

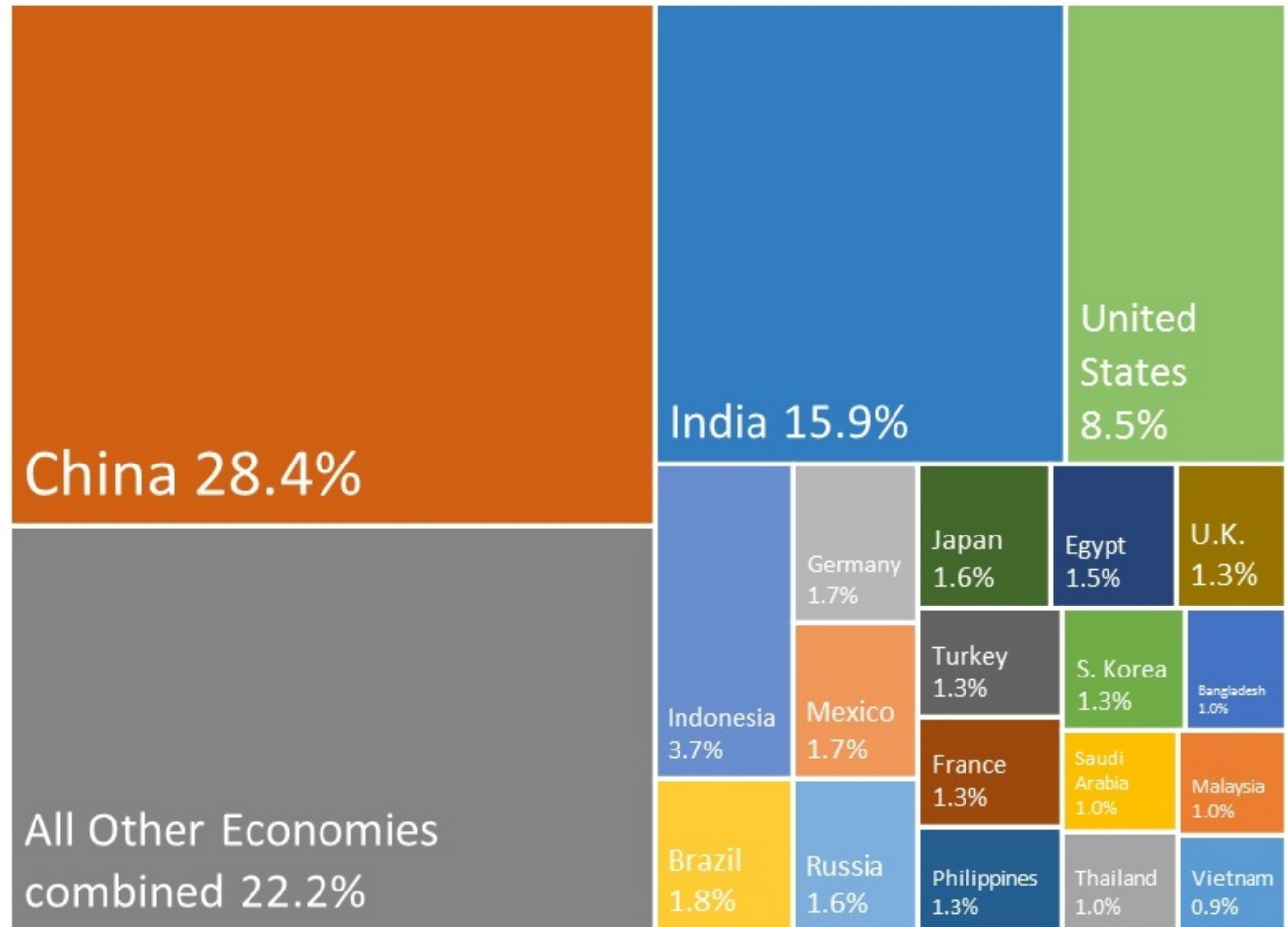
Growth and Globalization After the Pandemic

Albert Park, HKUST

Major Asian Countries will account for the majority of global growth by 2023

- China 28.4%
- Other Asian 28.0%

2022-2023 World Economy Growth Contribution (Intl\$)



