

Asia's Wealth Gap Is Among The Largest In The World: What Can Leaders Do To Fix It?



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A woman carries harvested mustard crop in a field in Palwal district, Haryana, India, on Thursday, Jan 11, 2018. [+]

In Vietnam, the country's richest man earns more in a day than the poorest person earns in a decade. This was just one of the many startling facts revealed by this year's Oxfam inequality report, "[An Economy for the 99%](#)." The report reflects a broader trend across the region, which despite seeing record growth over the past 20 years, has struggled to distribute new wealth evenly.


Asia's wealth gap

In recent decades, Asia has become a region of extremes: China is now home to two companies (Alibaba and Tencent) which, between them, are valued at more than \$1 trillion; while four of the world's five [most expensive cities](#) are in Asia, with Hong Kong topping the list.

In contrast, a wealth gap, driven largely by wage disparity and differing levels of access to education, has opened up. "Highly skilled workers with more education see their incomes rise, while low-skilled workers see their wages reduced," noted a recent report by the [Asian Development Bank](#). "This gap accounts for 25-35% of income inequality in Asia."

This trend is disproportionately felt by women, who face discrimination and are forced into lower-paying jobs than their male counterparts. "Women's wages across Asia are between 70% and 90% of men's," concluded the Oxfam report.

A 2016 [IMF report](#) noted that Asian nations "will need to address inequality of opportunities, in particular, the need to broaden access to education, health, and financial services, as well as tackle labor-market duality and informality."

This trend is in marked contrast to previous decades, where growth in Asia was more universally beneficial. "What you had in the '60s and '70s was Asia as a poster child for equitable growth," says Max Lawson, one of the chief authors of Oxfam's inequality report. "I think that's stopped happening. It's almost as if Asia has forgotten what it did so well for so many years, and is starting to look more like the growth we see in Africa or Latin America  , with high headline rates of growth, but the amount trickling down to the majority is rather small."

The countries making a difference

There are a few Asian nations that have historically managed to minimize the gap between rich and poor. The Asian nation ranked highest in Oxfam's Commitment to Reducing Inequality (CRI) Index, published in 2016, was Japan. According to a 2016 [Credit Suisse report](#), Japan has a more equal wealth distribution than any other major country, as reflected in a Gini coefficient of 63%.

South Korea is also a leading light in this regard, ranked as 4th on the CRI Index. Recent years have seen an increase in poverty, [particularly among South Korea's elderly](#). President Moon Jae-in was elected on a wave of outrage over this growing inequality, and has begun work to reverse the trend in the coming years. "The steps that President Moon has taken to rapidly increase the minimum wage and increase taxation on the richest are encouraging," says Lawson.



Men fishing are silhouetted as the sun sets in the background in South Korea. (SeongJoon Cho/Bloomberg)

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Developing economies, meanwhile, have faced challenges of their own. Given the global growth of automation, as well as intense competition for investment from neighboring nations, inequality is a particularly thorny issue for those reliant upon low-cost manufacturing. Among these nations, Lawson highlights Vietnam and Indonesia as two countries that have taken steps to reduce the wealth gap.

Income disparity has been a persistent problem in recent years for Indonesia, which has the sixth-worst inequality in the world, according to Oxfam. Indonesia's four richest men have more wealth than 100 million of the country's poorest people. President Joko "Jokowi" Widodo has made reducing inequality a top priority for his government. Corruption and squabbles over land rights have plagued his government's efforts to reduce the wealth gap, but his [popularity remains high](#).

Vietnam faces similar issues, with rural residents and ethnic minority groups bearing most of the burden of inequality. Although the country's [poverty rate](#) has declined rapidly (falling from 58% in 1993 to below 5% in 2015) there is still plenty to be done for those who remain below the poverty line. "We've worked very closely with the government in Vietnam," says Lawson. "They are very worried about their rapidly growing gap and are started to really think about ways that they can close that gap between rich and poor."



Joko Widodo, Indonesia's president, speaks during an interview in his office at Istana Merdeka, the president's official [+]

Despite the gloom, Lawson says there's reason to be optimistic, and that governments, particularly when working together, have the means to narrow the wealth gaps within their own borders and across the region. "If you look at tax to GDP ratios for many Asian countries they're very low -- South Asian ones in particular -- so the redistributive nature of government is actually relatively weakened compared to say Latin America or some parts of Africa. For example, Indonesia is only collecting 12% of GDP as tax, whereas a country like Senegal manages to collect 20%."

Preventing a race to the bottom

It isn't enough for a handful of smaller nations to bridge this gap if others are allowing it to widen. Lawson stresses there must be a collective effort to combat inequality. Companies that attempt to pay a living wage, for example, are often competing against companies that don't, putting them at a distinct advantage from the first step. Similarly, high levels of corporation tax can drive companies away from ethical nations and create a race to the bottom in terms of taxation.



Workers labor on the construction of a highway in Indonesia. (Dimas Ardian/Bloomberg)

“What we’re saying in the report is that corporations shouldn’t be paying out massive dividends until they can show that everyone in their supply chain is getting a living wage,” Lawson explains. “We shouldn’t have a situation where countries and companies are able to reduce their margins by employing slave labor.”

Some nations are keenly aware of this issue, and have begun to pave the way toward cooperation with the aim of greater equality between neighbors. At the ASEAN World Economic Forum in June 2016, for example, Indonesia [proposed](#) an ASEAN-wide minimum wage, with Cambodia and Vietnam expressing their support for such an idea.

Hope for the future

Preventing this “race to the bottom” is critical to ensuring growth is spread as evenly as possible. Threats such as automation will undoubtedly present challenges to developing nations, for example. “You may have a negative trend where the impact of automation won’t be to eliminate jobs but to drive down wages even lower in the short term as countries try to out-compete the robots, which is a deeply concerning trend,” says Lawson.

The only way in which developing nations can stand against threats like these is to work together, continuing the work that has already been done to bridge the widening wealth gap.

“There are governments that are doing the right thing in every region of the world,” says Lawson. “That stands to highlight what’s not being done by others. Inequality is

effectively a policy choice, and if leaders choose to they can really effectively narrow the gap between rich and poor.”

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