



AGD2018

AsiaGlobal Dialogue

REDEFINING MULTILATERALISM
IN A NEW GLOBAL ECONOMY

NOVEMBER 14-15 | HONG KONG

POST-EVENT REPORT

CONTENTS

About AsiaGlobal Dialogue (AGD)	02
Welcome Remarks	03
Opening Remarks	05
Keynote Address: Redefining Multilateralism in a New Global Economy	07
Plenary Dialogue 1: The Geopolitical Agenda	09
Plenary Dialogue 2: Globalization in a New Multilateral Framework	11
Keynote Address: Asia and Multilateralism in a Multipolar World	13
Parallel Breakout Session 1a: Remaking the Global Multilateral Trade System from Asia	15
Parallel Breakout Session 1b: Solving Asia's Biggest Development Challenges	17
Parallel Breakout Session 2a: Security in the Asia Pacific	19
Parallel Breakout Session 2b: Opportunities and Challenges of AI in Society	21
List of Speakers	23
Full Program	25
Photo Highlights	27
Acknowledgements	29



ABOUT ASIAGLOBAL DIALOGUE (AGD)

The AsiaGlobal Dialogue (AGD) is Asia Global Institute's premier flagship conference for constructive dialogue to bring out fresh insights and Asian perspectives on global issues.

Themed *Redefining Multilateralism in a New Global Economy*, the AGD 2018 took place amidst a rising sense of uncertainty triggered by global developments. The discussions focused on U.S.-China relations, globalization in a new multilateral framework, remaking the global trade system from Asia, solving Asia's biggest development challenges, security in the Asia Pacific, and opportunities and challenges of AI in society.



Victor K. Fung

WELCOME REMARKS

Asia Global Institute's Advisory Board Co-Chair Victor K. Fung, and HKU President and Vice-Chancellor Professor Xiang Zhang welcomed delegates with a brief overview of the growing threats to multilateralism and globalization, and the role of the AGD and universities in providing clarity in troubling times.

“ When the AGD last met in this historic hall [in 2017], few of us would have thought and really could imagine the course we have embarked on. In just over a year... the rules-based international order is rapidly eroding because of aggressive assertions of national priorities by populist governments worldwide. ”

– Victor K. Fung

- Recent political developments, particularly the rivalry between the U.S. and China and the shake-up of global and regional trading systems, have triggered political, social and economic polarization and fears of job losses and national security threats. These concerns have been further exacerbated by the rapid advancement of technologies, including AI.
- Given these historical developments, it is imperative to have fresh perspectives and informed dialogues to re-establish mutual trust and collaboration for peace and prosperity – goals that require continued openness, understanding and interactions across borders.
- The AGD offers a forum for such a dialogue. Moreover, it brings Asian perspectives to issues that are often framed from a Western perspective. Asian perspectives must be understood in the plural because there is never just one Asian perspective; rather, it is important to understand the region's diversity.



Xiang Zhang

- The change in the international order has happened very quickly and this will potentially impact everyone. Universities in particular – our students and researchers – have all benefited from globalization and international collaborations. How should we respond to this situation?
- The important thing is for universities to communicate why they benefit from globalization and spell out the benefits to wider society, including more access to education, more opportunities for young people, more jobs created and more economic growth.
- The 5th AGD helps promote that aim by bringing together outstanding policy-makers, academics, and business and civil society leaders, who all have a deep understanding of Asia, to examine, hopefully, address some of the threats to the post-war order of multilateralism and globalization.

“ Universities can serve as a launchpad or platform for those who share the mission of global advancement. The AGD is a perfect example of this. ”

– Professor Xiang Zhang

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OPENING REMARKS

AGD 2018's opening remarks were delivered by HKSAR Chief Executive Carrie Lam Cheng Yuet-ngor.

