OUTLOOK:

Belt and Road to be a major engine of growth

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There are also concerns about Europe, with the possibility of the United Kingdom leaving the European Union in March without agreeing a deal, and also over whether Italian banks will create a systemic crisis for the euro.

On a more positive note, this year marks the 70th anniversary of the founding of the People's Republic of China, and the country will host the second Belt and Road Forum for International Cooperation in April.

At this event, the Belt and Road Initiative, which has huge potential to drive economic growth, will take greater shape.

The central government made clear its economic agenda at the Central Economic Work Conference, attended by the country's leaders in Beijing in December.

The agenda includes tax cuts as part of a more proactive fiscal policy; boosting advanced manufacturing; tackling so-called zombie enterprises; increasing domestic consumption; rural revitalization; capital market reform; fostering a healthy property market; further opening up the economy and allowing greater market access to foreign companies.

Great attention, as ever, will be paid to China's growth performance this year. Growth was 6.5 percent in the third quarter of last year, in line with the target set in the Government Work Report in March.

It needs to average about 6.3 percent this year and next to meet the target of doubling 2010 GDP by the end of 2020.

Edward Tse, founder and chairman of Gao Feng Advisory, a management consultancy, said: "The economy may slow a bit, but not a whole lot. The government has a number of levers it can pull to ensure stability.

"Part of the problem for China is that it is entwined in the global economy and at the center of global supply chains that might be affected by increased trade protectionism."

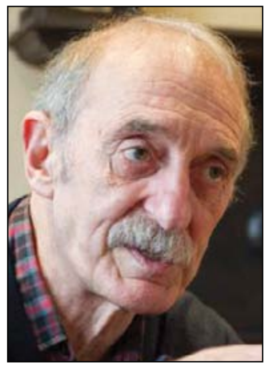
Wang Qing, chief economist at ratings agency Golden Credit Rating International in Beijing, predicted the government will set an annual growth target of 6 to 6.5 percent in its next work report in March.

He said last month's Central Economic Work Conference pointed the way to major tax cuts of about 1.5 trillion yuan ($218 billion).

"These tax cuts will encourage enterprises to invest more and, more important, encourage greater private investment and consumption," he said.

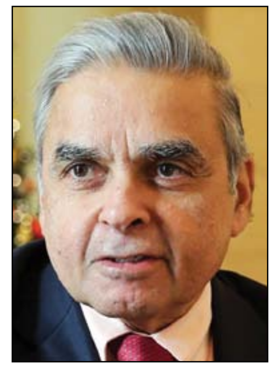
How the global economy fares this year may hinge on what happens in the US.

Edward Tse, founder and chairman of Gao Feng Advisory.



George Magnus, associate at the University of Oxford China Centre.

Jing Ulrich, managing director and vice-chairman of JPMorgan Chase's Asia-Pacific operations.



Kishore Mahbubani, professor in the practice of public policy at the National University of Singapore.

If there is no reversal, by July the expansionary phase of the US economy will be the longest ever since records were first kept in 1854. It would exceed the 120-month expansion between March 1991 and March 2001, according to the National Bureau of Economic Research in the US.

Long recovery

George Magnus, an associate of the University of Oxford China Centre, said the "extreme longevity" of this upward swing in the business cycle is not sufficient in itself to predict an imminent recession, but it is becoming harder to sustain.

"It is not just the US. Most of the Western world touched bottom in 2009. This long recovery needs continuous energizing to sustain it. It is like riding your bike into a wind uphill — you need to put in that extra effort in order not to stall. You don't need much of a shock to knock you off balance," he said.

One of the risks that could affect the global economy is increasing protectionism and, in particular, the trade dispute between the US and China.

There were signs of a more constructive relationship between the two countries as last year drew to a close.

President Xi Jinping and US President Donald Trump discussed trade in a telephone conversation on Dec 29.

Both stressed the progress made in the trade talks while voicing hope for further results that can bring benefits to both sides and the world.

Tse, at Gao Feng Advisory, is optimistic that the dispute will be resolved early this year.

"There is something like a 50 percent possibility that it will be pretty well handled and the crux of the issue will be largely solved. Some of the underlying issues between China and the US will continue to be around for some time," he said.

Zeng Kanghua, a public finance professor with the Central University of Finance and Economics in Beijing, said China's economy would remain "resilient" even without a resolution to the trade dispute.

