

12th Japan-Singapore Symposium

23 – 24 October 2017 • Singapore

Public Forum

Ballroom 2, Level 3

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Japan and ASEAN: Toward Next 50 Years

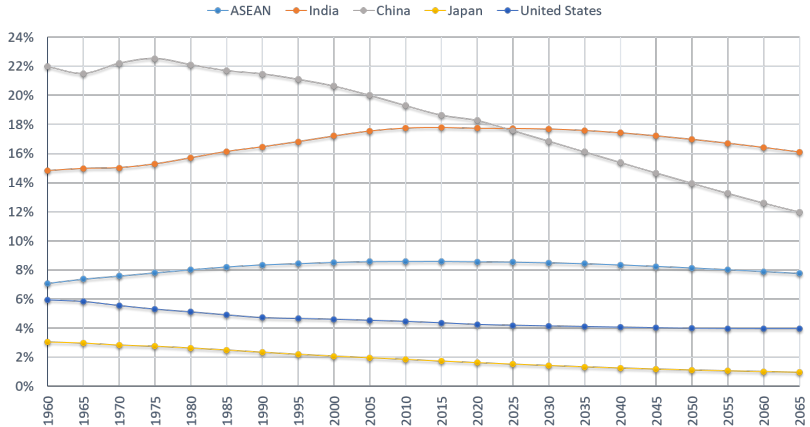
Tomoo Kikuchi
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October 24, 2017

The 21st century is predicted to be an “Asian century,” where Asia produces more than **50%** of global GDP in absence of major military confrontation or war. (ADB)

- ① 50 years is a long time
- ② Linear projection and its limitation
- ③ Multi-polar world
- ④ Japan and ASEAN

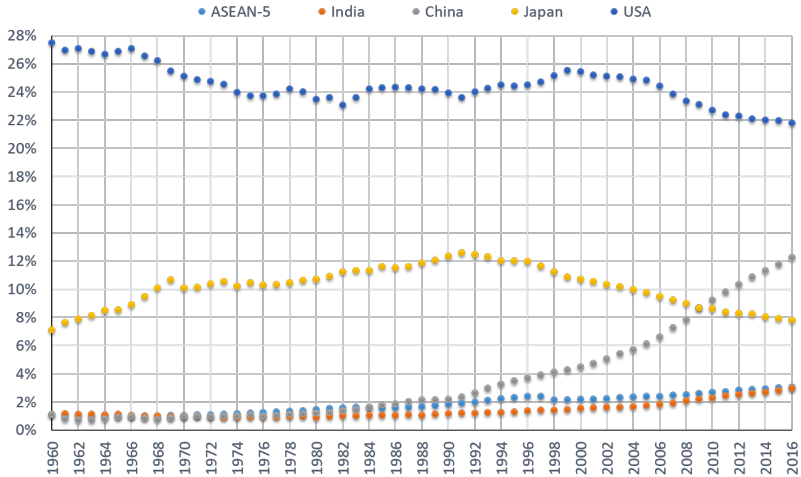
Population Share World Bank, UN



Population share **forecast**

	1960	2065
China declines	22%	12%
India rises	15%	18%
ASEAN-5 levels off	7%	8%
Japan declines	3%	1%

