

Global Economy Insights session 'What happens next with the global economy?'

Report of Global Foundation Insights and discussion with Dr Lawrence H. Summers and Dr Keyu Jin, 28 April 2021

On 28 April 2021, the Global Foundation hosted a virtual event with two of the world's pre-eminent economists – Dr Lawrence H. Summers and Dr Keyu Jin. Participants joined the virtual event from around the world to share insights and discuss the outlook for the post-pandemic global economic recovery.

The event was co-moderated by Steve Howard, Secretary General of the Global Foundation, and Sue Kench, Global Chief Executive Partner of King & Wood Mallesons. The guest speakers were:

- Dr Lawrence H. Summers: Charles W. Eliot Professor and President Emeritus at Harvard. He was Secretary of the Treasury for President Clinton and the Director of the National Economic Council for President Obama; and
- Dr Keyu Jin: Chinese economist, Associate Professor of Economics at the London School of Economics and a World Economic Forum Young Global Leader, specialising in international macroeconomics and the Chinese economy.



Below is a summary of the key points and issues raised.

The future of global economic growth

During the past year, the resilience of the global economy has been tested more than ever before, as a result of the COVID-19 crisis and rising geopolitical tensions. While these remain challenging economic times, the overall outlook for global growth is strong, with the IMF predicting the global economy to grow 6% this year. Despite ongoing talk of “decoupling” between the USA and China, many believe that it is unlikely that the world's two largest economies can be separated to a significant extent. Both economies have become deeply intertwined over the last two decades – American companies are well versed in operating in and navigating China.

However, global economic growth needs to be put in a historical context. According to one view, the uniquely rapid growth seen over the last year reflects a “catch up” from the year before, where growth was at record-lows. Global economic growth over this two-year period has therefore been poor by historical standards.

Separately, China's economic outlook is positive, and its impressive post-pandemic recovery has effectively narrowed the gap with the USA in economic terms. Despite its ongoing recovery, the rate at which this is occurring is slowing and inequalities are beginning to deepen. For example, household incomes have not returned to their pre-pandemic levels and migrant worker incomes are significantly lower than they were previously. However, China is not alone, as income inequality is becoming a significant issue in many countries and widening the socio-economic divide between the developing and developed world.

Looking ahead, it was suggested that China's future growth depends on a number of factors. A particular focus for the Chinese Government will be on driving productivity through innovation and technological supremacy on a global scale. Historically, China's rapid rate of adoption has allowed it to capitalise on new and emerging sectors, prioritising the economic gains above any collateral damage such as job displacement or the suppression of consumer welfare. However, there is mounting pressure on the Government to protect consumer rights and pursue policies for the greater social good, such as climate change and poverty alleviation. A balance between economic prosperity and social policies will need to be achieved.



Barriers to global cooperation

In the context of increasing nationalism and distrust between nations, three key barriers for future global cooperation were identified, namely:

1. Lack of collective action to address global challenges

Global security in the next century is dependent on the capacity to foster global cooperation around collective problems, such as climate change and the pandemic response. New data suggests that the world can expect a pandemic-level public health crisis every decade going forward. Although we are not remotely ready to face the next threat as an integrated global collective, there is hope that multilateral forums such as this year's G20 will make headway in achieving the level of cooperation required.

2. Poor management of economic transformation

Economies around the world are currently transitioning from a conventional, tangible economy to a more services-oriented model. Manufacturing is being replaced by professional services and other "less tangible" sectors. A similarly monumental transformation occurred during the Industrial Revolution, where agriculture was replaced by industry. Looking ahead, the prospects for global cooperation will be

closely linked to the management of this transition and what it means for the new winners and losers.

3. *An uncertain global order*

With geopolitical headwinds intensifying and the balance of power continuing to shift, the global order is unclear. A similar leadership vacuum occurred between WWI and WWII, with Britain no longer able or willing to lead and the USA not ready, which led to competition between nations. Today, the USA lacks the economic dominance it possessed in previous decades and its people are increasingly turning inwards and focusing on domestic issues. On the other hand, China is seeking global influence to match its meteoric and rapid economic rise on the world stage. According to one speaker, China must cultivate moral legitimacy and regain the trust of the international community, by demonstrating that its global contributions are not based solely on its own interests but on what is moral and socially just.

The global pandemic has created a watershed moment to reassess the global architecture and to consider any possible alternatives. The question currently facing world leaders is, therefore, how will this power imbalance play out and what will define the new global order going forward?

KING&WOOD
MALLESONS
金杜律师事务所

The Global Foundation gratefully acknowledges the contribution of Key Partner, King & Wood Mallesons, in preparing this report.