Sumitomo family businesses both emerged during this era. In both cases, extensive sets of family rules and traditions determined corporate governance issues. Following the Meiji Restoration of 1868, the new government promoted rapid industrialization.

The Mitsuis, Sumitomos, and other new family businesses like Mitsubishi (run by the Iwasakis) needed capital vastly in excess of their own wealth, and they turned to public equity markets. The families organized a new firm to float equity for each new venture and organized them into pyramidal groups. At the apex of each was a family partnership (later a family corporation), which controlled several public corporations, each of which controlled other public corporations, each of which controlled yet other public companies, and so on.

These structures, called zaibatsu, resembled modern Korean chaebol and similar pyramidal groups elsewhere.

The Big Push

In the transformational decades of the Meiji period (1868–1912), Japan undertook a rapid and hither to unprecedented journey towards non-Western industrialization. This process, often examined through the lens of the "Big Push" hypothesis, required large-scale, coordinated investments across sectors to overcome market imperfections and propel the nation into modernity without much of a charted path in doing so, over and above copying elements of what had recently become Germany, another industrial laggard with significant ambitions. Within this context, family businesses—ranging from rural merchant houses (chōnin) to regional producers and proto-industrial manufacturers—played a foundational role in mobilizing resources, managing risk, and anchoring social trust at a time when institutional capital was scarce and the broader goal was nothing less than national revitalization.

There was a significant hurdle, as many industrializing countries have come to know: *industrialization in underdeveloped economies requires simultaneous investment in multiple industries acting as inputs and outputs for others.* With an only recently created nation state and lacking vast equity markets, coordination was a critical puzzle over and above the superficial import of basic technology.

The clan-household provided an off-the-shelf cohesive, self-organising network, with the sprawling, multi-industry conglomerates that characterise Asian business coming into existence during this time.

A car factory is scant use in a country without steel mills, oil refineries, gas stations, mechanics, roads, or people with disposable income. Economic development requires coordinated growth of demand and supply across multiple sectors, as firms in each exploit increasing returns to scale – often with firms in one sector bearing losses as another develops. Without coordination, growth falters because of a range of market failures. With coordination, increasing economies of scale in each growing industry spillover into growth opportunities in other sectors.

A key problem is that first movers risk “hold-up” problems. “Hold up” occurs when one business’s return depends on others’ actions. For example, digging a coal mine next to a planned steel mill exposes the mine to a “hold-up” The steel company can demand cut price coal by threatening to walk away, leaving the mine without a nearby customer. Each wants the other to move first. Information asymmetries and adverse selection problems prevent the two parties from contracting their way out of the impasse. At worst, nothing happens; at best, one or both operate on inefficient scales. Vertical integration solves this problem under some circumstances, for if a single company digs the mine and builds the steel mill, the problem evaporates.

Morck, Nakamura

Business Groups and ‘the Big Push’

Kitchen Table Business

Capital scarcity in early Meiji Japan, later mirrored in post war South Korea and 1980s Mainland China, further elevated the importance of family firms. Japan lacked robust financial institutions, a nationally-established savings mechanism such as a pension system nor could not match the United States' or the United Kingdom's equity markets to attract foreign capital.

In the absence of deep capital markets, family businesses operated as flexible and risk-tolerant vehicles for investment. They reinvested profits, extended informal credit through community ties and diversified into new industries, often with internal capital. This, among other aspects, made the businesses deeply entwined with the broader national mission of *fukoku kyōhei* (rich country, strong army) and achievement of national modernization, as the special purpose vehicles of technological transfers which would bring about Japan's – *and, later, South Korea and China's* – entry into what was at that point seen as Western modernity. This moral framing for what were often family affairs encouraged sacrifice and continuity, both of which were suited to the long-term vision of family firms. Not least, it may be even said that their commitment to reputation and legacy made them more willing to bear the uncertainties of the early industrial era and act as the spearheads of what was nothing less than the 'national rejuvenation' of their time. As it happens, they did in fact act as an agent of change in world history, playing a pivotal role in turning modernity into a global phenomenon.

40%

Estimated percentage of large family business over 100 years old which are Japanese

Corvinus University

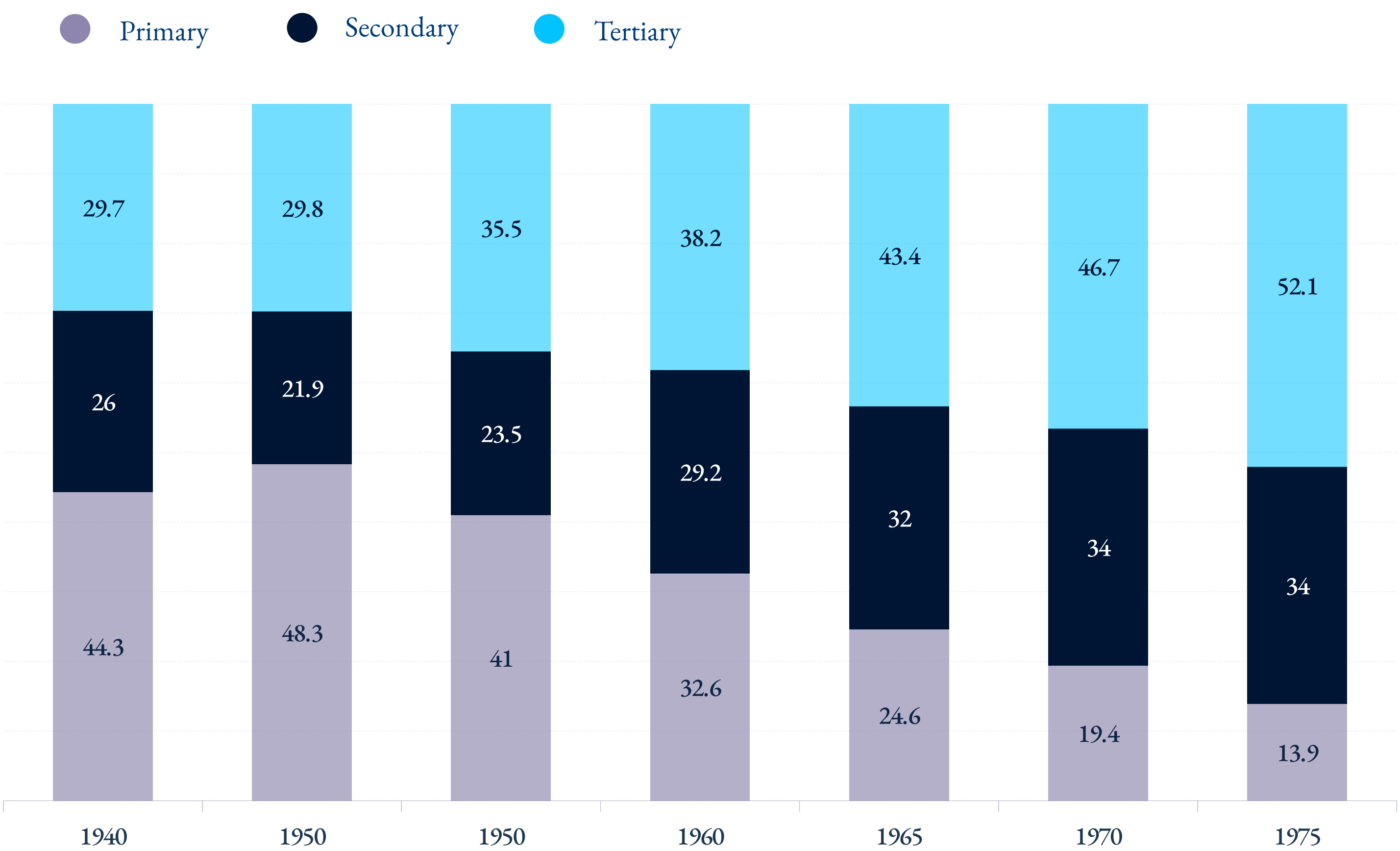
The Great Transformation

Self-evidently, this allowed Japan to undergo 'The Great Transformation' at a much faster pace that the United Kingdom or the United States did in their respective periods moving signifi cant amounts of the population from rural agriculture to urban manufacturing. It should nevertheless be noted that Japan in percentual terms did in fact play catch-up with the still-predominantly agricultural United States starting in the early 1900s, as opposed to the later examples of Korea and China.

43%

Share of the labour force employed in agriculture in 1890, United States

St. Louis Federal Reserve



Employment of the labour force by sector, Japan, 1940 to 1975

Okazaki 1996

5%

Share of total global wealth, Japan 2022

UBS

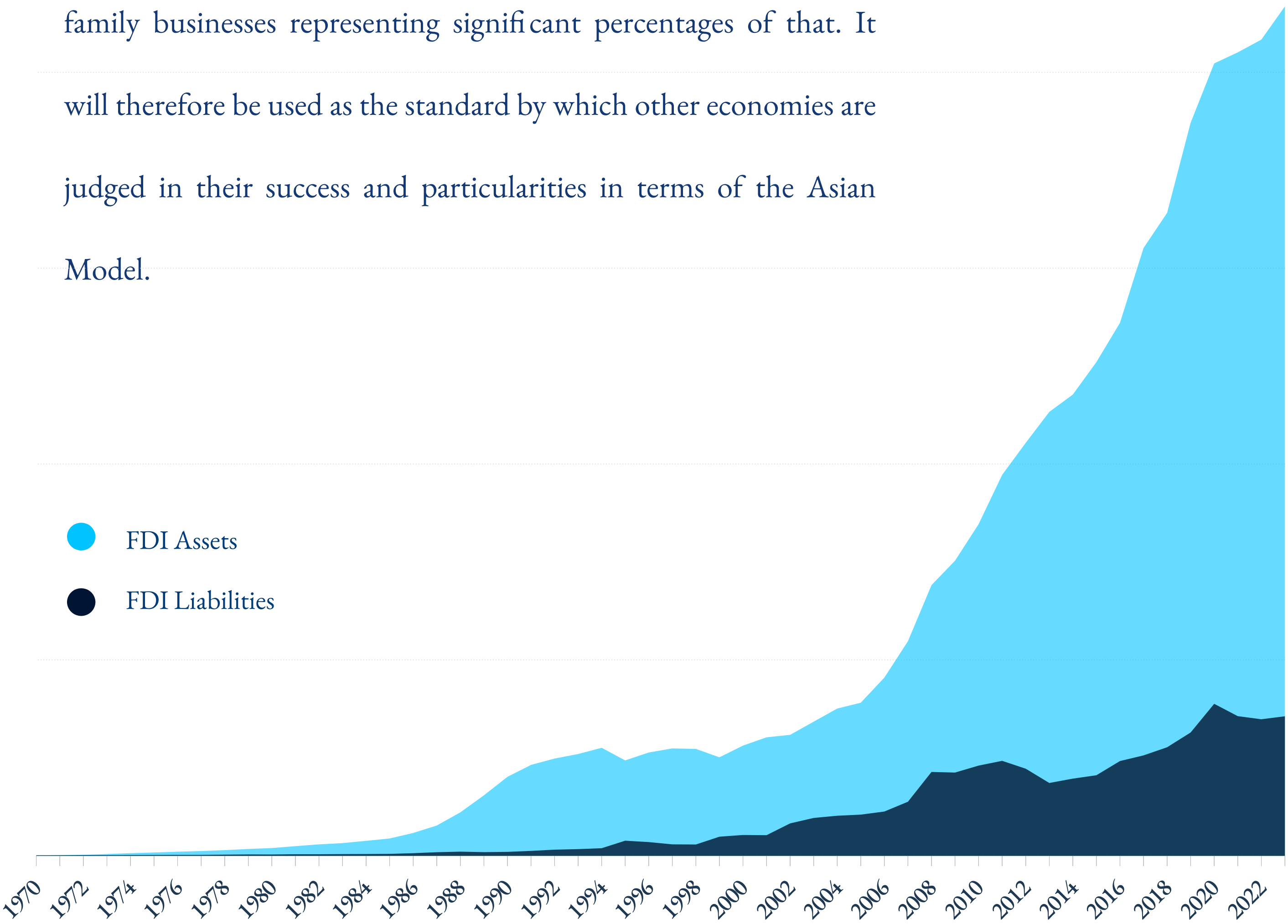
The Last Stage

Lastly, Japan successfully implemented through those family-owned businesses what empire failed to do, namely complete the last stage in Akamatsu's Four Stages, and export financial capital fixed capital and build a commercial network spanning East Asia and beyond. With foreign direct investment holding estimated between USD 1.5 trillion and USD 2.16 trillion, it stands out at having successfully completed all stages of the Asian Model, with family businesses representing significant percentages of that. It will therefore be used as the standard by which other economies are judged in their success and particularities in terms of the Asian Model.

609%

Ratio of FDI Assets to FDI Liabilities, Japan, 2023

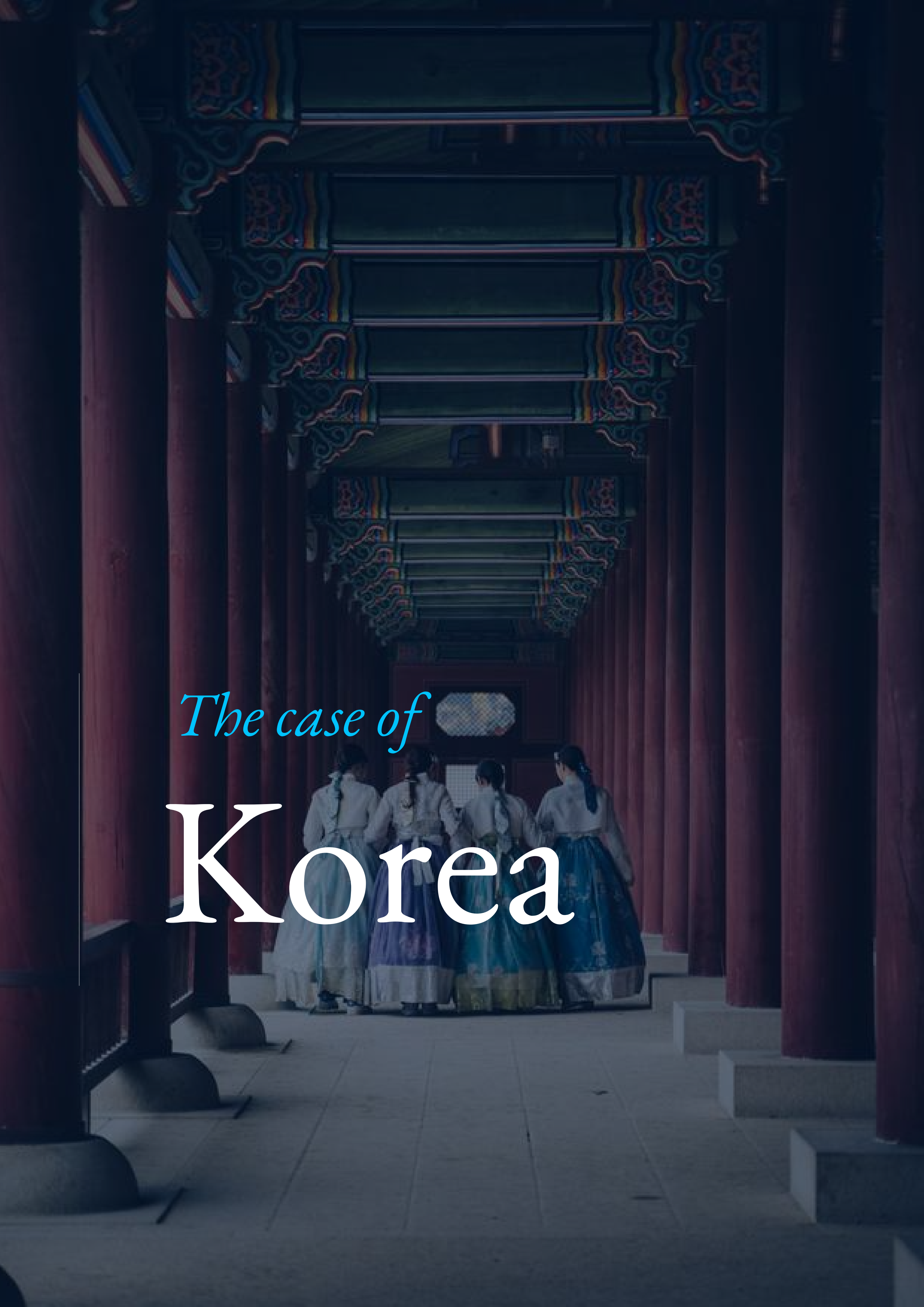
Lane, Milesi-Ferretti



Foreign Direct Investment Assets and Foreign Direct Investment Liabilities for Japan, 1970 to 2023.

Brookings,

The External Wealth of Nations Database



The case of Korea

The Industrial Yangban

That role was quickly taken by others. The *yangban*, Korea's traditional aristocracy during the Joseon dynasty, found themselves flat-footed in the wake of colonial occupation, war, and the eventual division of the peninsula. Stripped of their formal privileges, many *yangban* families nevertheless had the advantage of literacy, networks and land-based wealth which could be turned into financial capital. These tangible and intangible assets became the foundation for adaptation into the new capitalist order.

Under leadership of the Japan-educated Park Chung-hee administration, South Korea began to implement a similar industrial policy through export-led growth in the 1960s and 1970s, some yangban-descended families transitioned into entrepreneurial roles by starting family-run firms that were later to grow into vehicles of Korean industrialization and some of the conglomerates that South Korea globally renowned for today.

158

South Korean GDP per capita in 1960, current USD.

World Bank

5.7%

Percentage of people aged 25+ who held some form of tertiary education. South Korea, 1970.

World Bank

In the early 1960s, South Korea was close to being considered a failed state. It suffered from political turmoil and economic stagnation.

One of the poorest countries in the world, it had a lower per capita income than North Korea, and its standard of living was not much higher in 1959 than it had been in 1945. Domestic savings were virtually nonexistent, and foreign assistance was required to finance most domestic investment.

Exports were less than 1 percent of GDP, and it could afford imports of about 10 percent of GDP only because of US foreign aid.

Douglas A. Irwin

From Hermit Kingdom to Miracle on the Han

Chaebol Origins

Historically, the structural model of the modern Korean conglomerate — the *chaebol* — was heavily influenced by the Japanese *zaibatsu* system established during Korea's colonial period between 1910 and 1945. Japan, abroad as at home, had implanted a system of hierarchical, family-centred conglomerates that integrated banking, manufacturing, and trade.

After the second World War and the Korean War, Korean entrepreneurs often adopted this model, sometimes with a degree of informal government support. While the Korean state formally dismantled colonial institutions, it tacitly encouraged the consolidation of capital and resources within family-run conglomerates, as a means to effi ciently implement industrial policy.

In fact, fi rms like Samsung, Hyundai, and LG often began as relatively small family enterprises during this period but expanded rapidly under this system, mirroring the multi-divisional, vertically integrated structure of the *zaibatsu* that also proved crucial in South Korea.

1%

Average contribution to GDP from exports, in South Korea, during the 1960s.

Douglas A. Irwin

45%

Percentage of Korean who were between 20 and 24 in 1989 who proceeded to gain employment in the manufacturing industry.

Kim, Topel

The top-3 firms experienced substantially higher TFP growth over this period. While they were 2.6 times more productive than other firms in 1972, they were 10.9 times more productive in 2011. They also experienced a faster increase in foreign demand. [.]

We compare the observed baseline economy to an alternative in which the top-3 firms instead exhibited the average sectoral growth rates of productivity, distortions, and export market access. Had the top-3 firms not experienced differential shocks, the top-3 concentration ratio change would have been one-fifth of that in the data, but 2011 real GDP would have been 18.9% lower, and the net present value of welfare over 1972-2011 would have been 5.4% lower. Most of the total effect is due to the top-3 firms productivity.

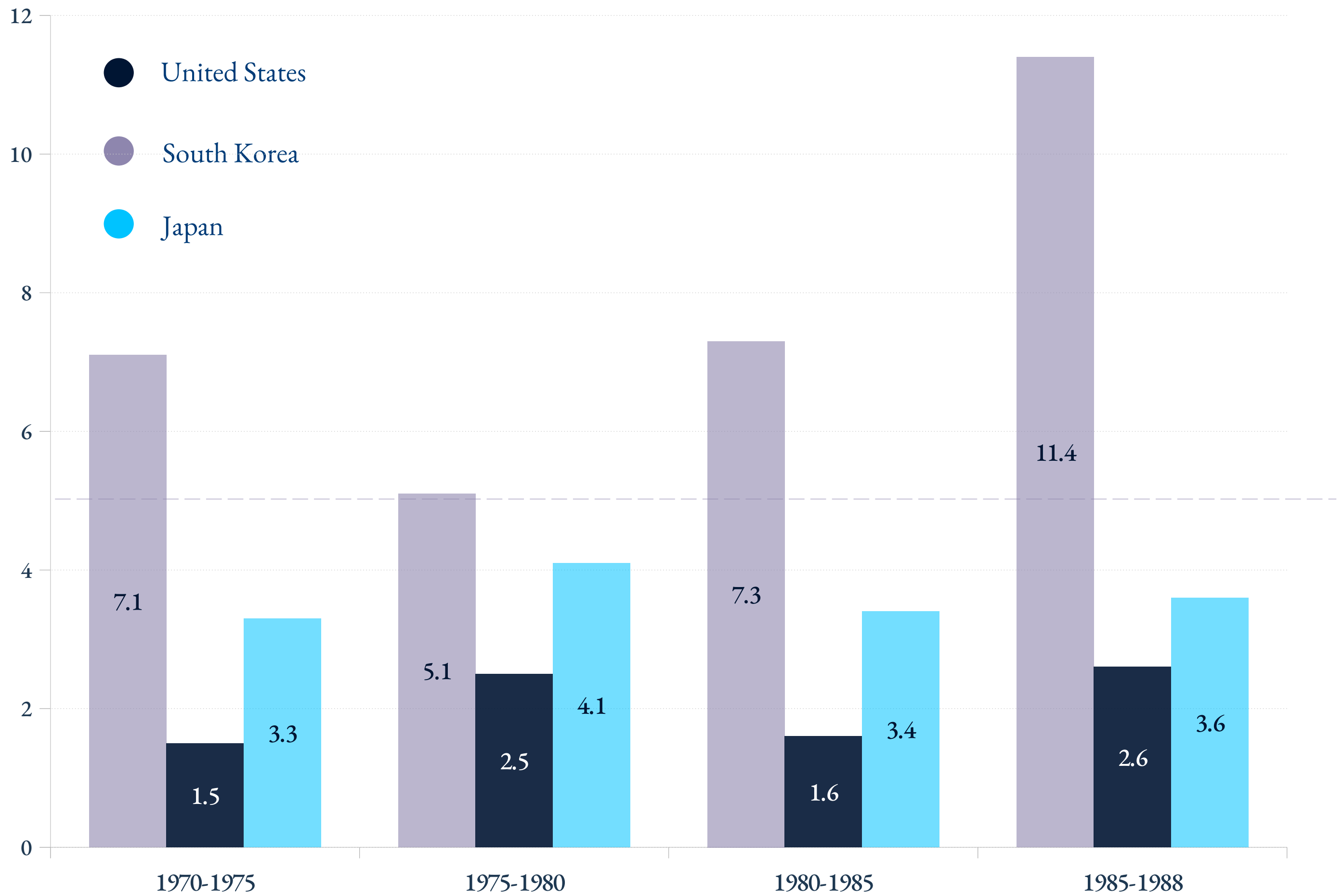
Korean Transformation

As with Japanese industrialization, what followed was a wave of growth starting in the late 1960s and continuing up to the 1980s. Primarily spearheaded by family businesses, it often used imported Japanese capital, technology, organisational methods and business practices. In practice, this meant that some of the *yangban* families successfully translated the capital from the Agricultural Age into the Industrial Age and, in the processes, transformed South Korea with growth rates averaging 7.3% during the 1970s and 1980s.

7.3%

Average growth rate of South Korea between 1970 and 1988

World Bank



Average growth rate per selected period. Select countries. Current USD.

World Bank,

National Bureau of Economic Research

2.2%

Share of total global wealth, South Korea, 2022

UBS

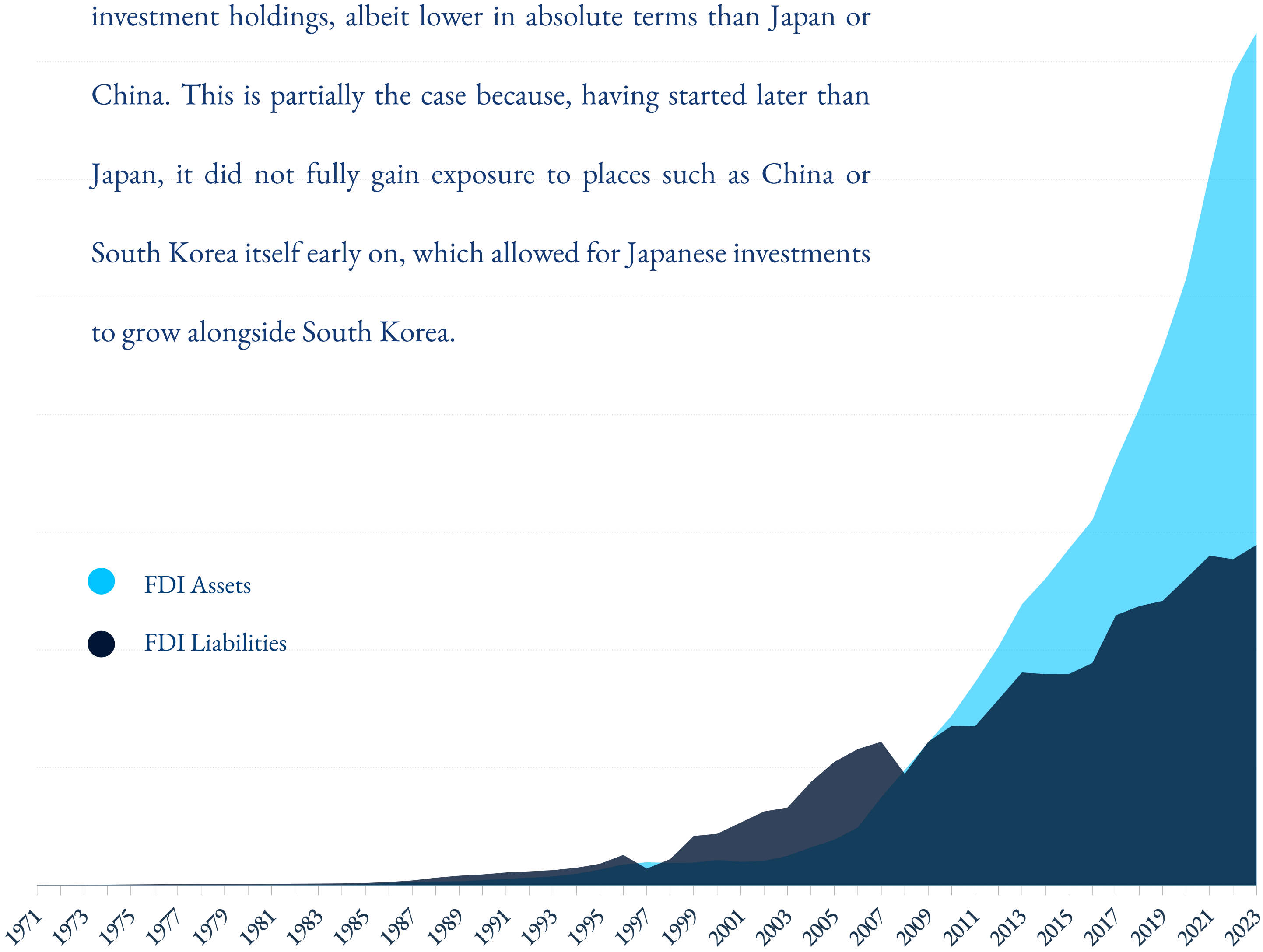
The Last Stage

South Korea is also remarkable in that it is the only other country besides Japan to fully compete the four stages, namely move to foreign direct investment. The degree to which this has been done is lower than Japan's, despite having most components such as family-owned conglomerates or bank-financing but is nevertheless remarkable in having amassed sizeable and positive foreign direct investment holdings, albeit lower in absolute terms than Japan or China. This is partially the case because, having started later than Japan, it did not fully gain exposure to places such as China or South Korea itself early on, which allowed for Japanese investments to grow alongside South Korea.

