

Il SaKong

Thank you very much. Let me begin by providing you a very quick overview of Korea's macroeconomic picture, especially in the global context. Certainly, Korea is no exception to the synchronised global economic slow-down. With slowing exports and decreasing business investments, Korea's economy is currently growing only at around 2%. As Olivier Blanchard alluded to, both Korea's exports and investments are now affected directly and indirectly by the global economic slowdown and the uncertainty and unpredictability caused by the US/China trade conflict. I am very sure that the IMF will lower its earlier projection for Korea soon.

As you may know, Korea is a country highly dependent on the global trade. Korea's trade dependency as measured by its total trade to GDP ratio is nearly 80%, one of the highest in the world. Moreover, nearly 40% of Korea's exports, primarily consisted of intermediate goods, is with G2 economies. Consequently, Korea is very much concerned about the US/China trade conflict causing the global economic slowdown.

Korea benefitted so much from the existing post-war liberal economic order which was created and maintained primarily with the US leadership. So Korea is especially concerned about the demise of the multilateralism-based liberal world order. It is more concerning, since ironically the US is leading the break-up of the order with Mr Trump's "America First" strategy.

The G2, that is the US and China, makes up 40% of the global economy. So, the trade dispute between these two countries is the most critical factor for the weak global economic performance. I am sure most of you would agree with me in saying that the dispute between these two countries is not easily resolved, but would more likely be prolonged, and what it means, is prolonged uncertainty and unpredictability for the global economy. I am sure you must have heard the news, this morning or late last night. China and US negotiations in Washington DC ended with a "small deal," rather than a "big deal" as Mr Trump would have aimed at.

There are, in my view, three reasons why the conflict between these two countries will have to be prolonged. Firstly, the current trade dispute goes far beyond the two nations' trade relationship. It involves, what you might call "hegemonic competition" between two big powers, which will be definitely further intensifying. Secondly, China will not easily give up its goal of achieving what is called "China Dream," getting the Middle-Kingdom's old glory back by 2050. Accordingly, its programme of "Made in China 2025" which is a critical intermediate goal of China Dream. I am sure, China, being a highly strategic and pragmatic nation, will make some concessions here and there along the way, but China is not expected to abandon its ultimate goal.

On the other hand, the America's primacy, in both hard and soft powers, will continue for at least a few decades to come and, with it, the US will continue to try projecting its powers. What it all means is the tension between two countries will continue far into the future. For these reasons, I foresee the world will end up suffering from prolonged global uncertainty and unpredictability, and short supply of global public goods, i.e., free trade environment, and stable finance and currency regime.

What I have in mind is the possibility of "Kindleberger Trap" sort of situation for the world in coming years, unless the global community as a whole, does something together for closer policy coordination through, e.g. the G20, the most legitimate global forum for policy cooperation and coordination existing today.

Given the time constraint, I will stop here and wait for another round of detailed discussions and further elaborations.