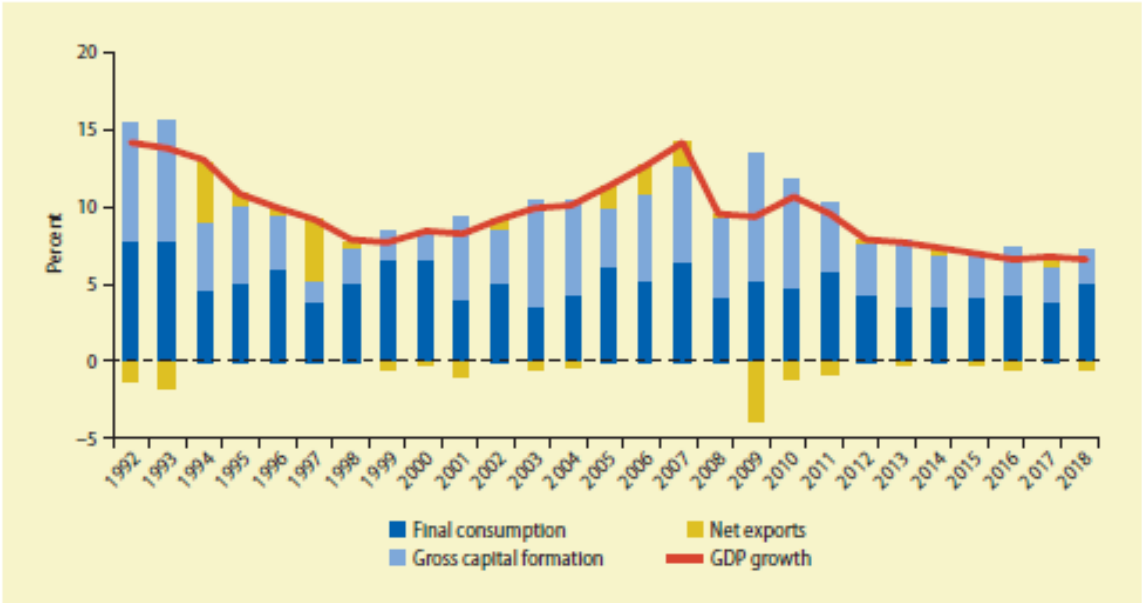
GDP Growth in China

Target vs actual GDP



South China Morning Post, March 8, 2021

FIGURE 1.1 Composition of GDP growth in China, 1992–2018

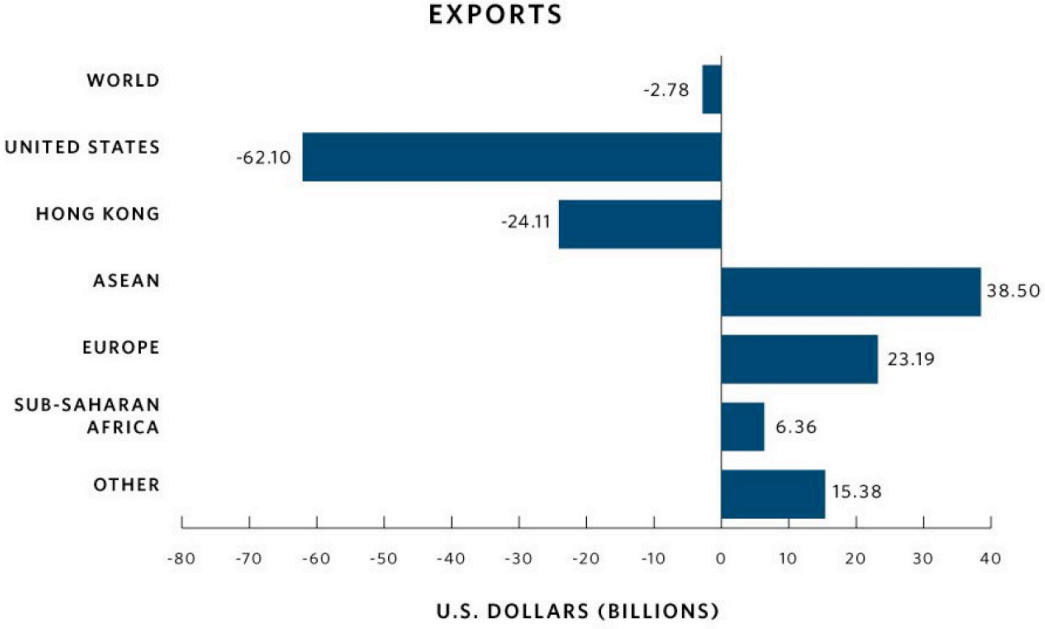
