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The venue for the Boao Forum for Asia in the resort town of Boao, south China's Hainan Province

Asia in the Middle

The BFA is boosting economic integration in Asia as well as globalization

By Zhou Xiaochuan

The annual meeting of the Boao Forum for Asia (BFA) held from March 26 to 29 covers various aspects of Asia, emerging markets and the world economy. Its participants include state leaders, ministers, executives of the world's top 500 enterprises and opinion leaders. It is a feast of ideas in terms of the depth and breadth of its topics.

The theme this year is Shared Future, Concerted Action, Common Development. The aim is to build consensus on globalization, free trade, multilateralism and global governance, while offering fresh ideas on innovation and structural reform.

The current situation

Since the outbreak of the global financial crisis a decade ago, countries have worked together to help the global economy out of the crisis. Global economic growth returned to pre-crisis levels in 2017.

A synchronized global economic recovery greeted the start of 2018 but suffered a series of shocks later in the year. Global trade frictions escalated, the U.S. Federal Reserve (Fed) raised interest rates four times, many emerging economies' currencies depreciated sharply, oil prices plunged and global stock markets tumbled.

A very important reason for all this is that in the decade after the global financial crisis outbreak, many countries neither carried out enough structural reforms nor solved the problems of weak endogenous economic power and social polarization. As a result, populism, unilateralism and trade protectionism are on the rise, posing challenges to existing international economic, trade and financial systems.

The International Monetary Fund (IMF) has toned down the expected global economic growth rate for 2019 and 2020 to 3.5 and 3.6 percent respectively. So the international community

needs to make great efforts to improve the situation.

Nevertheless, in the past year the Asian economy showed strong resilience and overall good performance. Asia was still the fastest growing region, contributing more than 60 percent to world economic growth. The IMF estimated that Asia grew at 5.6 percent in 2018 and would grow at 5.4 percent in 2019. Despite downturn pressure from external risks, high savings and investment rates, balanced current accounts, sustained investment in human capital and technological innovation, and the Regional Comprehensive Economic Partnership (RCEP) under negotiation will drive sustainable development in Asia.

Reasons for chaos

The escalation of trade frictions has become a major disturbance for the sustainable growth of the global economy. Since 2018, the United States has imposed tariffs on a variety of imports, triggering countermeasures by trading partners and resulting in a tense global trade situation.

In the third quarter of 2018, the growth rate of new export orders slowed down significantly, with the Global Trade Outlook Indicator dropping to 100.3, approaching a tipping point between boom and bust.

Increased trade tensions can directly deflate business and market confidence as well as weaken investment and trade. Increased trade barriers can increase commodity transaction costs, reduce the efficiency of global resource allocation, disrupt global supply chains and hinder the dissemination of new technologies, reducing productivity. In the long run, trade tensions could cloud the medium-term growth prospects of the global economy.

The tightening of global financial conditions is a significant external factor affecting the steady growth of emerging market

economies. After the global financial crisis, major countries implemented a long-term quantitative easing monetary policy. As a result, low-cost capital flooded in. In 2018, as the Fed hiked interest rates more frequently, as the U.S. dollar strengthened and as the European Central Bank sent signals to stop quantitative easing, global financial conditions gradually tightened, exposing emerging market economies to increased financing difficulties and market shocks.

In addition, trade frictions and geopolitical risks have created fluctuations in commodity prices. Exchange rates of emerging market economies such as Argentina, Turkey and South Africa fluctuated dramatically, greatly affecting the stable development of the domestic economy. The financial markets in some Asian economies with better domestic economic fundamentals have also been affected by spillover effects.

Disruptive technological innovation, while promoting leapfrog economic development, has also created difficulties for policymakers. Artificial intelligence, block chains, big data, cloud computing and other technologies have spawned a variety of businesses, rapidly changed people's way of life and work, reconfigured the value system and inspired new products and services.

However, it can also be used to evade traditional regulation. The vigorous development of financial science and technology has created thorny and wide-ranging problems like the distortion of market supply and demand caused by high-frequency transactions, the use of virtual money for illegal transactions, consumer financial data leaks and cyber-attacks on important financial infrastructures.

Asia's role

It is urgent to reform the World Trade Organization (WTO) and safeguard the multilateral trading system. WTO reform cannot be accomplished by one country or one party alone; WTO members need to deepen mutual understanding and cooperation, improve trade negotiation frameworks and establish a new global trade order.

The international community should continue to reform the international monetary system and build a global financial safety net. As the core institution of this safety net, the IMF needs to ensure sufficient liquidity while improving the flexibility and pertinence of loan conditions.

More equitable globalization should be promoted by strengthening infrastructure interconnection. According to World Bank estimates, about 60 percent of the world's economic output comes from coastal areas while some countries,

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Shared Future, Concerted Action, Common Development

Major Topics

- ▶ How Can Cross-Border E-Commerce Overcome the New Challenges of Globalization?
- ▶ Data: an Untapped Bonanza
- ▶ The Era of "AI+"
- ▶ Deep Blue: the Familiar Unknown
- ▶ Emerging Economies: Resolving the Dilemma With New Wisdom
- ▶ Belt & Road: Building "Road" for Globalization
- ▶ Opening up the Service Sector
- ▶ The Financial Sector "Breaking Through"
- ▶ Energy Sector in Transition
- ▶ Aging and Health
- ▶ Building Resilience Into the Manufacturing Sector
- ▶ China's Regional Development in the Era of Metropolitan Areas
- ▶ Automobiles by the Year 2050
- ▶ Rethinking and Reforming Global Governance
- ▶ 5G: Bringing Things to Life With the IoT
- ▶ Opportunities and Challenges Facing FinTech
- ▶ A Sustainable Future for Rural Asia and Cities
- ▶ How Much Can We Borrow?

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especially landlocked countries, are marginalized in economic globalization. Experts estimate tariff concessions can promote world economic growth by up to 5 percent, while interconnectivity can do so by 10-15 percent.

For this reason Chinese President Xi Jinping proposed the Belt and Road Initiative to promote a new type of globalization. The initiative has been recognized and supported by more than 100 governments and international organizations.

Faced with the rise of anti-globalization sentiment and trade protectionism, Asian leaders have jointly voiced their support for economic globalization and trade and investment facilitation through various platforms. In May 2018, the leaders of China, Japan and the Republic of Korea reiterated that they should jointly safeguard free trade and promote regional economic integration.

The Qingdao Declaration of the Shanghai Cooperation Organization Summit in last June pointed out that economic globalization and regional integration are the general current trend, so all parties should safeguard the authority and effectiveness of WTO rules, consolidate an open, inclusive, transparent and rule-based multilateral trading system, and oppose any form of trade protectionism.

In mid-November 2018, the East Asian leaders' meetings proposed trade facilitation in East Asia be strengthened, e-commerce and the digital economy promoted, and RCEP negotiations completed as soon as possible.

As global economic growth faces bottlenecks and trade rules are challenged, Asian countries hope to work with other countries for restructuring the international trade and economic order, formulating new rules, and contributing to the sustainable growth of the world economy.



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