250%

Ratio of FDI Assets to FDI Liabilities, South Korea, 2023

Lane, Milesi-Ferretti



Foreign Direct Investment Assets and Foreign Direct Investment Liabilities for South Korea, 1971 to 2023.

Brookings,

The External Wealth of Nations Database

The case of

China

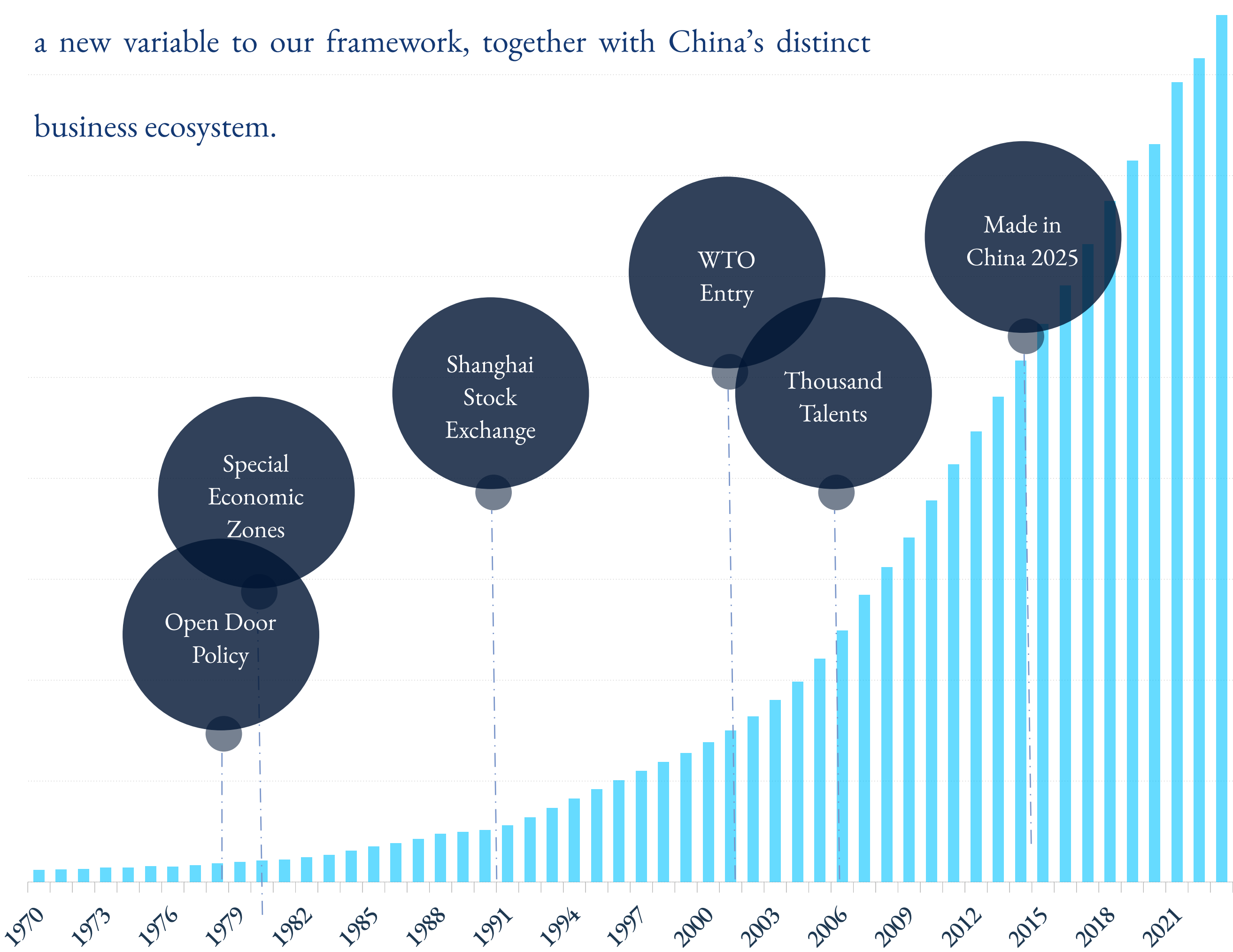
Complex Families

Following Deng Xiaoping's reforms that model was soon expanded over South-eastern China but, partially, in the context of the Communist takeover of China, with the role of the older landowning families being taken by in part by Party families. It should be understood that many of what rose to be Party cadres were in fact part of the lower nobility - composed the vast majority of those able to read and write - as was Mao, but the it does present a new variable to our framework, together with China's distinct business ecosystem.

20%

Estimated literacy rate in Mainland China, in 1950, based o being able to write one's own name.

New York Times



GDP Per Capita, Constant 2015 USD rates. China, 1970 o 2023.

World Bank,

National Bureau of Economic Research

The paramount role of the government in the economy suggests that a successful business career may require access to specific knowledge about the internal workings of government as well as networks that extend into government institutions. Hence, in terms of determining one's business aptitude, having parents who work in the government (henceforth, "cadre parents") may be as important as having parents who are entrepreneurs. In fact, both types of parental links are often emphasized by observers and scholars.

A report in the Financial Times in 2015 noted "lift the curtain on many a rags-to-riches story in China, and one finds a father or grandfather who was a businessman or a government official".

Jia, Lan

Doing Business In China

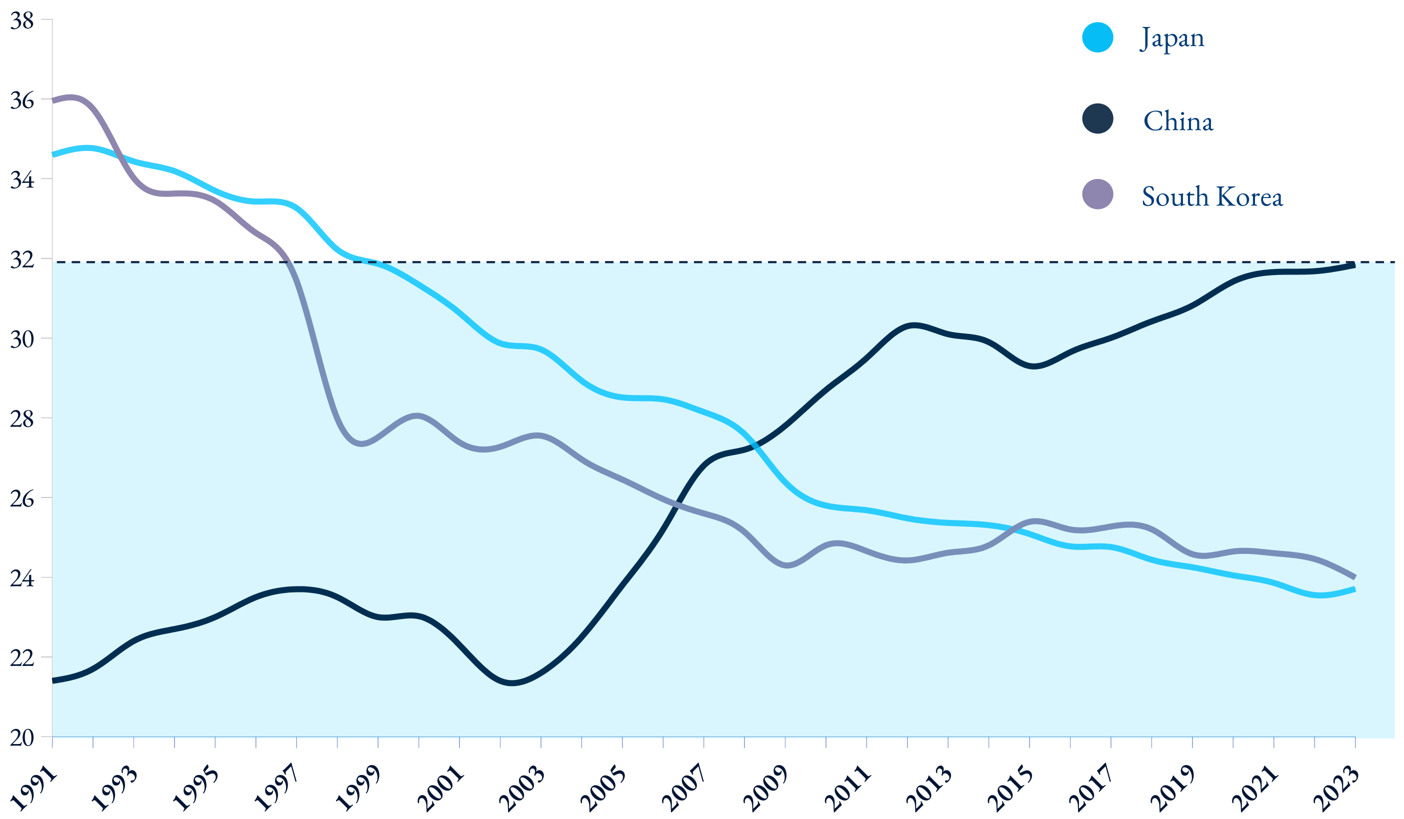
Natural Selection

Furthermore, the business environment in China was, by design, far more competitive than in Japan or South Korea, with little direction from the central government on a business-by-business case but a primarily sectoral guidance. One of the effects of that has been a lower than popularly-perceived proportion of the population in traditional sectors for state subsides such as mass manufacturing and the lower prevalence of all-pervading manufacturing family business dominating the economy.

150

Estimated number of auto-mobile manufacturers in China, 2023

GlobalData



Share of the labour force employed in manufacturing, as a percentage. Select countries. 1991 to 2023. It shold be noted that automation in the Mainland context gathered pace only in the late 2000s.

World Bank

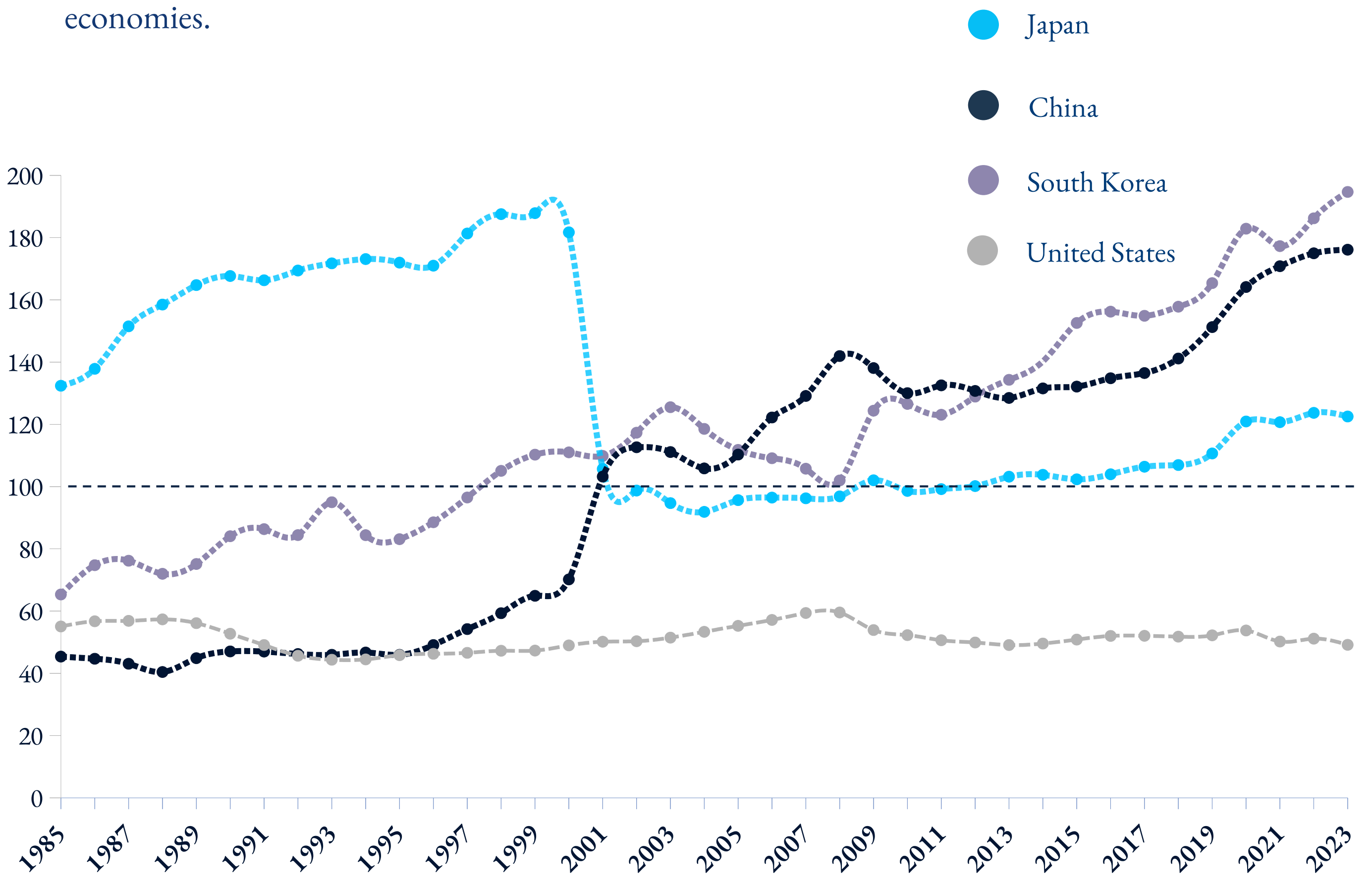
Bank Credit Model

Nevertheless, it may be noted that even without that factor, most elements of the initial Japanese model in the late 1800s remains surprisingly stable in the case of China, both in terms of family-led businesses dominating large parts of the economy as well as the degree to which corporate financing translates into bank financing. What be observed when looking at bank lending as a proportion of GDP, particularly in contrast to the equity-driven model of the United States, is the convergence of the East Asian economies.

194%

Domestic bank credit to the private sector as a proportion of GDP, China, 2023

World Bank



Bank credit to the private sector by banks as a percentage of GDP. Selected countries, 1985 to 2023.

World Bank

90%

Pearson correlation between bank credit to the private sector as a percentage of GDP between South Korea and China, 1985 to 2023

Personal Research

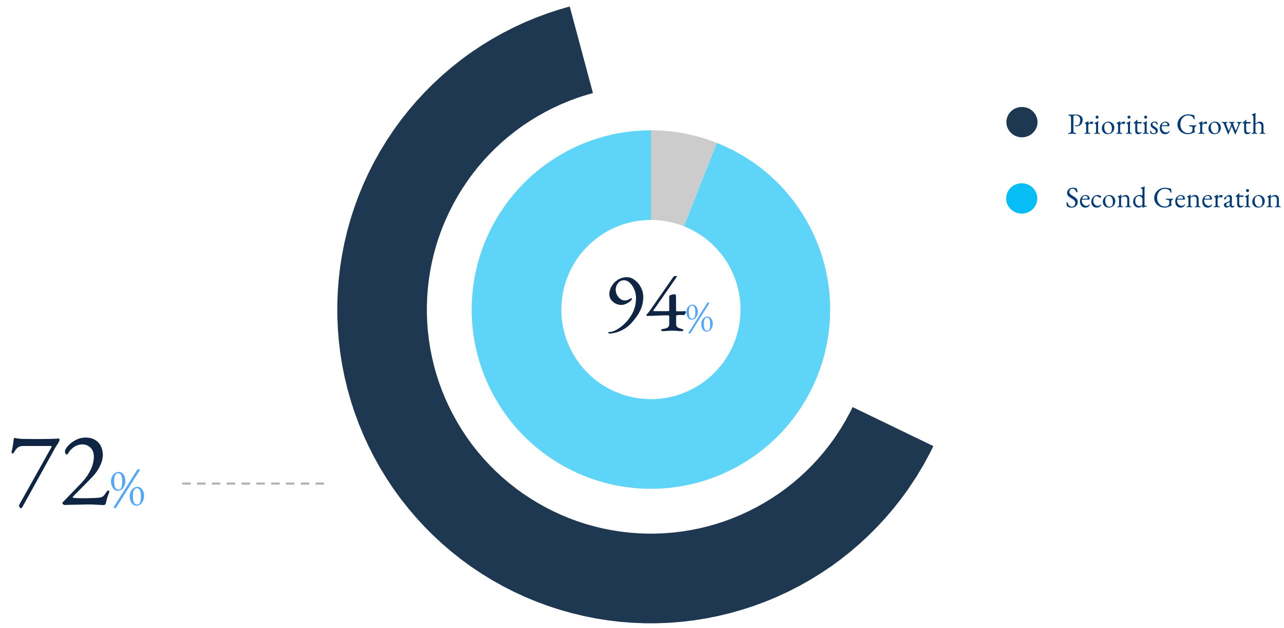
Chinese Successions

The case of China may also stand apart in terms of the impact of family business due to the, contemporaneous, wave of successions While most family businesses formed over time and second, third and fourth generation successions overlapped, the 'Big Bang' wave of family business in Mainland China means that many are currently transitioning to the second generation simultaneously – 94% compared to 51% globally. Furthermore, while many next generation successors report a wide array of interests, Chinese successors have the highest rate who report being solely focused on growth despite similar wealth distribution levels - suggesting the case of China still being written.

51%

Family businesses which are being taken over by second generation family members in the 2020s, globally.

PwC



The percentage of family businesses successions which are second generation successions, 94%, alongside the figure of second generation heirs who report that their primary priority is business growth.

PwC

The top 10% wealth share increased from 40% in 1995 to 67% in 2015, while the middle 40% and bottom 50% wealth shares collapsed. As a result, while wealth inequality used to be much lower in China than in the Western world in the mid-1990s, it is now intermediate between Europe and the United States.

The Chinese top 10% wealth share (67% in 2015) is getting close to that of the United States (72%) and is much higher than in a country like France (50%). The bottom 50% wealth share is now barely higher than in rich countries, where it is usually around 0%–5%.

Piketty, Yang

Capital Accumulation, Private Property and Rising Inequality in China

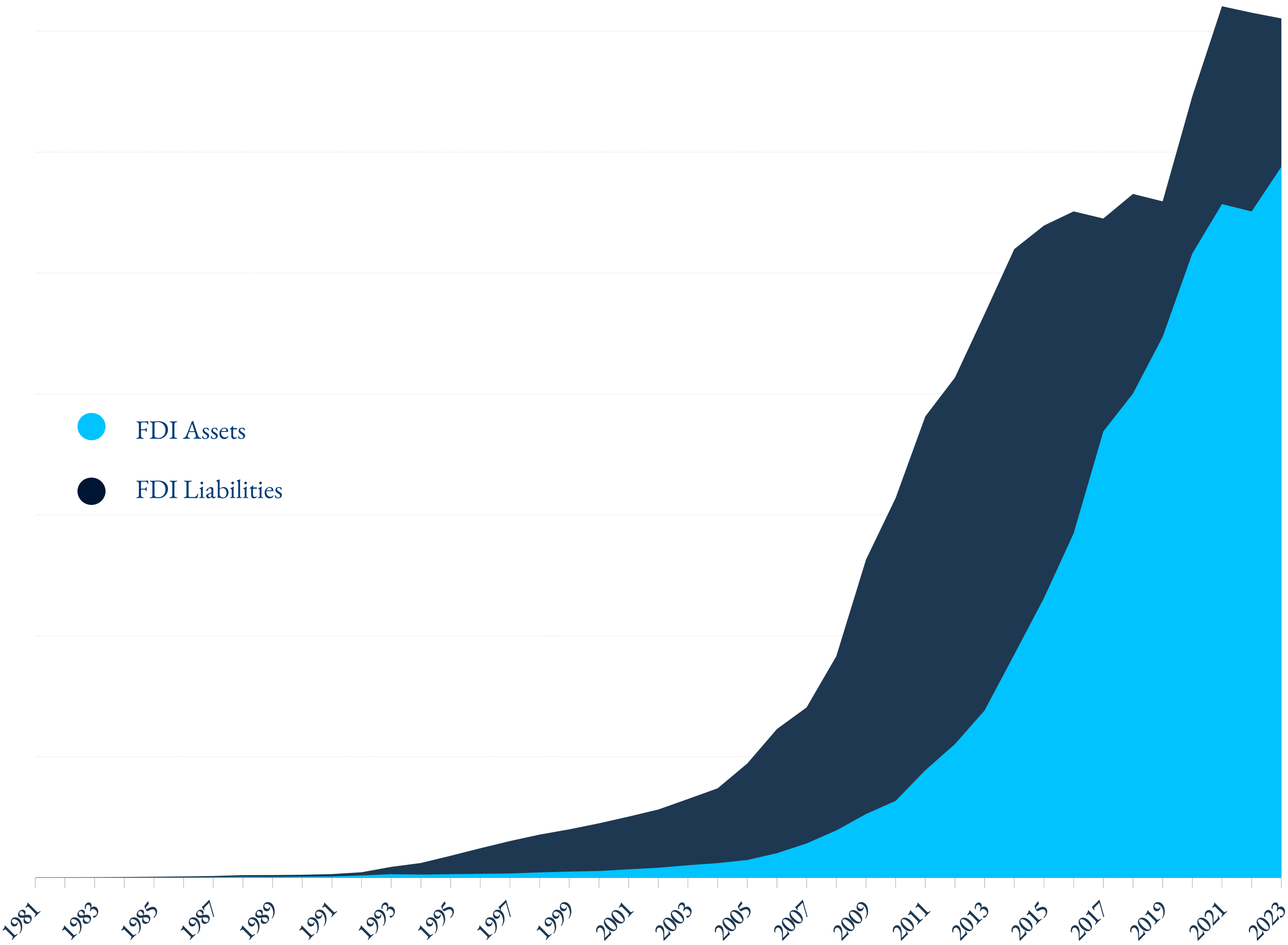
The Last Stage

That in turn will determine the extent to which China succeeds in the final stage of the Asian Model, namely to become a net exporter of capital goods and engage in foreign direct investment on a significant scale. With the relative decline of the 'Belt & Road' initiative, it will likely be decided by individual companies, and family businesses in particular, whether China will follow this last stage or develop its own variation.

82%

Ratio of FDI Assets to FDI Liabilities, Mainland China, 2023

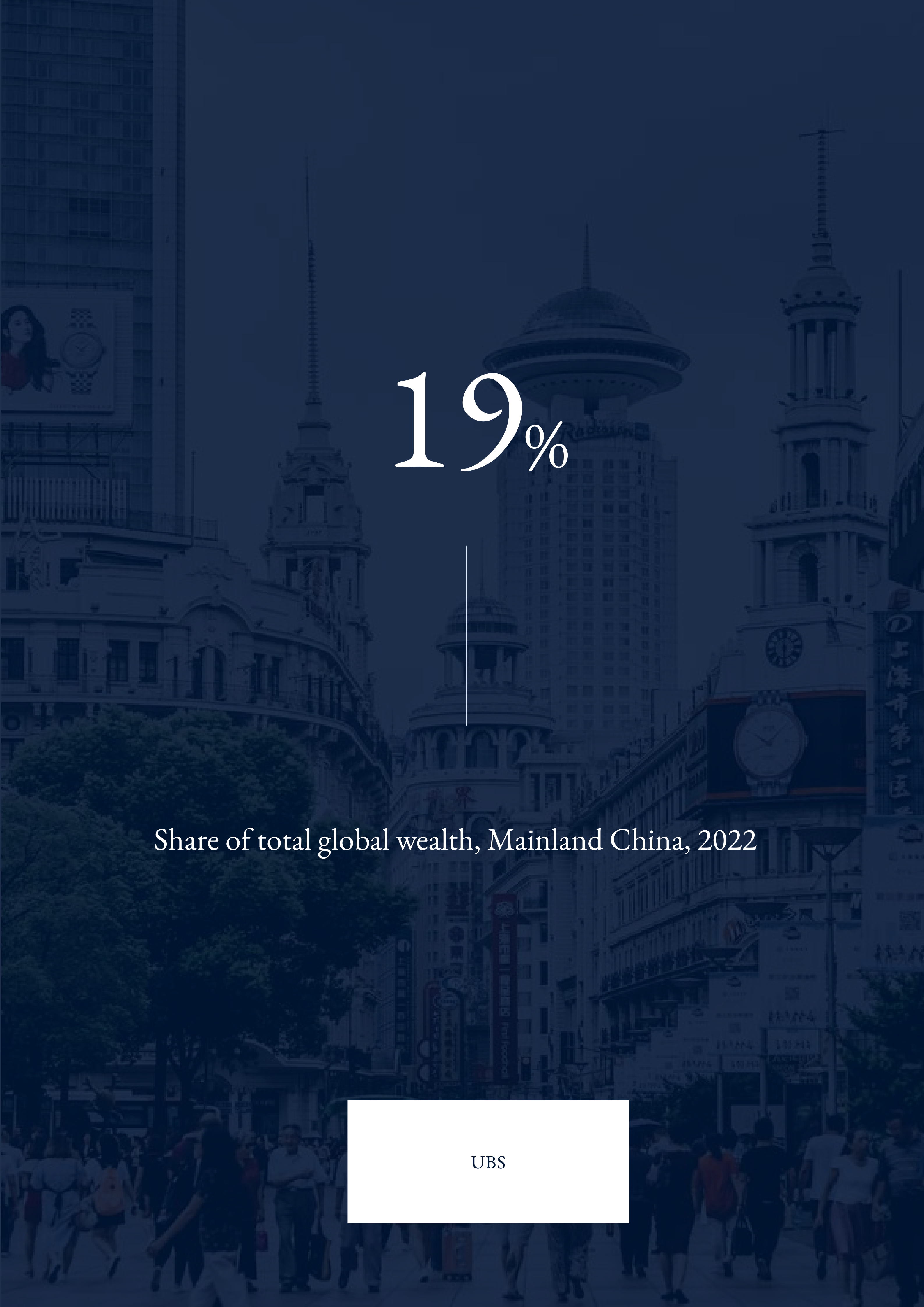
Lane, Milesi-Ferretti



Foreign Direct Investment Assets and Foreign Direct Investment Liabilities for Mainland China, 1981 to 2023.

