

# China Development Forum 2021

## *China on a New Journey of Modernisation*

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### Plenary Session 3

#### Outlook for the Next 10 Years

##### Moderator

Li Zhao, Young Journalist

##### Speakers

Lawrence H. Summers, President Emeritus, Harvard University; Former Secretary of the Treasury, USA

Lin Yifu, Dean, Institute of New Structural Economics, Peking University; Honorary Dean, National School of Development, Peking University

Michael J. Boskin, Professor, Stanford University; Senior Fellow, Hoover Institution; Former Chairman of the Council of Economic Advisors, the White House

Zhu Min, Chairman, National Institution of Financial Research, Tsinghua University

##### Synopsis

Amid increasing uncertainty, what will happen to the world in the next 10 years? Will there be significant changes in the international order? What changes will take place in China?

Professor Lawrence H. Summers, Former US Secretary of the Treasury, expressed concern about the future of China-US relations. He believes China-US relations will be a top global issue in the next 10 years. If not addressed properly, the consequences would be disastrous beyond macroeconomic policy and management issues, having already extended to climate change, the response to the COVID-19 pandemic, and other diplomatic issues. There is even the possibility of military conflict. Summers added that the most important issue now is for China and the US to truly understand each other's intentions and put strategic reassurance at the heart of their work together on issues including technological cooperation, financial stability and global markets.

Professor Lin Yifu highlighted his expectations for China's economic growth by 2035. He suggested economic growth will remain the most important development target for the next five to 15 years. To achieve the aim of doubling its 2020 GDP by 2035 as set out in the 14th Five-Year Plan, China needs to maintain average annual economic growth of 4.7% in the next 15 years. China's growth momentum remains strong, but maintaining a high growth rate of 9% as in the past is not necessary, because China must also focus on issues such as unleashing its growth potential, and structural problems like income inequality. In addition, China must focus on the international commitments it has made, such as reaching peak carbon by 2030 and carbon neutrality by 2060. All of this carries costs, but if China can achieve a 5%-6% economic growth in the next 15 years, its economy will become the world's biggest by 2035, and per capita GDP will have doubled.

Professor Michael J. Boskin agreed that economic growth is a top priority, and looked at the issue from a global perspective at a time when every country is striving to recover from the COVID-19 pandemic, regardless of the extent. He believes the US will see a strong recovery in 2021 with possible economic growth of 6% or more, as well as additional scope for unleashing further economic potential in the short-terms. He added that there is no doubt the rapid increase in debt during the pandemic will pose a threat if and when low interest rate conditions change.

In Europe, with the vaccination drive making slow progress, it will still take two to three quarters to see a recovery. Emerging countries are still constrained by the limitations of their medical systems and other conditions. China is the only country that has not suffered a recession. Boskin added he expects growth of about 8% this year, and a possible slowdown to 6% in 2022. China's next task is dealing with how to maintain growth and avoid the middle-income trap. There are two challenges to address: first, the acceleration of aging population; second, the impact of trade protectionism on China's exports. China needs to further adjust its industrial structure and speed up consumption, and labor-intensive industries should undergo transformation as soon as possible. Establishing a comprehensive social security system is of particular importance.

Zhu Min said he believes the world in the next 10 years will be shaped by three forces.

The first force is economic and financial stability, especially inflation. Central banks play an important role in this process. They are currently adopting a highly easy monetary policy. He agreed with Professor Summers' views that inflation will return, and could be severe. Given the world's potential growth rate is below its average level of the past decade, with high public debt and interest rates at close to zero, the market

is highly sensitive and there are global inflation risks. Low interest rates and high debts will not last forever, however, but for now are the most important issues faced by the global economy. Any improper phase-out from current policies could lead to a financial crisis worse than that in 2008.

The second force is technological innovation. Taking AI as an example, he believed that accelerating technological innovation will have a broader impact on the economy, society and how people live, posing uncertainty.

The third force is carbon neutrality. He did not see this as a cost, but rather as a huge opportunity, especially for China, because it can fundamentally change production and consumption, and alter how people live, marking a paradigm shift.

Professor Summers then addressed the views of the other speakers. He suggested the world should pay attention to inflation risks and reevaluate monetary policy, and that China and the US should focus on and work together on the threats they both face, such as climate change, cybersecurity and the impact of AI on society.

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