

Asian Financial Forum 2017

Panel Discussion on Global Economy

Synopsis

The world enters 2017 with a myriad of uncertain elements that may have a lasting impact on the global economy. Will US trade protectionism under a Trump presidency escalate sharply to curtail already anaemic global growth? How will Trump's proposed inflation-prone fiscal stimulus affect the pace and magnitude of US monetary policy-tightening, accelerate capital outflow from emerging and other developed markets, and amplify capital and currency market volatilities? Besides, a continual slowdown of the Chinese economy, delayed recovery in Japan, doubts over EU unity in light of upcoming elections and Brexit, along with geopolitical tensions in Asia and outside the region, will also foreshadow 2017. This panel will discuss the global economic outlook amid all these looming uncertainties, and the prospects for sustainable growth in the years ahead.

Moderator

- **Dr the Hon Victor K. Fung, GBM, GBS**
Group Chairman, Fung Group

Panel Speakers

- **Mr Raymond L. Conner**
Vice Chairman, The Boeing Company
- **Mr Ding Xuedong**
Chairman and CEO, China Investment Corporation
- **Mr Sung-Soo Eun**
Chairman and Chief Executive Officer, Korea Investment Corporation
- **Mr Christian Noyer**
Honorary Governor, Banque de France

While the topics of US and China trade and political relations dominated the discussion, panel members were also in complete agreement that while globalisation has generated many benefits worldwide, the concept of globalisation has also resulted in inequality, with people in some parts of the world marginalised or left on the side lines.

"The outcome of the future US global trade policy is the one thing that has got everyone's attention," said Raymond L. Conner, Vice-Chairman, The Boeing Company, who added that the US ended 2016 in a relatively strong position with confidence growing in the fundamental aspects of the economy. Nevertheless, he said, looking forward there is a degree of uncertainty about the impact higher interest rates and a stronger dollar could have on the economy although, on the positive side, lower business taxes, as promised by president-elect Donald Trump, could provide a boost to

investment. "GDP is expected to grow at about 2.3 per cent with pressure on the upside," said Mr Conner.

Describing the US and China's economies as "two great rivers" that need to come together, Ding Xuedong, Chairman and CEO, China Investment Corporation, said it is in the interests of both countries and the wider world to avoid trade disputes: "As the number one and number two largest economies in the world, it is important to work together to achieve a smooth working relationship" Ding also assured the AFF audience that China would achieve the predicted 6.5 per cent GDP growth for the foreseeable future. "The Chinese economy will contribute about 40 per cent to the global economy in the coming year and the US even more," explained Mr Ding, who also pointed out that the US needs its economy to continue to recover and China needs to keep its economy growing at a medium pace. "There is no need for a trade war," stressed Ding, adding "Instead, I believe China and the US should collaborate to develop new business models." Mr Ding also revealed how China's economy has moved on since the 2008 global financial crisis, with the focus now on stimulating higher-value manufacturing and a consumer economy and utilising technology to drive value-added services, lifestyle and social benefits. "At a time when there is a lot of confusion and uncertainty, the AFF is an outstanding platform to share valuable insights and bring clarity to chaotic situations," said Ding in his closing remarks.

During an audience poll, conducted electronically and designed to indicate professional investment preferences, 23 per cent indicated that the telecommunications, media and technologies sectors are the most attractive, followed by healthcare, 19 per cent, and green industries, 16 per cent. In terms of regions, 38 per cent indicated they would invest in China and 26 per cent in the US, followed by 15 per cent in Southeast Asia, 10 per cent in India and four per cent in Europe.

Panel member, Christian Noyer, Honorary Governor, Banque de France, said Brexit, the term given to the UK's decision to withdraw from the European Union, is likely to have only a negligible impact on the EU economy. He said figures indicate the most likely financial impact to be about 0.2 to 0.4 per cent. "Any deficit will probably be made up for with new trade, while the outcome for the UK will depend on its political ability to navigate Brexit," said Mr Noyer. To him a bigger concern is the rise in despondency, possibly brought about as a result of globalisation. In agreement with fellow panel members, Noyer said the rapid and widespread use of technology, which in many cases has replaced traditional jobs and changed lifestyles, is also to blame. "We have not seen the level of investment in education and training needed to counteract some of the impact that globalisation and technology have had on people's livelihoods," said Mr Noyer.

Sung-Soo Eun, Chairman and Chief Executive Officer, Korea Investment Corporation, said while history tells us that any industrial progress often has a negative impact on certain sections of society, it is important for governments and the business community to ensure progress benefits all levels of society. As a corporate investor, Mr Eun said his corporation would be looking for new investment opportunities in the US, despite a

number of uncertainties. "While much of the world seems to be preoccupied with uncertainties, I believe we should pay more attention to the certainties, such as new business models, and using them as engines to drive growth," he proposed.

In his closing remarks, moderator Victor Fung, Group Chairman, Fung Group, said he had begun the AFF session feeling quite pessimistic about the immediate future of the global economy, but was now considerably more optimistic. "This is what the AFF can do," said Fung, "You have the opportunity to hear the views from experts who give you completely new perspectives on complex issues."

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