Brookings,

The External Wealth of Nations Database



19%

Share of total global wealth, Mainland China, 2022

UBS

The case of

Viet Nam

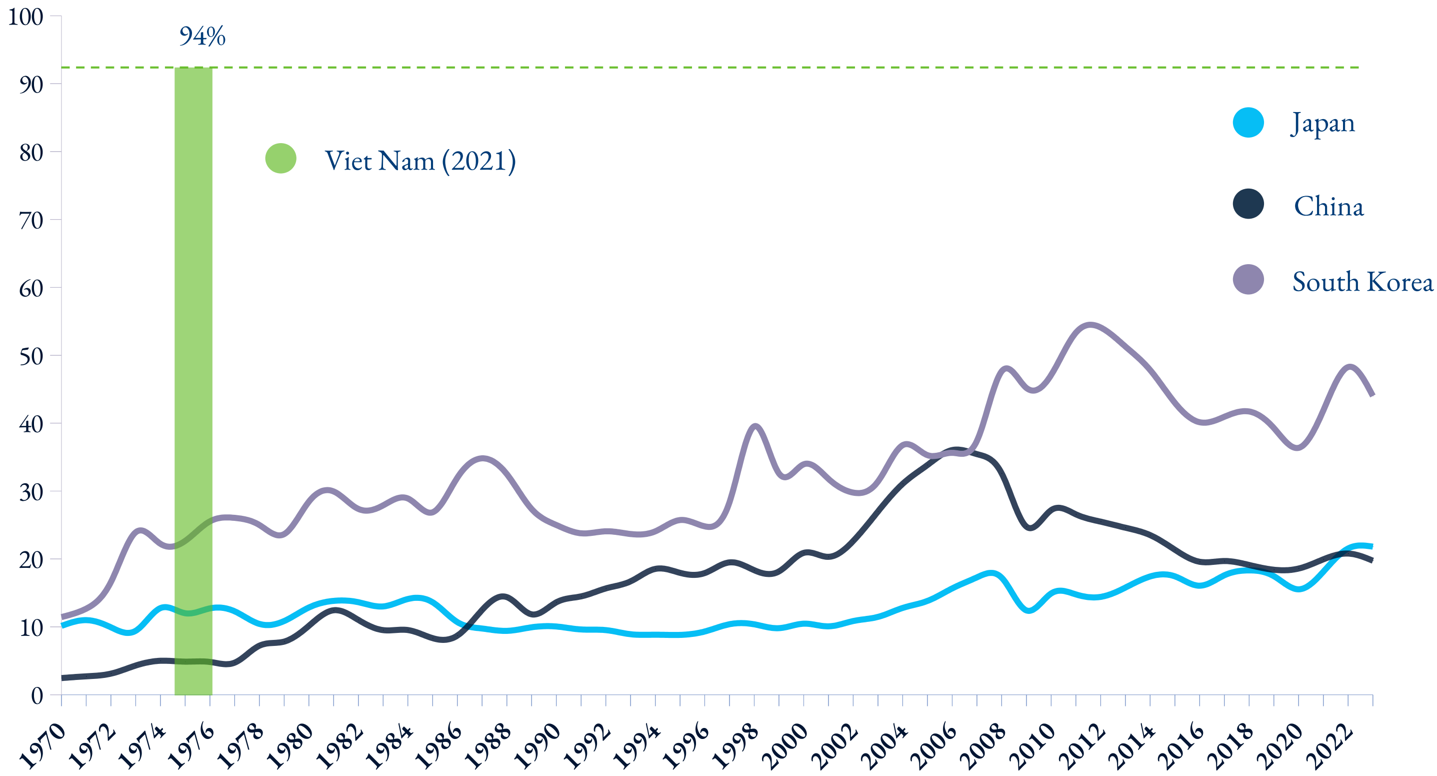
Exports First

Newer entrants to the 'Asian Century' offer a variety of variations on the model of the former nobility consciously industrialising a newly formed nation-state. In Viet Nam's case, having been almost constantly at war for almost a century, the Đổi Mới reforms in 1985 opened the economy to the foreign 'international nobility', becoming an export powerhouse and having exports to GDP ratios far higher than Japan, South Korea or China ever did. However, it also means national industrialists remain outweighed by international investors.

93.8%

Peak value, for 2022, for Viet Nam's exports as a percentage of GDP

World Bank



Exports as a percentage of GDP, constant 2015 USD. Select countries, 1970 to 2023.

World Bank

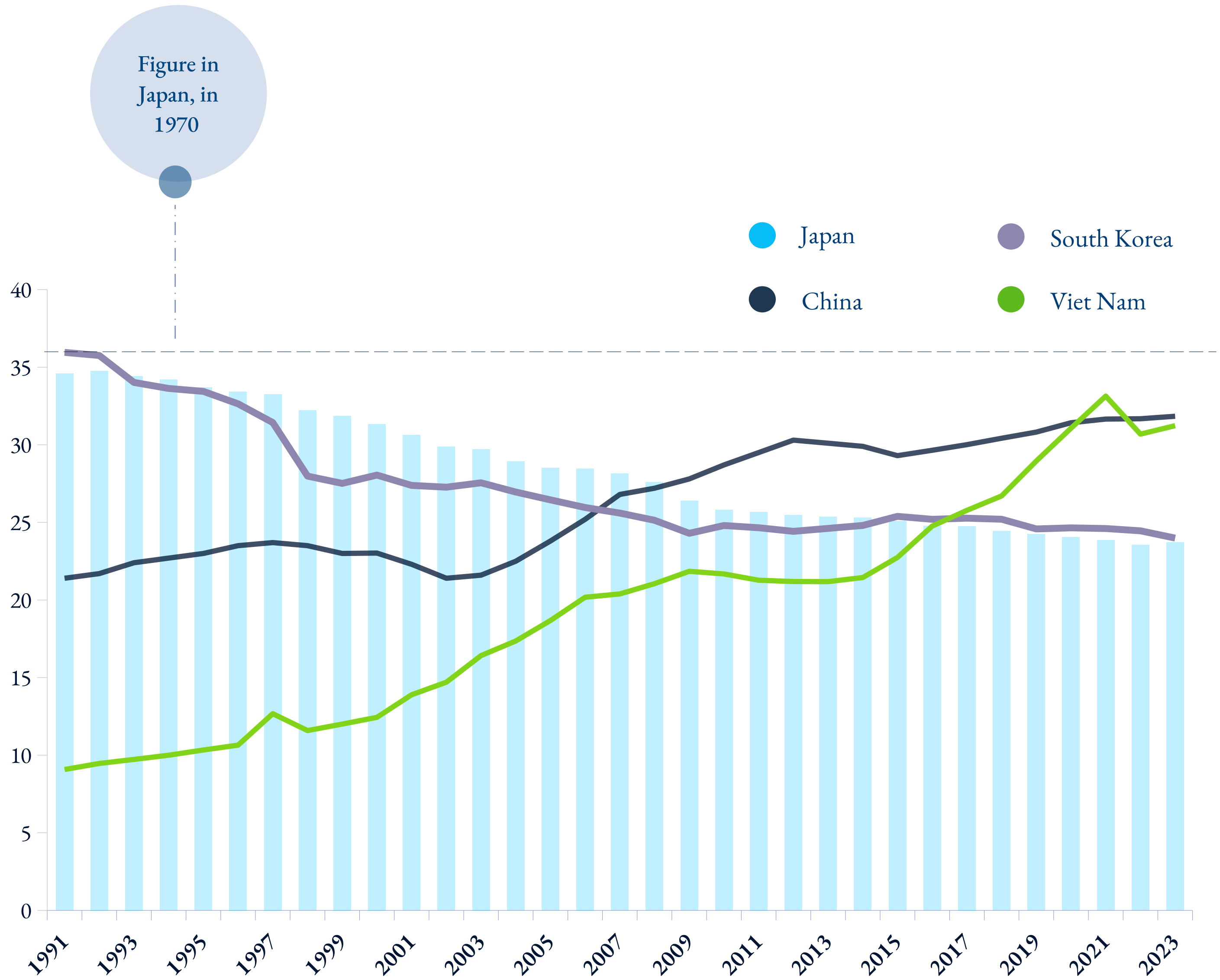
Manufacture Decline

This in turn points to an enduring, cross-sectional, issue of the Asian Model where the percentage of the workforce employed in high-value-added manufacturing is declining: with services playing a more important role earlier on in the process of development, the middle class doesn't seem to coagulate to the same extent.

36%

Peak value for the percentage of the labour force employed in industry, Japan

Okazaki



On the X-Axis, the percentage of wealth held by the top 1%, while on the Y-Axis, the percentage of wealth held by the top 10% is presented. Selected countries, 2020 data.

World Bank

Currently, foreign firms account for 73 percent of total exports. In contrast, most domestic firms tend to focus on non-tradable sectors such as traditional services, construction or real estate, and lack the capabilities to participate in global value chains, either directly or indirectly as suppliers.

Only 18 percent of firms have Global Value Chains (GVC) linkages in 2023, a decline of 17 percentage points compared to 2009. As a result, Viet Nam captures only a fraction of the overall value embedded in the goods it exports. Policies to transition towards an integrated domestic value chains should focus on strengthening the business environment, better connecting GVC firms with local firms, implementing supply chain finance mechanisms, and setting up a supplier development program

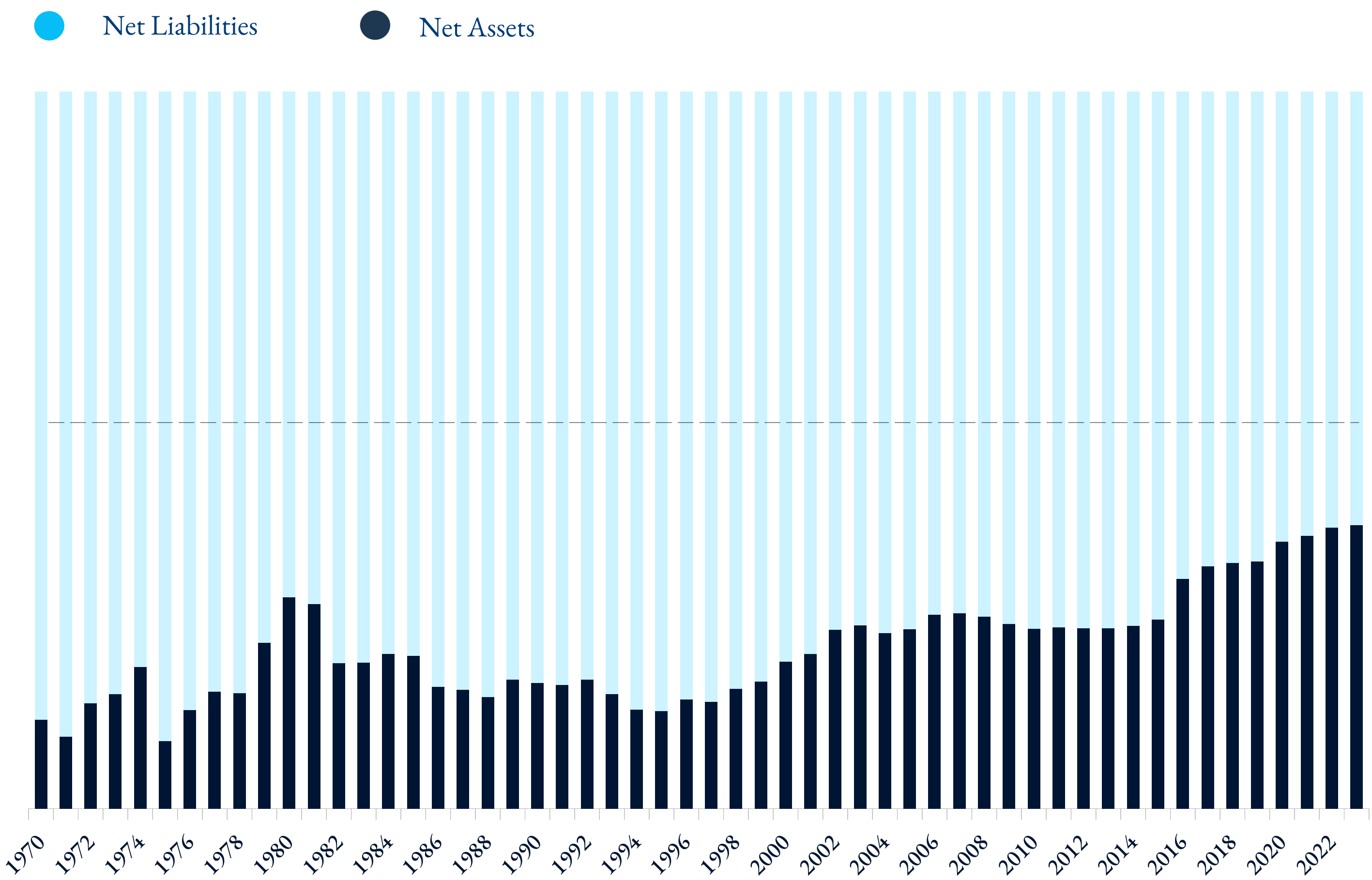
Asset Build-up

Furthermore, unlike Japan or South Korea, Viet Nam's variation focuses on foreign direct investment to the extent to which 73% of exports are actually from foreign companies. This in turn means that the nation state's ratio of current assets to current liabilities never broke even, in contrast to the developmental process seen earlier. This means that some of the wealthiest families with the greatest impact are only partially industrialists and partially traders, as will be discussed with the case of the former Hellenic space.

63%

Ratio of Total Assets to Total Liabilities, Viet Nam, 2023

Lane, Milesi-Ferretti



Total net liabilities and total net assets for Viet Nam, presented as a ratio. 1970 to 2023,

Brookings, The External Wealth of Nations Database

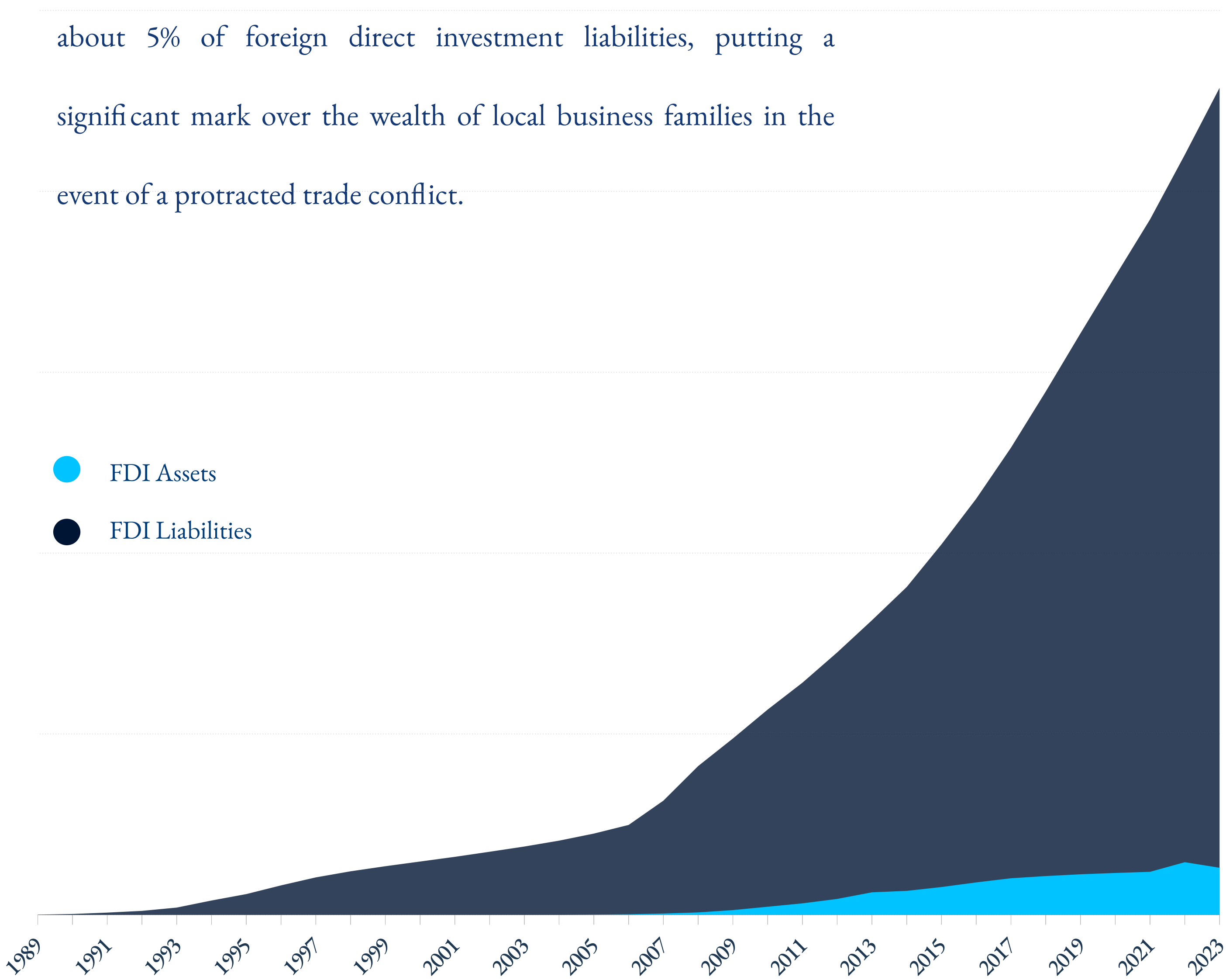
The Last Stage

In terms of the last of Akamatsu's Four Stages, Viet Nam has not reached the point at which it exports capital goods and invests in foreign countries. Instead, Viet Nam's variation stands in sharp contrast, succeeding in terms of manufacturing prowess primarily through foreign direct investment at a tremendous scale relative to its own economy. Foreign direct investment assets amount to about 5% of foreign direct investment liabilities, putting a significant mark over the wealth of local business families in the event of a protracted trade conflict.

5%

Ratio of FDI Assets to FDI Liabilities, Viet Nam, 2023

Lane, Milesi-Ferretti



Foreign Direct Investment Assets and Foreign Direct Investment Liabilities for Viet Nam. 1989 to 2023.

Brookings, The External Wealth of Nations Database

The case of

India

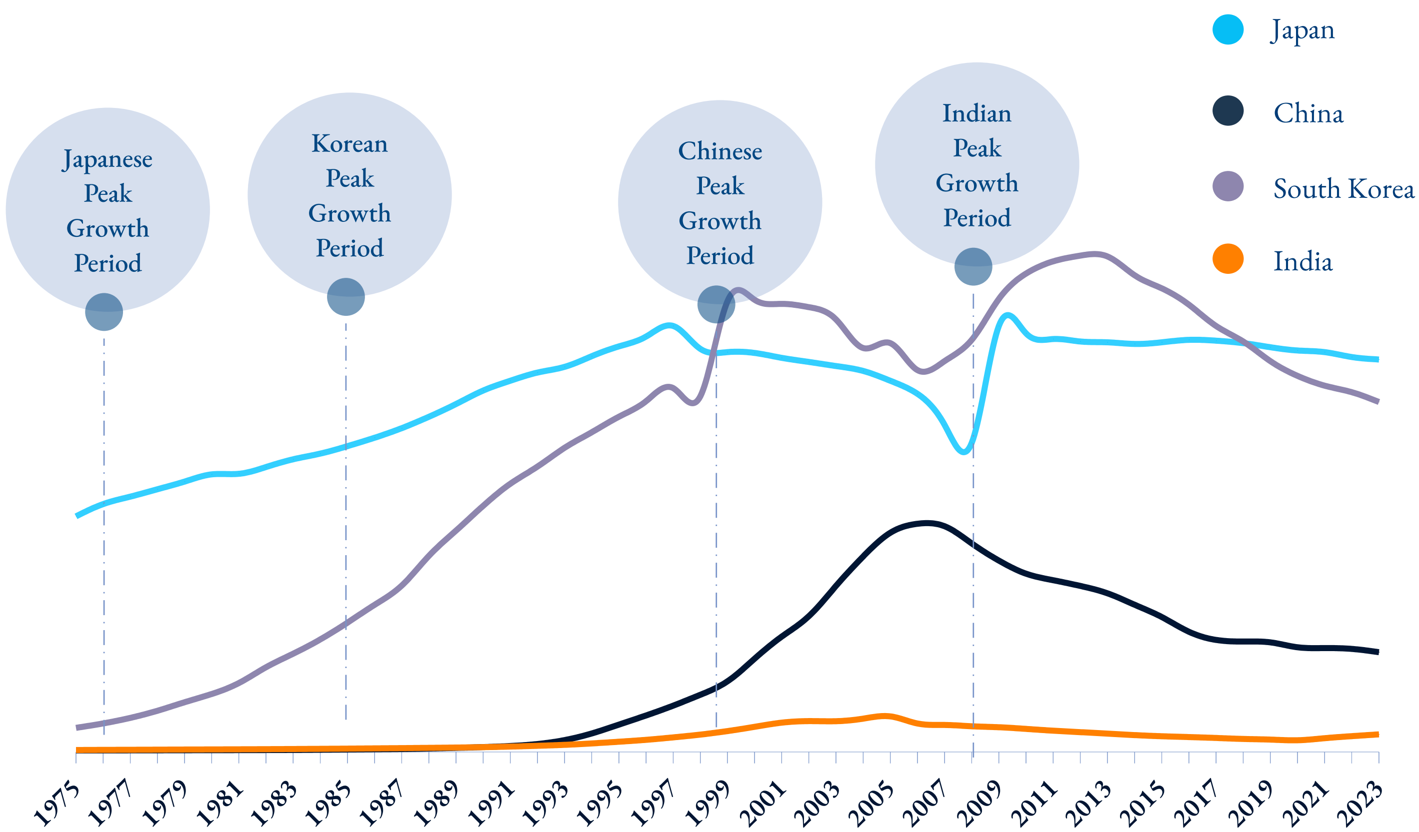
Services-First Growth

Likewise, India seems to replicate the model of family business amassing both vast wealth and building sprawling conglomerates, but in a distinctly post-manufacturing context. This may have led to a higher heterogeneity in industries among the family businesses while maintaining a higher-than-average focus on family business and also downplaying the degree to which the wealth creation process was ties to the nation building process.

0.5

Estimated Human Capital Index for India in 2020. Contemporaneous figures for Japan were 0.8 and for Nigeria 0.4.

World Bank



Fixed line telephony subscriptions per 1000 people. Select countries. 1975 to 2023.

World Bank

While there has been a significant persistence in the phenomenon of concentrated family ownership in India over much of the twentieth century, there was less persistence in the actual composition of the top business groups themselves.

The Tata group remained the largest Indian group during the entire sixty-year period on which we present data below. But other leading groups from the pre-Independence era (e.g., British groups such as Martin Burn, Andrew Yule, Inchcape) did not persist in the form they then had. Several new business houses rose to prominence during this period, including the Thapar group in the 1950s and 1960s, the Ambani group in the 1970s and 1980s, and the Wipro and Munjal groups in the 1980s and 1990s.

Thus, the history of the modern Indian corporate sector is characterized by both a persistence of concentrated ownership at the aggregate level and a significant lack of persistence of dominance at the individual business group level

Khanna, Palepu

The Evolution of Concentrated Ownership in India

Family Business Castes

Those family businesses, in turn, tend to be highly heterogeneous. There are two notable clusters, with one around highly performing, internationally competitive, equity-driven family businesses and, the second, around survival entrepreneurship of family businesses which tend to produce underwhelming profit margins and act as a form of self-employment. This in turn may inflate the degree to which the Indian economy is dominated by family businesses in aggregate as 74.6% of male employment is self-employment. Nevertheless, it may be held that India represents an unique variation on the Asian model of family-led modernization.

74%

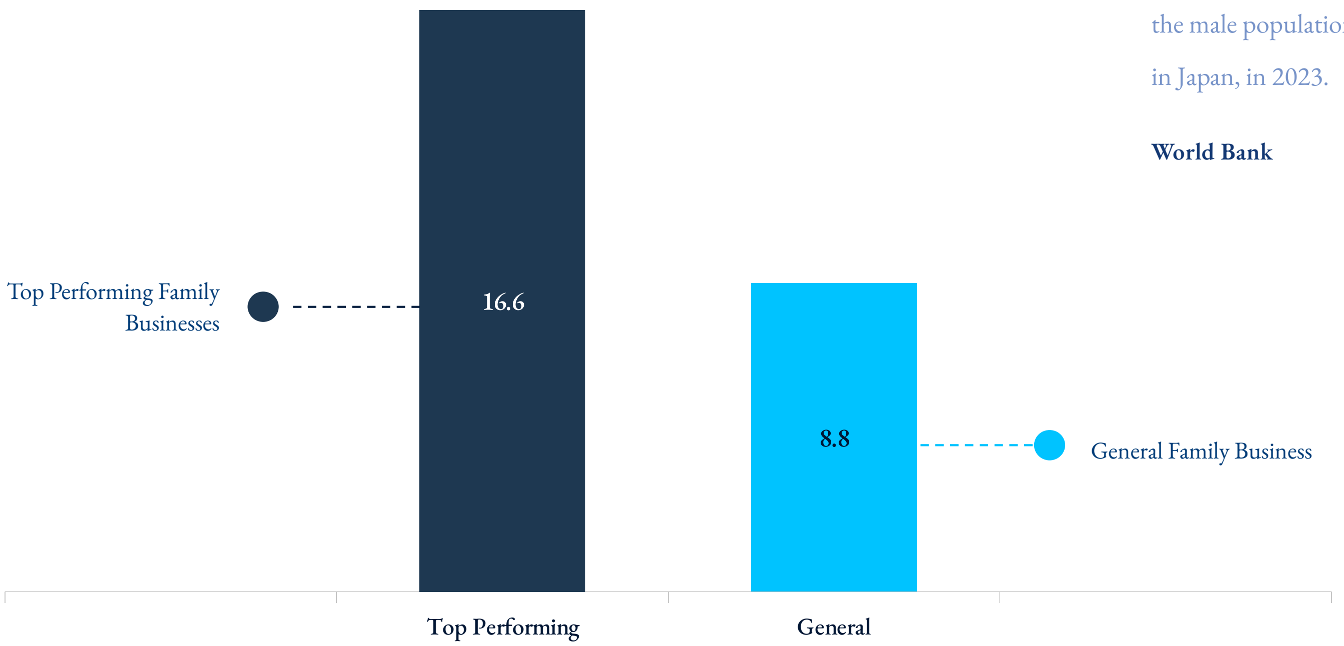
Self-employment, as a percentage of employment among the male population, in India, in 2023.

World Bank

10%

Self-employment, as a percentage of employment among the male population, in Japan, in 2023.

World Bank



Average EBITA growth rates for family businesses, segmented by the top performing family businesses and general family businesses. India, 2018.

McKinsey

40%

Percentage of national wealth held by the top

1%, India, 2022

World Inequality Labs

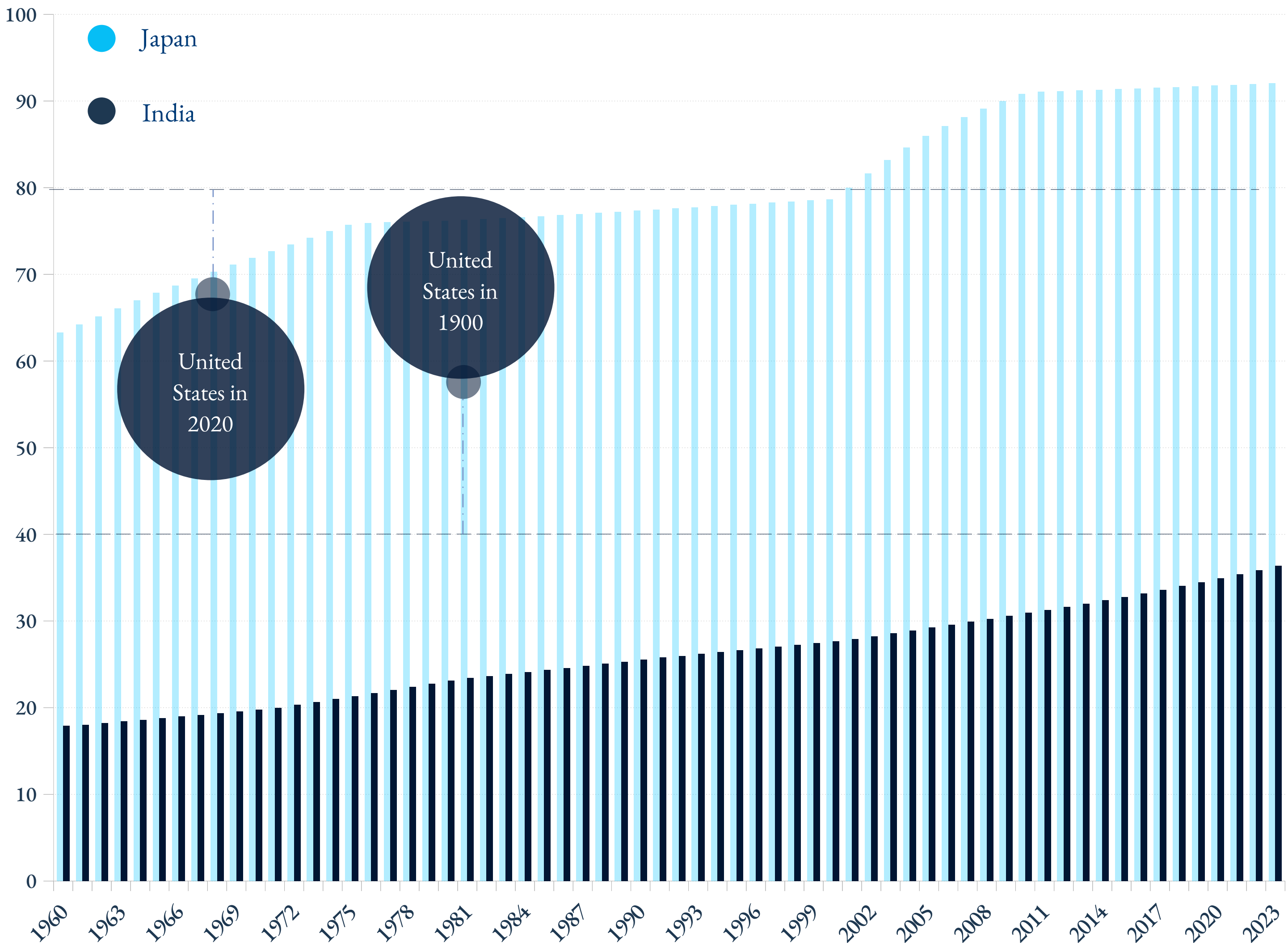
Development Gap

There is limited indication that this dynamic can fully translate into the developmental force needed for long term development, with Indian urbanization in 2023 being lower than that of the United States in 1900, while significantly trailing Japan's. The Indian variation thus remains to show that the wealthiest families can bring mass prosperity without a reliance on manufacturing.