- Victor (Co-chair of the Advisory Board of the Asia Global Institute, Dr Victor Fung), Professor Zhang (President and Vice-Chancellor of the University of Hong Kong, Professor Zhang Xiang), Professor Spence (Co-Chair of the Advisory Board of the Asia Global Institute, and recipient of the Nobel Memorial Prize in Economic Sciences (2001), Professor Michael Spence), ladies and gentlemen,
- Good morning. I'm honoured to join you today for the University of Hong Kong's annual AsiaGlobal Dialogue, and for the second year in a row.
- It is a testing time for globalisation and multilateralism. This year's theme – "Redefining Multilateralism for a Global Economy" – is sure to stimulate considered and spirited discussion. That is in keeping with the Asia Global Institute and its welcome mission, which is to generate innovative thinking and business-relevant research on global issues from Asian perspectives, in order to inform global policy and actions towards a prosperous and sustainable future for all.
- When we talk about multilateralism, the World Trade Organization (WTO) immediately comes to mind. The establishment of the WTO in 1995 was a landmark development, a giant step towards a rule-based multilateral trading system, which is the foundation for the liberalisation of global trade and investment. Indeed, trade volume in goods and services has tripled since then. Global foreign direct investment flow is up more than four-fold over the past 22 years. Developing economies, in particular, rose almost six-fold.
- The results are clear and compelling: the flow of goods and capital has unleashed immense productivity growth worldwide. In doing so, it has raised incomes and the living standards of billions of people. World GDP has grown an average 3.8 per cent a year in real terms over the past 22 years, with per capita GDP also doubling.
- For developing economies, globalisation through multilateralism has helped them integrate into the global value chain, in the process lifting a great many people out of poverty. Indeed, nearly 1.1 billion people have moved out of extreme poverty since 1990, according to the World Bank.
- That's not to say that globalisation is problem-free. Some of the world's poorest economies have been left behind; their paucity of resources, skills, equipment and infrastructure leave them unable

to seize the opportunities. As for advanced economies, there is the real challenge of job losses, in part because of widespread outsourcing and the relocation of lower-skilled, labour-intensive production to developing economies.

- At the same time, efforts to expand multilateralism have foundered in recent years because of profound differences among WTO members. The global financial crisis in 2008 has also had an unsettling impact, from protests against free trade to calls for de-globalisation in some advanced economies. In short, the multilateral trading system set in motion by the WTO has encountered fierce opposition, and that resistance has only swelled in recent years.
 - As I noted in my speech here last year, the fundamental solution lies in making economic development more inclusive, in boosting the benefits we create for our people. I outlined a number of measures essential to building an inclusive community, and I won't repeat those this morning.
 - Rather, let me say that I am very concerned about global trade developments over this past year. Last year at this occasion, I said that I saw worrying signs of rising protectionism. I am afraid that now we see more than signs, with the United States introducing unilateral trade measures against other economies. The unilateral actions taken by the United States and inevitable retaliatory actions by other economies will surely raise the barriers to trade and investment, risking a widespread economic slowdown or even a global recession.
 - I'm pleased to note that the second largest economy in the world, that is Mainland China, is providing the much needed support for the multilateral system. This year marks the 40th anniversary of China's reform and opening up. By the way, many of you in Hong Kong would know that I just came back to Hong Kong on Monday after leading a delegation of over 160 members from various sectors of the community to visit Shenzhen and Beijing to celebrate this anniversary. In this milestone year, the inaugural China International Import Expo was held in Shanghai last week. Victor and I were there. Actually, Hong Kong actively participated in the Expo. We set up a Hong Kong Exhibition Area, and over 160 enterprises joined the Enterprise and Business Exhibition, showcasing our unique role as a strategic gateway and important hub for the opening up of the country.
 - The Expo is the world's first import expo held at the national level. Some of you may have picked up the figures about the achievements in this Expo. This reaffirms my belief that sometimes the Chinese people approach the subject of trade in a way very different from the American people, that we emphasise deeds rather than rhetoric. At the opening ceremony of the Expo, President Xi Jinping delivered a keynote address entitled "Work Together for an Open Global Economy that is Innovative and Inclusive". He said that the Expo "demonstrates China's consistent position of supporting the multilateral trading system and promoting free trade", and "it is a concrete action by China to advance an open world economy and support economic globalisation". President Xi emphasised that "openness and co-operation will remain essential for continued human progress". He named five concrete aspects that China will step up efforts to broaden its opening up, one of which is to promote international co-operation at the multilateral
- and bilateral levels. In particular, he said that China will continue to advance the Belt and Road Initiative through international co-operation in the spirit of consultation and collaboration for shared benefits.
 - Hong Kong is determined to play an active part in the country's noble efforts to build a community with a shared future and usher in an even better tomorrow for mankind. First of all, we will continue to promote free trade, both by supporting the rule-based multilateral trading system, which is the most effective safeguard against protectionism, and by expanding our network of free trade agreements. Let me make it clear: whatever the changes to the global economic landscape, we are committed to keeping Hong Kong markets free and unfettered, our economy open wide to global business and investment.
 - And we will promote international co-operation through our participation in the Belt and Road Initiative. Hong Kong is prepared to offer our expertise in professional services for countries and enterprises seeking to participate in the Initiative. Our expertise covers infrastructure development, financial services, engineering, consultancy, accounting, law, etc. These services will be in considerable demand for infrastructure and other projects arising from the Belt and Road Initiative.
 - Let me add that we will leverage our unique advantages under "one country, two systems" to promote multilateralism and people-to-people bonds in the global environment, which is one of the key objectives of the Belt and Road Initiative. One area that Hong Kong can contribute, which we are doing, is capacity building. We have huge experience in many areas of city management, including town planning, flood prevention, slope stabilisation, railway operation, aviation safety and emergency services. We have also built institutions to fight against corruption, promote equal opportunities and deal with administrative complaints. We are willing to share our experience in those aspects with emerging economies and help build their capacity. In fact, many of our departments and institutions, such as the Independent Commission Against Corruption and the Fire and Ambulance Services Academy, are already offering training or experience sharing with their counterparts from emerging economies, including those along the Belt and Road. We believe that such capacity building efforts will help promote inclusive growth, which in turn will strengthen the confidence in the multilateral system.
 - Ladies and gentlemen, economic globalisation is an irreversible trend. The rule-based multilateral trading system is one of the pillars that enable freer flows of trade and investment across economies that provide the very impetus to global economic development. At the moment, it is being tested, threatened by a wall of protectionist rhetoric and lamentable action. Through dialogue, through gatherings such as today's, I'm hopeful that we will surmount those obstructions, that we will find our way to an open and inclusive global economy.
 - I wish you all a very rewarding day. Thank you very much.