The other risk this year stems from Brexit and the possibility of the UK leaving the EU without a negotiated deal on March 29, the date on which it is due to exit.

Magnus said: "The good news is that we don't have to wait much longer now for some kind of resolution. The clock is ticking."

If there is a global recession this year, few expect it to be anything like the same scale as the global financial crisis a decade ago.

Jing Ulrich, managing director and vice-chairman of JPMorgan Chase's Asia-Pacific operations, said banks have learned their lesson from the devastation of 10 years ago.

She said global banks have never been better positioned from a solvency and liquidity perspective going into the next potential recession, and the probability of a systemically important bank failing has declined.

Ulrich said the Financial Stability Board, set up at the G20 summit in London in 2009 to monitor the global financial system, has been particularly effective.

"All of these new frameworks and institutions are here to stay, and will continue to be the guardians of global economic stability," she said.

For many developing countries, in particular, a major engine of growth will continue to be China's Belt and Road Initiative, which according to JPMorgan Chase has the potential to boost global trade by $2.5 trillion over the longer term.

"BRI has a very positive impact on the economic development of those developing countries, which in turn will contribute to global economic growth and stability," said Jiang Hao, a partner at management consultancy Roland Berger in Shanghai.

David Morris, chair of the United Nations Asia-Pacific Business Forum, said 2019 could be the year to build on the initiative's success. "It has been widely welcomed as a platform for building new capabilities across the developing world for trade," he said.

Former Singaporean diplomat Kishore Mahbubani, author of *Has The West Lost It?*, agrees the initiative could be a game changer this year.

"It is deploying significant material and human resources to help other countries build and develop their infrastructures. New roads and bridges, railways and electricity grids will emerge," he said.

This year is also likely to pave the way for a number of technological advances. China is expected to roll out 5G, the next generation of wireless technology, next year, which could have major implications for advanced manufacturing and the internet of things.

China's advantages

Tse said that in addition to 5G, China could be about to experience a new era of technological innovation.

"China has a lot of advantages, from its entrepreneurship, government support for innovation and the availability of capital. We are going to see a lot of new players that will emerge and take on the established companies," he said.

Whatever the various outcomes, 2019 will be an important year for China as it marks the 70th anniversary of the founding of the PRC in October.

Mahbubani, also professor in the practice of public policy at the National University of Singapore, said: "A year of reflection could result in new directions and policies that will further enhance China's growing standing in the world."

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Economies from the region poised to rise in next 15 years

By ANDREW MOODY
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Asian economies will witness significant growth in the next 15 years, which makes the 21st century more Asian, according to a new analysis.

China is set to overtake the United States to become the world's largest economy by 2032, according to the World Economic League Table, published annually by the Centre for Economics and Business Research, or CEBR, in London.

The table tracks the size of economies over the next 15 years.

It predicts that three of the top five global economies by 2033 will be Asian, with China in top position, India in third place and Japan fourth. The US will be second and Germany fifth.

Other Asian economies will rise during this period, with South Korea becoming the 10th-largest and Indonesia (12th), Thailand (21st), the Philippines (22nd), Bangladesh (24th) and Malaysia (25th) all making the top 25.

"Despite global uncertainty and tightening in US monetary policy, which have pushed down some of the emerging market currencies, the 21st century is still likely to be the Asian century," said Douglas McWilliams, deputy chairman and founder of CEBR.

China is now the world's second-largest economy, while its per capita income is still only about one-fifth of the average in high-income economies.

With the US economy growing faster than expected, the stage at which China takes over top spot from the US has been put back two years from 2030, which was forecast by the World Economic League Table in 2017.

However, the new analysis indicates that China's Belt and Road Initiative could be an important growth driver. Infrastructure spending is set to increase from $11.5 billion, or 13.5 percent of global GDP last year, to $27.4 billion, or 15.5 percent, by 2032.

"We think the initiative will be seen as one of the world's great transformational projects," McWilliams said.

Singaporean academic Kishore Mahbubani said it is quite clear that Asia is on the ascendancy, with China's economy growing at an average of 9.5 percent over the past three decades and India's by 6.6 percent.

David Morris, chair of the United Nations Asia-Pacific Business Forum, agrees that Asia is now vitally important to the global economy.

"We are in the midst of the biggest global economic shift in memory, with East Asia now driving growth in the world economy," he said.