

Commentary: Acting against globalization will only hurt the world economy

By Luo Zeyu on People's Daily

The 2016 G20 Hangzhou Summit takes “Working Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy” as its theme. This “4I” theme not only echoes the global economy’s need for new development concepts, but also goes hand-in-hand with the innovative five development philosophies proposed by China.

Taking the reins of the G20 presidency this year, China aims to share its experiences concerning development with the rest of the world in order to help promote the sustainable development of the global economy.

Since 2008, the global economy has taken a hard fall, with the IMF and the World Bank frequently downsizing economic growth forecasts and trade growth falling behind economic growth for several consecutive years. While major economies have successively launched stimulus packages aimed at their own economies, a new robust driving force for the global economy has yet to form.

Given this downturn, several developed countries turned away from globalization and began calling for the reindustrialization of local industries in order to protect their domestic markets. Global trade and investment mechanisms have shifted their focuses while the “Spaghetti bowl effect” in free trade zones became more severe.

What’s worse, the policymakers of many states are currently more focused on addressing present difficulties rather than dealing with long-term maladies.

As a result, roadblocks have started to block the way when it comes to international economic cooperation. If insufficient communication continues the situation will only worsen as the macro-economic policies of various nations will end up contradicting each other.

Globalization has led to the world becoming an interdependent global village. Reversing this trend is not the right choice for the world economy, nor is engaging in trade protectionism under the veil of “reindustrialization.” For example, attempts to alleviate exchange rate depreciation is only addressing a symptom instead of the root causes.

In light of these challenges, the world needs to increase cooperation and mutual assistance. This in turn calls for the global community to show broader vision.

At the fifth plenary session of the CPC Central Committee in 2015, China put forward its five development philosophies: innovation, coordination, green technologies, openness and shared development.

With the economic slowdown and the lackluster performance of the country's traditional driving force, China needs innovation and coordination to maintain economic vitality and stable growth. It requires green technology and openness to establish new models and expand into new development space. Last but not least, shared development will lead to long-term, inclusive and balanced development.

The almost 40-year-long experience of China's reform and opening-up indicates that in order to deal with lackluster economic growth, we should encourage innovation and entrepreneurship and improve efficiency through scientific technology. As to the trade slump, conventional methodologies including industry protection and market share competition are not the way to go. Only through consultation, collaboration, resource optimization and complementary advantages can we remedy the overall economic situation.

Blindly shutting our doors on the world is not the way to deal with domestic enterprises going bankrupt and unemployment. The right choice should be to expand into new markets by aiding the industrialization and urbanization of underdeveloped countries.

According to the 2016 Global Innovation Index released by the World Intellectual Property Organization, the Britain-based INSEAD and the US-headquartered Cornell University, China's innovation capacity rose from last year's 29th place to 25th place. This is the first time a middle-income-country has entered the top 25.

In recent years, in order to achieve interconnected development with the world, China has proposed its Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives, worked towards enhanced international production capacity cooperation and put forward a series of other initiatives.

In the meantime, the Chinese government has been devoted to logistical reform and industrial transformation and upgrading. In 2015, there were 4.439 million newly-registered enterprises across the country, a 21.6 percent year-on-year increase, while the number of daily registered companies reached 12,000. Patent applications exceeded 1 million for the first time and contribution from technological improvement increased to 55.1 percent.

Actually, the "4I" represents China's five development philosophies in the global arena, as the two share the same core. With "innovative development" a highlight of cooperation mechanisms, collaboration frameworks are sure to be more open, inclusive and independent.

For instance, unlike past institutional arrangements such as closed off free trade zones, common markets and economic alliances or one-way industrial shifts, the "Belt and Road" initiative and international production capacity cooperation efforts put more

emphasis on networked collaboration. Improved global infrastructure connectivity can also boost the sustained and interconnected development of the global economy.

The principles of “inclusiveness” and “sharing” are also important when establishing platforms. The China-led Asian Infrastructure Investment Bank, on one hand, has worked to raise funds to help developing and underdeveloped countries address capital shortages for infrastructure construction projects, while on the other hand, it has modestly learned from the operation experiences of its so-called “competitors,” the World Bank and the Asian Development Bank.

Choosing the picturesque Hangzhou as the site for the summit also conveys China’s vision for realizing the green development of the world economy.

Taking on the responsibilities of the G20 presidency, China will share its philosophies, confidence, vision and sincerity through this international arena. China also hopes the “4I” theme can inspire a fifth “I” - Incentive.

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