

Growth prospects

Global economic growth is a quintessential topic at Davos this year, as the world economy has remained sluggish for years. Meanwhile, the gaps between the rich and the poor and between the South and the North are widening. To realize steady and healthy growth, as Xi pointed out, the world needs to presently address three critical issues—a lack of robust forces driving global growth, inadequate global economic governance and uneven global development.

Peng believes that new growth sources have yet to emerge and fresh drivers of development remain in incubation. He told *Beijing Review*, “We need to pay attention to the obstacles that hinder growth.”

According to him, trade protectionism in various forms is rising. Donald Trump’s U.S. presidency increases the risk of trade conflict between the United States and other countries, he warned.

However, Xu Hongcai, Deputy Chief Economist at the China Center for International Economic Exchanges, is optimistic about global economic prospects in 2017. “In 2016, the world economy grew 3.1 percent year on year. I predict that figure will reach 3.3 percent and global trade will post 2 percent growth in 2017. The world economy is still on the way toward recovery,” Xu told *Beijing Review*.

He explained, “The U.S. economy had a robust recovery in the third and fourth quarters of 2016. It is expected that the Trump administration will adopt an expansionary fiscal policy combined with a tight monetary policy. I think the U.S. economy will perform solidly this year.”

Meanwhile, China’s economy will maintain stable growth in 2017, perhaps at around 6.5 percent, according to Xu. He said along with economic recovery in the United States and Europe, China’s exports would

jump, which would drive Chinese economic growth this year.

During his presidential campaign, Trump repeatedly threatened to impose high tariffs on Chinese imports in a typical gesture of trade protectionism. Many worry that Trump's policy could trigger a trade war with China.

Xu stressed that trade protectionism will benefit no one. "Trump promises to revive U.S. industry. He is very likely to pursue an expansionary fiscal policy, including tax cuts and investment increases in infrastructure construction. This will intensify the U.S. balance of payments deficit. Thus, the U.S. market needs foreign investment, including China's," Xu said.

At the same time, China also welcomes the participation of U.S. businesses in building the Silk Road Economic Belt, a multilateral economic cooperation initiative proposed by Xi in 2013. The potential is great for enhancing economic and trade cooperation between China and the United States, Xu asserted.

Xi used an appropriate metaphor to depict trade protectionism in his speech in Davos, "Pursuing protectionism is like locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air. No one will emerge as a winner in a trade war."