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Six Key Issues That Need Attention in 2022

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President of China Society for Finance and Banking,
Former Governor of People's Bank of China

Distinguished Members of the Diplomatic Corps,

Distinguished Guests,

Dear Friends,

Ladies and Gentlemen,

Good Evening!

Thank you for your participation in the annual BFA Economists Roundtable, for in-depth exchange of views on global, Asian and China's macroeconomic developments with hotspot issues, the fruits of which will be valuable inputs in shaping the themes and topics for the BFA Annual Conference 2022.

We all wish to bring the Covid-19 pandemic under control in 2022, and we all hope to greet guests from all over the world in person at our annual conference next spring. In the post pandemic era, confronted with changes unseen in a century, global public health crisis, geopolitical conflicts and numerous abrupt challenges, we need to get together and talk to each other with frankness and candor, so as to remove differences and build consensus. Now I would like, as a participant at the roundtable, to suggest several topics that could be explored further at the annual conference next year.

First, there is an urgent need to close the “immunization gap”. The Delta variant sweeping across the world has proven that the longer a virus persists, the more likely it will develop new variants through mutation, thus reversing some of the progress that mankind have made in the fight against the virus. Therefore, while treatment remains a top priority, there should be expedited progress for all countries to have timely and equal access to vaccines without delay. This calls the global community to strengthen cooperation on vaccine research

¹Keynote Dinner Speech delivered by Vice Chairman Zhou Xiaochuan at BFA Economists Roundtable 2021 (Sept.15, 2021).

and development, production, transportation, and intellectual property exemption, etc. so as to make vaccines a genuine global public good. The “immunization gap” risks aggravating the divide between developing and developed economies. According to the Economist Intelligence Unit (EIU), in the absence of immediate global vaccination, the global economy could lose more than \$2 trillion USD in output by 2025, equivalent to the annual GDP of Italy, the current G20 host country. Were it to happen, the emerging and developing economies would bear the brunt of it with the Asia Pacific poised to be the hardest hit, accounting for nearly three quarters of the loss.

Second, we need to tackle with climate changes and grasp opportunities presented by the green industrial revolution. So far this year, given heightened frequency of extreme weather events and more tangible effects of climate change, the global consensus on collective climate action is gaining momentum. It is widely expected by the international community that the COP26 of UNFCCC in Glasgow will encourage the parties to turn climate goals to concrete climate policies and actions while concluding the negotiations on the implementation guidelines of the Paris Agreement. It is also expected that COP15 of Convention on Biological Diversity in Kunming will culminate in the “post-2020” new goals for global biodiversity protection. It is obvious that a fresh round of industrial revolution has been taking shape in the midst of climate actions, and that competitiveness in the future will hinge on the ability to leverage green industrial transformation. As a result, global competition and cooperation on green technologies and green finance will further intensify. Due to limited fiscal capacity and much elevated debt levels in many countries post pandemic, there has been underinvestment in green infrastructure. In this regard, greater alignment between the “Belt and Road Initiative” and infrastructure plans in relevant countries and regions will help usher in diversified sustainable financing to green development.

Third, we need to embrace the transformation to the digital economy and protect fair competition. At present, with digital industrialization and industrial digitalization, the digital economy is booming across the world. While digital economy has become a new pillar underpinning recovery in many economies post pandemic, digital trade has been serving as a new growth engine in global trade. However, international competition and gaming centered on digital economy is also intensifying, as evidenced by the GDPR adopted by EU and the launch of “digital tax” by some economies. Meanwhile, in the US, EU and China and some other economies with large digital markets, the regulators, against the unbridled expansion of some internet platforms featuring “winner eats all”, have adopted a host of anti-monopoly and pro-competition laws, regulations and policy measures, in the interest of fair competition, data

security, privacy protection and consumer and public welfare. That said, stronger global digital governance calls for rules, while bridging the “digital divide” demands larger investment.

Fourth, we need to prevent aggravation of poverty and inequality and to promote inclusive social development. The pandemic has seriously dented inclusive development. According to the latest statistics provided by the UN and other international agencies, another 120 million people around the world were impoverished in 2020, with some 75 million to 80 million people in the Asia Pacific being pushed back to poverty. Moreover, the SME sector is struggling for viability and the Gini coefficient has gone way up higher in quite a number of countries. As a matter of fact, poverty and inequality have become a global phenomena. Even prior to the pandemic, the relative size of the middle class has been shrinking and the share of the relatively poor rising in developed economies. Inclusive growth has become a key determinant on whether a society could live up to its full economic development potential and enjoy enduring stability. In 2021, China has declared victory in the campaign to eradicate absolute poverty and in realizing a well-off society in an all-round way for our people, thereby having accomplished the first centenary goal of the CPC. In the new development phase, China is pursuing common prosperity through high-quality development and is ready to share with others our practical experiences in reducing poverty and income inequality and promoting inclusive development.

Fifth, we need to closely watch the development of inflation and asset bubbles and the impact of QE. With rising CPI and record-high asset prices in some countries, there are mounting concerns over inflationary trends, lower or even zero interest rates and prolonged QE with its potential negative repercussions. For example, asset prices might have deviated from the real economy fundamentals. Rising costs for housing as well as public and quasi-public facilities and services are making the measurement of inflation more elusive. Meanwhile, prices for global primary products and ocean shipping freight rates have experienced unusual rallies. Under these circumstances, every move by the Fed is in the spotlight as it sits at the helm of the biggest economy in the world. Furthermore, people are increasingly concerned about whether printing money as needed to fund fiscal deficit as suggested by the MMT would do any harm. As an old Chinese saying goes, do not expect pennies from heaven. Otherwise, one might be daydreaming. Whether there will be pennies from heaven or not, we will see by ourselves how it turns out as it underlines an important macroeconomic phenomenon with global implications.

Last but not the least, multilateralism should be upheld and global governance strengthened. At present, there are headwinds and backlashes against globalization, with trade, investment and interconnectivity of infrastructure, rules and standards subject to disruption in

multiple fronts. Addressing the Davos Forum at the beginning of this year, President Xi Jinping pointed out that there should be global action, response and cooperation in the face of all the global issues confronting mankind. He also stated, “let the torch of multilateralism brighten the path forward for mankind”. Selective multilateralism is not true multilateralism. Hence, in today’s world, any conflict, confrontation, war on trade, finance and technology, and war cold or even hot, would only harm all nations and peoples.

In October this year, the G20 summit will be hosted in Rome, Italy. We look forward to important signals from global leaders to bolster collective crisis response, intensify macroeconomic policy coordination, safeguard global economic and trade order and rules, and ensure the stability and smooth running of global industrial and supply chains. We will also be expecting to see wide-ranging deep consensus reached at the summit to reform and improve rules with regard to international trade, investment, monetary system, taxation coordination, sustainable financing, green development and digital technologies, with the formulation of concrete action plans.

The Boao Forum for Asia, as always, will continue to advance Asian integration, build global consensus, and serve as a platform for brainstorming, formulation of new initiatives and demonstration of successes, as so to make greater and better contribution to multilateralism.

Thank you.