

China's Global Role in Times of Turbulence and Change

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Abstract

Following the outbreak of COVID-19, intermittent city lockdown measures were implemented worldwide which led to production stoppages and supply chain disruptions. The ensuing unemployment surge and global economic recession that is more severe than the 2008 financial crisis have prompted governments around the world to roll out unprecedented economic rescue programs. China succeeded to bring the pandemic under control, and was the only G20 member country that achieved economic growth in 2020. The world currently faces severe challenges which need stronger China-US collaboration to assist the pandemic-inflicted developing countries, promote mutual recognition of vaccine passports, spur resumption of world economic and trade growth, in order to expedite global economic recovery.

In recent years, widening income disparity between the rich and the poor has led to a rise in populism and protectionism, posing enormous threats to social and geopolitical stability. China's "dual circulation" development strategy will result in higher level opening-up and high-quality economic development. In upholding multilateralism, China has taken tangible actions to promote regional economic cooperation and globalization, through signing of RCEP and the EU-China Comprehensive Agreement on Investment, as well as expressing an intention to join the CPTPP. These actions have provided the urgently needed push to foster global trade and economic cooperation.

In the post-pandemic era, developing countries will be eager to seek inward investment, taking advantage of the prevailing low interest rate environment to increase investment particularly in infrastructure. The "Belt and Road Initiative" is the grand plan that the world needs! China can take the lead to coordinating and channeling global resources including capital, experience and technical expertise to the "belt and road" countries, channeling the funds released by quantitative easing to invest into "belt and road" infrastructure projects that are economically sound and feasible, thereby helping the host countries to create employment, promote economic growth, increase people's income, and to build a better future.

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COVID-19 has dealt a severe blow to the global economy, resulting in concurrent downturn of the advanced and emerging economies. Despite unprecedented fiscal rescue programs and quantitative easing rolled out by governments around the world, the global economy tumbled into a recession deeper than the 2008 financial crisis-induced downturn. According to the IMF, cumulative global fiscal stimulus reached USD14 trillion in 2020, equivalent to around 13.5% of global GDP. While these funds were primed to provide relief for unemployment and falling consumption, the stimulus packages have further aggravated global imbalances, evidenced by widening income disparity between the rich and the poor, rising government and corporate debt burden, and asset price bubbles.

Worldwide city lockdown and social distancing measures to control the pandemic have resulted in production stoppages and a surge in unemployment. The hospitality and travel industries were particularly hit hard, where insolvency and job losses had been the most pronounced. According to the World Travel and Tourism Council (WTTC), worldwide travel restriction has put 143 million jobs in the global travel and tourism sector at risk, with international tourist arrivals declining by 65% in 2020.

China's rapid policy response and success to bring COVID-19 under control stood out as a notable global exception. The World Bank projects global GDP contraction of 4.3% in 2020, with advanced economies to register a decline of 5.4%. China is set to be the only G20 member country to achieve positive economic growth in 2020, while many emerging economies, ill-equipped to deal with the crisis, will suffer major setbacks. Currently the world faces severe challenges which need stronger China-US collaboration to assist the pandemic-inflicted developing countries, promote mutual recognition of vaccine passports, spur resumption of world economic and trade growth, in order to expedite global economic recovery.

Before the pandemic outbreak, the widening wealth gap had already caused a rise in populism and protectionism. Brexit, United States' withdrawal from the TPP, and escalating China-US frictions are symbolic events of globalization in reverse. The trend towards nationalism and deglobalization is also apparent in the international trade statistics. While merchandise trade accounted for 51.4% of global GDP in 2008, the ratio had fallen to 44.0% in 2019. The World Trade Organization (WTO) expects severe impairment to international trade flow as a result of COVID-19, predicting that global merchandise trade will fall by 9.2% in 2020.

Nationalism and populism breed xenophobia, which poses significant threats to social stability and regional peace. The populism index tracked by Bridgewater Associates rose to a post-World War II high in 2017, is an indication of a complex, volatile political landscape

susceptible to rising turbulences. The pandemic crisis further exacerbates these trends, and a sluggish economic recovery will strain international relations and increase geopolitical risks. Episodes of US-China disputes over technology and cybersecurity issues paint a dismal outlook for the world's two largest economies working together to spearhead global recovery. On the contrary, mishaps and deterioration in US-China relation would delay economic recovery and prolong the downturn.

