

Seminar on Ageing Asia: A New Challenge for the Region
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Opening Remarks
by
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Distinguished guests; participants; ladies and gentlemen. Good morning and welcome to the **Seminar on Ageing Asia: A New Challenge for the Region**. I am very pleased to see that this seminar has attracted so much interest from a varied audience, and I am particularly happy to note the presence of many participants from ADB's developing member countries (DMCs).

I am truly grateful for this opportunity to discuss the issue of ageing at the ADB Annual Meetings. While there has been no lack of discussion on this topic at the individual country level, there has been very little opportunity to tackle ageing at the international level until recently. This comes as no surprise, as many of us have tended to view ageing as a domestic issue, one that is best addressed through national policy.

More recently, however, we have started to see a shift away from this insular view of ageing. Today, there is a growing recognition that ageing is a national priority that requires not only a national response but also a regional and global response. Since its 12th Finance Ministerial Meeting in 2005,¹ Asia-Pacific Economic

¹ APEC (2005). [12th APEC Finance Ministers' Meeting Joint Ministerial Statement](#). 8-9 September 2005, Jeju, Republic of Korea

Cooperation (APEC) has been considering the issue of ageing as an important policy theme. More recently, in March this year, I understand the US Department of State organized a Summit on Global Ageing², in an attempt to expand the dialogue and foster international cooperation on this critical issue. And just last month, at the World Bank/IMF Spring Meeting³, ageing was highlighted as one of the biggest long-term threats to the growth of the global economy. So it is but fitting that the ADB should view ageing in such an international perspective.

I believe that, for Asian countries that are increasingly integrated with each other, the ageing problem can be better addressed at the regional level than simply at the national level. Let me add two main reasons why I consider ageing as a national priority that requires a regional response:

First, despite differences in the speed and timing, many countries in the region are ageing. For far too long we have tended to focus on high-income economies in the region like Japan, and the newly-industrialized economies --- Republic of Korea; Hong Kong, China; Taipei, China; and Singapore --- that are far advanced in the ageing curve. But many middle-income developing countries and a few low-income countries in the region are also on the same demographic path, albeit at a slower pace. What's worrying is that these countries are ageing faster than they are developing. In 1970, the typical country with an old-age dependency

² US Department of State (2007), ["Global Aging: An Economic, Health, and Security Concern"](#) Washington, DC: Department of State

³ Larry Elliot, ["Global growth is sustainable"](#) Mail & Guardian Online, 16 April 2007.

ratio of 0.15 in 1970 had a per capita gross national product (GNP) of \$26,000.⁴ But projections by the ADB suggest that in 2025, a typical country with an old-age dependency ratio of 0.15 will have a per capita GNP of only \$3,800—a drop of 85% compared with 1970.⁵

Many developing countries in Asia still have subsistence-based agricultural sectors, and even in relatively advanced middle-income countries, we find that most of the institutions and programs needed to deal with ageing are either weak or non-existent. Unless something is done to address these challenges soon, Asian developing countries will age before their economies and institutions are capable of supporting a graying population.

Developing countries need to act now, and this is why we need to bring them into this discussion about ageing as soon as possible. More importantly, we need to provide DMCs forums such as this one, so that they can deepen their awareness of the ageing issue, discuss with ageing OECD and other high-income economies and learn lessons from their experiences.

Second, we need to look at ageing from a regional perspective because, with growing liberalization, outward orientation and economic integration, ageing's

⁴ ADB (2002). [*Key Indicators 2002: Population and Human Resource Trends and Challenges*](#). Data for 1970 based on World Bank data for 104 countries.

⁵ Ibid. Projections were based on data for 15 Asian countries for which adequate information was available. For these countries, per capita income was projected to 2025 assuming the continuation of per capita income growth rates achieved during the 1990s. Old-age dependency ratios were based on the medium scenario of UN projections made in 2001.

impact is likely to spill over borders through changes in patterns of trade in goods and services, financial capital flows and factor mobility. We also expect economic interactions to take place among countries that are economically connected and ageing at different speeds. These interactions could hold the key to finding a regional or even global solution to the challenges that ageing poses.

