



# **Boao Forum for Asia Annual Conference 2016**

## **Session Summary (No. 1)**

Boao Forum for Asia Institute

March 22, 2016

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### *Session 1*

#### **BFA Annual Conference 2016**

#### **Press Conference & Launch of BFA Research Reports**

**Time:** 13:45-15:15, March 22, 2016

**Venue:** (ICC, Level 1, Dong Yu Grand Ballroom A)

**Speakers:**

ZHOU Wenzhong, Secretary General, Boao Forum for Asia

LIN Guijun, Vice President, University of International Business and Economics

YAO Zhizhong, Deputy Director, Institute of World Economy and Politics, CASS

WANG Jun, Deputy Director, Department of Information, China Center for International Economic Exchanges

XIE Ping, Former Deputy General Manager, China Investment Corporation

Justin LIN Yifu, Professor and Honorary Dean, National School of Development, Peking University; Senior Vice President of the World Bank; Chief Economist

**Key points:**

- Asia is becoming the most attractive region for direct and indirect global investment; the intermediate goods and trade inter-dependence among Asian countries is on the decline, and an independent, organic and self-growth mechanism is yet to be developed.
- The growth rate of E-11 obviously slowed down in 2015.
- China's comprehensive competitiveness maintained its ninth ranking in



2015; India substantially reduced its inflation rate and unemployment rate through a series of reform measures and its domestic economy was restored to the track of high growth.

- China's traditional financial institutions accelerate Internet-enabled development, conduct diversified cooperation and competition with emerging Internet financial institutions, and will become a major force in international competition and cooperation.
- Each country, while driving its structural transformation, must use its own developmental stage as referent

### **Synopsis:**

On March 22, 2016, at the BFA Annual Conference 2016 Press Conference & Launch of BFA Research Reports, ZHOU Wenzhong introduced the theme of this year's annual conference as "Asia's New Future: New Dynamics & New Vision". 2,100 delegates from 62 countries and regions participated in the forum, including 13 heads of states and governments, such as Premier LI Keqiang of the State Council of the host country China, Belgian Prime Minister Michelle and Cambodian Prime Minister Samdech Hun Sen. 1,122 corporate delegates participated in the forum, including senior management from nearly 200 enterprises of the Fortune Global 500.

Centering on six aspects, "entrepreneurship and innovation", "Internet +", "G20 and international production capacity cooperation", "new global economic issues", "culture and sport", and "religion", the forum has set up 88 events, including the Opening Ceremony, 51 sessions, 15 roundtables, 5 theme dinners, 10 dialogues with entrepreneurs and 6 TV debates.



## **Asia is becoming a region with the biggest number of highlights for global direct and indirect investment**

LIN Guijun released the the Boao Forum for Asia Progress of Asian Economic Integration Annual Report 2016 and noted that Asia is developing and changing along with global economy, and that Asian trade is losing its role of being an engine and its growth rate is lower than its GDP growth rate but Asia's export is still stably rising in global shares. Against the background of sluggish global economy, Asia is becoming the most attractive region for direct and indirect global investment. In particular, the direct investment flow into ASEAN countries has reached a record high. Countries like South Korea, India and Vietnam are developing very quickly in terms of green-field investment. Meanwhile, it is noteworthy that the intermediates and trade inter-dependence among Asian countries is on the decline. For example, the trade of main parts dropped from 61.1% in 2012 to 59% in 2014. The openness of savings and investment is also dropping; in particular, the liberalization of capital account in China and India is still slow. The economic synchronous index, such as the stock market, is dropping. An independent, organic and self-growth mechanism is yet to be developed.

## **The growth rate of E-11 obviously slowed down in 2015**

Yao Zhizhong released the Boao Forum for Asia Development of Emerging Economies Annual Report 2016, which has four main characteristics. First, the E11 of the G20 saw obvious slowdown in their growth rate in 2015, which dropped from 5.1% in 2014 to 4.5% in 2015, but their contributions to global economic growth were still maintained at above 50%. Meanwhile, the growth performance varied, with China and India taking lead in the 7% medium and high growth echelon, Indonesia in the about 5% medium growth echelon, and some other countries in the low growth echelon and negative growth state. Second, the sluggish bulk stock market exerted major impact on emerging countries,



especially on Brazil, Russia, Saudi Arabia and Mexico. Third, international trade was sluggish, and 2015 saw over 10% negative growth in world trade. E-11 countries also experience negative growth. The trend of development in current regional trade negotiation is not towards a direction conducive to emerging economies. Fourth, the financial fragility of emerging economies is very obvious, with substantive depreciation in the currency of some countries. It is estimated that the growth rate of the E-11 will drop from 4.5% to 4.4% in 2016. In addition, we should pay attention to the four uncertainties, the monetary policy orientation of developed economies, the price rebound trend of bulk stocks, the mode of international economic cooperation under the “One Belt One Road” initiative, and the possible crisis in the monetary and financial market.

