

Asian Financial Forum 2017

Plenary Session – Asia: Driving Change, Innovation and Connectivity

Synopsis

Asia has substantially changed the dynamics in the world economy, accounting for 60% of global economic growth in the past decade which is up from about one-third ten years ago. The visionary Silk Road Economic Belt and 21st Century Maritime Silk Road initiative, covering some 60 economies in Asia, Africa, Europe and Middle East, will strengthen connectivity between Asia and other regions, sharing the prosperity arising from the rising affluence and consumption in Asia. Meanwhile, the robust innovation scene in Asia presents leapfrogging developments in e-commerce and public services, as well as opportunities for wider application of financial technologies. The session will offer insights on Asia's prospects and how it can work with partners from other regions to fortify sustainable global economic development against a backdrop of persistent anaemic demand in Western economies, the potential revival of protectionist rhetoric as well as uncertain financial and monetary policy outlook.

Panel Chair

- **Professor the Hon K C Chan, GBS, JP**
Secretary for Financial Services and the Treasury, Hong Kong Special Administrative Region of the People's Republic of China

Speakers

- **Mr Mihály Varga**
Minister for National Economy of Hungary
- **Mr Simon Kirby MP**
Economic Secretary to the Treasury, United Kingdom
- **Dr Mohammad Khazaei**
Vice Minister of Economic Affairs and Finance of Iran; President of the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)
- **Mr Kiatchai Sophastienphong**
Vice Minister for Finance, Thailand

Future US foreign trade policies, the implications of the UK leaving the European Union, possible increases in US interest rates, global geo-political uncertainties, acts of terrorism and national protectionism were among the key topics facing the global community.

Panel Chair Professor KC Chan, Hong Kong's Secretary for Financial Services and the Treasury, set the scene by saying that as a source of growth momentum Asia has accounted for about 60 per cent of global economic growth over the past decade. He also highlighted how Asia continues to evolve and develop. "Led by mainland China, the Asia region is advancing economic models by putting more focus on increasing consumer demand, high-value manufacturing, information-sharing and higher-value

services." Prof Chan added that, despite the international impact of the 2008 global financial crisis, Asia's financial sector has remained resilient while embracing the latest digital technologies, in particular Fintech, and observed "Leveraging on digital technologies, Fintech is opening up many new opportunities."

The Secretary for Financial Services and the Treasury said China's 'visionary' Belt and Road Initiative would be the impetus to stimulate consumer consumption and the advancement of economies across more than 60 countries spanning Asia, the Middle East, Europe and Africa. "The Belt and Road is a canvas that has the potential to drive advancement in trade that will benefit consumers, enterprises and investors," said Prof Chan.

Results of an audience poll taken electronically revealed that 45 per cent of participants were concerned about the impact on trade and business of US foreign trade policies under the new US president's administration, compared to 19 per cent from heightened political uncertainties and 3 per cent from the fallout of Brexit. Last year, when a similar poll was taken, 36 per cent of participants were concerned about China's economy experiencing a hard landing. In another poll, 31 per cent of participants are negative about the prospects for the global economy in 2017, compared to 44 per cent last year.

Meanwhile, citing similarities between Hong Kong and Hungary, both being gateways, Hong Kong to mainland China and Hungary to Central Europe, Mihály Varga, the Minister for the National Economy of Hungary, said his country is committed to extending ties with partners in Asia. "Closer relationships with Asian partners, including Hong Kong and China, are the shining light against some of the challenges taking place in Europe," said Mr Varga, who stressed that policy objectives put in place by the government of Hungary have made significant strides in addressing issues of unemployment and upgrading manufacturing. He said exports had grown by 40 per cent since these policies were introduced in 2010. Referring to the Belt and Road Initiative as "inspirational", Mr Varga said Hungary is ready and keen to take part in the diverse business opportunities generated by the rejuvenation of historic Silk Road trade routes.

Stressing that the UK is very much open for business and committed to maintaining and strengthening business and cultural ties with Asia, Simon Kirby MP, Economic Secretary to the Treasury, United Kingdom, told the AFF audience that the UK's withdrawal from the European Union, known as Brexit, should be viewed as an opportunity to develop new and better trade relationships, some of which can be forged in Asia. He said recent official visits to Asia, including to the Chinese mainland and India, by senior members of the British government underpin the importance the UK places on UK and Asian relationships. "We are not turning our backs on the world stage; we see our relationship with Asian countries and the rest of the world as being more important than ever before," said Mr Kirby, pointing out that the UK government views Brexit as a unique opportunity. He added that, in the context of financial and economic uncertainty, the AFF brings together some of the finest expertise from the financial community in Asia and the rest of the world to highlight and discuss important issues. "During times of global uncertainty, dialogue is very important," noted Mr Kirby. He went on to say that

global financial markets and business should be reassured when the Brexit uncoupling processes begin in March. The UK's economy is growing; the banks are well capitalised and equipped to deal with any challenges. Claiming that London is the global capital for Fintech development, Mr Kirby said the UK is actively building connectivity bridges with Fintech partners in various parts of the world and "making the first steps to build Fintech bridges with partners in Hong Kong".

Describing Belt and Road as a positive boost for the global economy, both economically and culturally, Dr Mohammad Khazaei, Vice-Minister of Economic Affairs and Finance of Iran, said major infrastructure projects and investment opportunities will prepare a new era of business opportunities and connectivity. Making the point that it is too early to speculate on the impact foreign, trade and political policies will have under the new US administration of President Donald Trump, Mr Khazaei said it is better to focus on tangible opportunities and "Financial support for (Belt and Road) projects from the Asian Development Bank is likely to contribute to considerable growth and trading benefits". Mr Khazaei is also President of the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI). He confirmed to the AFF audience that Iran is involved in the Belt and Road Initiative and will continue to commit to Belt and Road projects, but cautioned that the threat of terrorism in the Middle East continues to expand beyond the region and poses a risk to the global economy. Concluding on a positive note, he said Iran is continuing to control inflation by tapping into vacant manufacturing production capacity and through exports of oil and gas.

Fellow panel member Kiatchai Sophastienphong, Thailand's Vice-Minister for Finance, said large-scale investment in his country's infrastructure projects is aligning with Belt and Road developments. For example, roads, bridges and railway expansion are enabling better connectivity between neighbouring countries, including Vietnam, Laos and Cambodia. "Within Thailand, infrastructure projects are providing benefits to people that live in rural areas," said Mr Sophastienphong. He said investing in and developing high-value sectors such as Thailand's medical industry are opening channels for supporting areas, such as the pharmaceutical industry. "The goal is to balance the investments so that people see improvements and rewards while we continue to focus on the long-term," said Mr Sophastienphong. He also pointed out how investment in e-commerce and electronic payment networks is improving operating efficiency in businesses and the public and government sectors. "Our activities, including investing in technology education incentives, are attracting the curiosity of our young people, which will lead to strong human resources capacity for the future," said Mr Sophastienphong.

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