Let me try to illustrate this point a bit further. We know that East Asian economies like Japan and some newly industrialized economies are now grappling with a shrinking labor supply, and yet these economies tend to run quite large current account surpluses, because their savings rates are much higher than their investment requirements. But of course, there are quite a few developing economies in Asia that are still young and facing a diametrically opposite problem, at least now and in the near future. These economies tend to have surplus labor and persistent under-employment, and they tend to run current account deficits because domestic savings are far from sufficient to meet their investment needs.

The fact that Asia has these two groups of economies suggests an interesting possibility for solving their problems through cross-border movements of goods, services, capital and labor. On the one hand, an ageing developed or high-income economy can encourage immigration of foreign workers to augment its shrinking labor force, or it can secure labor across the border by expanding businesses through foreign direct investments in countries with excess labor. On the other hand, a "younger" developing country can either export labor or import capital to absorb the surplus labor and achieve high employment.

Provision of cross-border services offers another promising avenue for mitigating the impact of ageing. Already, some DMCs have started to provide old-age caretaking services for the aged from developed countries; other DMCs have started promoting medical tourism or retirement villages to attract the silver generation from developed countries. The rich silver tourists from “aged” developed economies can also be the source of income for DMCs that can attract them for sight-seeing and leisure activities.

There are many other cross-border solutions to ageing, such as portfolio diversification from “older” to “younger” countries. By encouraging these types of economic interactions, both “older” and “younger” countries stand to benefit from demographic complementarity. More importantly, these interactions would help developing countries achieve the sustained economic growth necessary to prepare for ageing in the future.

Unfortunately, the extent to which ageing can be mitigated by these types of interactions is still a relatively unexplored theme. That is why forums such as this seminar are important, as we need to generate interest in emerging issues and examine policy choices that have not received enough attention.

Today, we are lucky to have with us three renowned experts in the field who share our desire to widen the debate on ageing: Professor David Canning of Harvard University, Professor Charles Horioka of Osaka University, and Dr. Ralph C. Bryant

of the Brookings Institution.

First, Professor Canning will provide an overview of the relevant issues surrounding ageing, the impacts of ageing on domestic and regional development, and their differential impacts depending on the prevailing social security system. Second, Professor Horioka will delve into the impact of ageing on national and global savings. Third and finally, Dr. Bryant will explore the extent to which cross-border movements of goods and capital are linked to national differences in population ageing. I look forward to listening to their presentations and your insights in the open forum that will follow.

After this seminar, I hope that you will: 1) have a better appreciation of the challenges of ageing; 2) view ageing as a priority not just for a small number of developed or high-income economies, but for the Asian region as a whole; and 3) begin to share our sense of urgency about addressing ageing's challenges. Given the speed at which ageing is occurring in the region, difficult policy choices will have to be made soon, both at the national and regional levels.

I realize that this is easier said than done. Whether it means raising the mandatory retirement age, restructuring pension benefits, increasing taxes, or allowing freer movements of goods, services, capital and labor, the policy reforms needed to tackle ageing are fraught with controversy. And so we tend to put off reforms until it is too late. Then we start to think about ageing as a "looming crisis," but I truly believe that ageing only becomes a crisis if we allow ourselves to be

caught unprepared, if we lack the foresight and the courage to refashion our policies and institutions to deal with its consequences.

Leonardo da Vinci once famously said: "I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do."⁶

If we act now in a national and regional effort, then ageing need not be one of the most serious threats to our future growth and prosperity. If we act now, then we can start to appreciate ageing for what it truly is --- one of the greatest achievements of human history, and the fulfillment of one of our oldest aspirations: to live a long, healthy, and joyful life.

⁶ Quotatio (2007). Quotatio website, <http://www.quotatio.com/v/vinci-leonardo-da-quotes.html>