GDP Share World Bank, Constant USD 2010



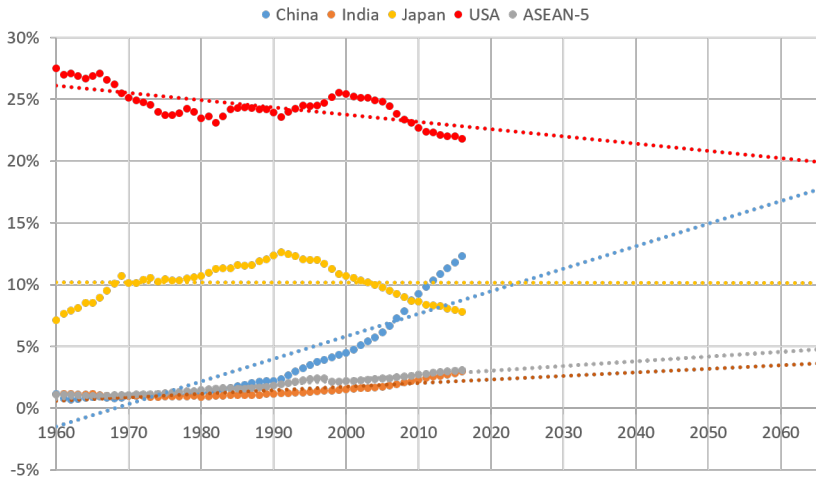
GDP share

	1960	2016	
US	28%	22%	(0.8x)
China	1%	12%	(12.0x)
Japan	7%	8%	(1.1x)
ASEAN-5	1%	3%	(3.0x)

How long will it continue?

- China's meteoric rise
- Japan's lost 2.5 decades
- ASEAN's gradual rise

GDP Share World Bank, Constant USD 2010



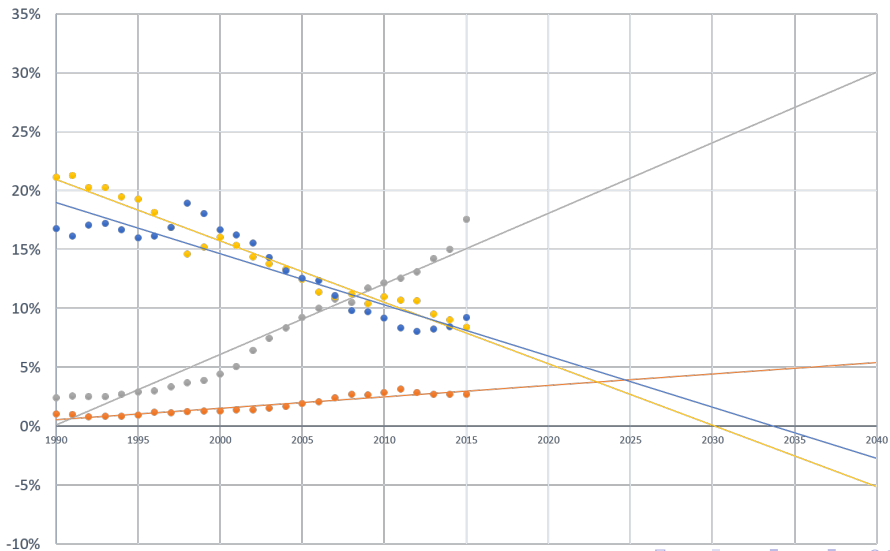
GDP share **forecast**

	2016	2065
US	22%	20%
China	12%	18%
Japan	8%	10%
ASEAN-5	3%	5%

China's and ASEAN's potential underestimated?

Share in ASEAN Trade ADB

● India ● China ● Japan ● USA



Share in ASEAN trade

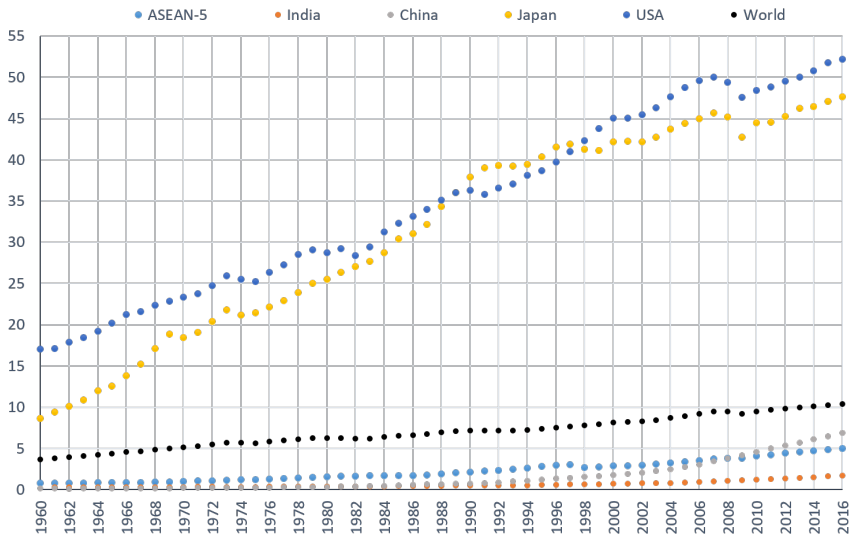
	1990	2015	2040
US	21%	9%	-2%
China	2%	18%	30%
Japan	17%	8%	-5%

Clearly not sustainable: Industrial transition. Evolving global supply chains.

