

Interview with Meijun Qian, Associate Professor at the Research School of Finance, Actuarial Studies and Statistics at the College of Business and Economics of the Australian National University

The Growth Potential of the Asian Economy

By Japan SPOTLIGHT

In Asia now there are many bright and active young economists, whose intelligence and vitality will be key to achieving Asian economic prosperity, as well as enhancing Asia's contribution to the global economy. Japan SPOTLIGHT had an interview with one such economist, Prof. Meijun Qian.

Self-introduction

JS: Could you please introduce yourself briefly?

Qian: I am an associate professor at the Research School of Finance, Actuarial Studies and Statistics at the College of Business and Economics of the Australian National University. My main research interest is in emerging markets, particularly financial systems related to economic growth, and also gender equality and women's leadership in corporations. I am currently working on topics such as productivity, resources reallocation and market liquidity.

Assessment of Asian Economy's Growth Potential

JS: How do you assess the growth potential of the Asian economy?

Qian: Overall, positively. The recent slowdown is not surprising. On the one hand, it is a natural transition for emerging economies to enter a relatively slow but stable growth stage after a booming period; on the other, they are affected by the monetary issues in the United States and Europe. Growth comes from technology advancement and production efficiency, and in both areas there is room for Asian countries to improve. There is in particular a lot of early-stage technology that could further mature and be applied to industry in ways which have yet to happen in Asia. On production efficiency, in China for example, there are many institutional settings and arrangements that do not allow resources to be allocated efficiently.

JS: What kind of structural reform would be necessary to improve Asian countries' long-term



Meijun Qian, Associate Professor of the Australian National University

growth perspectives and overcome the middle-income trap?

Qian: This is a big question in my opinion and the answer depends on each country's different setting. However, overall, I view financial structure and institutional infrastructure as two very important things that need to be fixed to address the middle-income trap: improvements to encourage competition, support technology advancement, and allocate resources efficiently. Government policy is always a very important component as well.

JS: What is your view on how we should address the demographic challenges of aging societies in Asia today? Do you think raising the

participation of women in the labor force would be a good solution?

Qian: Aging society is a reality now faced by many countries: medical advancement allows for longevity while financial pressure or liberal culture reduces birth rates. This situation inevitably affects labor supply and increases social welfare burdens. Again, Asia is a very diverse place. In certain countries, a social welfare system was never established, so they need to start work on that; in other countries retirement and social welfare systems are in place, so the issue is whether they can be sustainable. There are a couple of approaches to alleviate the problem. First, to extend the retirement age. Singapore for example has recently implemented such a policy. Second, as you mentioned, to introduce more women into the labor force. Finally to sustain overall economic growth is also very important.

Raising women's participation, however, has to be accompanied

by many institutional changes to help women outsource domestic tasks that have traditionally been absorbed by women without payment. For example we could introduce more affordable childcare, or introduce some kind of tax incentive for women to stay in the labor force. When women are incentivized to work, and do not have to worry about childcare, we would see more and more women working in the labor force and then slowly cultural views on women's role in the economy will change too.

Some Emerging Policy Issues in Asia

JS: Because of the increasing financial burden, Japan is now faced with the big question of increasing the consumption tax rate. Do you think such kinds of tax hikes would be necessary for other Asian countries as well in the near future?

Qian: I would not say necessary, but it can work in some aspects, and it also depends on where the tax is levied. If the consumption tax is added on all goods, it might actually reduce consumption, which would not be a good idea for the economy. A progressive tax would be better, because people who are able to afford more luxury goods will be less concerned about this marginal tax increase than the people whose major consumptions are for basic needs and would become even more burdened because of the increase in tax. If the economy is growing, even without adding to the tax rate, people make more income, more contribution to the retirement pool, and more tax as well. I think that enlarging the pie is a much better way to fix the problem.

JS: What do you think about trade liberalization in Asia, such as the TPP and RCEP? And what are your observations about the rise of inward-looking protectionism around the world, which often seems to be based on political rather than economic motivations?

Qian: At the aggregate level, introducing competition across borders improves production and allocation efficiency and is a positive thing for growth. But whether and how much a country or industry benefits really depends on its comparative advantages. If the country does not have outstanding advantages compared to its trade partners, confined by its limitations, the country will have difficulty in changing its industry in the short term, when free trade is introduced and allows goods to move around. Therefore, the country might suffer in some aspects, and this will add to the pressure on politicians. People may turn to protectionism in the short term as it seems an easy way for them to stop this painful transition. Politicians may even use this sentiment to gain votes.

I do think that nationalism and protectionism are backward. Donald Trump in the US, for example, argues that they are not to go backward but to protect jobs. But Americans are losing manufacturing jobs exactly because their country does not have a

comparative advantage in these areas. On the other hand, the US does have advantages in many other areas, for example in new technology development. However, the education system supports only a small group to succeed on that path. Therefore, for a large group, moving forward is a very painful process, which involves not only economic policy but also education and political interdependence across countries, as well as other things. That is why people tend to go back. The recent Brexit event is another perfect example. The TPP and RCEP similarly may face too much political interference, leaving their results in doubt.