“ We are in the early stages of a very major transition in the global economy, and not just a storm that will pass. I think the great challenge is to start the process of achieving a workable and reasonably open global economy, with a multilateral structure and at least some rules, that is adaptive to these changes we are experiencing. ”

– Michael Spence



Michael Spence

KEYNOTE ADDRESS

Redefining Multilateralism in a New Global Economy

Considering how the multilateralism that arose in the post-war period under America’s leadership has entered a testing time, it is time to re-define, not abandon, multilateralism for today’s global economy, says Nobel Laureate and AGI Advisory Board Co-Chair Michael Spence.

- Economics does not have very good models of transition – rather, there are models of equilibrium. One view of the trade war and other challenges we are experiencing today is that they are temporary and that we will revert to some variant of the system we enjoyed in the post-war period. I find that extremely unlikely.
- There are several factors to consider. First, emerging economies expect rightly to have a role in building the global economy moving forward. Second, for the foreseeable future, there will be a multidimensional rivalry – economic, technological, strategic – between the U.S. and China; this does not necessarily lead to bad outcomes. Third, there is a rising tide of nationalism as citizens pull back from the full-blown, high-speed trend toward globalization. This has resulted from the adverse distribution of growth in developed countries, rejection of established parties and elites, and concerns over immigration which can be considered in the context of identity.
- There are therefore fairly significant headwinds with respect to getting on with creating an inclusive form of multilateralism. Yet multilateralism is much more effective than bilateralism at providing smaller economies with a more level field for participating in the global economy.
- We have to acknowledge we are dealing with a clash of systems. The West tends to have relatively small governments and relatively bright lines separating the private and public sectors. In other systems, these lines are vaguer and there is more cross-over activity, for instance, through state-owned enterprises. The rules put in place in the post-war system were designed to work for the Western version. Today, we have to deal with heterogeneity in terms of structure and governance, which is not easy.

- The impact of digital technologies must also be factored in. A host of concerns have arisen in the past five years, such as privacy, data security, jobs lost to automation, the impact on political and social processes, and the monopoly power and occasional abuse of mega-platforms such as Alibaba and Amazon. Only national, not multilateral, institutions have the legitimacy and authority to address these challenges. But not all nations will do the same thing. We are going to end up with a more heavily-regulated internet and the regulations are not going to harmonize.
- Digital technologies also affect national security and have become critical elements of military and defense capability. This means these technologies are not part of a purely economic agenda. This is not to say there is a zero-sum game, but the national security and economic agendas are not perfectly aligned. We have to think about how we are going to build multilateralism around this.
- The changes brought by digital technologies mean non-resource rich countries also have to rethink the Asian development model, which is built on a comparative advantage of well-educated labor. There is at least a chance of displacement due to technology – in which case, what will be the growth model for late starters? Nonetheless, there is a huge underappreciated opportunity around the mega-platforms, especially Alibaba and Ant Financial, that offer an inclusive model for providing mobile payments and other financial services. We are also seeing digitally-enabled ecosystems that have enormous potential in developing countries. So it is not all gloom and doom.

