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# Bias for workers would foster Asia trade

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From Dr Sanjay G. Reddy.

Sir, Changyong Rhee (“Inequality is the real threat to Asia’s growth miracle”, May 8) presents the right diagnosis but an incomplete understanding of the disease and an incorrect prescription.

Growing inequalities within Asian economies threaten the sustainability of growth and development for reasons not mentioned, most importantly the obstacle they create to generating a pattern of demand that absorbs locally produced goods and services. At present, the most successful Asian economies continue to rely heavily on exports, even as demand for them in Europe, North America and elsewhere weakens due to the present growth slowdown and the need for deleveraging. The increased concentration of incomes at the top in Asia has also led both to lower consumption (the other side of the higher savings rates of wealthier people) and to a pattern of consumption focused to a greater extent on capital-intensive goods and services than would otherwise have prevailed.

Asia needs a more equal income distribution both in order to “rebalance” the international pattern of demand so that it does not depend on unsustainable external imbalances and in order to bolster the demand for locally produced labour-absorbing goods and services (thus overturning the pattern of jobless growth present in India and elsewhere). One way to effect a more equal income distribution and increase the role of domestic demand in the growth process is to promote co-ordinated enhancements in wages and labour standards across Asian countries. Such an approach would mute any adverse impact on the competitiveness of individual exporting countries and also foster regional trade. In the present situation, a bias in favour of workers can simultaneously improve lives and make the aggregate pattern of development more sustainable, in both Asia and the world.

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