4%

Percentages by which Indian urabization rate, in 2023, is lower than that of the United States, in 1900.

World Bank



Rates of urbanization for Japan and India, 1960 to 2023.

World Bank

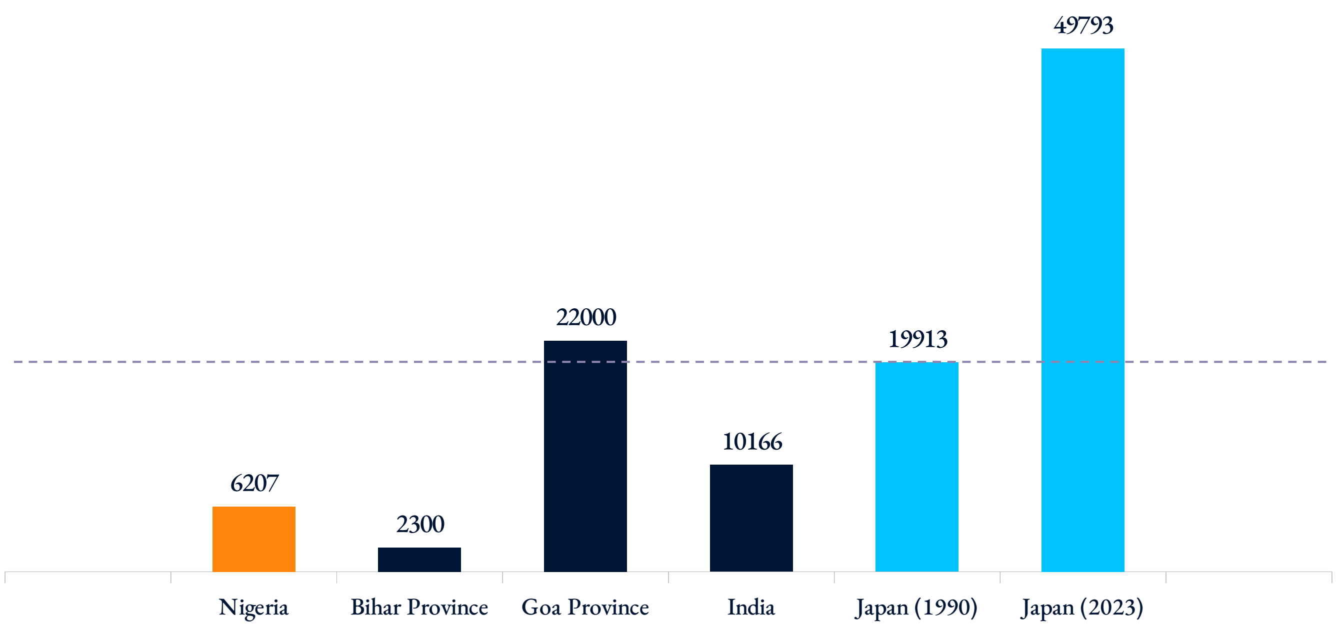
Income Disparities

The consequence of that seems to have concentrated on regional and class discrepancies in incomes across India itself, extending to as much as the poorest province having an average GDP per capita of about 10% of the richest province. While those provinces which may be regarded as well off seem to be converging in terms of GDP per capita with Japan in the 1990s, those which are not, particularly in the north of the country, are actually doing worse off than many Sub Saharan countries. To a significant extent, the Indian economic story may in the future be judged on the extent to which it could translate the tremendous wealth creation otherwise observed into broad, mass prosperity which includes such places.

10.4%

Ratio of average GDP PPP per capita in Bihar providence relative to the Goa province. India, 2022.

World Bank



GDP Per capita, USD PPP International, 2023 and 1990, Selected countries and provinces.

World Bank,

Pew Research

The case of

Türkiye

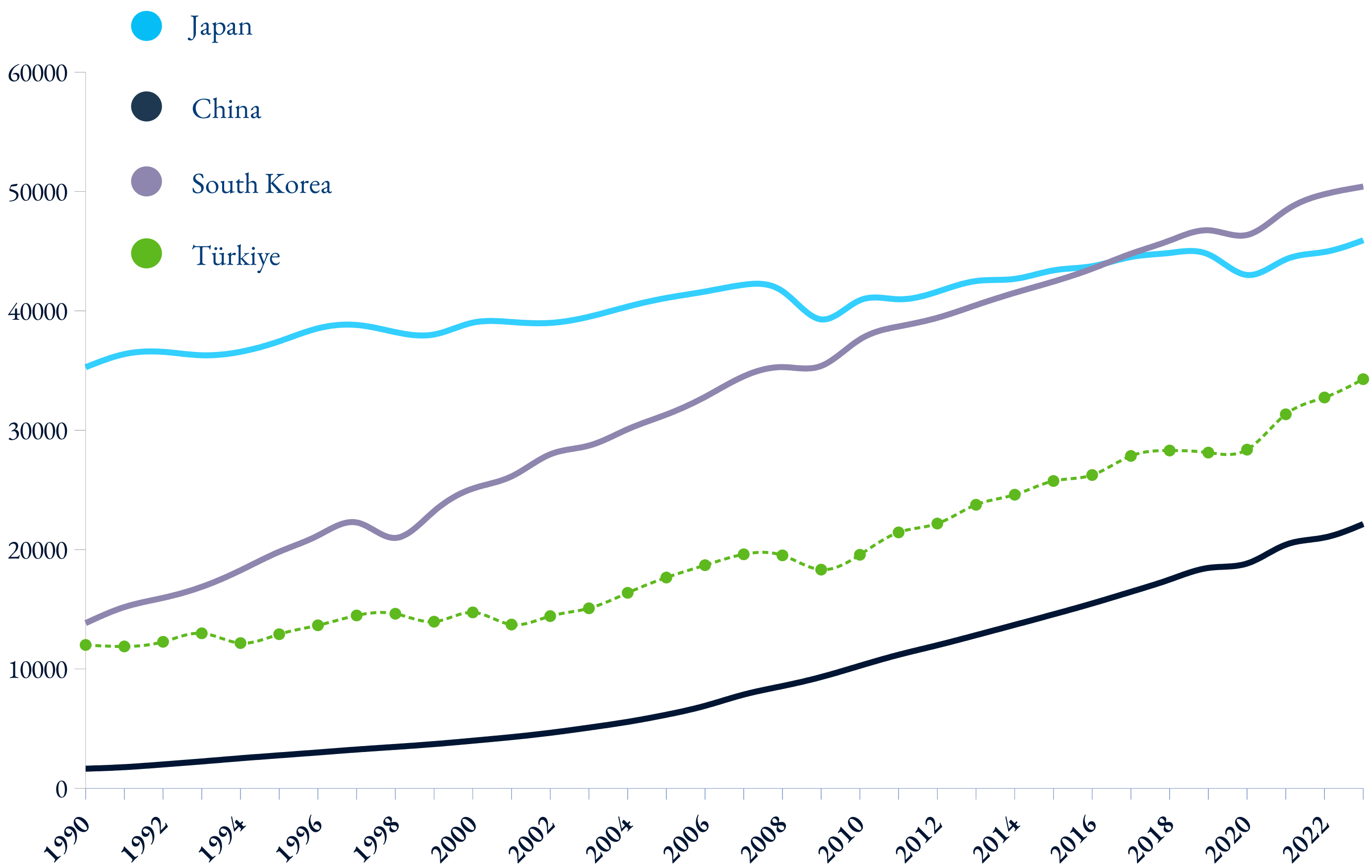
Trading Families

The case of Türkiye offers unique insight to the Asian Century, by taking one of the original hubs of trading families in what was once the Mediterranean space and seeing how adapting the Asian Model led to both national modernization and recapturing wealth. The Türkish economy has indeed been growing at above average rates for well over three decades, reaching a GDP per capita of 75% of Japan's by some measures.

75%

Ratio of GDP per capita in constant 2021 international USD PPP terms between Türkiye and Japan.

World Bank



GDP per capita at constant 2021 international USD PPP rates. Select countries. 1990 – 2023. The measure was used to lower the impact of high inflation.

World Bank

43%

Expected increase in the number of millionaires, USD rates, in Türkiye, to 2028

UBS

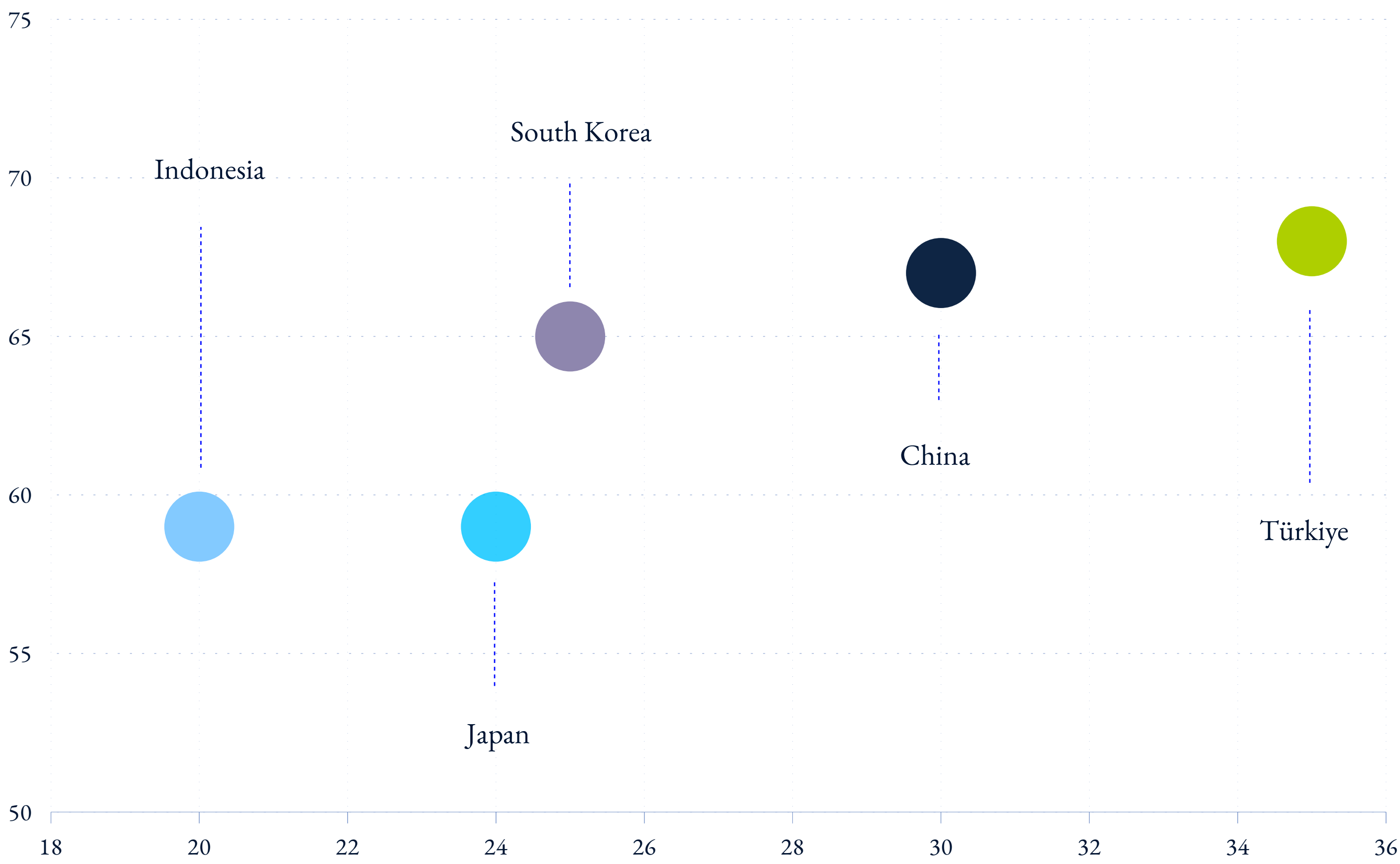
Family Concentration

A significant part of that increase seems to have been concentrated within a fairly limited number of families. While Gini coefficients are expected to increase with development, at least in the short to medium run, Türkiye's might be notable in that it started off above average, at 41 in 1987 and increased to 44 by 2022, higher than peak values in China, at 43 in 2008 and 2022 values in Japan or South Korea, each at 32.

35%

Percentage of wealth in Türkiye held by the top 1% of households, 2020 figures.

WID



On the X-Axis, the percentage of wealth held by the top 1%, while on the Y-Axis, the percentage of wealth held by the top 10% is presented. Selected countries, 2020 data.

World Bank

Productivity in services seems to be low for Turkey, especially compared to manufacturing. Although productivity, and particularly TFP, is hard to compute for services, a rough indication of labor productivity is possible by looking at revenue per worker, as well as the ratio of revenue to the wage bill, for services firms. Turkey performs below most Turkey's services sector has seen little growth over the past 15 years, contrary to global trends. Services value-added has hovered at around 60 percent of GDP since 2000. [.] As countries get richer, they tend to increase the share of services in the economy. However, Turkey has largely shifted horizontally to the right—instead of upwards and to the right—indicating that the share of services in GDP has not been growing much since 2000. Manufacturing, which represented about 19 percent of GDP in 2015 (which is higher than the world average) has been declining slightly.

Haven, van Der Marel

Servicification of Manufacturing in Turkey

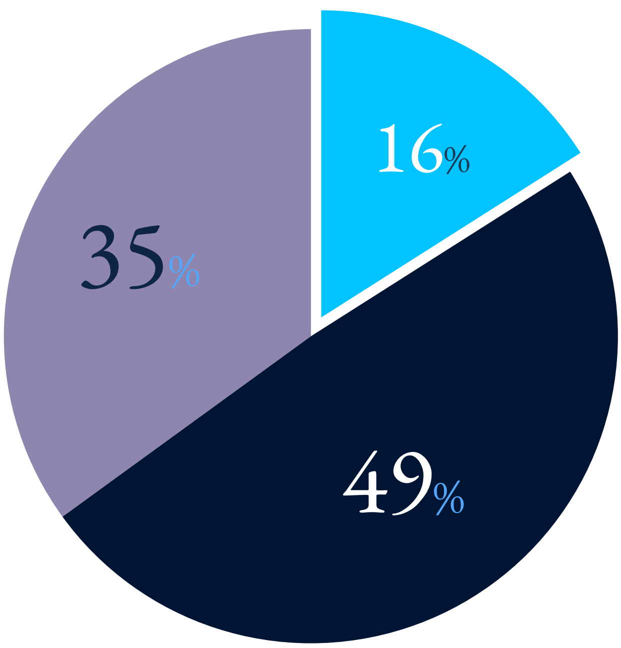
Horizontal Sprawl

That in turn points to a secondary effect of the decline of manufacturing as a component of the Asian Model, namely the lower proportion of employment created in high-productivity, capital-intensive sectors generationally translating into employment in high-skill R&D outfi ts. In other words, Samsung assembly lines eventually leading to Samsung AI, biotech and semiconductor research. Instead, many new jobs are the result of horizontal sprawl from the family-led conglomerates which may be under-investing relative to Japan, Korea or China, in vertical integration and moving up supply chains.

16%

Percentage of new jobs created in Türkiye which are considered high-skill.

World Bank



New employment by firm skill level. Percentages, 2019 data collected in the World Bank Report, 'Firm Productivity and Economic Growth in Turkey'.

World Bank

World Bank

Despite having experienced positive net job creation in the years before the current economic downturn, about half of the jobs created (in 2015–2016, for example) were in sectors with low or medium levels of productivity. Apart from low (or negative) growth, there has also been a slowdown in recent years in the shift of employment out of low-productivity agriculture and into higher-productivity industry and services.

Growth episodes are transitory occurrences in firms' lifecycle or a response to a demand shock. More worryingly, HPFs' performance reverses below zero. Only young V-HPFs create jobs (net) after high growth episodes. V-HPFs achieve not only similar employment outcomes to L-HPFs but increase productivity as well. Requiring firms to be young reduces the number of HPFs, but their individual performance is superior. Many HPFs are aligned to the OECD definition, but it is misleading. While it identifies 26 percent of firms and generates 70 percent of all net jobs, the average number of new jobs is only five above average. In contrast, 1 percent of young HPFs generate 26 percent of all net jobs, 26 more jobs than the average firm.

Erdogan, Aterido, Del Carpio, Cinar, Ustun

High Performing Firms in Turkey

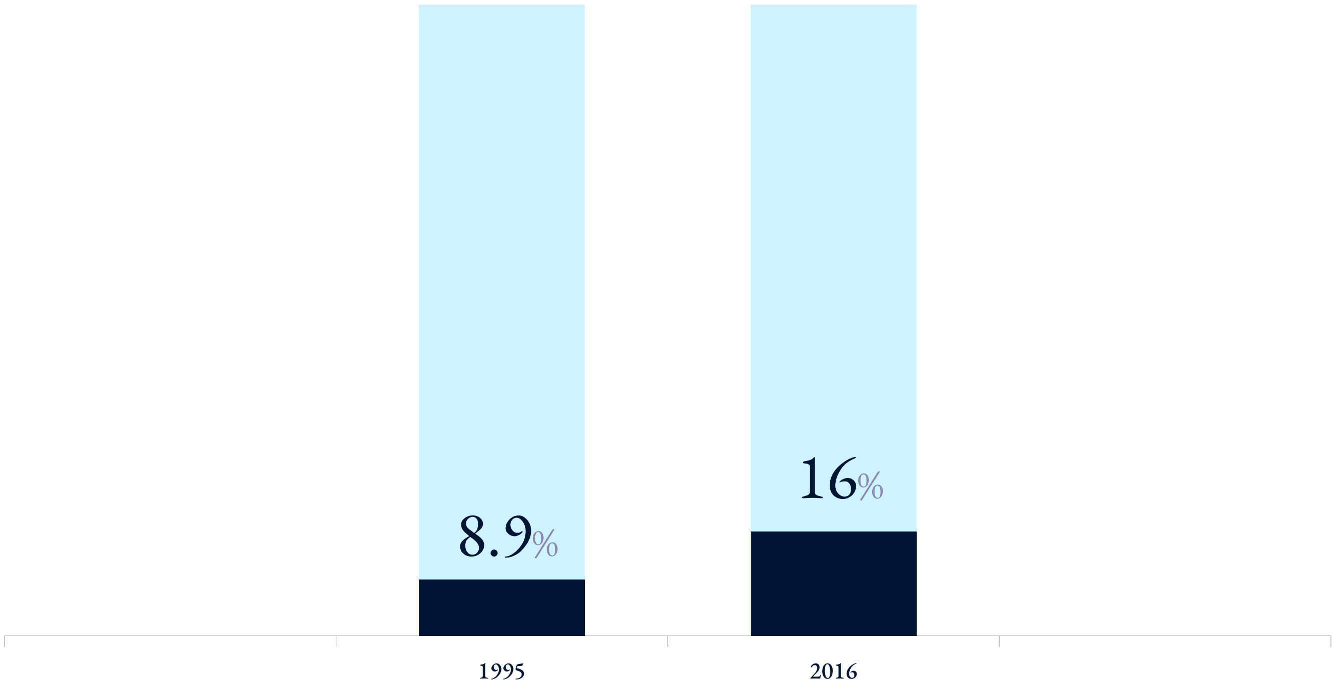
Low Technology Equilibrium

That in turn puts at risk one of the key components of longer-term growth in the model pioneered in Japan, South Korea and China, namely sustained investments in research and development allowing for capturing ever larger parts of value chains through, initially at least, technology transfers and research later on. Since this tends to happen only at the level of the largest, most productive companies, it merits consideration as to why the most important Turkish business families made the conscious decision to risk a low technology equilibrium and it remains to be seen how their behaviour will change as monetary policy stabilizes.

1.3%

Spending on research and development as a percentage of GDP. Türkiye. 2023.

World Bank



Level of imported components for each exported product. Percentages, 2019 data collected in the World Bank Report, 'Firm Productivity and Economic Growth in Turkey'.

World Bank

The case of

Indonesia

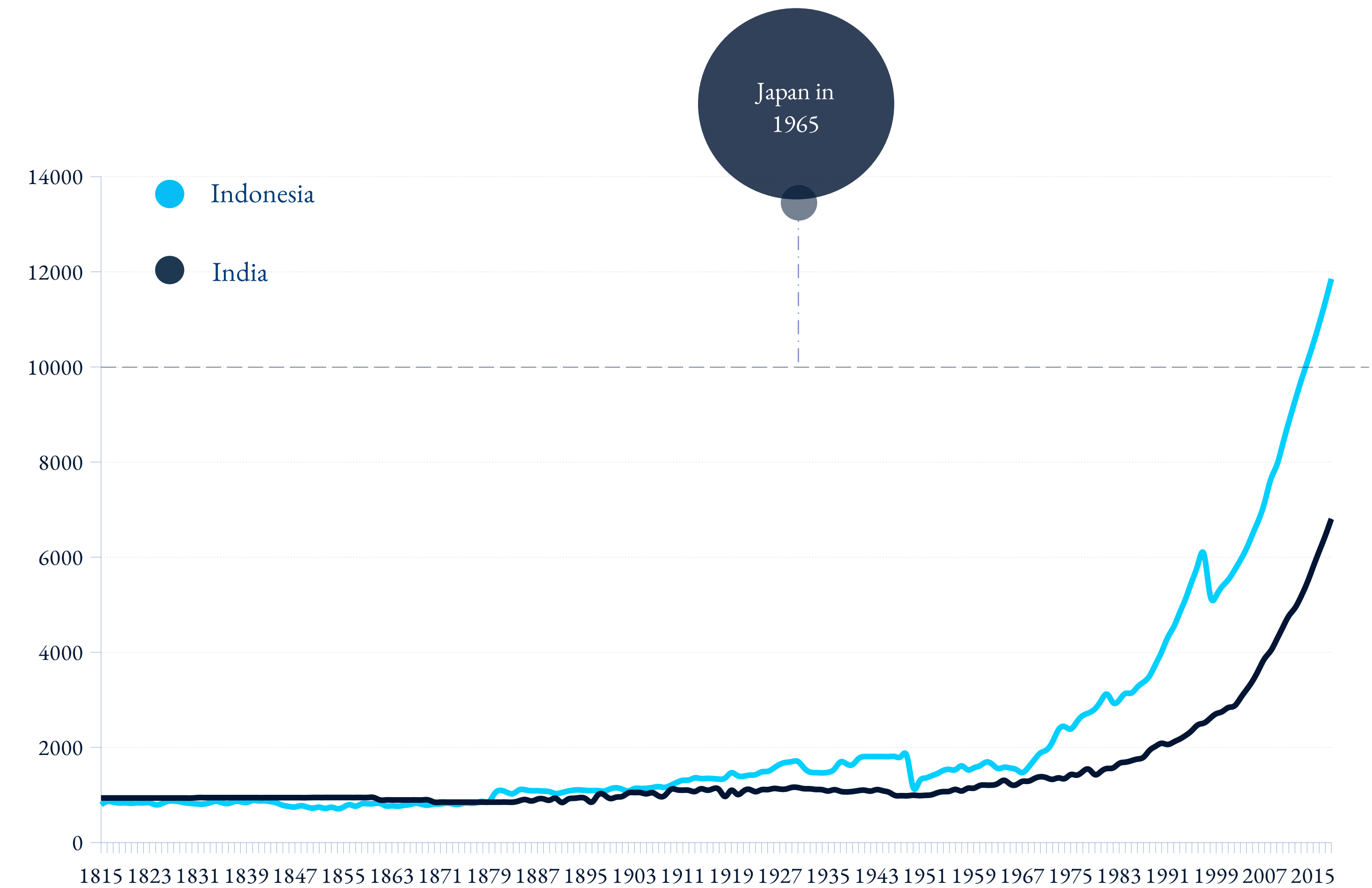
Aspects of Wealth

Traditionally, Indonesia was regarded as one of the richest places in Asia and during colonial times very much on par with India in terms of its importance and capacity to generate wealth, acting one of the top 15 economies in the world during the 1800s. As such, its current growth, development and prospects merit being at least partially seen in a historical perspective of a large economy re-taking its natural place in the global economy.

62%

Ratio of the GDP per capita of Indonesia and Japan, 1820. Historic estimates.

Maddison



Historic figures for the GDP PPP per capita for India and Indonesia, 1815 to 2018.

Maddison

The Industry Question

The extent to which Indonesia is following the model pioneered by Japan is nevertheless questionable, both in the low proportion of family businesses acting as heads of industry and the stable but possibly insufficient levels of industrialization. Other Asian countries, such as Viet Nam, have actually increased this figure from about half of Indonesia's to comfortably bypassing it.

22%

Proportion of the labour force employed in industry, Indonesia, 2023, estimates.

World Bank

Employment in Industry as a percentage of total employment in the economy, Indonesia, 1991 to 2023.