PLENARY DIALOGUE 1

The Geopolitical Agenda

As AGI Distinguished Fellow Andrew Sheng; National President of the Australian Institute of International Affairs Allan Gyngell; Chairman of the Institute for International Strategy at the Japan Research Institute Hitoshi Tanaka; Member of the National Security Advisory Board of India S.L. Narasimhan; and AGI Director Zhiwu Chen discuss, the way out of the multilateral fallout may lie with innovation, better statecraft and a focus on shared values.

• Amid the current turmoil in multilateralism, there is a fear that as China pursues a place in the world commensurate with its economic weight and the U.S. no longer thinks its interests are served by the framework it put in place, the chances of miscalculation will increase and create risk for the world. This is creating a dilemma for individual countries, as illustrated by Australia, which wants to retain its U.S. alliance, yet has China as its biggest trading partner.

“ *The structure of the 21st-century Indo-Pacific is not going to look like the structure of the 20th-century Asia Pacific. The energy to control the international system is not going to come from a single power source, it's going to come from a networked grid.* ”

– Allan Gyngell

- One way to respond is to reframe the region in a broader context, as the Indo-Pacific, which takes in the Indian Ocean and Pacific Ocean with Southeast Asia as the pivot in between. This would be driven not by a single power, but by a network of power centers where all voices are heard, although recognizing that China will inevitably play a central role in international affairs.
- Japan also has concerns about the changing world order, particularly about the rise of China and whether it seeks hegemony in the region. Japan does not expect a confrontation between China and the U.S. given America's superior cultural, political and economic capabilities and the fact that China will not enjoy the same population bonus in 20 years' time that it does today. It expects that China will need to innovate and reform itself, in particular by freeing up its market, if it is to continue to grow its economy.

From left to right: Andrew Sheng, Allan Gyngell, Hitoshi Tanaka, S. L. Narasimhan, Zhiwu Chen



“ *For the betterment of humanity, I think it is time to reassess: should you care whether the business partner you are making money with is someone you can be friends with, share common beliefs with, common values and so on?... A new wave is causing reassessment of the global trade system that is actually good for humanity in the long term.* ”

– Zhiwu Chen

- Another element in the geopolitical context is security. China is politically stable but the impact of the trade dispute with the U.S. has yet to be seen, so the economy is in a state of flux. The military is also still evolving. The U.S., on the other hand, has a growing economy and its military strategy is visible, plus there appears to be bipartisan agreement on how to handle China. However, America is pulling back from multilateralism, which is releasing space into which China appears to be moving. China needs to be careful, though, because it has multiple fronts – the East China Sea, South China Sea and Belt and Road.
- Against this bigger picture, non-trade security threats like terrorism and lone-wolf attacks are becoming a challenge. There is no agreement on a common definition of terrorism – what is terrorism for one person may be a national movement for another. This points to the need for stronger collective security mechanisms.



- Domestic U.S. policies are also becoming unpredictable. The Trump administration has provided a sharp learning curve for China, which assumed the anti-China rhetoric during the campaign would be softened when he took office. China experienced a significant shock when ZTE was sanctioned in April 2018. It has altered its approach since then, but given Trump's shifting policies, there is a risk of confrontation and misunderstanding.
- Moving forward, globalization will be served if there is a focus on innovation as the path to continued prosperity, on effective statecraft – which is lacking at the moment – and on asking difficult questions about the kind of business that works best for society. Should it be solely motivated by profit?

PLENARY DIALOGUE 2

Globalization in a New Multilateral Framework

HKU Chair of Economics & Philip Wong Kennedy Wong Professor in Political Economy Y.C. Richard Wong; Monex Group, Inc. Founder, Chairman and CEO Oki Matsumoto; Li & Fung Ltd. Group Chairman William K. Fung; and Nobel Laureate and AGI Advisory Board Co-Chair Michael Spence discuss the rapid pace of change brought on by new technology and the shifting dynamics of politics that need to be addressed by a new kind of multilateralism.

- The current tensions that have arisen as a result of the U.S.-China trade war must be seen in context: this is not about trade. The U.S. invoked Section 301 which is about national security threats, so this dispute is about political domination, and business people are caught in the middle.
- The globalization model of before was based on a free market and Western democratic and liberal ideals. This has given rise to excesses that need to be contained and a view that the systems regulating trade need to be more authoritarian and less democratic, particularly given the speed at which change is taking place. Democracy moves slowly, albeit with more checks and balances, and institutions are moving too slowly to keep up with the accelerated pace of change.
- New technologies, in particular blockchain and cryptocurrencies, are also playing a disruptive role. They are coming quickly from all directions and no single organization or country is setting the rules. This leaves open the possibility that regulation could become more democratic and that the private sector will play a role in setting the rules. For example, cryptocurrency means money can move about without going through the formal banking system.

