

Asia ' s Challenge: How to Be the Global Economic Growth Engine

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- While Asian economic growth is stronger than the rest of the world, the region must focus on how to remain the engine of global growth for the coming decades.
- A key challenge for many Asian economies is how to address their ageing demographics, while not committing the same mistakes made by developed countries.
- For more information about the Annual Meeting of the New Champions 2012, please visit: <http://www.weforum.org/newchampions>

Tianjin, People ' s Republic of China, 13 September 2012 While the US economy remains weak and Europe struggles with its debt crisis, growth in Asia has been relatively robust, with fundamentals much stronger than when the region was hit by severe financial turmoil more than 15 years ago. " The challenge for the region is not to survive but rather to remain leading global growth, " Min Zhu, Deputy Managing Director of the International Monetary Fund (IMF), Washington DC, told participants in a session on Asia ' s economic outlook on the final day of the World Economic Forum ' s Annual Meeting of the New Champions. " Asia has to be the global growth engine for decades. "

But Asian economies must address pressing challenges and pursue the reforms necessary for them to sustain strong growth, Zhu warned. They need, for example, to invest in infrastructure and further develop manufacturing capabilities so that they are more productive and efficient. The region has yet to develop the bond market that has long been recognized as essential to strengthen the financial markets. Said Zhu: " To be able to lead, Asia obviously has to do more. Not just China but the whole region has to move more to a domestic consumption model. "

Asia ' s success and its resilience in the face of the crisis could lead to a flagging zeal for reform, warned N. K. Singh, Member of Parliament, India. " There is a tendency for Asia to become complacent. Asia cannot automatically assume that it has arrived as the driver of the 21st century. " He called for better management of monetary and fiscal policies, noting that " sensible economics have for too long been trumped by sensible politics. " Singh stressed the need for improving education and healthcare. The goal should be sustainable and inclusive growth, while not allowing the savings rate to slow. " The first priority must be macroeconomic stability " and managing fiscal deficits, he advised, adding that Asian economies should be cautious about becoming " entitlement societies " .

Yet most Asian economies will have to address the welfare and health needs of their rapidly ageing populations, observed Heizo Takenaka, Director of the Global Security Research Institute at Keio University, Japan. " This will sooner or later create a lot of serious problems. " In developing pension and health insurance systems and other social safety nets, Asian economies should learn from the mistakes of developed countries, reckoned Robert Guest, Business Editor of The Economist, United Kingdom. " In Europe, we pay people not to work and we borrow money to pay people not to work. " As Asian economies slow down and seek to sustain high-quality growth driven by innovation and underpinned by environmental responsibility and social inclusion, a key factor for success will be the free flow of information, Guest argued.

Notes to Editors

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