

Chapter 2 Japan growing with Asia's development - Asia -Pacific framework toward sustainable growth

Section 5 Common Agendas to be Solved by Asia to achieve sustainable growth

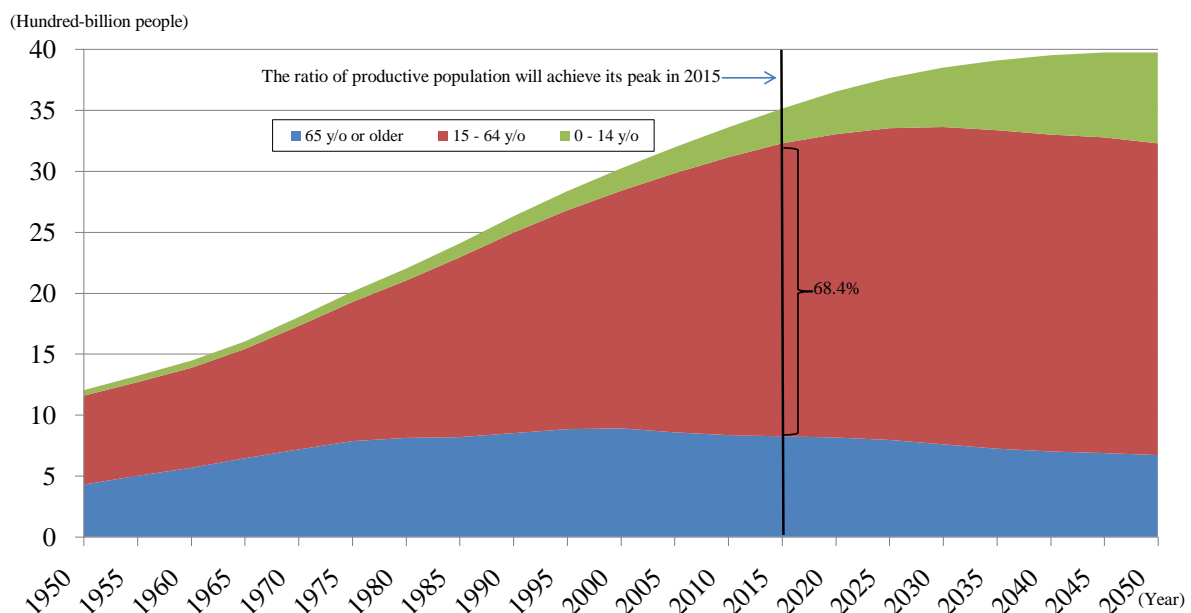
This section will talk about issues that Asia economy should overcome to achieve sustainable growth including aging society and issues on energy, environment, food and water resource.

1. Aging society in Asia

(1) Asia's working-age population rate that started declining

Since the 1970s, Asian countries including Japan have been achieving sustainable growth benefited from “population bonus (the status that the ratio of working-age population increase exceeds the rate of total population expansion due to the fluctuation of population composition, birth rate and death rate)”. However, due to the factors including the dropped birth rate, the working-age population and its rate in Asia are estimated to decline having 2015 as the peak for the population rate and 2035 as that for the population (see Figure 2-5-1-1 and Figure 2-5-1-2).

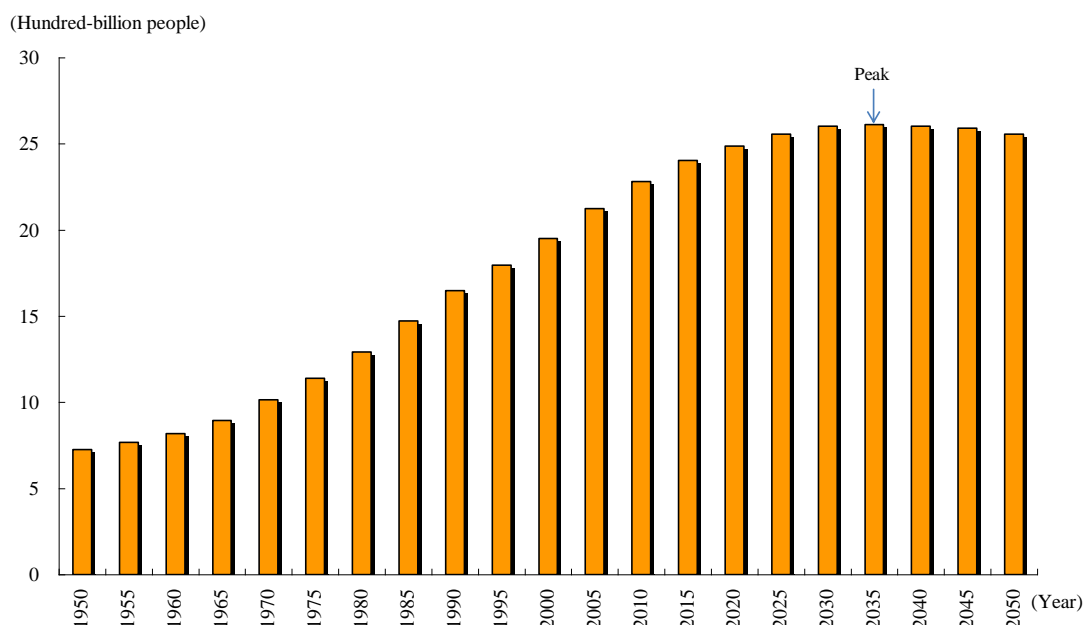
Figure 2-5-1-1: Trends in Asia's working age population ratio



Note: In this diagram, "Asia" mentions 16 countries of "ASEAN+6."