This means nations lose the capacity to know how much money is moving and how to tax it. At the same time, U.S.\$200 billion a year in fees are charged by banks to move money across borders and this obstacle would be lowered.

- Nations need to find a way to respond to these trends in a multipolar world, where there is no single dominant power as there has been in the past. They could attempt to cooperate on some issues, such as climate change, and compete on others, such as the development of driverless cars. In any case, there will need to be an acceptance that the speed of new technologies and other developments will out-pace the regulatory response. The challenge will be to have a rules-based system that is more flexible than the current one and gives policy-makers more control in making choices that offer good outcomes for their countries, given the different stages of development.
- Overall, a future multilateral system will need to embrace a much larger community than just governments and pursue more innovative solutions to empower people, including blockchain technology. This should be underpinned by a rules-based system that allows flexibility in adapting to rapid technological change.



From left to right: Y. C. Richard Wong, Oki Matsumoto, William K. Fung, Michael Spence

“ People are saying the outsourcing of labor-intensive production and the globalization of production in the world has led to this bad name for globalization, at least for developed countries that lost jobs. They haven't seen anything yet. That was slow, it took 50 years. Now, you're talking about five years and there could be total disruptions in arenas like finance.... If the world keeps speeding up and the rate of acceleration keeps getting higher, all our systems will start to fall apart, including Bretton Woods, including the W.T.O. ”

– William Fung

“ Take the example of climate change. It's an urgent, existential threat. One thing we've learned is that there isn't a single answer to the question of who needs to deal with it. I can't imagine dealing with it effectively without top-down policies, but that won't be sufficient – we also need changes in values, awareness, corporate sector engagement, a whole lot of things. ”

– Michael Spence





Peter Wong

KEYNOTE ADDRESS

Asia and Multilateralism in a Multipolar World

HSBC Asia Pacific Deputy Chairman and Chief Executive Peter Wong explains how Asia's economic prowess and continued growth mean it must play a central role in the reform and advancement of new and existing bilateral regional and multilateral institutions.

- Multilateralism is more than 70 years old and a growing number of people feel it has become outdated in its current mode and must be reformed to serve an increasingly multipolar world, with a more prominent role for Asia.
- The differences can be seen in the context of the current U.S.-China trade dispute. The American stance is not unprecedented – in the 1980s, it acted against Japan and West Germany over trade imbalances and this ultimately led to these countries allowing their currencies to appreciate, which had a similar effect to imposing tariffs. The difference between then and now is that back then, the U.S. was only a few years away from becoming the only superpower in the world. Now, it is one of several great powers in an increasingly multipolar world order.

“ Within our lifetime, the world will have gone from being bipolar to unipolar to multipolar. Never again will a single superpower dominate the world the way the United States did between the fall of the Soviet Union and the rise of China. The world order has evolved and so must multilateralism. ”

– Peter Wong



- Multilateralism was in fact spearheaded by the U.S. in the post-war period. After the Soviet Union fell, it called for deeper economic and financial linkages in the world. This led to a global boost in production and consumption, notably in China. Forty years ago, China had one-quarter of the world's population but only five per cent of the world's economic output. Today the figures are 18 per cent and 15 per cent respectively, and by 2030 it is predicted to be the world's largest economy. India by that time will be the world's third largest economy and ASEAN countries are also becoming a collective major force.
- But multilateralism today has problems. First, it is unwieldy. The W.T.O. has 164 members, making it difficult to reach agreement. In the Asia Pacific, we have seen the emergence of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP) and Belt and Road Initiative (BRI). Countries are also increasingly operating outside the multilateral framework and settling disputes in their own way. This is affecting business. Surveys by HSBC show that in the face of growing protectionism, companies are turning their attention to intra-regional trade rather than inter-regional trade.
- Another, more severe problem is that multilateralism has not kept up with the times. Most multilateral institutions are still led by Europeans or Americans. Ironically, the country with the most responsibility for creating many of these institutions – the U.S. – has led the assault against them. Given the multitude and magnitude of problems facing the world, no country will get far going it alone. We therefore need to reform multilateralism to address these problems.
- It is important to understand that multilateralism, regionalism and bilateralism are not mutually exclusive, especially in a multipolar world. New institutions such as the Asian Investment Bank (AIB) can support global and regional development. The BRI will need financing from both the public and private sectors, developed and emerging markets, and existing and new multilateral institutions in order to succeed.

