

SYMPOSIUM ON EVOLVING ASEAN SOCIETY AND ESTABLISHING SUSTAINABLE SOCIAL SECURITY NET

Joint Program between ERIA, Harvard University Asia Vision 21 and CIEM

(Hanoi, Vietnam, October 2010)

Report of the Symposium

1. The White House Joint Statement of the U.S. – ASEAN Leader Meeting in New York on September 24, 2010 acknowledged the significance of today’s symposium which symbolises the closer academic collaboration between ASEAN research institutions and the U.S. educational institutions. This Symposium entitled “Evolving ASEAN Society and Establishing Sustainable Social Security Net” has endeavoured to gather knowledge from both the network of Harvard University and from ERIA’s regional research network, inter alia the Central Institute for Economic Management (CIEM), and to prepare a roadmap for achieving sustainable social security system for a sustainable and caring ASEAN society.
2. The symposium was officially opened by the Prime Minister of Vietnam, H.E. Mr. Nguyen Tan Dung, and was attended by around 250 policy makers, academic experts and business representatives. The speakers were prominent scholars from leading research institutes in East Asia Summit member countries and the United States.
3. The symposium brought home the message that in the aftermath of the global financial crisis, restoring people’s confidence in the economy is vital for the future. Although various measures have been taken to stimulate the economies, achieving stable growth in the region requires further expansion of middle income population, in part through deeper regional economic integration, a transparent and sustainable social security system, a viable response mechanism and institutional capacity to manage shocks and natural disasters, and rekindling social values and cultural traditions in the region.
4. The symposium recognized that while recoveries have been uneven around the world, *ASEAN and Asia as a whole are fast reemerging from the crisis and increasingly playing an important role in spurring not only intra-regional but also the world economic growth* in

the post crisis period. By 2015, the economy of the ASEAN+6 countries is projected to become the largest economy in the world. Asian industries and the resilience of East Asian production networks have emerged as the “engines of growth”. However, for further development of Asia, the policy focus of the region should remain on creation of infrastructure, investment in education, R&D and innovation, and deepening of regional integration. Further, the implementation of the newly developed Comprehensive Asia Development Plan (CADP), which aims at narrowing regional development gaps, will foster and widen the inter-regional cooperation and also contribute to East Asian community building process. In the post-crisis economic interdependence and deepening cooperation between Asia and the U.S.A, the speakers emphasized the need for a continued strategic partnership between the two regions. This would ensure peace, security, mutual market access, and above all, a sense of ‘shared future’ among the two entities.

5. The symposium discussed the *expansion of East Asian middle income population* at great length. As the fastest growing region in the world, East Asia has witnessed an increase in per capita income since 1980, and the middle income population in the region is expected to reach about 1.74 billion (54% of the world’s total) in 2020 and to 3.23 billion (66% of the world’s total) in 2050. This segment of population will have a greater role to play as compared to their counterparts in the U.S. and Europe. The rising middle income population in the region can further accelerate growth in the region through increasing domestic demands. However, conducive policies for sustainable growth, reducing income inequality, effective disaster management system, social security, enhanced contribution to and building upon education, skill upgradation, and entrepreneurship in the region are some of the initiatives that would be essential to enhance the growth of the middle income population and its consumption power. The end result is expected to be a virtuous cycle of an expanding and deepening middle income population (and elimination of abject poverty) that provides a foundation for further growth through human capital investment and healthcare, capabilities for technological adaptation and innovation, growing regional market and trade, greater investment attraction, and aspirations for deeper regional integration.

6. East Asia, and to a lesser extent ASEAN, has also experienced *rapid ageing*, lower fertility rates, and longer life expectancy that has led to an unprecedented number of elderly in the region and a worsening old-age dependency ratio. In Asia, the number of persons older than age 60 is expected to increase from about 413 million in 2010 to 588 million by around 2020, and to double in 2050. For all countries, greater resources will have to be devoted to the elderly, and a substantial share of the increase in resources will have to be provided through the government budget. Japan, which has come into a stage of serious aging, is facing serious challenges in constructing a long-term care system for elderly people. The country is seeking an appropriate balance between institutional arrangements and informal care.
7. Aging population and rising middle income population in the region have an intertwined interest in improving social security system to meet their long term needs for adequate old age pension (income security) and health care benefits to mitigate the social impacts of adverse risk events and to cope with expensive life-style diseases. There is a need for robust, professionally-managed, well-regulated, and adequately financed social security system. The challenge for Asia and elsewhere is to make the system effective and sustainable while progressively extending coverage (towards universal coverage) under existing or new cash benefit and health-care programs, including the basic social assistances. Designing an equitable and efficient system should take into consideration the country's development stage, different needs of people (the poor, informal and migrant workers, middle income population, and the elderly), demand and ability to pay and a balance between individual and social responsibilities. The symposium also emphasized that Asia should draw on rich, religious, spiritual, and local traditions of ethical thoughts such as virtue-based ethics, a balance between family and community-based care giving, and also a balance between institutional and informal system to address the long-term care challenges. These efforts should aim towards establishment of a modern 'Asian-type social security system'.
8. The East Asia region is prone to *natural disasters*, especially earthquakes, typhoons, and floods, and there are safety issues related to them. The Symposium shared New Zealand's experience of an innovative natural resource insurance scheme against natural disasters under the earthquake commission (EQC). This scheme gives people confidence by reducing short-

term wealth effects on consumption and lost production. It is effective for reducing pressure on the government balance sheets, funding research and monitoring, and strengthening public education on natural disasters.

9. The symposium discussed the implications of growing Chinese demands for energy on the region and regional common *energy security*. China's turn to net coal importer status presents the region's energy exporters with an opportunity to gain from further energy demand growth. At the same time, a collective strategy is required to ensure that small- and medium-sized enterprises (SMEs) can participate in the value-added activities in the energy sector. The Japanese experience of energy crisis in the 1970s showed the importance of institutional capacity, strong guidance and incentive for technology development, and the positive role of institutional network of professionals to facilitate good decision and responses. The Symposium also took note of the need to enhance effectiveness and efficiency of *natural resources and environment* (NRE) management for sustainable economic development in Vietnam by improving the enforcement of NRE policies, the efficacy of state investment, and the links to the international market.

10. To conclude, the symposium invited discussions and ideas on the way forward for Asia to overcome the future challenges. In view of the suggestions and recommendations of the symposium towards a road map of strategies for sustainable growth of the region, ERIA resolved to continue to make utmost efforts to execute the recommendations of the ERIA Governing Board Meeting of September 6, 2010. These recommendations focus on working on long term challenges towards the expansion of middle-income population in the region with a special consideration on the impact of prolonged low-fertility rate and rapid aging population, improving financial access and technical efficiency of small and medium-sized enterprises (SMEs), establishment of viable social security system, and continuous capacity building programs. ERIA also submitted to consider future research on furthering energy security, and engendering effective natural resources and disaster management as well as mitigating the negative impacts of the climate change

11. The recently completed Comprehensive Asia Development Plan (CADP) by ERIA, which is to be submitted to the East Asian Summit leaders, also puts forward useful policy packages corresponding to countries at various stages of development. The CADP recommends the implementation of specific projects that will expand and deepen the regional production networks towards enhancing growth in the region. ERIA reiterated its long term commitment to undertake research addressing the ongoing and foreseeable challenges to the region and to maintain and strengthen collaboration with leading academic and research institutions for research pertaining to deepening of economic integration, narrowing development gaps, and sustainable development in the region as mandated, by the East Asian Summit leaders.