**China’s comprehensive competitiveness maintained the ninth ranking in 2015, and India’s ranking saw rapid rise**

WANG Jun released the Boao Forum for Asia Progress of Asian Competitiveness Annual Report 2016 and noted that the Four Little Dragons of Asia had been topping the list for three consecutive years. Singapore, Hong Kong China, South Korea and Taiwan China continued to take the first four places, closely followed by Australia and New Zealand. Japan and Israel ranked seventh and eighth. China still ranked ninth. The competitiveness of other economies varied, but on the whole the ranking was stable. It should be specially noted that the comprehensive competitiveness of India rose to the 26th place from 32<sup>nd</sup>, mainly by greatly reducing its inflation rate and unemployment rate through a series of reform measures so that its domestic economy regained high growth. Singapore maintained the best administrative efficiency in Asia for five consecutive years, with strong dynamics for innovation, particularly with regard to the amount of international patent applications and export of high-tech products. Hong Kong China was efficiently stable and reliable in terms of business system and financial market but should improve its capabilities in higher education and innovation. South Korea had always maintained relatively high investment in education, and its amount of international patent applications ranked top in Asia, with its



economic recovery ameliorating on the whole. Taiwan China continued to maintain its powerful advantages in the export of products in the high-tech sector, particularly in the amount of patent applications per capita . Japan was prominent in its competitiveness in social development, but the effect of economic incentive was on the decrease, with poor performance on the whole.

### **China's traditional financial institutions accelerate Internet-based development**

XIE Ping released the Report on Internet Finance 2016--Internet-Enabled Traditional Finance and noted that the latest development in Internet finance in 2015 was the Internet-enabling of traditional finance. State-owned commercial banks and traditional commercial banks have started to attach great importance to the mobile payment market. Fields such as Apple Pay, Internet securities and Internet insurance are also on the rise, with a diversity of Internet financial innovation modes emerging, which conduct diversified cooperation and competition with emerging Internet financial institutions. The Report points out that the integration of traditional finance and emerging finance represents the general trend. The Internet-enabling of traditional finance will see further evolution and improvement in future, producing increasingly diversified innovative space and market opportunities. In terms of the development trend, China's Internet finance will become a major force in international competition and cooperation, which will not only provide Internet technological services and product design but also play an active role in the global allocation of Chinese financial resources.

Boao Review, Nielsen and Tencent-Penguin Intelligence jointly released the "China Financial Internetization Index" for the first time, which covers three major financial modules, namely investment, financing and payment, each



module measured by accessibility, availability and profitability, and thus comes up with a comprehensive evaluation of the impact of financial Internetization on financial consumers. So far, the China Financial Internetization Index in the first financing dimension stands at 108.5, higher than 100, which means that online financing is bringing more positive effects than that of offline to loan seekers, and that the effect of financial Internetization has been preliminarily demonstrated. The accessibility index is 127.2, the profitability index 96.4, and the availability index 86.5, which means that the most outstanding contribution of financial Internetization is to acquire loan resources more easily, conveniently and simply. But as its cost of online financing is still higher than that of offline financing, online financing is not a main channel for loan provision. However, the interest rate of online financing, particularly with respect to non-banking financing institutions, has dropped obviously, providing specific groups who have difficulties in financing the opportunities to raise money with loan resources inaccessible in offline financing of traditional financial institutions.

### **The “Inclusive Structural Transformation Index” promotes sustainable development of developing countries**

Justin LIN Yifu released the “Inclusive Structural Transformation Index” for the first time, which is based on the new structural economics, that is, the development of each country must use its own developmental stage as reference. In a perfect market economic system, the government should play an active role in promoting structural transformation to expand and strengthen its advantages.

This index is designed to help developing countries in the world to realize the sustainable development index raised by the United Nations in 2015, truly reduce poverty, advocate green development, and by paying attention to and analysing various structural transformation factors, promote developing countries to better



realize industrialization, develop green industry and realize sustainable development.

On the whole, this index sets up 41 specific indexes in terms of the manufacturing industry, environmental resources, macro- and micro- policies and investment R & D to measure the structural development of different countries. With the method of conditional CDF, low-income countries are compared with low-income countries, medium-income countries with medium-income countries, and high-income countries with high-income countries. It is pointed out that in promoting structural transformation, the country's own development stage must be taken into consideration. On the whole, China and India get very high scores, even outperforming the United States and Canada. Among other Asian countries, Japan, Malaysia and Vietnam perform better.