- The new multilateralism must aim to make countries feel they have more to gain by being part of the system and Asia must play a prominent role. This means conforming to the requirements of the rules-based system and being more active in helping to sustain current multilateral institutions. The AIB is a good example as China spearheaded its creation, but it is governed by a board designed to reassure China's partners that Beijing will not exert dominance.
- Multilateral cooperation provides a venue to resolve differences peacefully, a platform to agree on common rules, a mechanism to better manage international flows, and a channel for exchanging ideas, experiences and practices so countries can learn from each other. People must talk to each other. Instead of abandoning multilateralism, we must look to reform it.

PARALLEL BREAKOUT SESSION 1A

Remaking the Global Multilateral Trade System from Asia

Chairman of the Institute for International Strategy of the Japan Research Institute Hitoshi Tanaka; HSBC Professor in Global Economy and Business Strategy of the University of Hong Kong Zhigang Tao; Chairman of the Center for Global Enterprise Samuel Palmisano; and Distinguished Fellow of the Rajaratnam School of International Studies of Nanyang Technological University Barry Desker join AGI Advisory Board Co-Chair Victor K. Fung in a conversation on how Asia's regional multilateral institutions may help it navigate the U.S.-China trade war and set an example to the world.

- Asia has thrived on trade, but now faces the threat of a trade war between the U.S. and China. Resolving this through multilateral bodies such as the W.T.O. is difficult. The U.S. played a pre-eminent role in establishing global governance systems after World War Two but now it is stepping back and viewing them antagonistically.
- Several regional alliances have stepped into the breach, such as ASEAN Plus Three, CPTPP and RCEP, as well as BRI. As these progress, the focus should be on making Asia the development model for a new form of multilateralism based on open regionalism and trade.

“ The objectives of going to China are [either] China as a market versus China as a low-cost production base. Since 2008, the emphasis is more on China as a market. If you think of China as a market, you won't stay away from China, so the idea of decoupling will not work. ”

– Zhigang Tao

From left to right: Hitoshi Tanaka, Zhigang Tao, Samuel Palmisano, Barry Desker, Victor K. Fung



- At the same time, it should be recognized that a U.S.-China trade war could have good and bad impacts in Asia. In the 1980s, when Japan was targeted with Section 301 by the Reagan administration, it responded by opening up the country, which improved its competitiveness. China could do the same. There is also more likelihood of the region as a whole continuing to meet global consumer demand in the face of a trade war, because the country of origin can simply change from China to somewhere like Bangladesh. Nonetheless, some multinationals have started to reduce their exposure in China.
- A trade war might also not achieve its desired ends. In China, it would likely leave the strongest companies standing, making the country more competitive. In the U.S., the opposite could happen – protectionism would protect weaker firms, reducing American productivity. A trade war could also accelerate China's migration to an innovation-based economy and spur rising consumption in the region (this is also happening elsewhere in Asia).
- However, the Chinese economy still needs to mature more, so it may need to compromise with the U.S. this time around. There are also concerns about the Communist Party's talk of stronger intervention in the private industry and the country's lack of privacy protection.
- The tensions between China and the U.S. are unlikely to resolve soon, given 2019 is a year of major anniversaries in China (May 4, founding of the PRC and June 4 Tiananmen Square incident) and 2020 is an election year in the U.S. Neither side will want to be seen to be backing down. But the regional integration being pursued in Asia could limit the impact of a trade war and America's disengagement from multilateral institutions. Ideally, it could underpin a new international multilateralism that provides rules and harmonizes standards for all members, big and small.

“ [In the 1980s when the U.S. targeted trade with Japan], we ourselves thought the Japanese market was closed. Therefore, utilizing U.S. pressure, we opened up our market and that was a good thing. Japan has become more competitive. If the same thing were being done vis a vis China, I would applaud the efforts on the part of Trump. ”

– Hitoshi Tanaka

“ [U.S. CEOs'] inability to make a transition to this high-speed, innovative agile model for product development based on digitalization or data-mining, based on your customer set and so on, is a bigger threat to those guys than anything happening with trade. ”

– Samuel Palmisano

PARALLEL BREAKOUT SESSION 1B

Solving Asia's Biggest Development Challenges

2018 AsiaGlobal Fellow and First Secretary of Brazil's Ministry of External Relations' Human Rights Division Bruna Mara Liso Gagliardi; 2018 AsiaGlobal Fellow and Director of International Development of Social Finance Diane Mak; Director of the CLP Research Institute Jeanne Ng; AGI Distinguished Fellow Noeleen Heyzer; and Director of Sustainability of Fung Group Pamela Mar say Asia needs to focus on inclusiveness, sustainable development, innovative financing and a change of mindset if it wants to advance.