JS: Do you think regional integration of Asian economies has positive implications?

Qian: I really believe so, and it could set an example of where the global trade economy should go. We have large populations that are geographically and culturally close, so it is easy to see how this integration can form a new economic structure concerning not only trade in goods but also in talent and resources. Another thing is currency, on which bilateral agreements on its arrangements would be a big help in the integration process.

JS: Are you optimistic about entrepreneurship in Asia, and women's role in it?

Qian: In capitalism, entrepreneurship is the fuel for growth. What is different for the new generation I think is that they see a much more dynamic world than the older generation. So the way they run entrepreneurship might be very different, also because the financial platform or information technology allows them to be. On women's role, I see a lot of potential: currently, because most entrepreneurs are men and not enough women are working, not enough women are getting enough financial help to start a business. I do think if we can unlock women's talent, it can greatly add to economic growth.

Political Impediments to Asian Economic Integration

JS: How do you assess the political impediments to Asian regional integration? And do you think international fora like APEC or the East Asian Summit could be useful to mitigate this Asian Paradox?

Qian: International politics have caused many impediments in Asian regional integration, from an economic development point of view. Whether it will be mitigated or aggravated in the future depends on many countries' systematic factors such as culture, history, value systems, and idiosyncratic factors such as who will be elected as leaders. APEC is always important, and certain agreements can be reached there, but conflicts are also always there. You can see these conflicts causing problems for mutual trust among countries, which in turn affect their efforts to integrate trade and economic policies.

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JS: So do you think we should maybe stimulate or revitalize those political processes, such as by adding new members? Or perhaps by adding further issues for political cooperation such as disaster mitigation, human security or environmental concerns to the agenda?

Qian: Those issues are very important, and I think there should be more creative ways of addressing them at the same time when we promote economic collaboration. Anyone with passion and talents in these areas can make big contributions, including women who form half the population and often have their talents locked up due to cultural or institutional factors. But I do not think adding more members or introducing new fora would change anything on economic integration. Rather there should be less politics, if countries could put down a lot of their historical problems and idealism issues, including difficult topics like human rights and democracy. I am an economist, I believe there are ways to allow economic collaboration without bringing up those political issues. Politicians somehow seem to use these issues as bargaining power, and when agreement cannot be reached, it affects the economic parts of the agenda.

Addressing Social Issues

JS: Moving to social perspectives, do you think income inequality is also a very important issue for Asia?

Qian: I do think it is a very urgent issue. And a lot of its consequences are starting to show up as the tip of the iceberg. Asia has very dense populations. Big income gaps and conflicts between the very rich and very poor can become really detrimental simply because of this population base. It will cause very serious social problems. Asian countries, some in particular more than others, should address this issue as a top priority. From simple statistics and the Gini ratio, we can see this gap getting wider. For example, in China it is a question of whether the gap has gone beyond the safe boundary. Where the gap comes from and how it can be fixed are different in each country. However, I agree that this will be a very interesting topic and international institutions, aside from each countries' own policy research, like the Asian Development Bank, could take on issues like this.

JS: Would these questions of income inequality and poverty have a big impact upon the trade liberalization discussion too?

Qian: Yes. We have talked a little bit about how trade liberalization to some extent might alleviate domestic income inequality — for example, if a country has a large population who are poor and can provide cheap labor, that country can improve exports and fix to a certain degree the income issue. The deep roots of income

inequality, however, are in domestic policies — because income inequality is not just about creating income, but more about the allocation of income. When an economy grows, there is value added into the economy, but how the pie is distributed among people is the actual key to addressing income inequality.

JS: How do you think women can play a key role in this dialogue on social issues?

Qian: I do think women can play a bigger role. On one hand, women have gender-neutral human talents, knowledge in areas like economics, management or communication that are useful for addressing social issues. But their gender traits also often make them on average more caring about younger, older and vulnerable people. Many women have struggled through underprivileged experiences that would also help them to see what issues exist and better understand what kind of mechanisms can work to get people out of poverty, or what social or psychological support may be needed for people in underprivileged situations.

Education, the Key to Resolving Questions

JS: In order to achieve many of the things we have discussed, such as income equality, economic vitality, innovation and promoting the role of women, and perhaps for politics as well, education is surely the key. Perhaps things like exchanges of students among Asian countries would lead to better mutual understanding? How do you think this could be promoted?

Qian: Yes: the young generation study overseas, understand the culture, and are better able to understand the other side of the table in business negotiations. In terms of income inequality, providing education opportunities to poor people helps social mobility. It would help lift the poor families out of poverty.

Back to international exchange, such exchanges have been happening. With information technology and relatively easy traveling across borders, large numbers of international students are appearing in many areas. The economic and social issues would also inspire the new generation: for their own careers, the young generation is incentivized to go abroad and have broad exposures and experiences.

What governments need to do is to not stand in the way, to allow the free flow of those ideas and those educational and human experiences. As long as governments can let it naturally happen, or to a certain degree encourage it by providing scholarships or other forms of support, I think it would be a very positive effort. **JS**

Written with the cooperation of Chaobang Ai, a Tokyo-based editor and blogger.