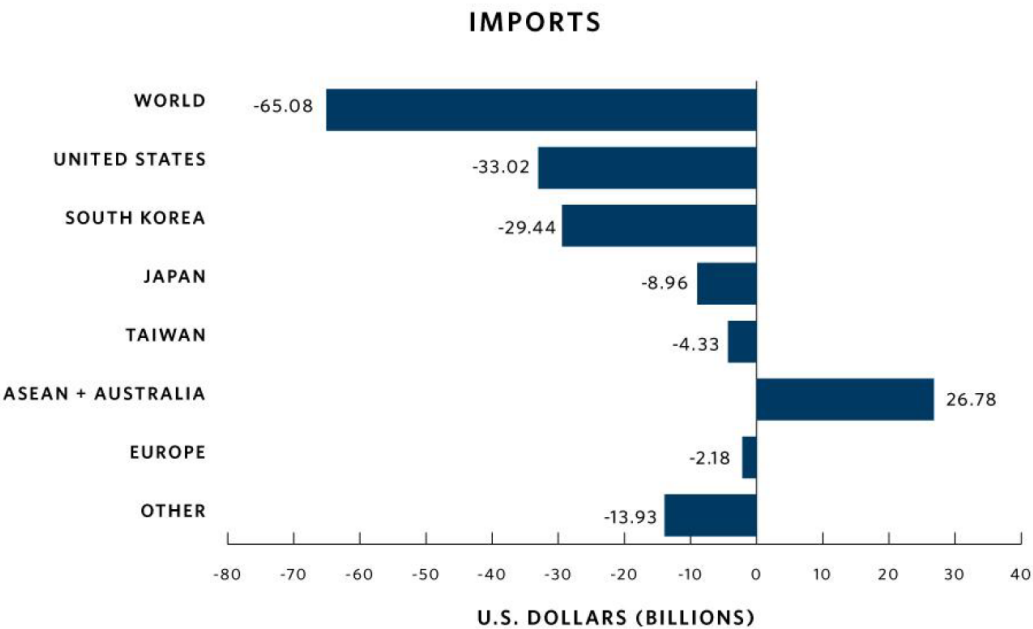


Source: Calculations based on National Bureau of Statistics data.

Source: World Bank, *Innovative China*, 2019

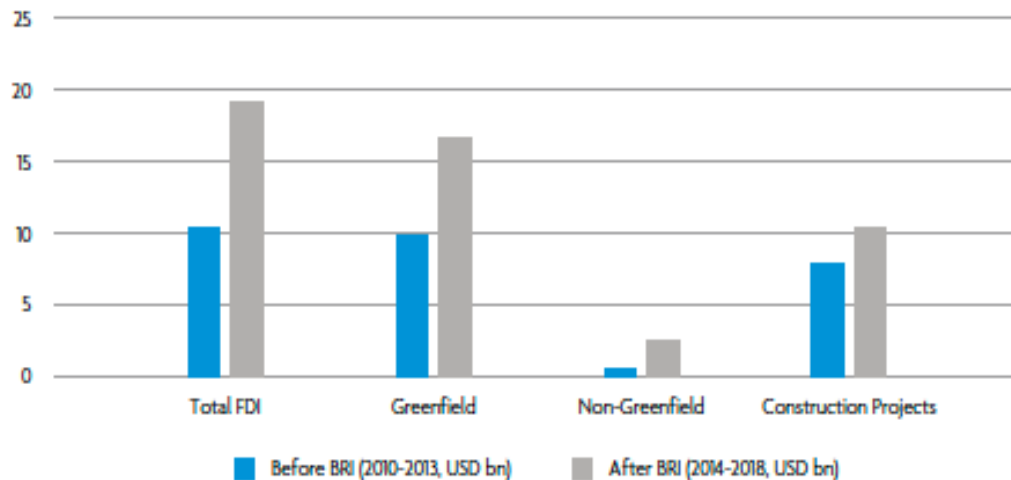
China's Regional Trade Response to Trade War