World Bank

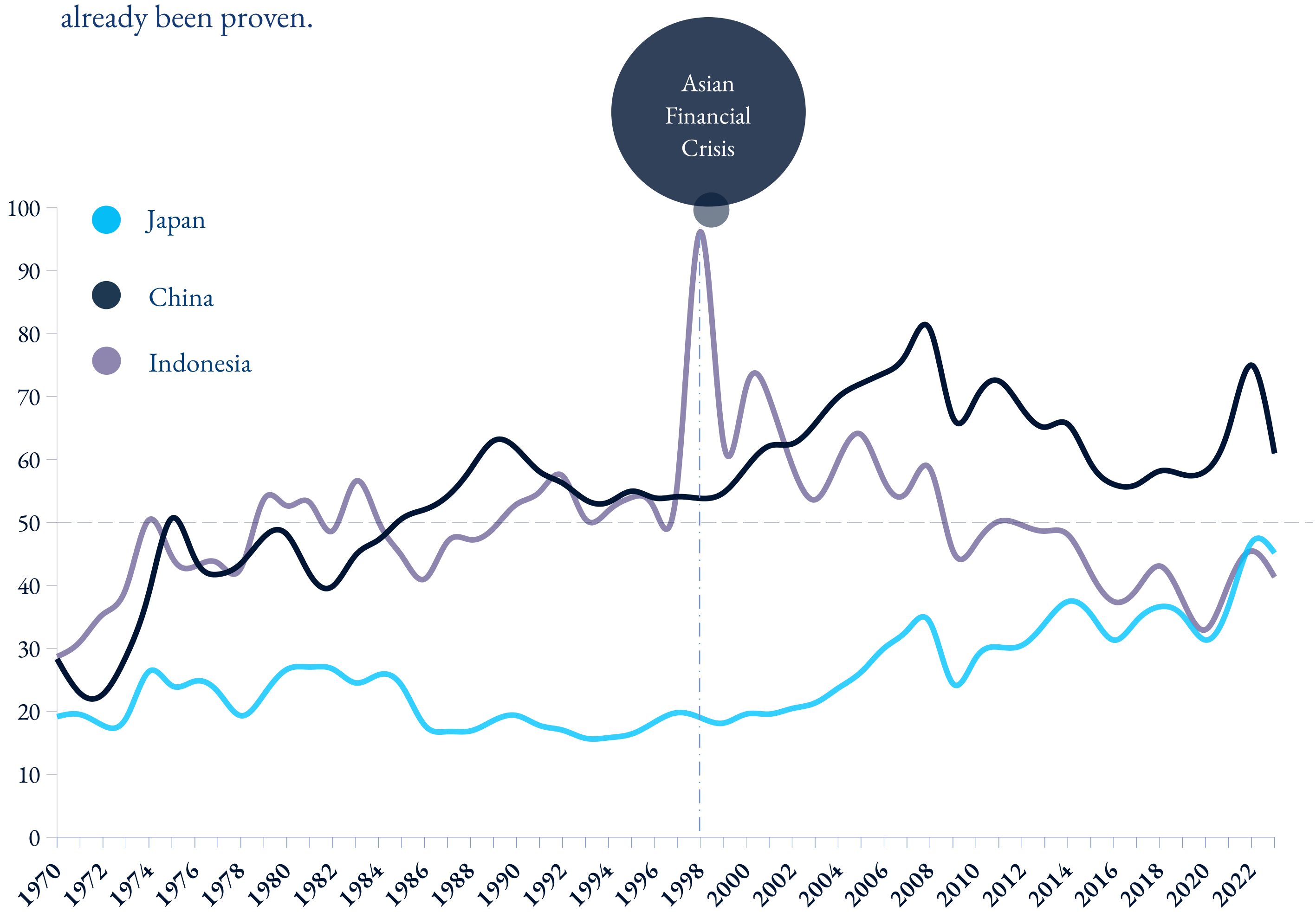
Trade Decline

Some of that may be recouped by the simple fact that Indonesian domestic market's growing purchasing power could act as a force multiplier for an industrial push. However, in terms of trade, Indonesia never fully recovered from the Asian Financial Crisis, as can be seen below. Whether Indonesian business families will use that domestic market to achieve similar things to East Asia's most successful remains to be seen as the capacity has to some respect already been proven.

96%

Trade as a proportion of GDP, Indonesia, 1999.

World Bank



Trade as a proportion of GDP, Selected countries, 1970 to 2023.

World Bank

The case of Qatar

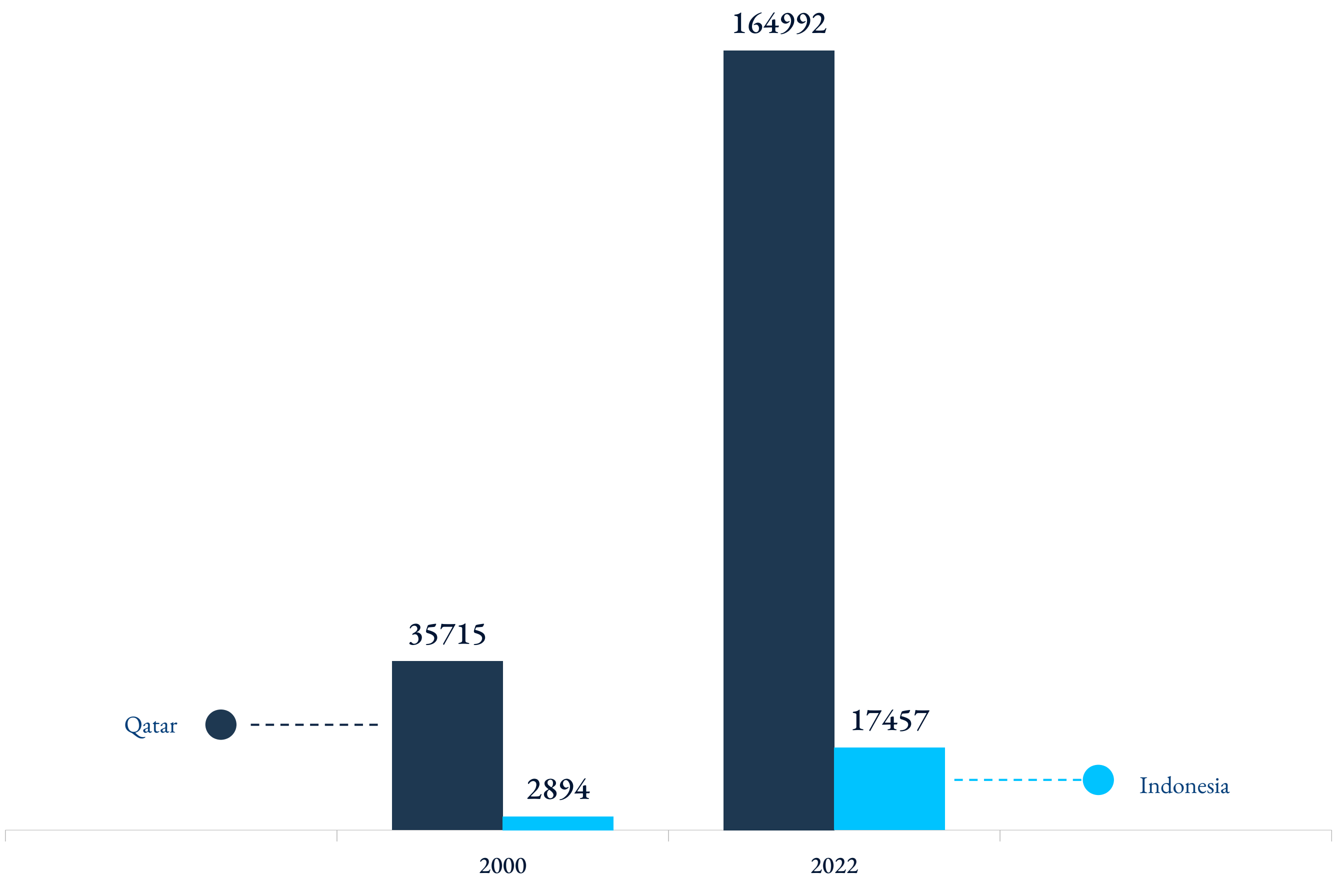
Monarchy Variation

Qatar represents an unique variation on the Asian Model, in the sense that it is almost wholly focused on family business in the oldest sense of the term – it is a monarchy – and relies heavily on both exports and industry. It is also quite spectacularly wealthy, with an UBS-estimated GDP per adult of USD 91,421 (roughly comparable to Iceland and Denmark) and a wealth per adult of USD 164,992 (roughly comparable to Malta or Portugal) which is almost double that of Saudi Arabia.

0.1%

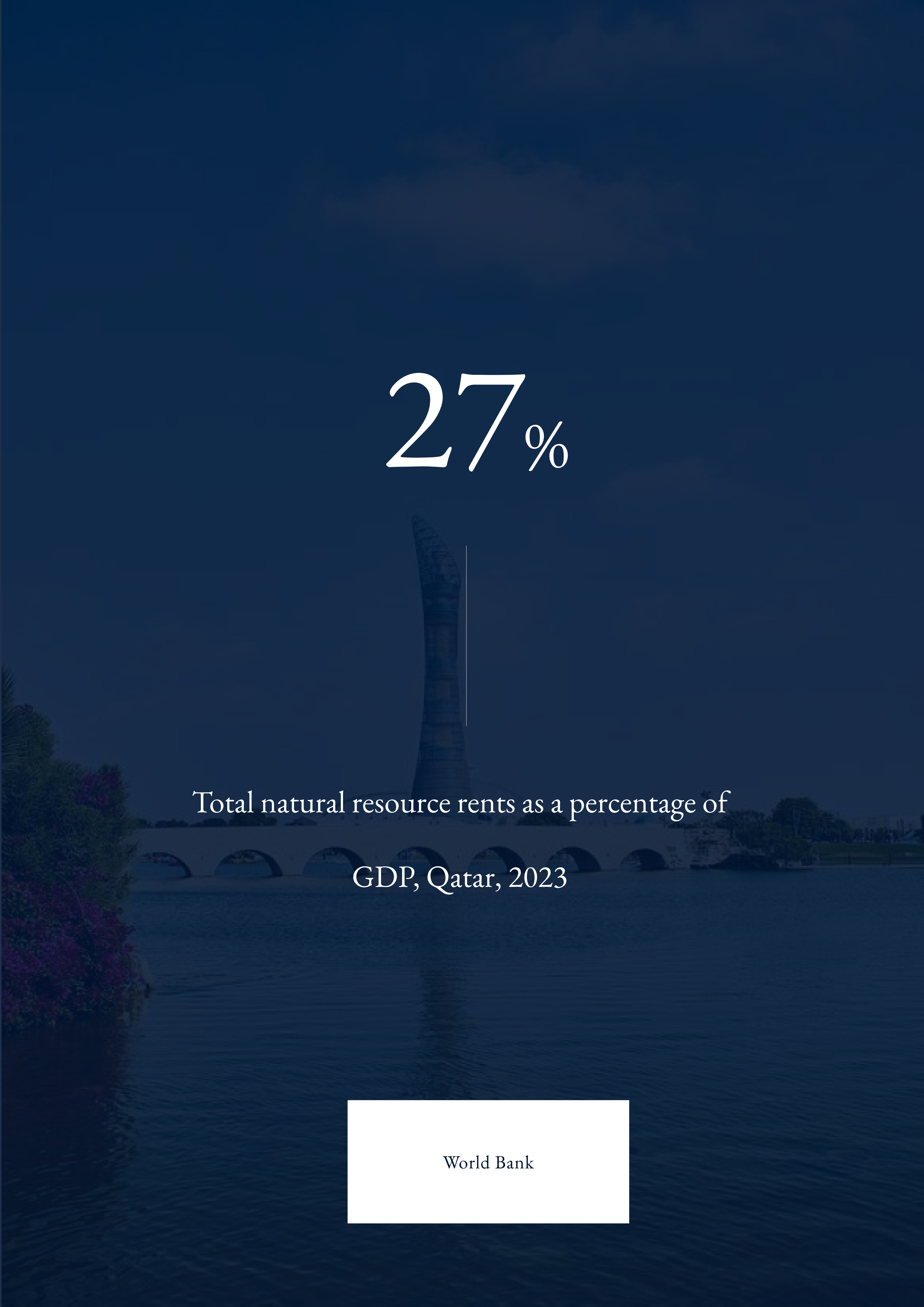
Percentage of global wealth held by Qatar in 2022

UBS



Average wealth per adult. Figures are in USD at market rates. Select countries. 2000 and 2022.

UBS



27%

Total natural resource rents as a percentage of GDP, Qatar, 2023

World Bank

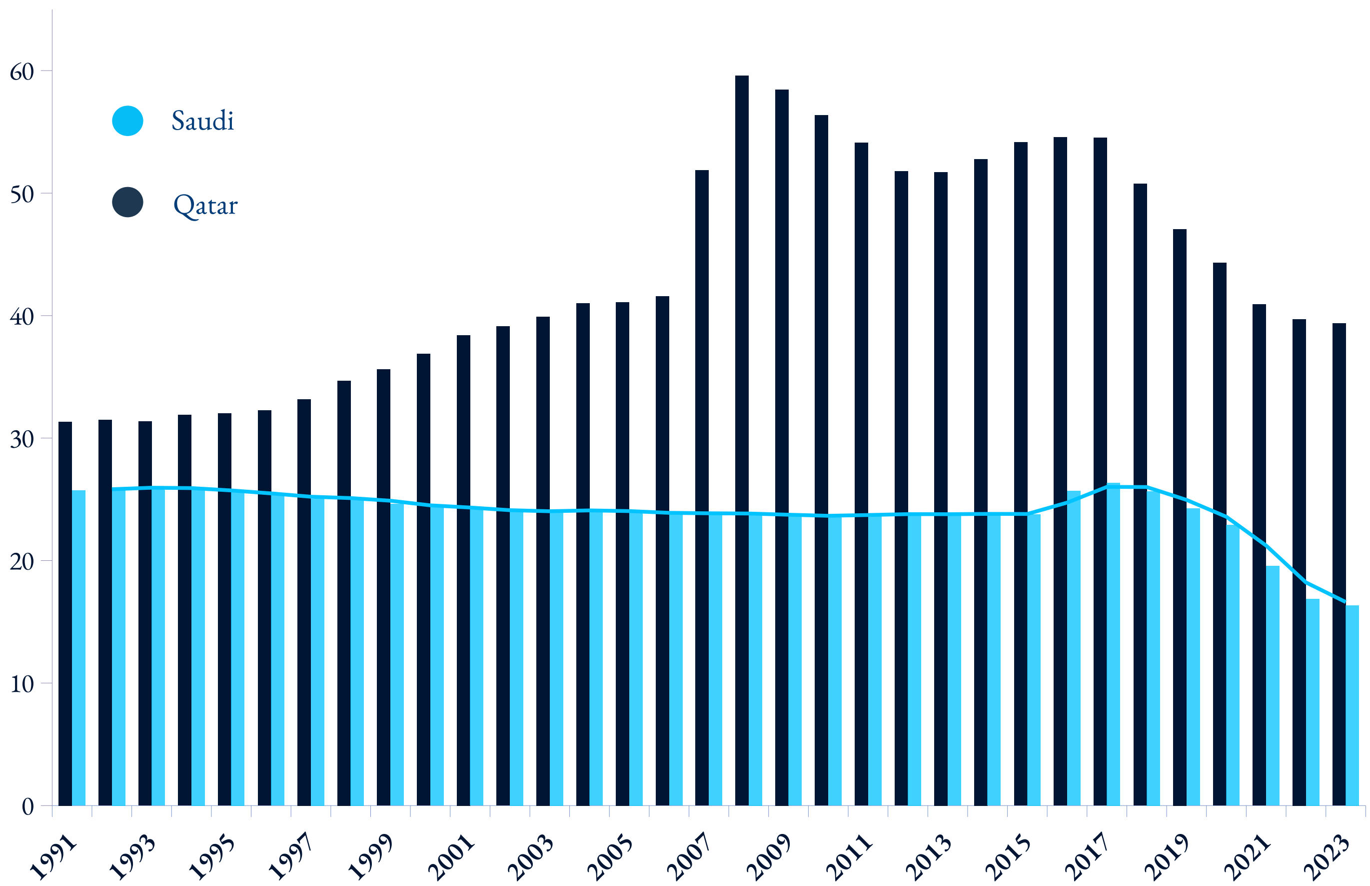
Industrial Diversifi cation

The only caveat is that the aforementioned industry remains highly focused on natural gas, such that while 39% of the employed labour force was employed in industry, only 8% of that was in manufacturing. As such it remains to be seen the extent to which Qatari families can translate a a near carbon copy of the Asian Model into industrial diversifi cation or whether they wish to craft their own, unique model, that replaces manufacturing with industries around natural resources.

8%

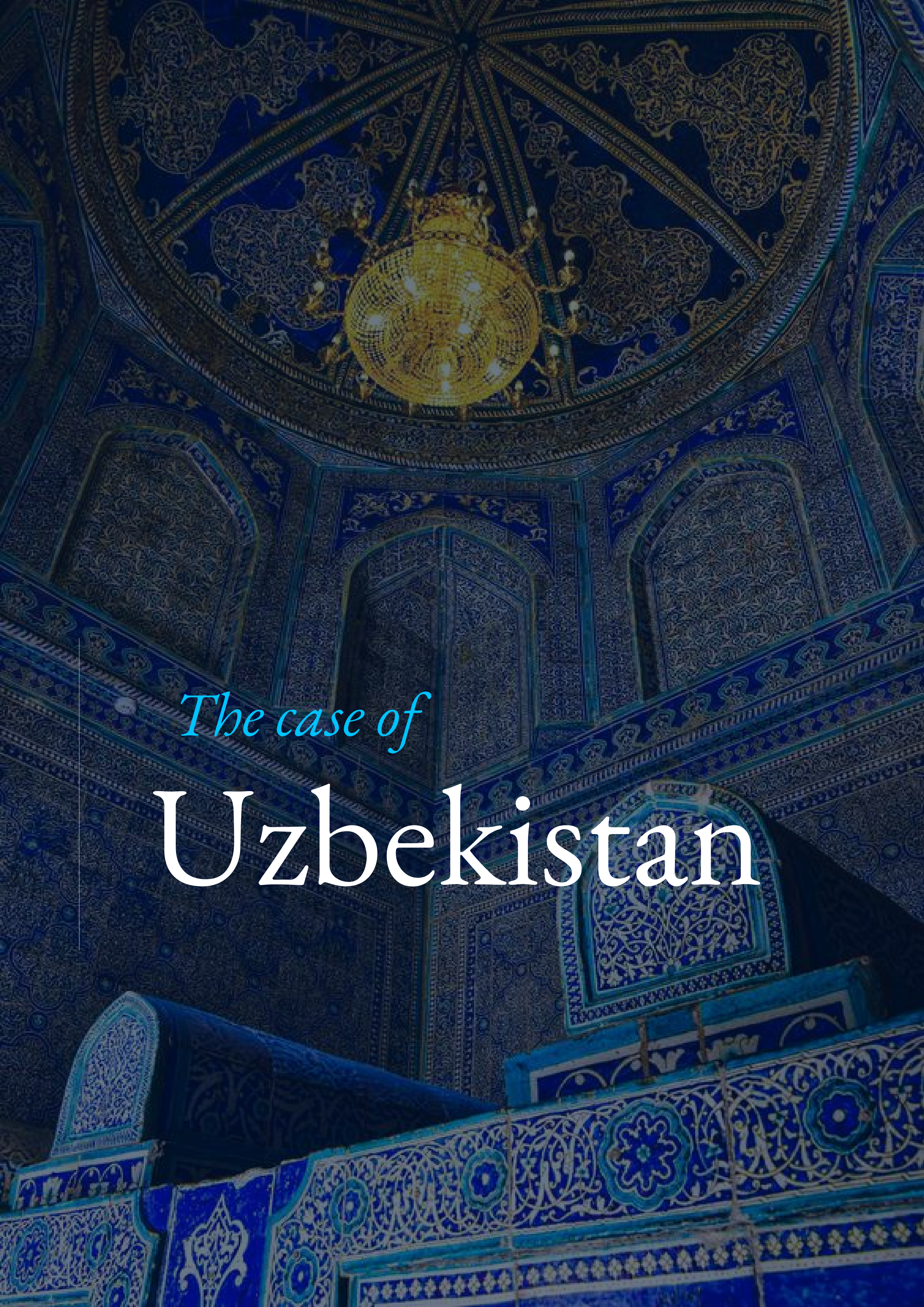
Proportion of GDP attributable to manufacturing, Qatar, 2023, estimates.

World Bank



Percentage of total employment which is employment in industry, Select counrtues, 1991 to 2023.

World Bank



The case of

Uzbekistan

The Big Push

While Qatari families have a fair degree of time available to make such decisions, Uzbekistan's wealthiest families do not. While natural resource rents accounts for less, at 20% of GDP, than in Qatar's case, they are rapidly drying up. Furthermore, the gap between the urban populace and the agricultural poor may become an issue given the population is expected to further grow by 50 million by 2040 and significant deleterious effect from climate change are expected. In Uzbekistan's case, the Asian Model of family-led industrialization may, in fact, be imperative.

10%

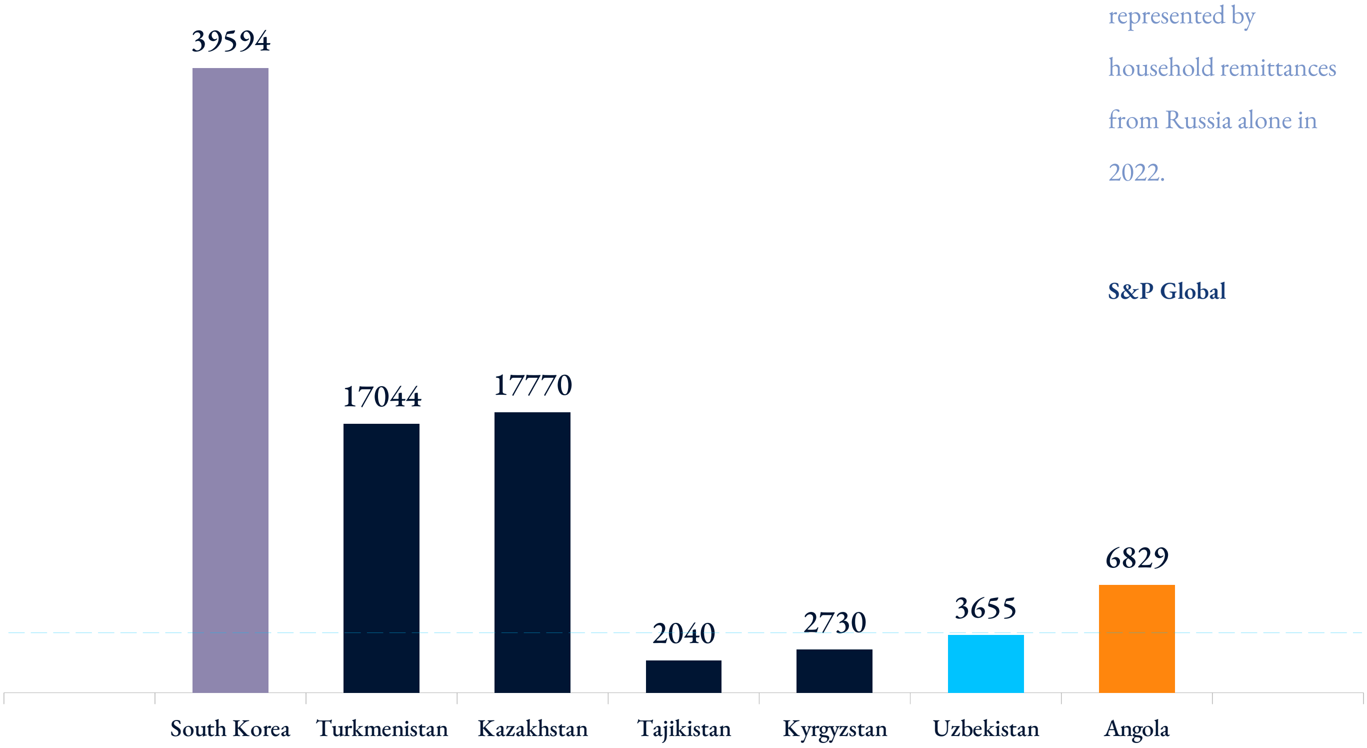
Proportion of GDP expected to be lost due to climate change, to 2040, Uzbekistan.

World Bank

21%

Proportion of GDP represented by household remittances from Russia alone in 2022.

S&P Global



Average GDP per adult. Figures are in USD at market rates. Select countries. 2022.

UBS

60%

Percentage of citizens categorised as poor who live in rural areas, Uzbekistan, 2023

World Bank

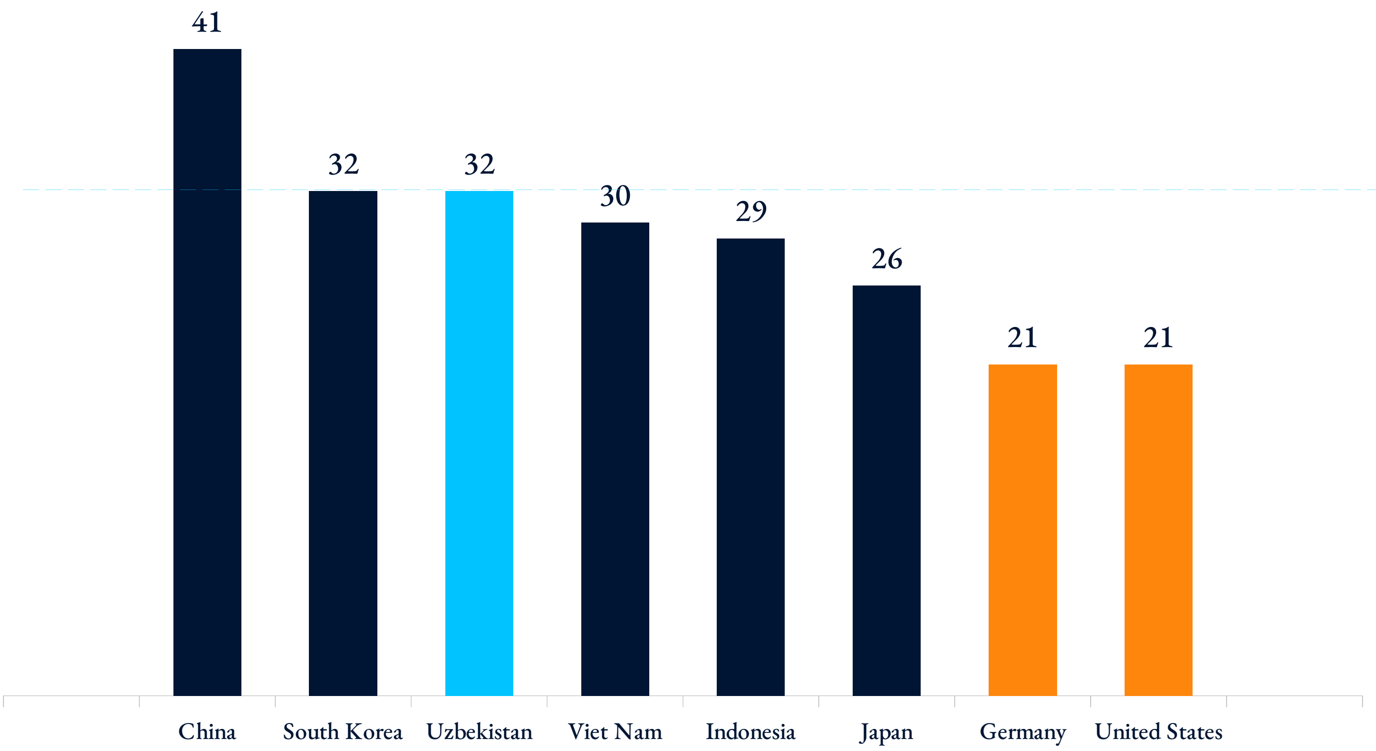
Becoming Korean

To a more than significant extent, Uzbekistan's own wealthiest are in fact moving in this direction, with gross capital formation as a percentage of GDP firmly following the line of China, South Korea and, formerly, Japan. However, an above average of this is driven by government spending and using what are rapidly receding natural resource rents in order to pay off that gross capital formation, primarily in the form of public infrastructure. While statistically in line with the Asian Model, a supply-led approach does have high risk in terms of resource misallocation.

34%

Public spending as a proportion of GDP, Uzbekistan, 2022

World Bank



Average GDP per adult. Figures are in USD at market rates. Select countries. 2022.