Reference: This was created according to "World Population Prospects: The 2008 Revision Population Database" UN (2008).

Figure 2-5-1-2: Trends in Asia's working age population



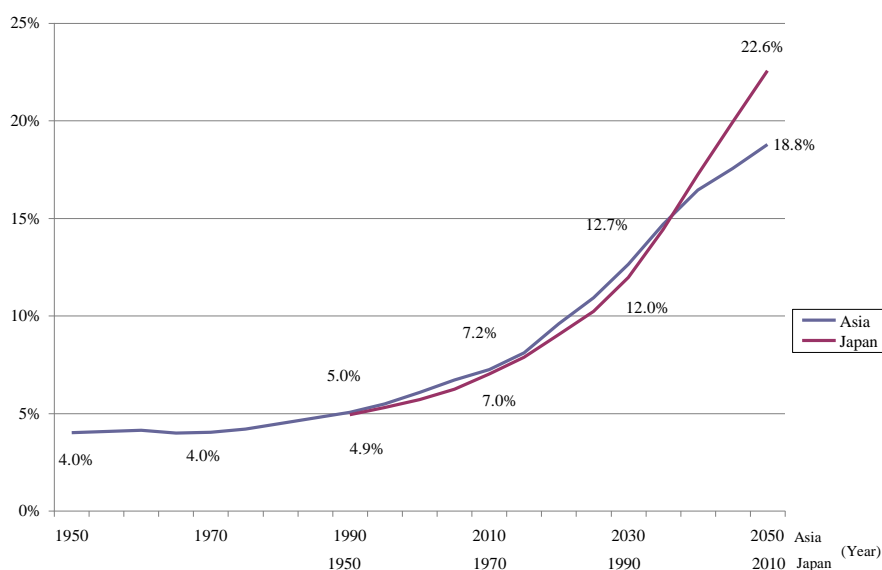
Note: In this diagram, "Asia" mentions 16 countries of "ASEAN+6."

Reference: This was created according to "World Population Prospects: The 2008 Revision Population Database" UN (2008).

Ratio of aged people of Asia total is equivalent to the level of Japan of about 40 years ago. Asia is forecasted to become an aging society with 7% of aged people in 2010 and an aged society with 14% of aged people in 2035 (see Figure 2-5-1-3).

Analysis by country and region shows that Japan's working-age population already started decreasing in 2000 and even China with the largest population in Asia will likely observe the decline in the ratio from 2015 (see Figure 2-5-1-4). In India, working-age population is forecasted to peak in 2045 before the decline and the rate for other areas in Asia will likely take a downward turn by 2020.

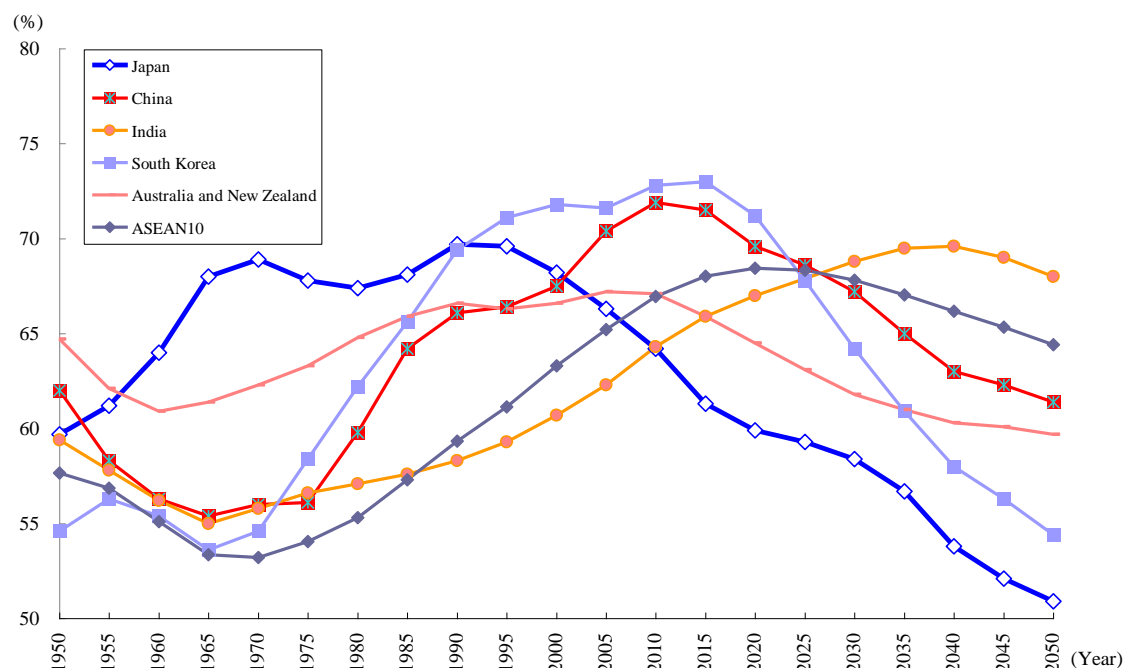
Figure 2-5-1-3: Trends in the ratio of elderly people between Asia and Japan



Note: In this diagram, "Asia" mentions 16 countries of "ASEAN+6."