- Asia has a history of dealing with large developmental challenges: in the past four decades, it has lifted 1 billion people out of poverty and created a middle class. But growth has been uneven and the region still houses the bulk of the world's extreme poor. If it is to grow in a more inclusive way in future, it will need to overcome some major challenges that are faced not only by the region but the world.
- One problem is that wealth is increasingly concentrated in assets, making it more difficult for poor people to rise out of poverty through their labor. Another is the pressure on the planet's resources and the need for sustainable development. Asia is particularly vulnerable to the threats posed by climate change. A third challenge comes from the disruptions caused by technology.

“ People [in Asia] came out of poverty and got into the middle class through work... But increasingly the wealth that's being formed comes from financial flows and it also comes from the concentration of assets. There is a delinking between employment and economic growth. In fact, the growth of informal employment is increasing and becoming casualized – you have more outsourcing, contract work and so on. This makes it difficult for people to get out of poverty just through work. ”

– Noeleen Heyzer

From left to right: Bruna Mara Liso Gagliardi, Diane Mak, Jeanne Ng, Noeleen Heyzer, Pamela Mar



- New models for financing growth, such as social investment, may be one way to address the issues. For example, with the U.K. social impact bond, the private sector invests in social service organizations and is repaid by government and donors only if pre-agreed social outcomes are achieved, such as better maternal and child healthcare. There are signs impact investment is becoming more mainstream but there still needs to be accreditation and measurement tools to demonstrate to investors that they are generating a positive impact, and more capacity-building and accountability.
- Environmental outcomes and growth both hinge to a large part on energy and how it is sourced and generated. More than 1 billion people in rural areas lack access to modern energy systems. This gap needs to be closed but at the same time, energy efficiency needs to improve to minimize environmental impacts. Coal remains the cheapest option and banks in the past have been reluctant to invest in renewable energy because of the long pay-back period. But Asia represents an opportunity because its infrastructure is not as entrenched as other places. This means it can build more distributed energy systems from scratch.
- Technology can offer hope to workers, even those facing automation, by providing them with information about their rights, access to training opportunities, identity protection and other advantages. For example, paying workers digitally rather than in cash can reduce corruption and safety concerns.

“ We need to recognize the scale of the mindset change we need because Asia has created 600 million jobs by being someone else's supply chain... We've created this culture of, I'm your servant, if you want me to jump off your cliff, I will. But am I going to be the one to determine who I want to be in future? That's the attitude we need if we're going to move from low- to middle-income and break through the middle-income trap. ”

– Pamela Mar

- Overall, the idea of “factory Asia” needs to change. Banks need to be more willing to finance SMEs to upgrade their technology, especially as SMEs create most of the jobs. Workers need to be trained to take advantage of new jobs emerging from technological innovation. The region as a whole needs to change its mindset from being a link in someone else's supply chain to being its own master. And it needs to make that transition with a focus on quality growth that leaves no one behind.



From left to right: Zhe Sun, Ryan Manuel, Yoshikazu Kato, S. L. Narasimhan, Keith Richburg

PARALLEL BREAKOUT SESSION 2A

Security in the Asia Pacific

Adjunct Senior Research Scholar and Co-Director of China Initiative at Columbia University's School of International and Public Affairs Zhe Sun; AGI Policy Research Director Ryan Manuel; AGI Adjunct Associate Professor Yoshikazu Kato; Member of India's National Security Advisory Board S.L. Narasimhan; and Director of the University of Hong Kong's Journalism and Media Studies Centre Keith Richburg discuss how simmering tensions between the U.S. and China are urging the region to figure out how to maintain security and co-operation.

- Asia is fortunate in not having experienced a major war in at least three decades. But it is facing several issues that may impact on security in the region in the near future.
- One is the shifting balance of power – there is the continuing rise of China, the strong relationship between U.S. partners, particularly Japan and South Korea, and the growing acceptance of the Indo-Pacific concept. Another is new security arrangements focused on such areas as the South China Sea, Afghanistan and anti-piracy activities.
- These issues are giving increasing prominence to ASEAN as a player, but there are other impacts. Central Asian republics are coming more into focus, the Korean Peninsula remains difficult, Japan is increasing naval activity in the South China Sea, and the Indian Ocean is attracting more players.