UBS

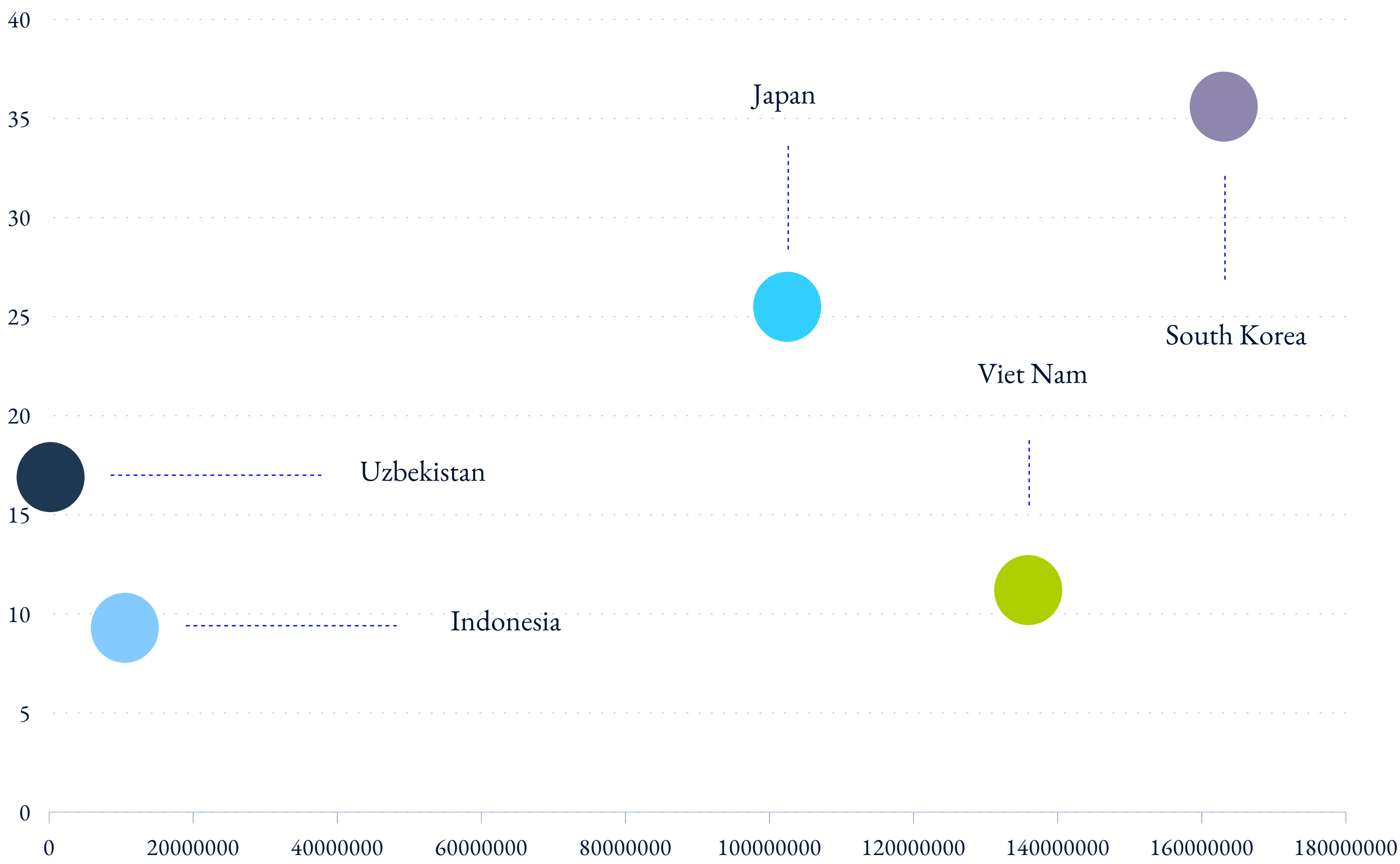
The Missing Component

To fully take the path of the Asian Model, industries which allow for technology transfers and which generate employment for high-yield graduates such as engineering. Some, such as Viet Nam, have solved this issue through FDI while others, such as Japan, China and South Korea, have built their own exporting businesses but one way or another, Uzbekistan's wealthiest families will have to choose a path forward is they wish to follow the Asian Model when natural resources dry up.

80%

Proportion of Uzbek high technology exports relative to El Salvador, 2023.

World Bank



On the X-Axis, the value of high technology exports, while on the Y-Axis, the percentage of the population above the age of 25 who hold a BSc degree or above is presented. Selected countries, 2023 data.

World Bank

4

Asian Wealth

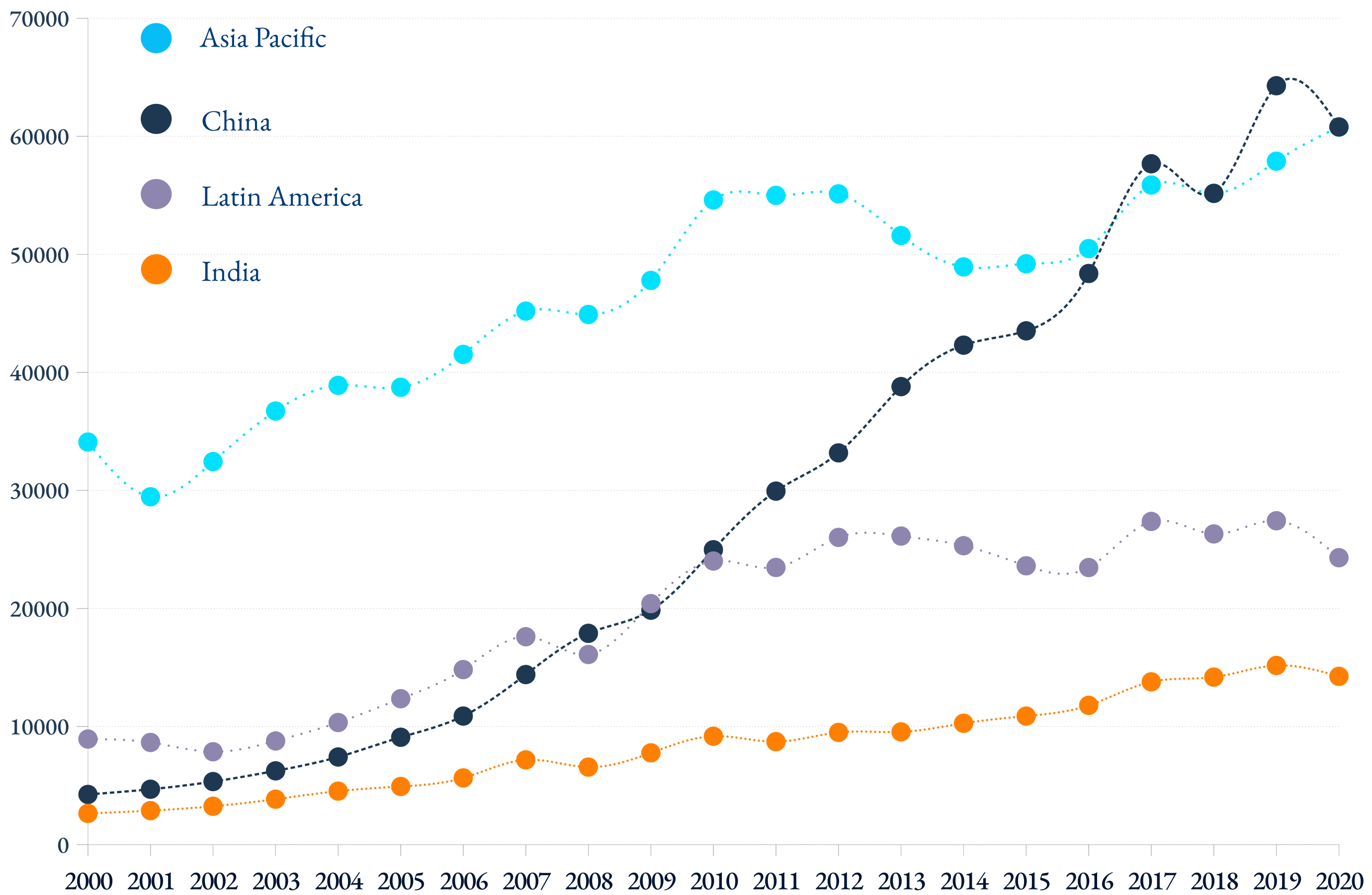
Middle Class Growth

While Asian economic growth is often presented with a tinge of dystopia it merits emphasizing that economic growth has been a broad phenomenon across Asia and while deep inequalities do persist, the increase in incomes and wealth has been most intensive and extensive. Further, it merits clarifying that East Asian growth also generated to the demand for primary materials which may help transfer the Akamatsu Stages of Development globally.

14

The number of times average Chinese wealth was higher in 2020 than in 2000, current USD rates.

UBS



Mean wealth per adult, at current USD rates. 2000 to 2020. Selected regions and countries. UBS

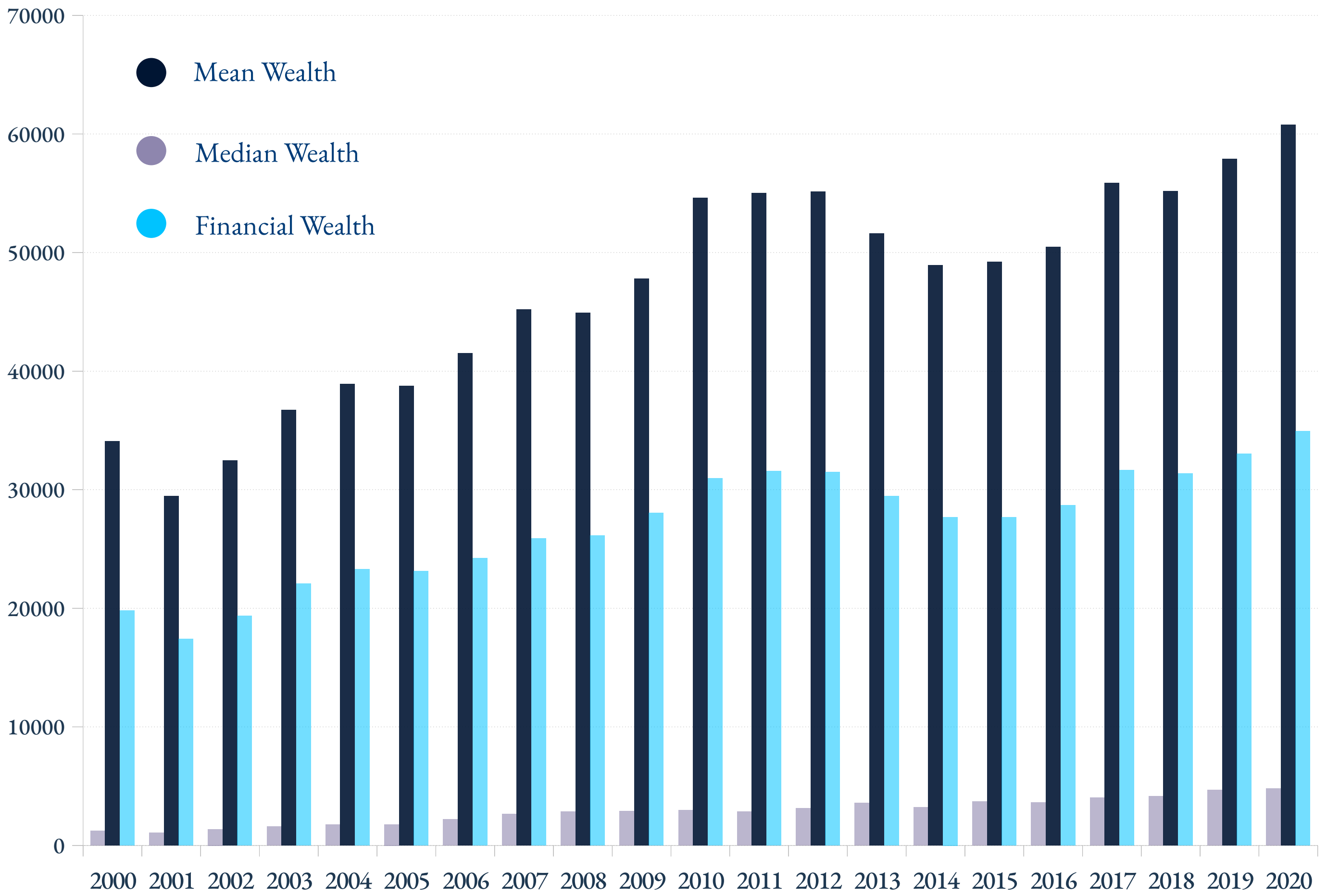
Wealth Trends

While this has also deepened absolute differences, both mean and median wealth has increased significantly over the past 20 years. As in the West, median wealth has not lowered the absolute gap with mean wealth as wealth distribution remained leptokurtic and strongly right-skewed. That said, it merits considering that median wealth has actually increased faster than mean wealth or financial wealth over the past 20 years as incomes have increased dramatically, albeit from a low base.

289%

Percentage increase in median wealth, Asia Pacific region, 2000 to 2022.

UBS



Wealth Measures, 2000 to 2020, Asia Pacific Region. UBS

Asian Wealth

in Western comparison

1.

More wealth is held in residential property than average in the Western world.

2.

Generational differences can be tremendous, with growth having occurred relatively recently.

3.

Equity markets tend to be lower relative to GDP, compared to Anglo-Saxon countries.

4.

Outside of Japan, inheritance of non-financial assets plays a significantly smaller role.

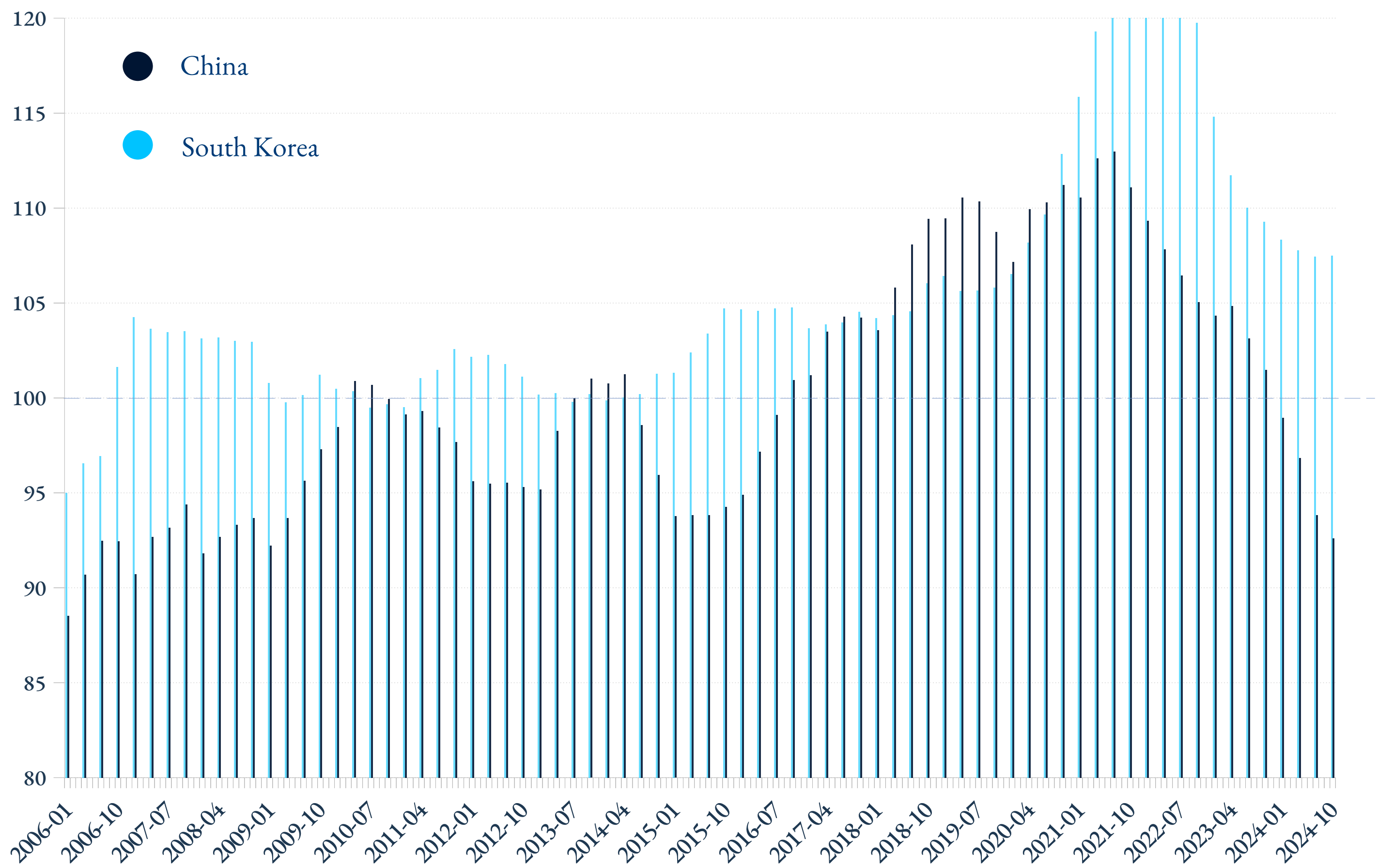
Property Trends

As residential property plays such an important role among middle class and upper-middle-class class wealth, notably in the context of limited pension provisions, it merits considering the fairly significant negative shock suffered by some but also that, outside of China, residential property prices have systematically outpaced inflation, with long term projection positive despite the impact of demographics.

70%

Percentage of total wealth of Chinese households which is held in residential and commercial property.

Yu Xie



Real Residential Property Prices for China and South Korea, 2006 to 2024, index 2000 figures.

BIS

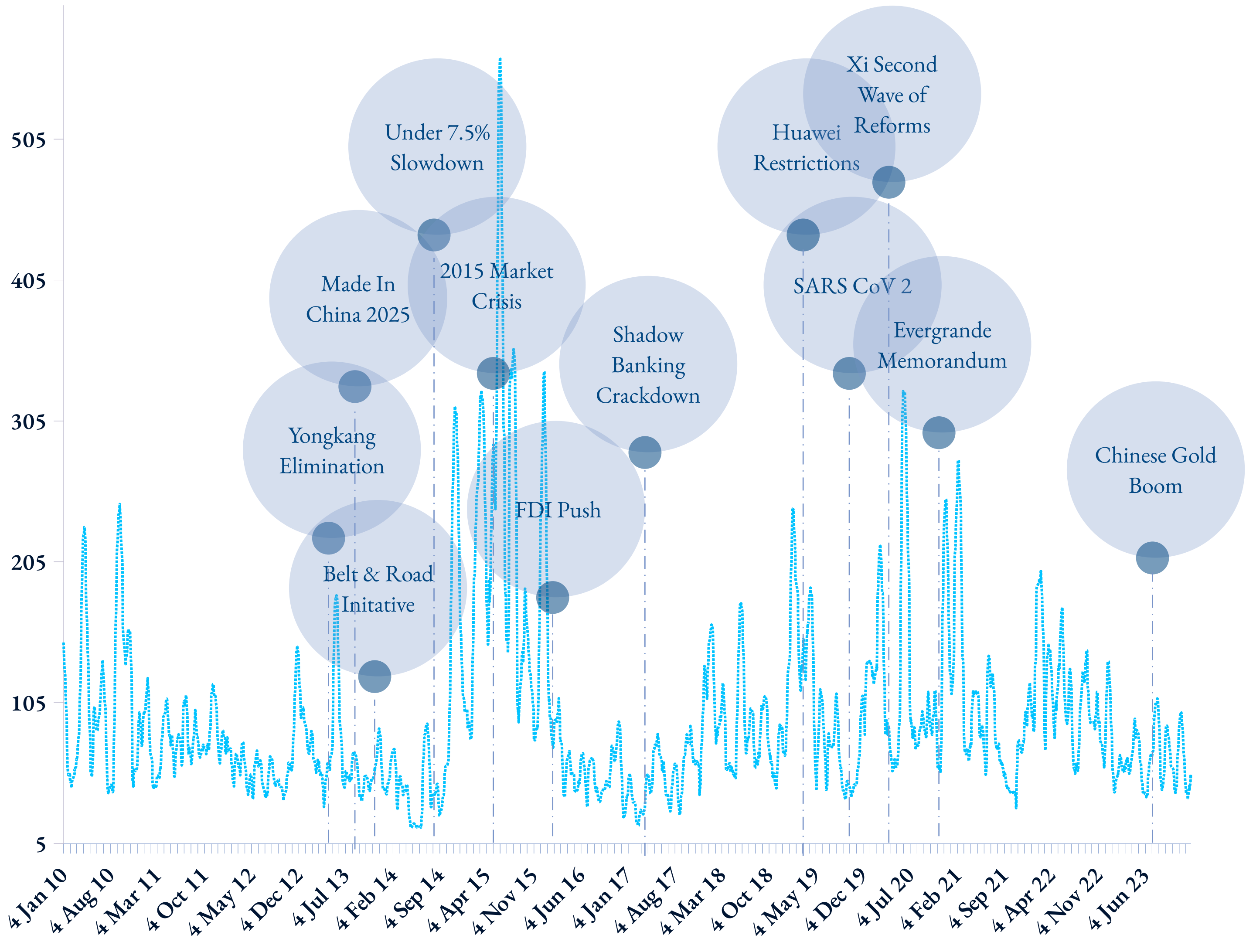
Equity Market Volatility

In the case of China, the property market slump has not yet translated into a push into equities, most likely due to an underwhelming presence of institution investors allowing for a high-volatile, retail client driven market, with expected legislative changes hoped to increase and formalise pension fund holdings.

10%

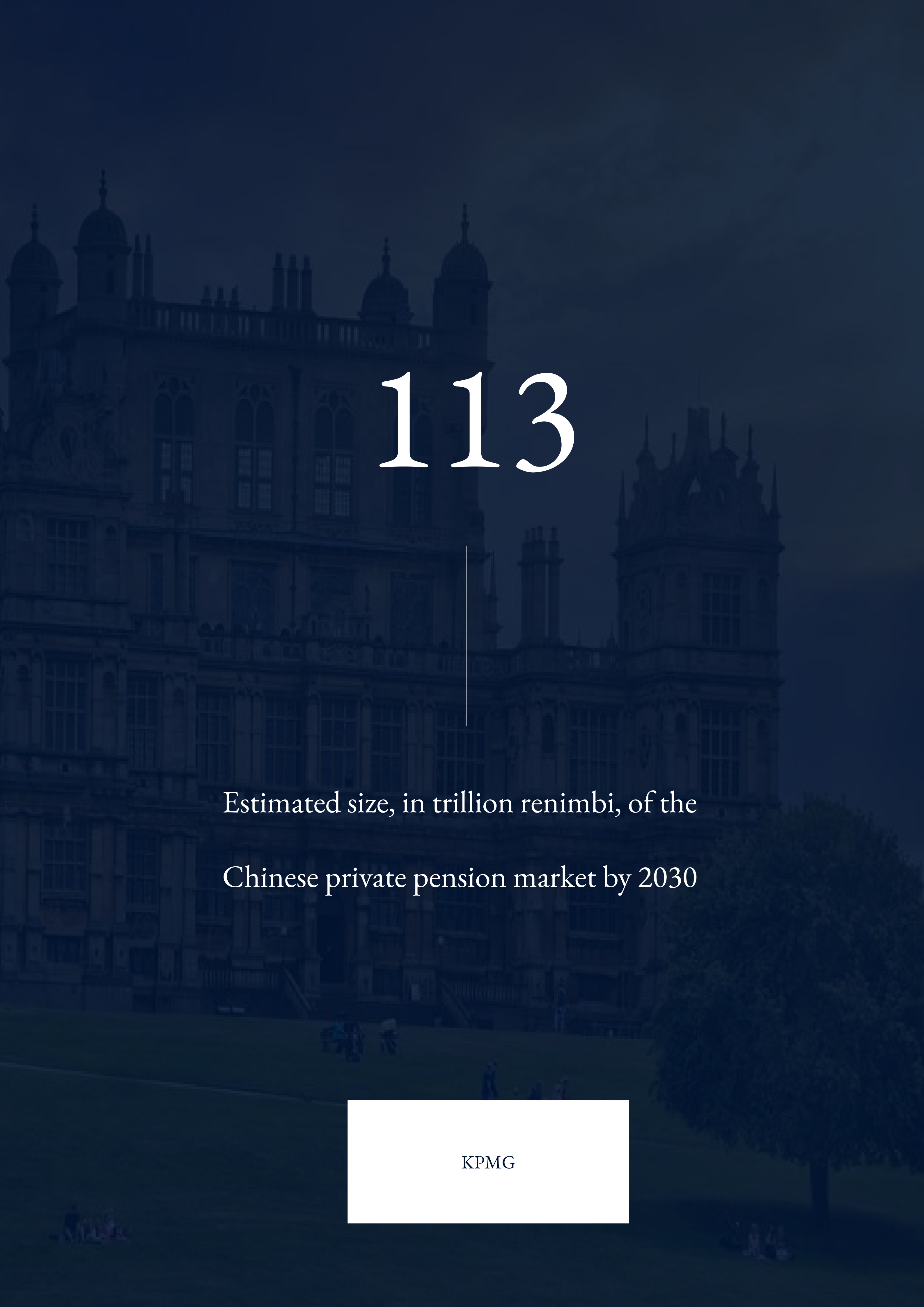
Percentage of Chinese investors which are classed as institutional

Personal Research



30 Day Rolling Standard Deviation for the CSI 300

Personal Research



113

Estimated size, in trillion renimbi, of the

Chinese private pension market by 2030

KPMG

Equity Ownership

Despite this, an upward trend has been seen in equity ownership, which is slowly converging with Western standards of direct ownership, outside of indirect ownership through pension or insurance, and actually rising above direct ownership during 1980s United States before the Clinton administration reforms. At this point, it is unclear the extent to which the distribution of holdings skews towards the top 10% to the same extent to which it does in the United States but there is some indication that East Asian egalitarianism might actually be noticed in direct equity ownership as well.

7%

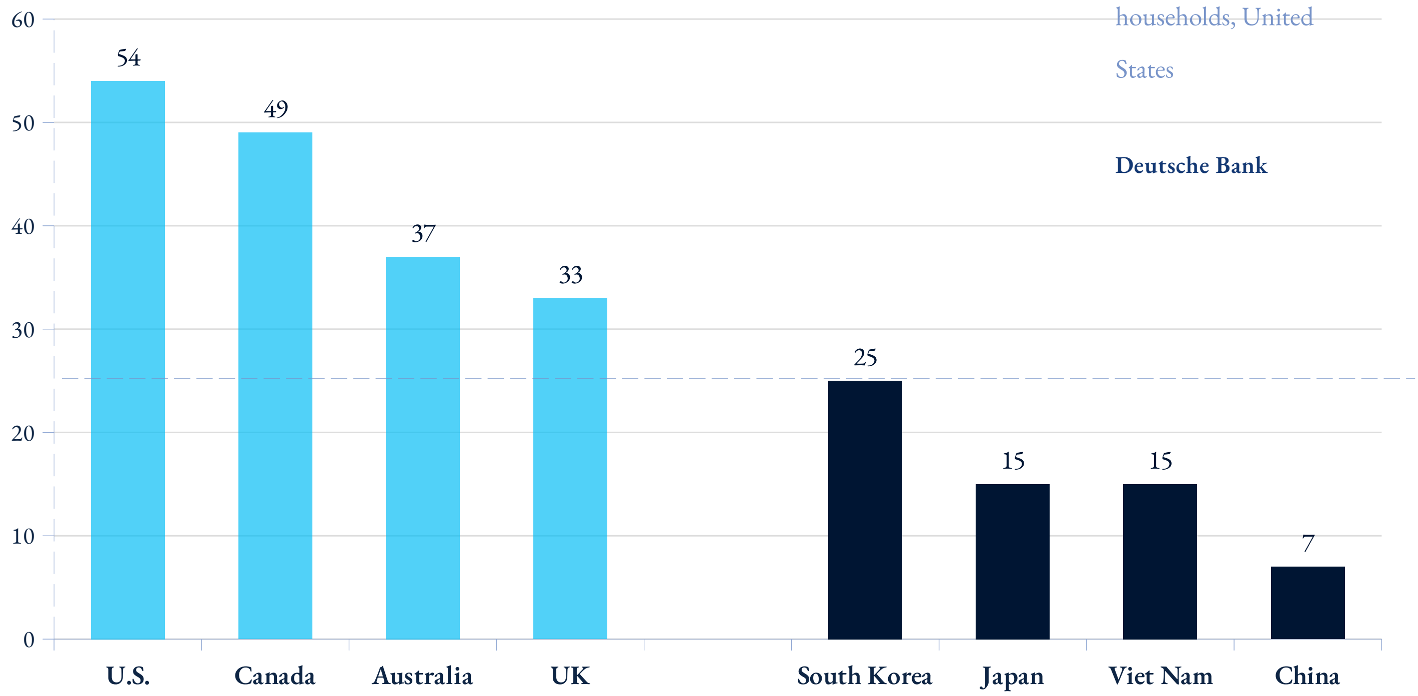
Proportion of Chinese citizens regarded as owning equities, directly or indirectly.