Reference: This was created according to "World Population Prospects: The 2008 Revision Population Database" UN (2008).

Figure 2-5-1-4: Trends in the working age population ratio by country in Asia



Note: In this diagram, "Asia" mentions 16 countries of "ASEAN+6."

Reference: This was created according to "World Population Prospects: The 2008 Revision Population Database" UN (2008).

(2) Asia of which aging accelerates

The period to reach from an aging society to an aged society is 115 years for France, 85 years for Sweden and 47 years for the U.K. while it was 24 years for Japan which is relatively short-term. As for other countries in Asia, it is forecasted that the aging would progress faster than Japan taking 17 years for Singapore, 18 years for Korea and 22 years for Thailand (see Table 2-5-1-5).

In general, the aging of society may function as a deterrent for economic growth. When working-age population declines and aging processes, along with the reduction of investment due to lowered labor input and domestic saving ratio¹, the increase of medical costs and burden of pension is assumed to add pressure to public finance and households' balance sheet. However, even working population declines, if the increase of productivity is sufficiently high, it is considered that the economy will not fall into negative growth.

¹ If we follow the life-cycle assumption that assumes people to save up for the future during their working-age and use the saving after the retirement, the progress of aging society lowers the saving ratio of a country.

Figure 2-5-1-5: Time it will take to go from an aging society to an aged society by country (doubling years)

France	115 years
Sweden	85 years
UK	47 years
Japan	24 years
Singapore	16 years
South Korea	17 years
Thailand	22 years
Malaysia	23 years
China	25 years
Entire East Asia	25 years

Reference: It was created according to “Nurturing Financial Market and Establishing Social Security Systems in Aging East Asian Countries” Takashi Kihara (2008) and "World Population Prospects: The 2008 Revision Population Database" UN (2008).

It is important to increase working-age population by actively utilizing women and aged people and increase productivity by sophisticating labor capital through education and improving capital efficiency through innovation.

(3) Asia that falls in aging society at low economic standards compared to the situation of developed countries

It is estimated that “population bonus” ends in some Asian countries while GDP capita is still not that high and countries have not fully achieved economic success and “population onus” (the status that working-age population dramatically drops and simultaneously population of aged people largely expands) will hit those countries (see Table 2-5-1-6). While Japan, Korea and Singapore will enter the period of “population onus” after reaching relatively high income level, China, India and some of ASEAN countries are forecasted to face “population onus” when their GPD per capita is less than \$10,000.

(4) Utilization of Japan’s experience to solve Asia’s aging society issue

Furthermore, these countries have challenges to prepare for the aging of society by facilitating social security system including pension, medical services and nursing care. To overcome the common agendas in Asia, the aging of society, Japan which has abundant experience in this area should strengthen the cooperative structure with other Asian countries to provide support on how to cope with aged society and social security system². Moreover, the medical, nursing care and health industry is expected to highly grow in Asian countries that are entering into aged society phase in the future. It

² From fiscal year 2003, Ministry of Health, Labour and Welfare started hosting ASEAN-Japan Social Security High-Level meeting to promote the human resource training in the area of social security and health and medical services as well as to strengthen the cooperation with Japan inviting high-level administrators who are in charge of social security, health and medical policies from 10 ASEAN member countries. It is intended to share the information and experience under the theme such as the liaison between social security services and health and medical services, and human resource training. This meeting is also positioned as a Japan’s cooperation project to achieve the goals set at ASEAN+3 (Japan, China and Korea) Health Minister Meeting and Social Welfare Development Minister Meeting and recognized as such by member countries.

is expected to expand medical related industry by exporting products such as medicines, care products and robots overseas and promoting the acceptance of foreign patents at domestic medical service facilities.

Table 2-5-1-6: Forecast of income level by entering the period of “population onus”

	The year that population bonus ends	Per-capita GDP (Dollar)
Japan	1990	23,504
Thailand	2010	8,740
Singapore	2010	30,391
Hong Kong	2010	32,040
South Korea	2015	27,724
China	2015	9,722
Malaysia	2020	15,571
Vietnam	2020	4,763
Indonesia	2030	6,207
India	2035	7,758
Philippines	2040	12,289

Note: 1. Per-capita GDP is calculated with purchasing power parity (Y2000 standard of dollar) .

2. Actual value is indicated for Japan and predicted values are indicated by Reference: It is created according to “Super Long Term Prediction: Aging Asia” Takao Komine (2007).

Original Source: World Bank「WDI」