FIGURE 2
Chinese Merchandise Trade: 2019 Versus 2018

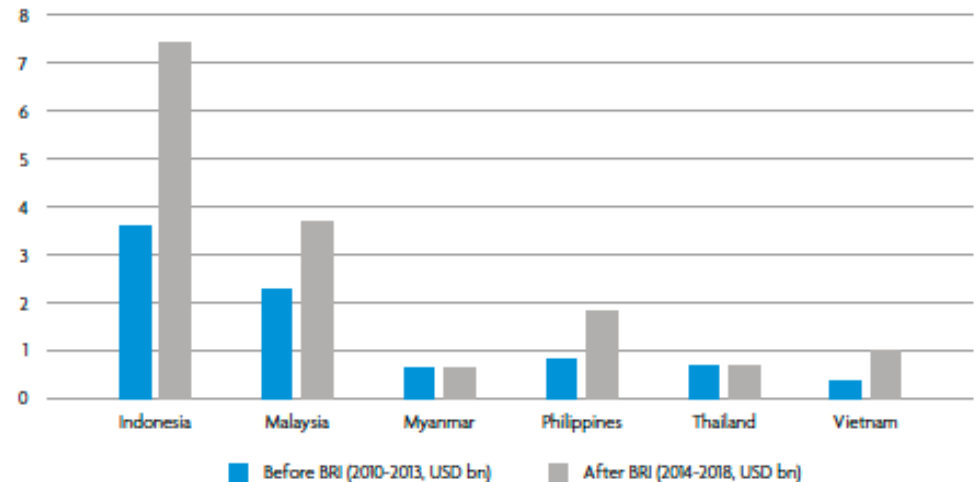


Chinese FDI and Construction Projects in ASEAN Before and After the Belt and Road Initiative

Annual Chinese FDI and Construction Projects in ASEAN (US\$ bn)



Annual Greenfield FDI in Six Emerging Markets (US\$ bn)



Chinese FDI and construction projects in ASEAN increased by 85% and 33% after the BRI, concentrated in Indonesia, Malaysia, the Philippines, and Vietnam

What is the Dual Circulation Economy?

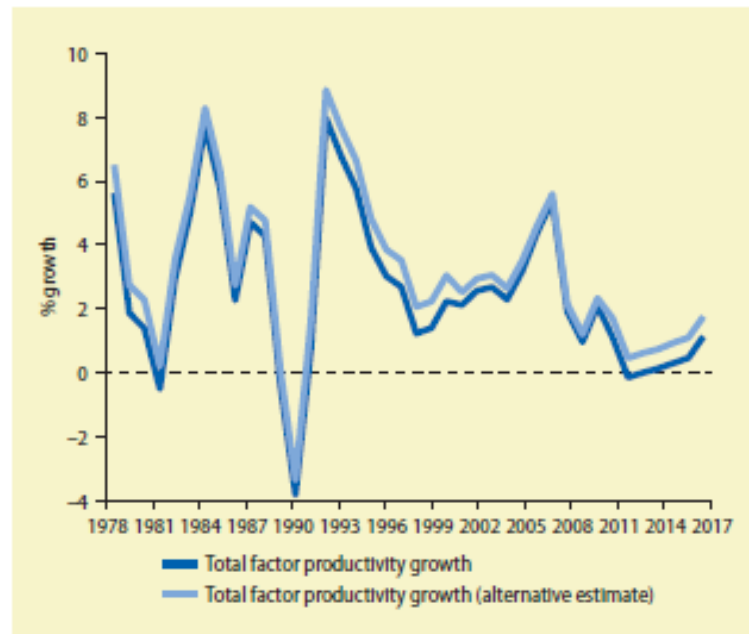
- Greater reliance on domestic demand
- Developing domestic capacity for key technologies

More specific implications?