Pew Research

84%

Percentage of equities held by the top 10% of households, United States

Deutsche Bank



Percentages of the general population which are said to own publicly traded equities, inclusive of pension funds and life insurance holdings.

Multiple Sources

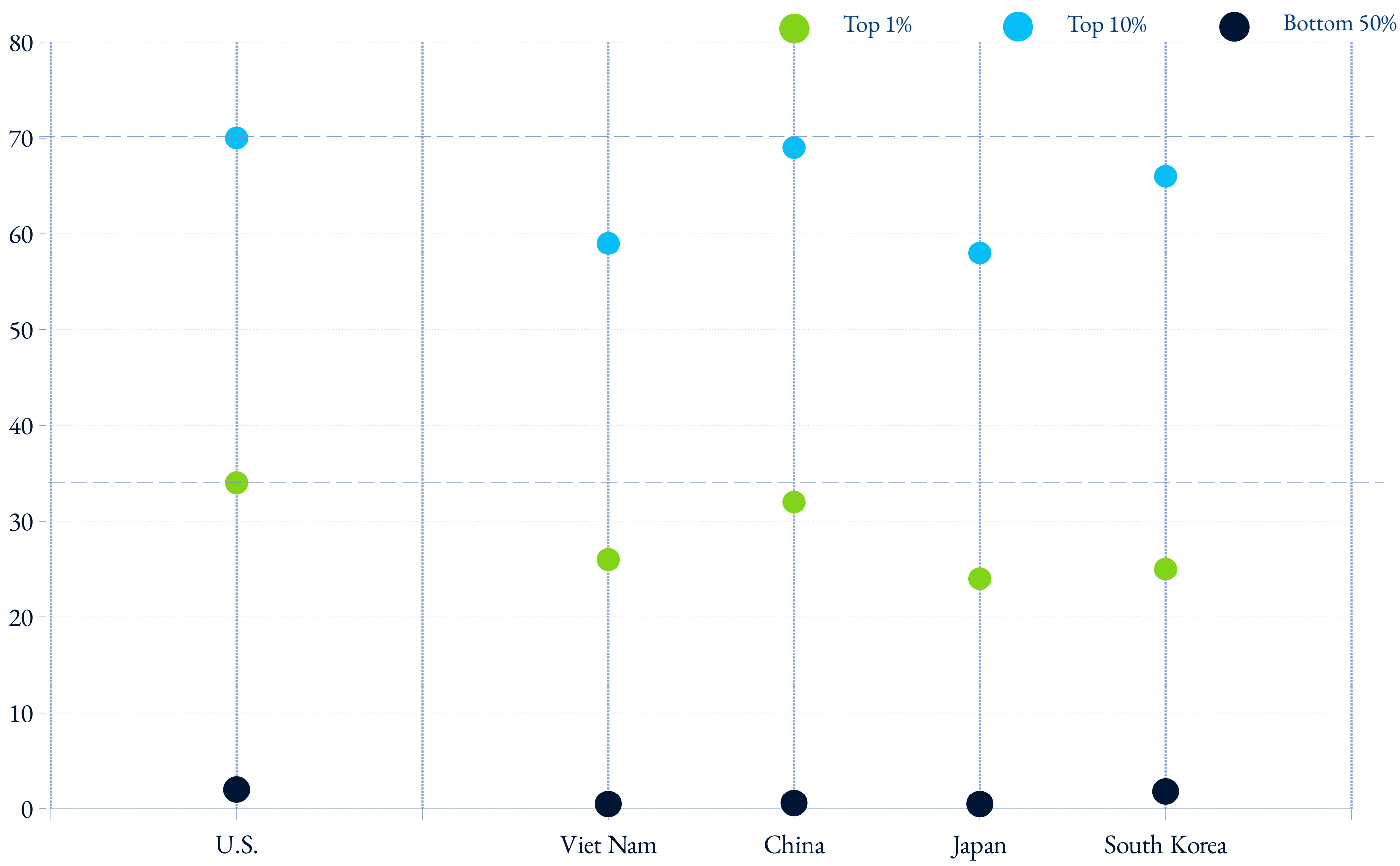
Global Wealth

While dismal by some standards, countries which may be said have followed the Asian Model are in fact statistically more egalitarian in terms of the top 10% of the population when compared to the United States or globally. While the 1% under consideration may be said to hold vast wealth, it merits considering that the fact that they built their fortunes primarily in industry translates to greater transfer between the 1% and the 10%, in particular notable in the higher diversifi cation of Western family offi ces.

78%

Global wealth held by the top 10% of people in the world.

WID



Percentages of national wealth held by the top 1%, top 10% and bottom 50% of citizens in a set of countries.

WID

Investment Topology *of* Family Offices

North America

- Avoid fixed income
- Tend to focus on alternatives
- Technology equities favoured

Latin America

- Focused on low-yield fixed income
- Defensive, inflation focused
- Technology & climate change seen as risks

South East Asia

- Avoid real estate
- Tend to focus on diversification
- Fearful of geopolitics

North Asia

- Focused on AI
- High cash holdings
- Fearful of geopolitics, less of climate change

Europe

- Inwardly-focused
- Developed market equities preferred
- High risk aversion

Middle East

- Focused on low-yield fixed income
- Highest proportion into real estate
- Highest perceived risk of financial crisis

40%

Average proportion of investment in alternative assets by family offices in the United States

J.P. Morgan

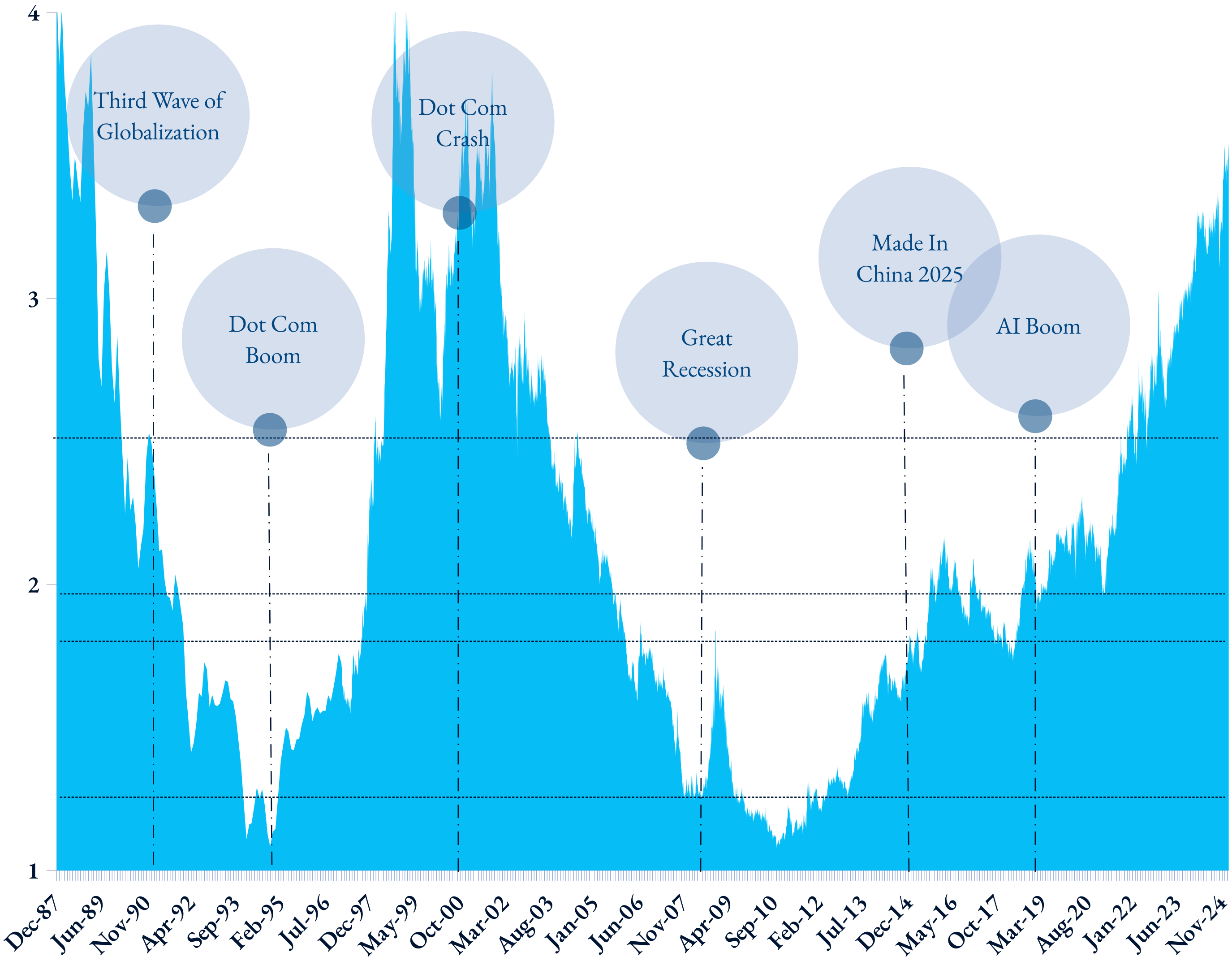
Technology Supercycle

That is partially in the context of a – still – U.S.-centric technology-cycle which appears to be driving a recurring pattern in U.S. and emerging markets valuations, with technology-driven booms in the 1990s and 2010s shifting funds towards U.S. markets, to be followed by shifts to emerging markets moving wealth valuations.

42%

Share of U.S. market's total global market capitalisation, 2023, MSCI indexes.

MSCI



Ratio of the MSCI Developed Markets index over the MSCI Emerging Markets index, 1987 to 2025

Personal Research

5

Future of Asian Family Wealth

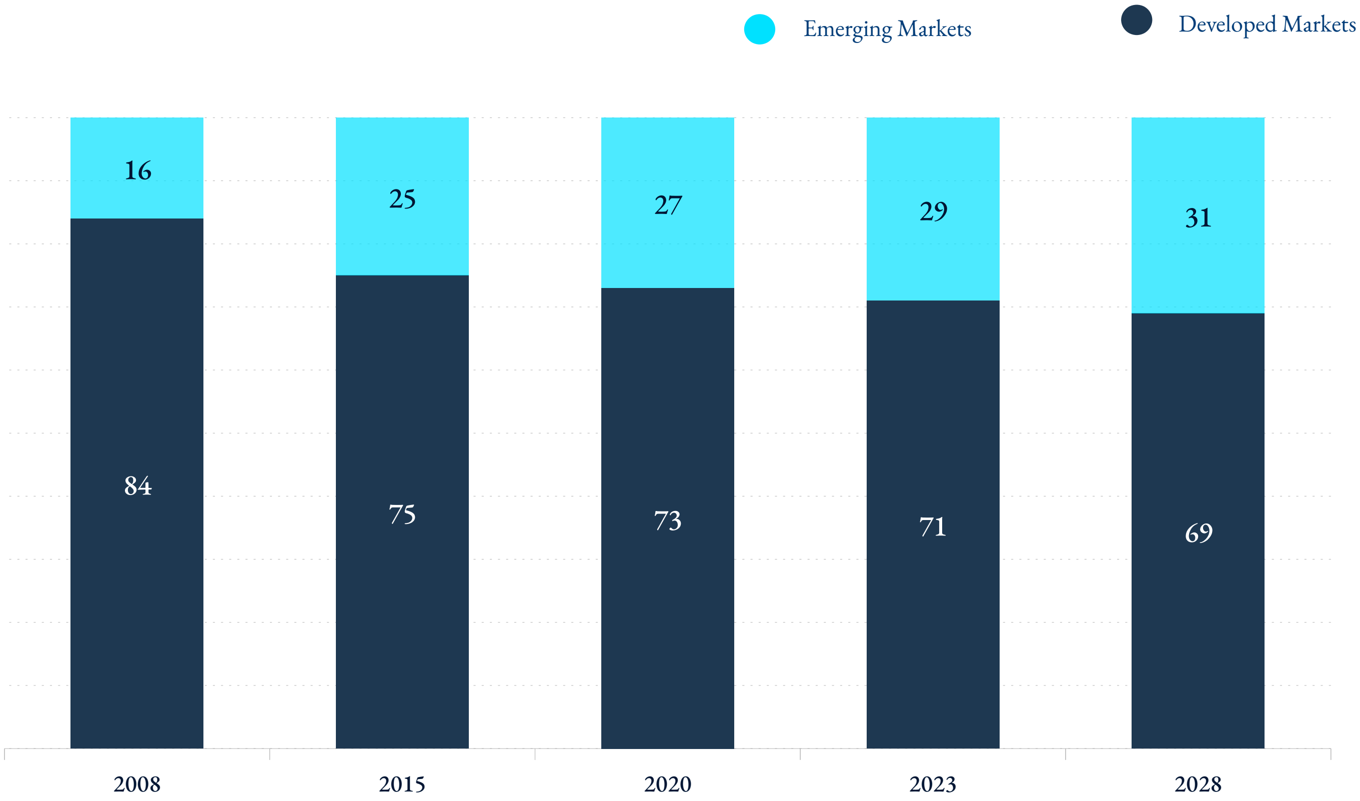
Shares of Wealth

Despite the impressive growth observed over the past 40 years in terms of emerging market wealth, it is expected to remain below of 32% of total global wealth to 2028. Furthermore, it merits considering the emerging market wealth in general may not again reach the same rates of growth as before, leaving the Western world with a majority of global wealth well into the century. Whether that wealth, once inherited, will be kept remains to seen but the advantage should not be underestimated: Asian wealth will likely remain 'new wealth' for many decades.

32%

Percentage of total global wealth held by emerging markets to 2028, estimates.

UBS



Shares of global wealth, Emerging Markets and Developed Markets, to 2028, at real USD rates.

UBS

20%

Percentage of GDP, in Italy, being transferred as part of inheritances during the 2015-2025 period

The Economist

Dangers for

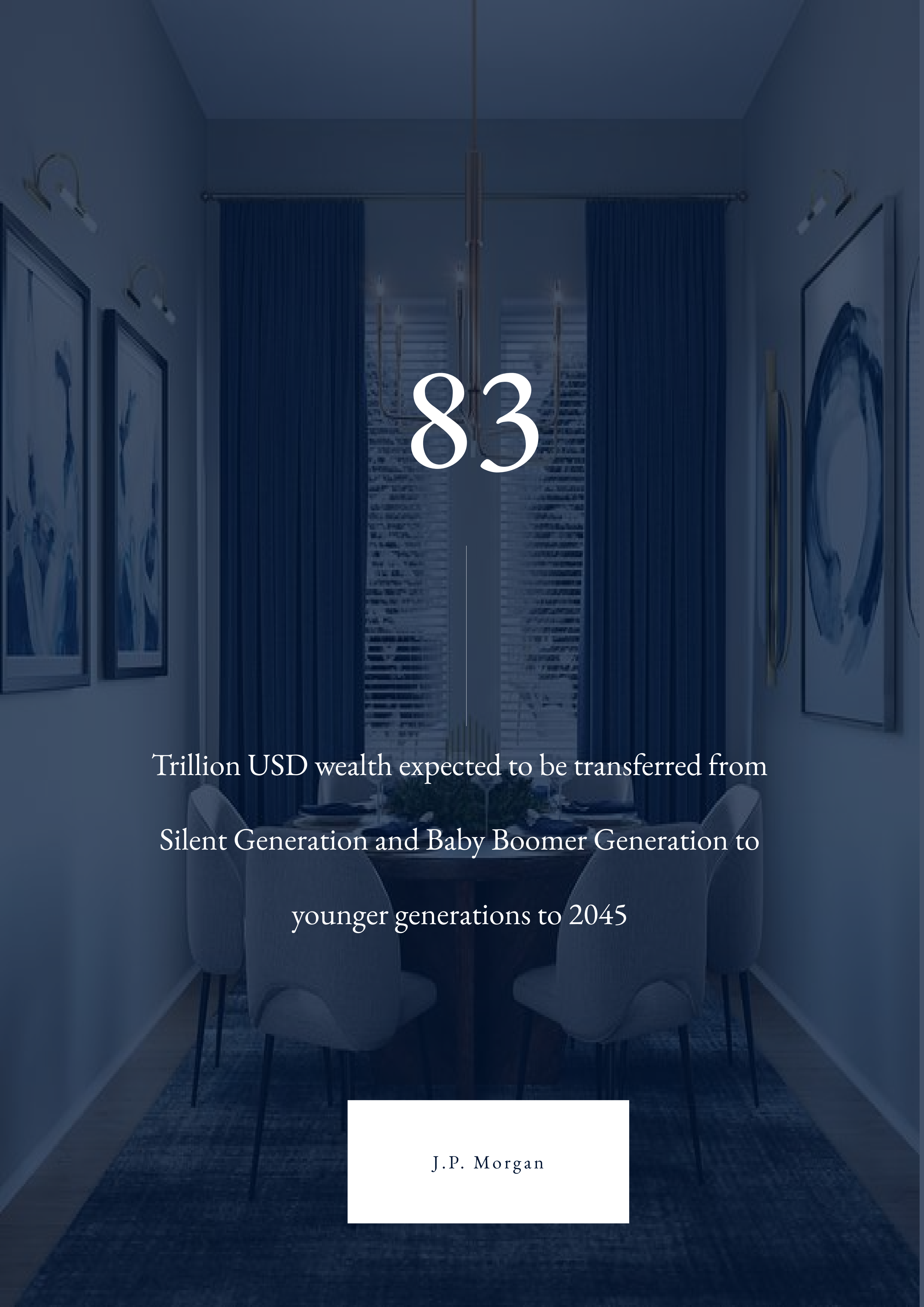
Asian family wealth

1. As it is often tied to company success, it is also constantly at risk of potential succession crises that can be a significant tail risk.

2. Asian companies often focused on the mass market and that is primarily a phenomenon of the Second Industrial Revolution.

3. While ahead of many Western competitors, the technologies of the Fourth Industrial Revolution are still an unknown variable.

4. Geopolitical risk is scales of magnitude higher in East Asia than in places such as Western Europe or the United States.



83

Trillion USD wealth expected to be transferred from Silent Generation and Baby Boomer Generation to younger generations to 2045

J.P. Morgan

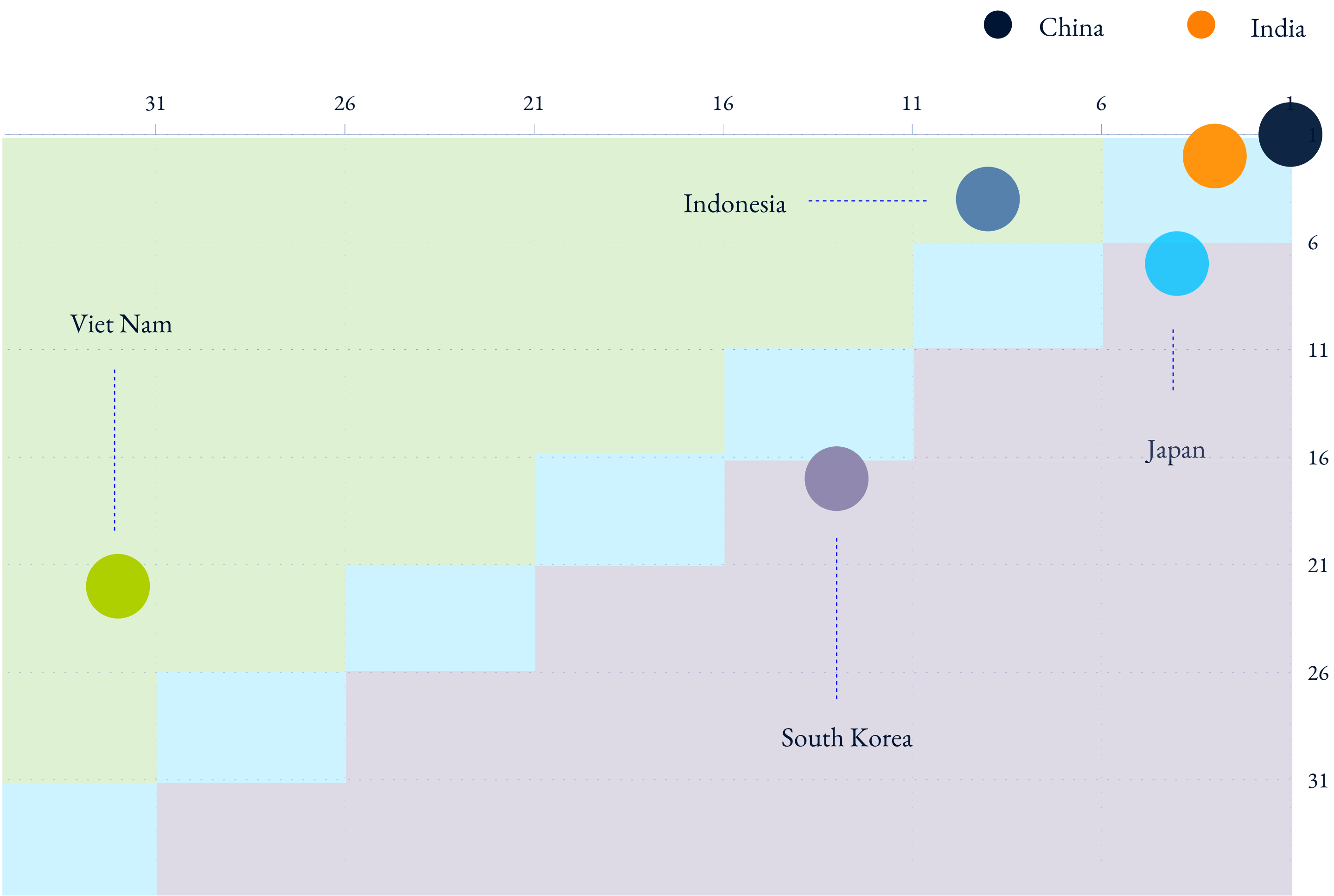
2050 Macro Projections

By GDP PPP terms, the East Asian countries which spearheaded the Asian Century, namely Japan and South Korea, are expected to gradually decline in relative rankings while those enjoying better demographics, such as Viet Nam and Indonesia are generally expected to improve their relative rankings. While this measures GDP, not GNI, the general convergence in GDP per capita would almost by itself precipitate the outcome.

4th

Relative rank of Indonesia in global GDP PPP terms

PwC



On the X-Axis, the percentage of exports which are high-technology manufacturing exports is presented while on the Y-Axis, the percentage of GDP which is accounted for by exports is presented. Selected countries, 2022 data.

PwC

During the next two decades, the middle class is unlikely to grow at a similar pace, and developing-country middle-income cohorts could well perceive that their progress is slowing. Across many countries, the high per capita in- come growth of the past 20 years is unlikely to be repeated, as global productivity growth falls and the working-age population boom ends in most regions. Global models of household income suggest that, under a baseline scenario, the middle class share of the global population will largely remain stable during the next twenty years, although this outcome will be contingent on social and political dynamics.

East Asia, and to a lesser extent South Asia, appear better positioned to achieve further increases in per capita income relative to other regions, thereby reducing to some extent their income, education, and life expectancy gap with advanced economies. These regions benefit from effective education systems, generally stable social networks, and competent governance.

National Intelligence Council of the United States

Global Trends 2040

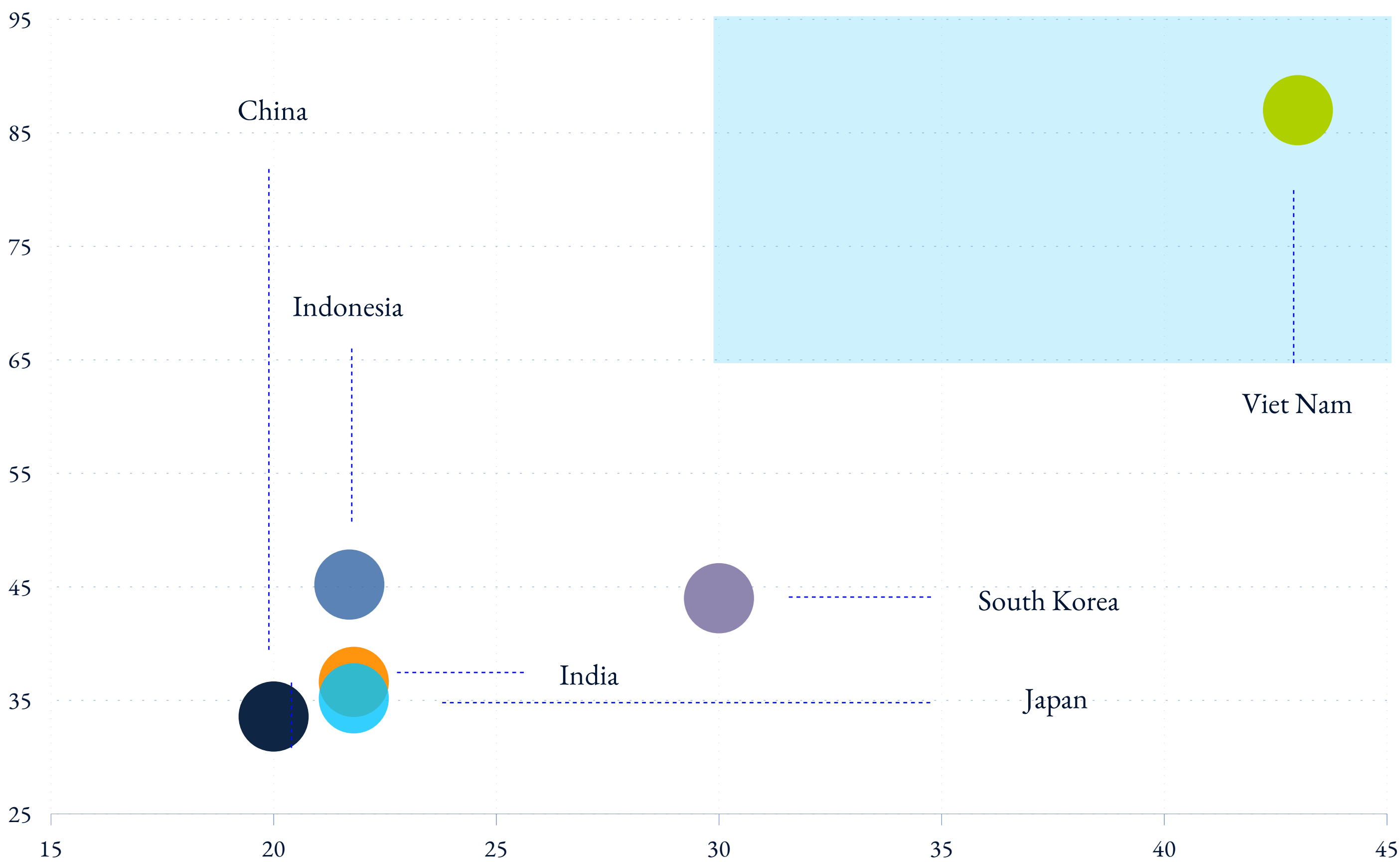
Exports

The export led model of development which underlined the Asian Century is also expected to mutate at least partially. While a signifi cant portion of products are focused on the Western middle class and this will be affected by the general trend towards regionalization, the growth in the Asian middle class and lower middle class may prove a long term source of revenue to compensate for declines in the latter in the medium to longer term, lowering demand side shocks to companies

60%

Percentage trade in the Asia pacific region which is intra-regional.

WTO



On the X-Axis, the percentage of exports which are high-technology manufacturing exports is presented while on the Y-Axis, the percentage of GDP which is accounted for by exports is presented. Selected countries, 2022 data.