Conclusion 1

China and India will have a greater influence on ASEAN but the US, Japan and EU will continue to be present. (technology, innovation and institutions)

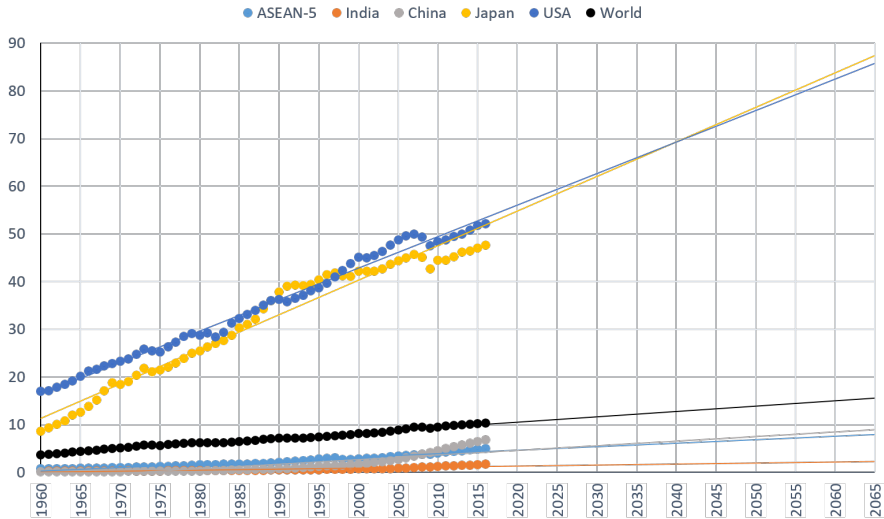
GDP per capita World Bank, Constant USD 2010 (thousand)



GDP per capita (thousand USD 2010)

	1960	2016	
US	\$17	\$52	(3x)
China	\$0.2	\$7	(35x)
Japan	\$9	\$48	(5x)
ASEAN-5	\$0.8	\$5	(6x)

GDP per capita World Bank, Constant USD 2010



GDP per capita (thousand USD 2010) **forecast**

	2016	2065	
US	\$52	\$85	(1.6x)
China	\$7	\$10	(1.4x)
Japan	\$48	\$87	(1.8x)
ASEAN-5	\$5	\$8	(1.6x)

**Divergence. China's and ASEAN's
potential underestimated?**

China grows old before grows rich?

Conclusion 2

China slows down considerably and transits to a consumption-driven economy. (aging, diminishing marginal product and other supply side constraints)

- Growth model: High saving, high investment, export-oriented, financial repression
- Centralization: Urban-rural divide, concentration of political power
- 1.4 billion population:
Resources, environment

Conclusion 3

Japan's economy shrinks relative to that of China and ASEAN but continues to export technology, capital and service. (finance, infrastructure, urban redevelopment, automation and other services)

- No growth model
- Financial asset: Household \$16 trillion, Corporate \$10 trillion
- Government debt: \$11 trillion
- Population decline: 1 million (2010-2015)

Japan and ASEAN (Some optimism)

- Demand for Japanese product and service will grow.
- ASEAN will be a source of skilled labor force.

Japan and ASEAN (Challenges)

- To raise GDP per capita, productivity must grow: innovation and technological transfer in ASEAN.
- Declining and aging population (variation among ASEAN).
- Japan's growth depends on how well the Japanese economy can be integrated into the region.

Conclusion 4

Japan and ASEAN are highly complementary. (Labor and capital, demographics, natural resources, technology)

Japan needs to manage geopolitical conflicts and to take a leadership in regional economic integration.

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