The world should rally against deglobalization because it undermines cross border trade and creates headwinds against global recovery. There is a need to revitalize the multilateral trading system through coordinated policies and concerted efforts to reduce imbalances in the global economy. With continued reform and market opening, China's expanding middle class and huge consumer market will remain an important source of demand and growth engine for the post-pandemic world. Recently, China signed the RCEP (Regional comprehensive Economic Partnership) with ASEAN countries and brought the negotiation of EU-China Comprehensive Agreement on Investment to a close. In upholding multilateralism and globalization China also expressed an intention to join the CPTPP (Comprehensive Progressive Trans-Pacific Partnership). China should proactively champion globalization, foster regional economic cooperation, and help to safeguard a sound environment for global trade and investment.

In the past year, US-China confrontation has intensified from trade, finance, technology issues and spilling over to military arena. US-China tension has been accentuated by cold war rhetoric from the Trump administration in recent years, further complicating bilateral relationship. This situation will likely prevail with the Biden administration. The world is currently in a very volatile and sensitive situation, with geopolitics and the coronavirus pandemic playing havoc at the same time. It needs a bold vision and program to bring the world back on track, and farsighted leadership to steer a better future for all mankind. This is an appropriate and best time to vigorously promote and implement the "Belt and Road Initiative"!

Since the inception of "Belt and Road Initiatives" in 2013, China has signed 205 "belt and road" cooperation agreements with 171 countries and international organizations. The pandemic-inflicted downturn has created pressing needs for inward investments in the "belt and road" countries to bring their economies out of recession. The soft US dollar and low interest rate environment are advantageous for expanding infrastructure investment in these countries. China can take the lead to guiding global resources including capital, experience and technical expertise to the "belt and road" countries, and with the help of Asian Infrastructure Investment Bank (AIIB) which has 103 member countries/regions, to facilitate Chinese and international enterprises to participate in economically sound and feasible projects. Southeast Asian Maritime Silk Road countries, having managed COVID-19 relatively well, possess solid economic foundation to attract investment and financing for "belt and road" infrastructure projects that will strengthen connectivity among the participating Asian countries. These projects, which are beneficial to job and income growth of the host countries, can also provide venues to channel the massive funds unleashed by central banks'

quantitative easing. Similar investment in infrastructure, healthcare and 5G projects can be rolled out to other “belt and road” countries in Eastern Europe and Africa in due course.

In the post-pandemic era, the global economy will undergo profound changes, and the external environment will remain turbulent. China intends to pursue a “dual circulation” strategy of development which is more resilient to external disruptions and shocks. To achieve higher quality growth, China should speed up reform and opening up, and to expand its domestic market. While greater reliance will be placed on promoting consumption as a key economic growth engine, a boost to domestic circulation will also increase demand for imports and create market opportunities for attracting inward investment that fuels external circulation. A strong push to accelerate regional integration and strengthen connectivity among the city clusters to create more market opportunities to attract capital and technology inflow is recommended. Greater efforts should be made to increase economic and trade flows with the “belt and road” countries and guide diversification of some labor-intensive industries to the low cost countries, while encouraging domestic enterprises to expand into strategic emerging industries, to enable industrial upgrading and advancing the position on the global supply chain.

Innovation and self-reliance in science and technology are key components of the 14th Five-Year Plan development strategy. China will strive to build regional innovation platforms and national science centers, promote development of core technologies related to artificial intelligence, integrated circuit, and the digital economy, which will create immense nascent market opportunities for the science and technology industries. As the world emerges from the pandemic, China will have the opportunity to advocate solidarity and prioritize the sharing of vaccines and therapeutic drugs with other nations, particularly with member countries along the Silk Road Economic Belt and the 21st-century Maritime Silk Road. This will help to cement and enhance trade and economic ties with “belt and road” member countries. In the post-pandemic period, if China can guide and expedite global resources to invest in the “belt and road” countries, it will make a huge contribution to global economic recovery, while bringing benefits towards global peace and stability.

(2021.03.10)