World Bank

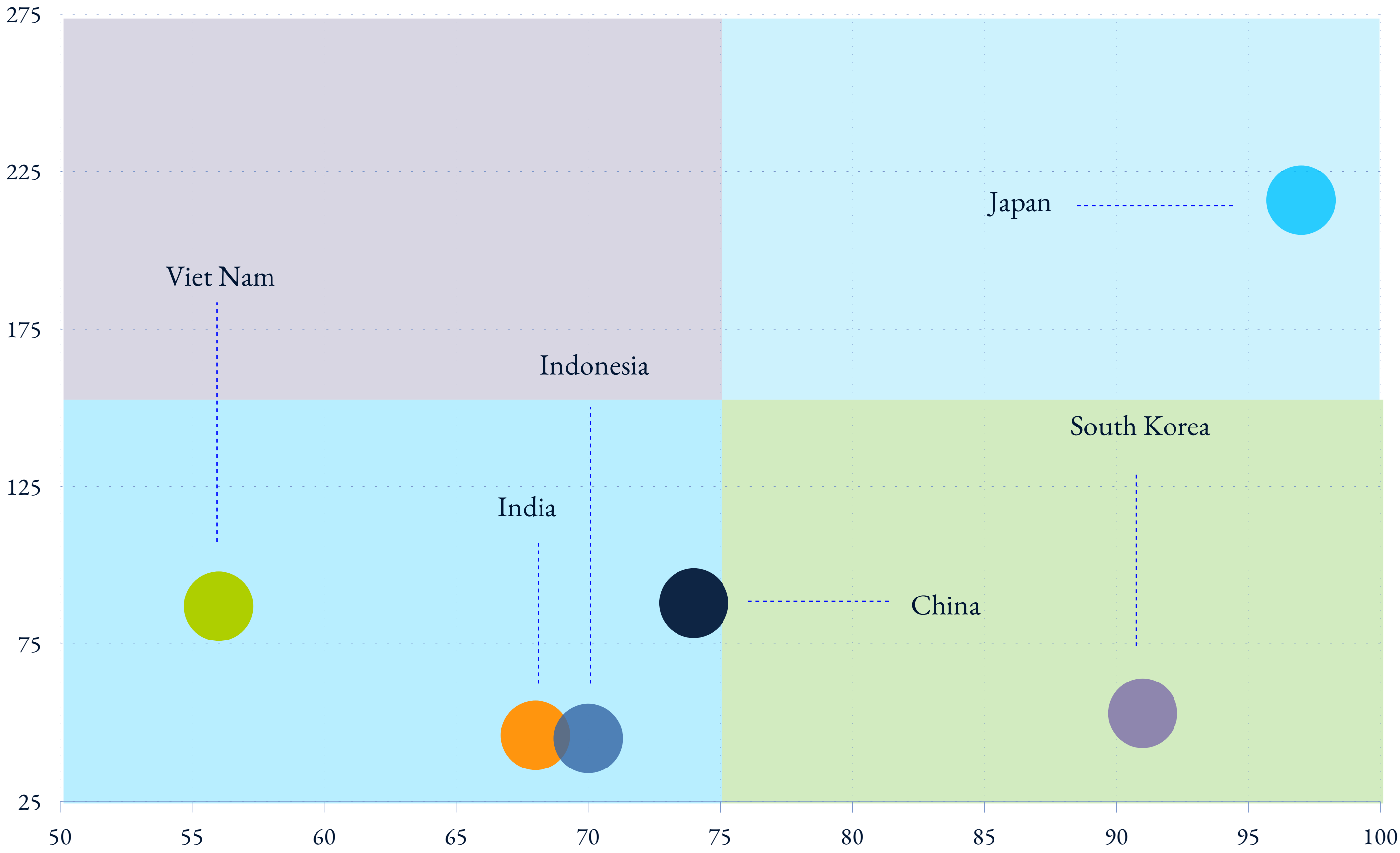
Government Effectiveness

The 'Asian Century Superclans' also have the great benefit of what may one of the last cases of modern state formation along national lines, having come of age in the most extraordinary growth spurt in history. While expectations may never meet capacity, Asian nation states had the opportunity to build that capacity in a near ideal setting for institution building and norm setting, which lower levels of globalisation and trade as well as with de-industrialization and climate change may make unavailable to others in the future.

97%

Estimated government effectiveness quartile for Japan, 2024

World Bank



On the X-Axis, the percentage of quartile of the estimated rank of government effectiveness is presented while on the Y-Axis, central government debt as a percentage of GDP is presented. Selected countries, 2022-2024 data.

World Bank

St. Louis Federal Reserve

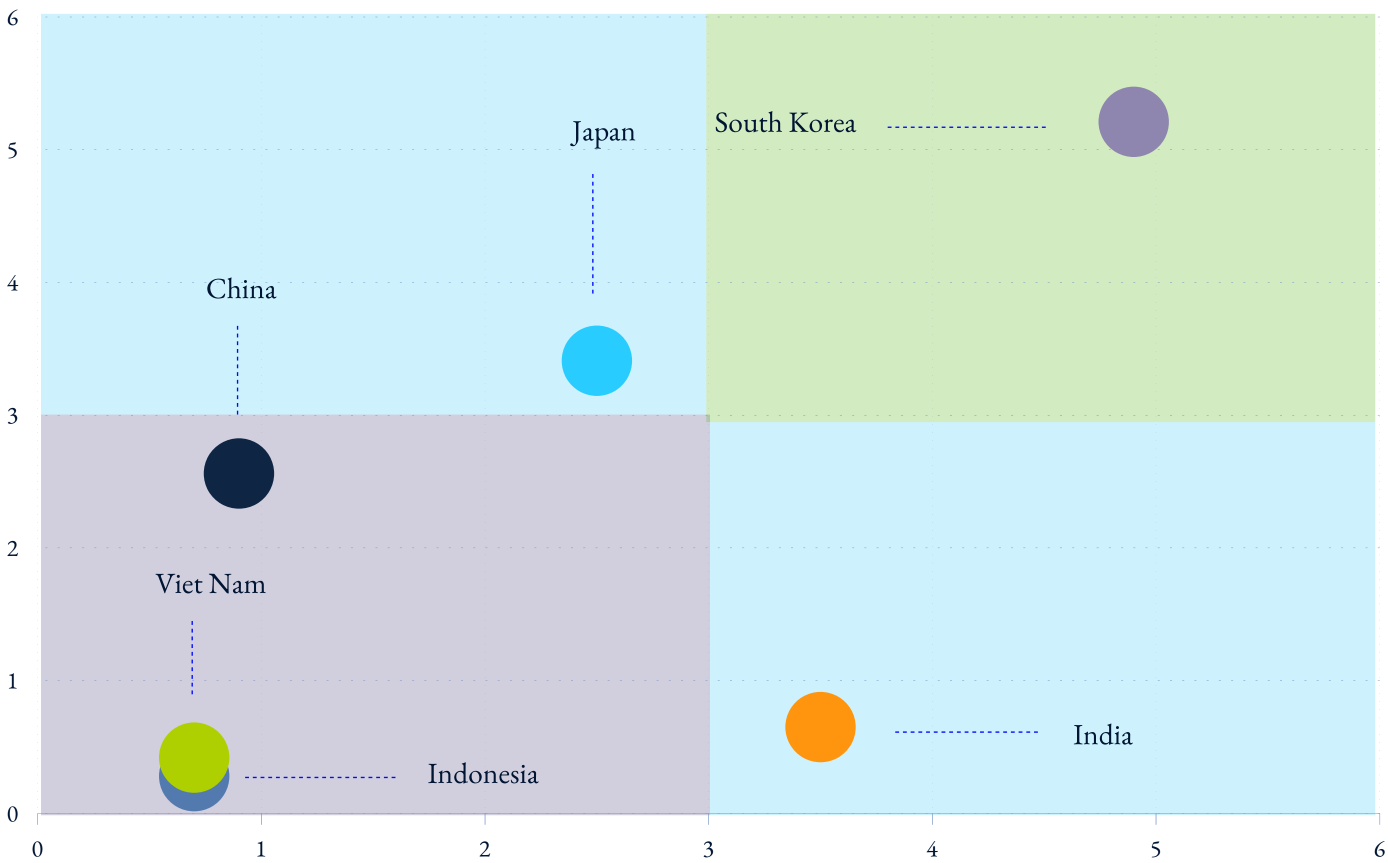
Development

In turn that translates into the human, social, cultural and economic capital needed to maintain living standards implied in the social contract though growth, as opposed to redistribution. Similarly, Asian families in the original East Asian nation states of 'the Asian Century' would be expected to enjoy above average stability in the context of climate change, mass immigration and environmental strains.

4.9%

R&D spending as a percentage of GDP, South Korea, 2022

World Bank



On the Y-Axis, capital expenditure on research and development as a percentage of GDP is presented while on the X-Axis, the proportion of the population aged 25+ who hold a Masters degree or higher. Selected countries, 2022-2024 data.

World Bank

St. Louis Federal Reserve

In some middle-income countries, fragility, conflict, and violence are hampering development. And in almost every country, climate change is putting pressure on the government to rethink its development strategy. Given these headwinds, an economy at the middle-income stage will have to “make a miracle” to develop at the pace of the 34 economies that reached high-income status between 1990 and 2021. That would require having a business sector that facilitates a radical transformation of enterprises, having a government that assuages the growing expectations of an increasingly restless middle class, and having a country transition sooner to less emissions-intensive ways of producing and consuming than those engineered by the middle-income economies of the 1990s.

Even without these headwinds, today’s middle- income countries would still face long odds of achieving high-income status because of what the World Bank has called—since 2007—a “middle- income trap”.

World Bank

The Middle Income Trap

The Social Contract

after the Age of Growth

1. Citizens

In the role of citizens, more will likely be expected of each individual in order to sustain the nation state.

2. Workers

In the role of workers, discrepancies between return on capital and return of work will likely exacerbate in the Fourth Industrial Revolution.

3. Savers

In the role of savers, it is still debatable whether asset will maintain current growth given demographics

4. Consumers

In the role of consumers, lower prices for digital goods may not compensate for higher relative values for real goods.

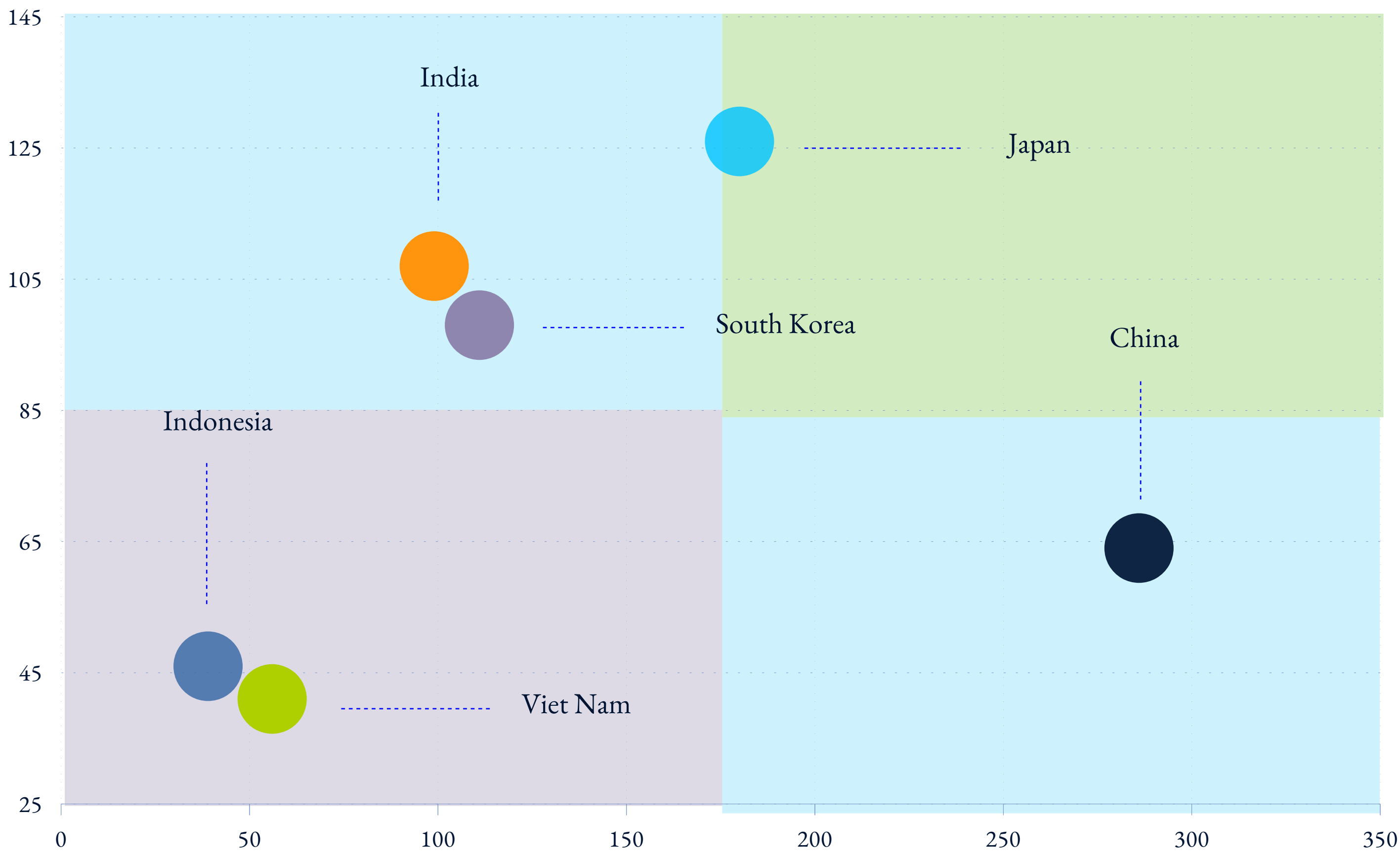
Capital Financing

In terms of financing, the importance of bank loans and secondary sources of financing is likely to remain crucial to Asian companies and, by extension, Asian family wealth. While some equity markets have reached high levels of capitalization relative to GDP, India being the most notable, the non-transfer of pension and life insurance assets from the general populace to equity markets means the equity-driven model simply isn't expected to have the same weight as it currently does in Anglo-Saxon countries.

319%

Peak value of the ratio of stockmarket capitalization relative to GDP for the United States, in 2008.

St. Louis Federal Reserve



On the X-Axis, total credit to non-financial corporations as a percentage of GDP is presented while on the Y-Axis, stock-market capitalization of domestic listed companies as a percentage of GDP is presented. Selected countries, 2022-2024 data.

World Bank

St. Louis Federal Reserve

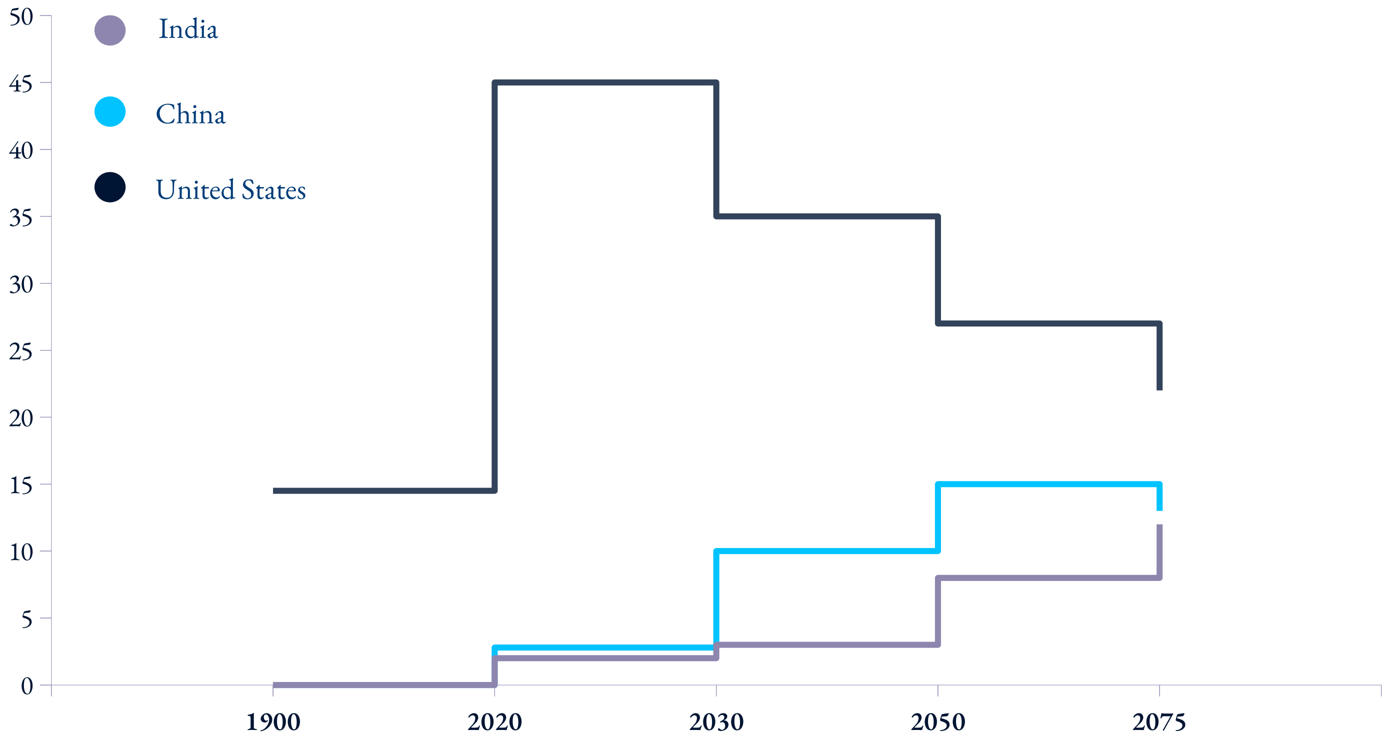
Market Capitalization

In part, this is also reflected in long-term prospects of total market capitalization, with Chinese or Indian equity market capitalisation not surpassing 15% of global totals to 2075, similar to the level the United States had in the early 1900s. Moreover, the cumulative equity market capitalization share for emerging countries excluding China is not expected to pass 30% to 2075. This need not, however, be translated at face value as penury for Asian family wealth or national wealth as holdings are less focused on equity markets to begin with.

30%

Equity market capitalization for emerging markets in 2075

Goldman Sachs



Relative shares of total equity market capitalization, global totals, for China, the United States and India. 2022 to 2075. Data for 1900 are historical estimates. Real USD figures.

National Bureau for Economic Research

The Asian economies are facing their greatest challenge since the East-Asian financial crisis of 1997–1998. Advanced economies reacted to the 2008 global financial crisis (GFC) by implementing both conventional and nonconventional monetary measures that led many small open emerging market economies (EMEs) to experience a rise in capital inflows and thereby currency appreciation pressure. After the U.S. started scaling down the nonconventional monetary measures in 2014, some EMEs experienced capital flight. Although most of the Asian EMEs faced this situation with higher levels of exchange rate flexibility and a much thicker buffer of international reserves (IR) than they did at the time of the Asian crisis, the fear was also shared by policy leaders in Asia, who saw flashbacks of the 1990s in which the influx of capital was followed by the crisis breakout. Since the time of the Asian crisis, one of the biggest changes in Asian economies' open macro policy configurations is that they have become large IR holders, joining Japan, which has been a long-time major IR holder. In the mid-2000s, China became the largest IR holder and by of the end of 2015, the country held $3.8 trillion dollars, about 30% of the world's total

Aizenman, Ito

East Asia and Financial Globalization

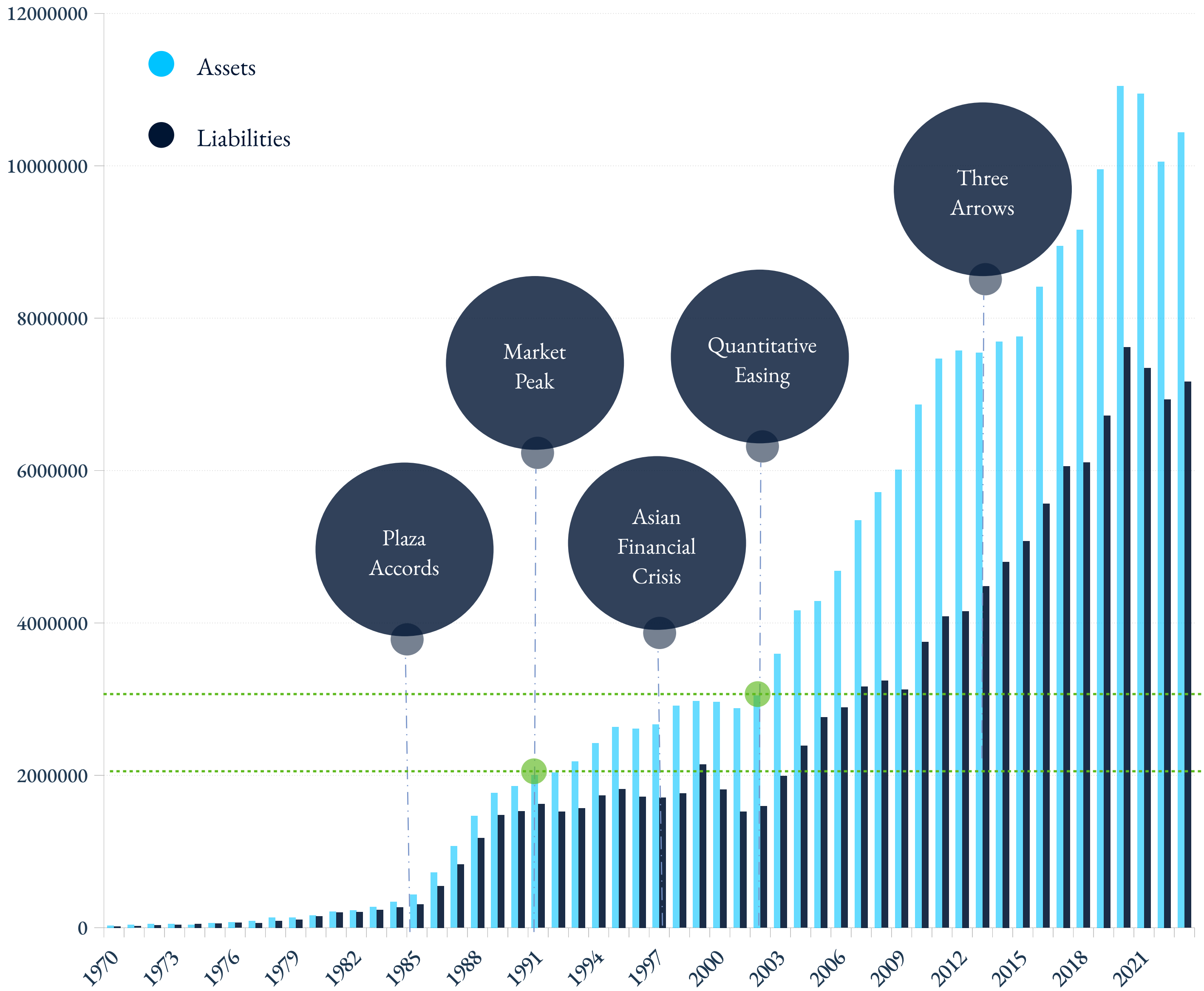
External Assets

In cases such as Japan, the build-up of external assets translates into a store of wealth accounted for in USD trillions, some of which is held in those U.S. equities that ensure extraordinary market capitalization. This does not fully compensate for the lower shares of total market capitalization but does bring nuance to the picture.

146%

Japanese national assets over liabilities, taking into account externally held assets

Brookings



Total national assets and liabilities, taking into account external assets. Japan. 1970 to 2023.
USD figures, Millions.

Brookings

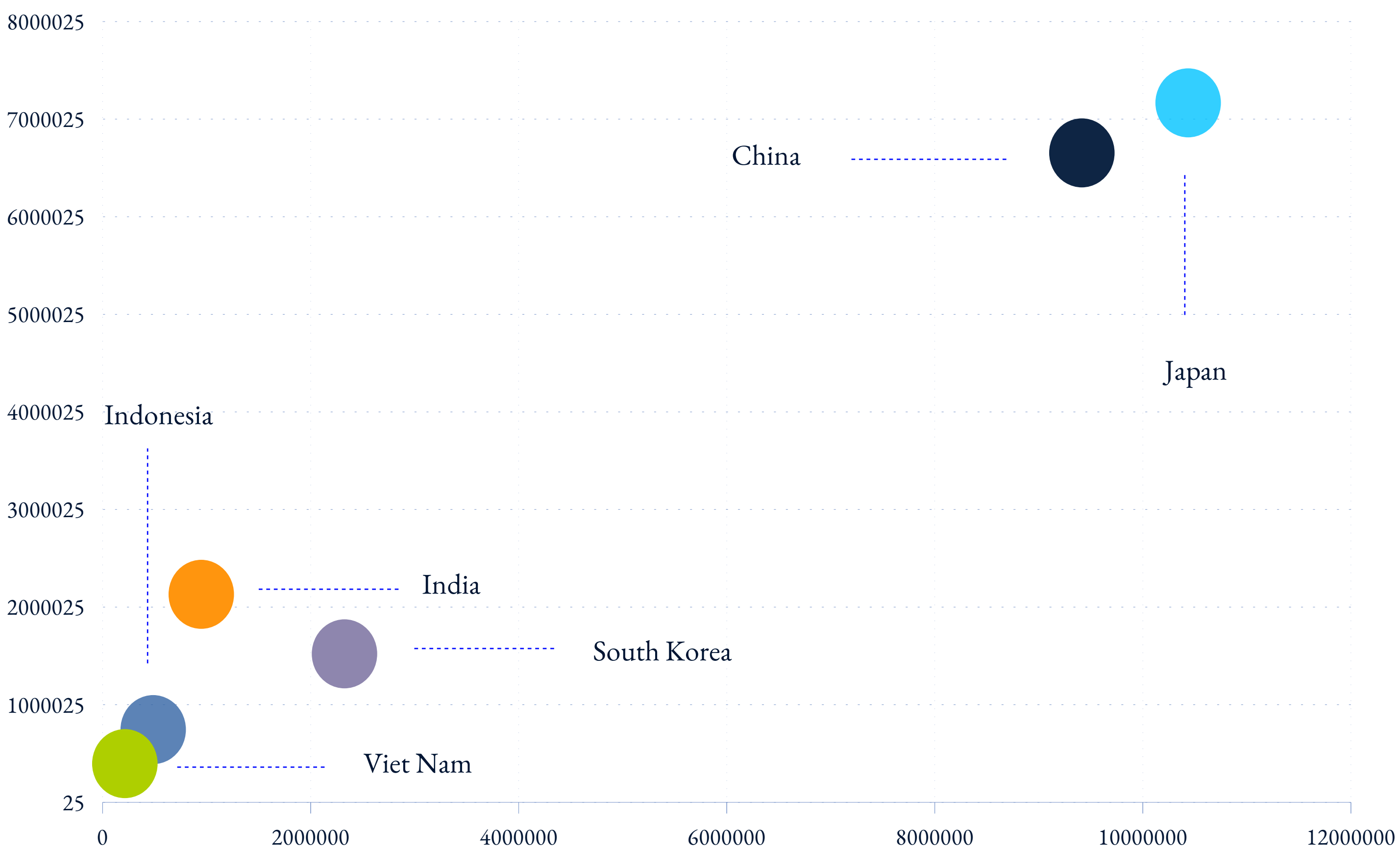
Total Wealth

Indeed, when taking into account such assets, those following the Asian Model, in particular after the Plaza Accords in the case of Japan and the Asian Financial Crisis in the case of South Korea and China, have tended to build significant financial cushions that mirror the United States' own liabilities. The extent to which this last aspect of the Asian Model may be replicated by newer adopters will be limited but underline the final stage of Akamatsu's Model.

61%

United States national assets over liabilities, taking into account externally held assets

Brookings



On the X-Axis, total assets held both internally and externally excluding gold reserves while on the Y-Axis total liabilities both internal and external. Selected countries. 2024 data.

Brookings

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Data
World Bank, Bloomberg, Brookings Institute,
St. Louis Federal Reserve