

T17bP17 / Understanding Growth Slowdown in Asia and the Way Forward

Topic : T17b / Sectorial Policy - Economics

Chair : Sasidaran Gopalan (Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore)

Second Chair : Mulya Amri (Lee Kuan Yew School of Public Policy, National University of Singapore)

GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

There are growing concerns that the world economy is heading towards another protracted economic slowdown. On the one hand, the advanced economies are grappling with concerns of secular stagnation. On the other hand, several emerging market economies, especially those in Asia, are facing challenging growth circumstances in the aftermath of a sharp deceleration in global commodity prices and further compounded by domestic structural factors. In light of the growing uncertainties yet again, there is renewed academic and policy interest in understanding the various dimensions of the recent bout of growth slowdown episodes and the way forward. Factoring in the heterogeneous composition of Asia, what should policy makers do to reignite growth in the region? How can the region successfully overcome their structural bottlenecks? Is there sufficient dynamism left in the Asian region to decouple themselves from the advanced world and be an independent growth engine? How will China's ongoing rebalancing efforts affect the growth prospects in Asia?

This panel invites papers that explore causes of economic growth slowdowns, policies that were adopted to address them, outcomes of such policies, and the interplay between causes and responses. Priority shall be given to papers that utilize quantitative approaches on the topic of growth slowdown in Asia. The panel is open to a variety of approaches and topics, including the use of a wide range of units of analysis (countries, provinces, states, cities, sectors, etc.), and the application of measures to increase Foreign Direct Investment, expand infrastructure and financing options, and improvements to the ease of doing business, among others, as policy responses.

CALL FOR PAPERS

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Session 1

Thursday, June 29th 13:30 to 15:30 (Block B 3 - 7)

Prioritising Foreign Investment in APEC

Anthony Makin (Griffith Asia Institute)

Economists since Adam Smith (1776) and David Ricardo (1817) have argued consistently that international trade in goods and services improves nations' overall economic welfare, a view reflected in APEC's motto: "Advancing Free Trade for Asia-Pacific Prosperity." A corollary is that trade restrictions are welfare reducing since they impose additional direct costs on consumers and indirect costs on exporters. Restricted trade also implies that domestic producers operate in smaller markets than otherwise, while less import competition fails to check firms' domestic market power.

The 1994 APEC Bogor declaration which advocated "free and open trade and investment in the region" provided a foundation for APEC's subsequent program of regional economic integration. However, in practice advocacy of greater cross-border investment has paled in comparison to APEC's advocacy of greater international trade in goods and services. Likely reasons for this bias include the greater political sensitivity of foreign investment and that, historically, the international economics literature has focussed more heavily on the theoretical benefits and evidence of liberalising international trade in goods and services than on liberalising foreign investment flows.

Yet greater cross border investment within the APEC and between APEC and the rest of the world could play a greater role in Asia-Pacific economic development since significant further expansion of regional trade in goods and services has stalled in light of the already significant lowering of trade barriers to date, the abandonment of the Trans Pacific Partnership (TPP) and slow progress with the Regional Comprehensive Economic Partnership (RCEP) and overarching Free Trade Area of Asia and the Pacific (FTAAP). As an alternative pathway to higher growth and living standards, facilitating greater foreign investment flows within APEC and with the rest of the world would allow capital to move to where it can most productively be employed, in the process delivering benefits akin to those bestowed by expanding international trade.

This paper proposes that liberalising foreign investment should be afforded a high priority in APEC in view of the mutually beneficial effects that accrue to both recipient and source economies. Section 2 highlights the small scale of international investment flows in APEC economies relative to their international trade flows and examines APEC foreign investment trends in global context. Section 3 advances the key micro- and macroeconomic economic arguments for accelerating international investment, before Section 4 examines the relationship between foreign investment and national income levels. Section 5 concludes that liberalisation of foreign investment in APEC should be prioritised to bolster regional and world economic growth.

Retirement, work and aging in Korea: understanding the labor pool in an aging economy

Ha Jimin

Unprecedented pace, now and projected, of population aging in Asia has direct implications to the shrinking size of labor force, as older workers retire. It is vital for countries facing such challenge to improve their retirement systems that can help enhance the life quality and productivity of their senior people. As an abundant labor force was a driver for growth in the past in Asia as argued in demographic divided literature, aging phenomenon could be disruptive for growth if not prepared for. Policy recommendation in response is often suggested to be extending working lives of older workers. On that note, understanding retirement behavior is important in terms of when, how and why.

In Korea, the late average effective retirement age, rigid nature of labor market, and yet an existence of contractual mandatory retirement age in practice points to the following question: is the current arrangement and work practices ideal in enhancing the quality and productivity of their senior people at workplaces? It is important to understand the labor mobility of older workers near retirement age. On that note, effects of the contractual mandatory retirement age on workers and their policy implications will be explored as well.

Korean Longitudinal Study of Ageing (KLoSA) data will be used for analyzing labor mobility of older workers as the data inform how individuals change work at the time of survey reference point. How mandatory retirement age in employment contract condition affect older worker's retirement behavior will be analyzed through panel regressions.