- Reforms to improve domestic circulation (remove barriers to entry and create a level playing field)
- Improving the innovation system (focus of 14th 5-year Plan)
- Supply chain diversification--global versus domestic?
- Redistributing income and wealth

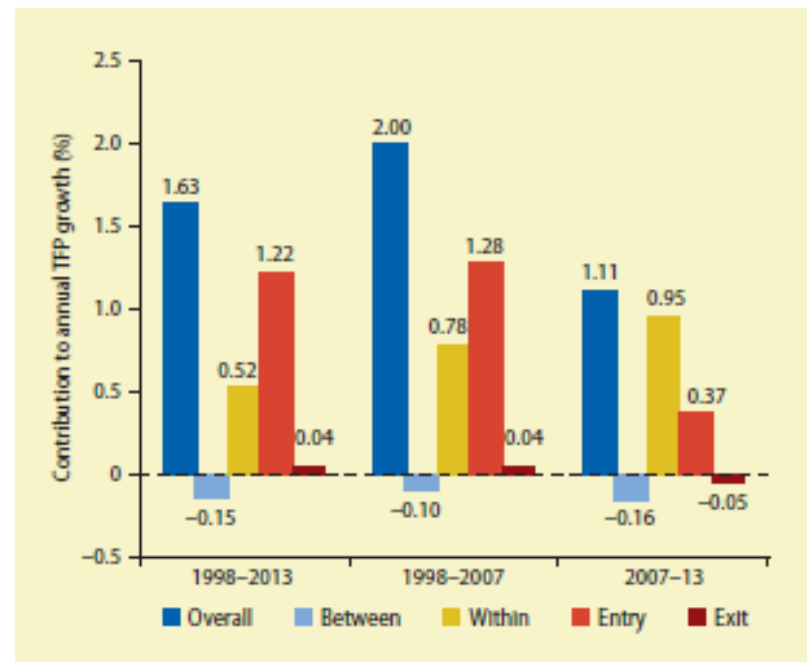
Productivity Growth in China

FIGURE 3.1 Aggregate growth of total factor productivity (TFP) in China, 1978–2017



Source: Calculations based on National Bureau of Statistics data and authors' calculations. Note: TFP growth is based on a production function that includes separate estimates of human capital. TFP growth (alternative estimate) does not include separate estimates of human capital.

FIGURE 3.2 Growth of total factor productivity (TFP) in Industry in China before and after the global financial crisis, 1998–2013



Sources: Brandt, Wang, and Zhang 2017, based on National Bureau of Statistics enterprise survey data.

Source: World Bank, *Innovative China*, 2019

Economic Goals (NPC, March 5, 2021)

- 2021 growth target of “over 6%” and ***no targets*** for 14th 5-year plan
- ***increase*** the number of “inclusive” ***loans*** offered by its biggest banks ***to micro and small businesses*** by more than 30 per cent in 2021
- ***upgrade manufacturing capabilities*** in eight priority areas: rare earth and special materials, robotics, aircraft engines, new energy vehicles and smart cars, high-end medical equipment and innovative medicine such as vaccines, agricultural machinery, major equipment used in shipbuilding, aviation and high-speed rail, and industrial applications of China’s Beidou global navigation satellite system
- gradually ***extend China’s retirement ages*** during 2021-2025

Deglobalization, China, and Emerging Markets

- China continues as growth leader in Asia and the world
- Promoting multilateral free trade under the WTO
- Finding comparative advantage in global value chains
- Emerging market opportunities will be shaped by how both US and China adjust supply chains in response to US-China competition, especially in high-tech
 - Some may benefit from US-China decoupling while others may lose opportunities if the countries increase domestic sourcing
- Regional Comprehensive Economic Partnership (RCEP) can promote supply chain integration across Asia (signed on November 15, 2020 by China, ASEAN, Japan, South Korea, Australia, New Zealand, which account for 30% of global GDP)