

Commentary

THE BUFFIN FOUNDATION

SOCIAL AND ECONOMIC DEVELOPMENT ISSUES

The Global Economy from a Chinese Viewpoint

Forty years ago, China's *Reform and Opening* was initiated by Deng Xiaoping at the Third Plenum of the Eleventh Central Committee. Since then, China has made great economic progress, with its share of the world economy growing ten-fold from 1.8 percent in 1978 to 18.2 percent in 2017. China is now a major world economic power; it holds the world's largest foreign reserves, has the second-largest GDP, and the third-highest level of foreign direct investment. However, the economic success of the Chinese model has also created tensions between its authoritarian political system and its economy that is characterized by market economic forces. Increasingly, China has become involved in international economic competition and disputes over trade issues and intellectual property.

In a recent article published in *The Economist* with the title *Toward Common Prosperity*, written by Jiang Yuechun, Director of the Institute of World Economics at the China Institute of International Studies, the author sets forth a carefully-reasoned rationale for a global economy that is supported by multilateral cooperation, economic integration and globalization, driven by mutually beneficial macroeconomic policies. At the 2018 G20 Buenos Aires Summit, President Xi Jinping stressed the importance of greater coordination among countries to ensure strong, balanced, sustainable and inclusive growth of the global economy. It is crucial for major countries to cooperate and promote policies on global governance, control and crisis prevention. Multilateralism that values international cooperation is the essential basis that is widely considered as an absolute necessity in a diversified world economy.

China supports the World Trade Organization (WTO) in its mission to uphold core values and fundamental principles, such as openness, inclusiveness and non-discrimination, and ensuring that the economic interests and policies of developing countries are satisfactorily met. The

WTO provides the appropriate mechanisms for trade dispute settlement and a forum for extensive consultation. The digital economy is a major source of innovation-oriented economic development and provides a driving force to achieve transformation of traditional industries and upgrading national economies. The digital economy is a significant part of the global economy, representing about 22 percent of global GDP. Recent years have seen great progress in such areas as information and communication technology (ICT), internet infrastructure, interconnectivity, data security, privacy protection, ICT-based entrepreneurship, and cross-border e-commerce. The G20 Digital Economy Development and Cooperation Initiative was adopted in 2016 at the Hangzhou Summit. Going forward, countries need to carry out more bilateral and multilateral digital economic cooperation projects, pool various resources, complement one another with mutual advantages and optimize the digital industrial chain, extend the interconnectivity of infrastructure, improve international rules and standards in fields such as cross-border e-commerce and data flow, and optimize international tax policies in line with the development of the digital economy.

Currently, multilateral cooperation is being challenged by the emergence of unilateralism in the United States. Trade protectionism, as practiced by the United States poses significant dangers to the global economy through the imposition of high tariffs on China, the European Union (EU) and Canada. This unilateralism has resulted in countermeasures from China. The EU, China, Japan and India have sued the US at the WTO. Moreover, the US retreat from globalism includes withdrawal from the Trans-Pacific Partnership agreement, the Paris climate change agreement, UNESCO, the Global Compact for Safe, Orderly and Regular Migration, and the Iran nuclear deal framework. The US actions have created adverse consequences worldwide. Global

value and supply chains have been dealt setbacks by the US decisions, and the free and open trade system with the WTO has been severely impaired. The US has chosen not to strengthen cooperation with other economies, but rather to break away from treaties and commitments. The world's leading experts on global economic trade and development at the International Monetary Fund, the World Trade Organization and the United Nations Committee on Trade and Development are unanimous in their criticism of the actions of the United States and their consequences for the world economy. IMF Managing Director Christine Lagarde has warned countries that they must avoid trade protectionism to ensure global prosperity. She fears that growing tension between the US and China over tariffs will lead to WTO rules being torn apart, which she calls an inexcusable collective policy failure. History shows that import restrictions hurt everyone, especially poorer consumers; not only do they lead to more expensive products and limited choices, they also prevent trade from playing its essential role in boosting productivity and spreading new technologies. The divergence on unilateralism and multilateralism and the tussle between trade protection and free trade among different countries have again put the global economy at a crossroads with significant risks. As a forum seeking to improve dialog between developed and emerging economies, the G20 should launch full-scale negotiations among its member states to propose development-oriented solutions to ensure sustainable growth of the global economy.

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