

World Knowledge Forum 2013

Asian Economy Outlook by the OECD

In the closing session of the 14th World Knowledge Forum, Yves Leterme, the Deputy Secretary-General of the OECD, called for greater cooperation and integration of the economies of Asia. He also offered his assessment of three important economies in the region, prognosticated the short-term economic outlook for the area, and offered some advice.

"This year's theme, 'One Asia Metamorphosis,' well, this theme has obviously not been randomly picked out. Indeed, the region in general, and some of its countries in particular, have known an extraordinary amount of growth now for a couple of decades," said Mr. Leterme.

Starting with an overview of the global economy, Mr. Leterme declared that the global economic crisis is not over. He remarked that major challenges remain. Turning to the Asian regional economy, he admitted that growth rates are expected to slow in the near future. However, his prognosis for the major Asian economies was largely positive due to their experience with and ability to deal with economic storms.

"Emerging Asia will continue to play an important role. The outlook is resilient although the forecast is moderate," he stated.

Hopes for the future of the region are pinned to changes that Mr. Leterme says are necessary. He continued by calling on increased cooperation within the region, explaining that deeper integration between neighboring economies is needed.

"The ASEAN 10-member regional grouping faces challenges in meeting its plan," said Mr. Leterme. "Its endeavor is to create a common market by 2015. More specifically, development gaps between members remains substantial and more vigorous. Policies are needed in the short term to reduce poverty and strengthen social cohesion."

Another important step to improve regional economies is to address underlying structural problems. Important structural reform is needed in each of the three major economies that Mr. Leterme specifically addressed, starting with China.

In his assessment of China, Mr. Leterme said that domestic demand has allowed for a turnaround in the country's economy. Although recovery and growth will be slow, the momentum from that demand will help to carry its economy through 2014. He says this is the time to focus on structural reform.

"With the economy recovering, there is a favorable window to push forward in China with the so-needed structural reform," Mr. Leterme stated.

The situation in Japan is more serious, according to Mr. Leterme. Japan faces a difficult economic challenge now that two decades have passed since their economy collapsed. There are concerns about the fiscal sustainability of the Japanese economy.

Mr. Leterme said that Japan's so-called "Abenomics" may solve deflationary concerns, but he said that economic stimulus without addressing the deeper issues facing the economy has its limits. Japan must deal with the impact that population aging has on the economy. Mr. Leterme also suggested changes in the agricultural and labor markets as a whole.

"Much of the positive impact of 'Abenomics' is due to fiscal and monetary stimulus. However, the short-term effects could fade, unless accompanied by reform to address the more structural issues in the Japanese economy," explained Mr. Leterme.

Finally, Mr. Leterme turned to the host nation of South Korea. The economy of South Korea contrasts slightly with those of China and Japan in that export growth allowed for a rebound in the economy after two years of sluggish growth. This growth output is expected to continue in 2014 and 2015, but positive outcomes will be diminished if South Koreans do not take control of their household debts.

Mr. Leterme suggested reform in South Korea as well. "Korea has the fastest aging population in all of the OECD," he said. "To mitigate the fall in labor, this country needs to raise participation."

Mr. Leterme offered several solutions to expand the country's labor market. He called for increased participation in the labor force by women. This could be achieved through

increased job quality and the addition of day care. He also recommended delaying the retirement age for all able workers.

Mr. Leterme made it clear that Asia has the potential to move beyond being just a group of diverse regional powers to becoming more unified leaders in the global economy.