“ What I worry about is an accident, a collision. Reconnaissance [activities] by Americans have increased dramatically now there are maybe 1,200 a year. Some Chinese soldiers are not afraid to have a collision with American ships... I'm afraid if people die, how do you work out an escalated crisis? ”

– Zhe Sun

“ None of this is going to work in the current climate where China is being demonized. And not demonized necessarily for its actions or its conduct, but for this idea of everything being a united front, a Chinese strategy... Anything can be painted in that light and it blocks you from having wins on the normal areas where we try and get some purchase and co-operation – education, economic exchange, all these things where there is genuine ability to work together. ”

– Yoshikazu Kato

- The response to these developments differs between ASEAN and China. ASEAN favors a collective response while China prefers to deal with countries bilaterally and is sensitive to actions that upset its core interests. Central Asian Republics are worried that they are just a transit route for the Belt and Road Initiative and are otherwise being left out. There are also concerns about the freedom of navigation and flow of commerce.
- Leadership matters in this context and it is important that leaders have personal relations for regional stability. Japan is keen to play a role, particularly in promoting regional trade institutions and addressing the strategic rivalries playing out in nearby areas such as the Korean peninsula and Taiwan strait, but it needs to act with transparency and accountability, especially regarding constitutional limitations on its actions.
- A key challenge on the leadership front is that the U.S. has no clear idea what role it should play. It now treats China as a strategic competitor. China, meanwhile, has become the one pushing free trade in the region.
- Multilateral institutions are not providing a way forward. Small wins would help as would more bottom-up actions rather than the top-down ones, which are no longer working.
- At the same time, some perspective is needed, especially on U.S.-China relations. There is still substantial people-to-people contact between them – more than 5 million travel between the two countries each year. There is co-operation, as evidenced by treaties and companies from both nations working together. However, there is also competition at the corporate, military and diplomatic levels. And there is a risk that the limited confrontations of the past may escalate, particularly given increased U.S. activity in the South China Sea and its domestic action, such as tightening visas for Chinese students. Nonetheless, the Xi Jinping administration will likely want to avoid direct confrontation with the U.S.
- An interesting question is whether China will seek more allies in the region and further afield. The signs are that this is unlikely. China has a hard time selling its story to others and has home-field advantages. But at the same time, the U.S. has five major partners in Asia and China has none.



From left to right: Eric Grimson, Raymond Cheng, Herbert Chia, Yam Ki Chan, Barbara Meynert

PARALLEL BREAKOUT SESSION 2B

Opportunities and Challenges of AI in Society

Chancellor for Academic Advancement, Massachusetts Institute of Technology Eric Grimson; HSBC Group General Manager & Chief Operating Officer, Asia Pacific Raymond Cheng; Sequoia Capital China Expert Partner Herbert Chia; Google Hong Kong and South Asian Frontier's Head of Public Policy and Government Affairs Yam Ki Chan; and Fung Group Senior Advisor Barbara Meynert discuss how companies and governments are responding to AI, which is giving rise to worries about privacy, misuse of technology and other matters.

“ *The transformation is just beginning. What it will evolve into is really hard to say. We have to believe humans have enough intelligence to create... a better world out of our technology rather than create something that will [hurt] us.* ”

– Herbert Chia

Artificial intelligence (AI) is quickly becoming entrenched in many areas of life. For example, in healthcare, scholars have developed AI-based systems such as a motion detector that can tell if a person in another room has fallen – making it a potential monitor of patients in hospitals and at home. Another system can compile data from multiple sources – lab reports, handwritten doctors’ notes, previous cases, scientific journals etc, and provide a physician with a personalized summary of a patient’s symptoms and possible causes so they can make a diagnosis. Minimally-invasive surgery and drug development have also benefited from AI, whose purpose in these cases has been to augment, not replace, human decision-making.

- Finance is another area where AI is being used extensively – to analyze financial data, scan and summarize legal documents and deal directly with customers through call centers. Customers are likely to encounter more and more AI given the trend towards using it to manage and develop customer relations.
- These developments, while exciting, must be considered in the context that this is still very early days for AI. There is still a lot of “noise” and contradictions in the data, which is to be expected given big data usually is compiled from multiple sources. Nonetheless, as AI continues to develop, even data analysts will find themselves replaced by the technology in future.
- Concerns have arisen about job displacement, privacy, misuse and other issues. Technology companies need to acknowledge these concerns while continuing to develop AI’s potential. Google has taken to publishing principles for pursuing AI research and application – such as pursuing AI that is socially beneficial, avoids the creation of bias, is built and tested for safety, incorporates privacy design principles and is accountable to people. At the same time, it will not pursue AI that causes harm or is used as weaponry, for surveillance that violates internationally-accepted norms, or for purposes that contravene international law and human rights.
- These principles could form the basis of a wider discussion involving other firms, scholars and countries, but it must be acknowledged that each country will have its own ideas about these principles, for instance, in defining what it believes to be socially beneficial.
- Country differences may also come into play in the sharing of data because each government will have its own rules on what can be shared. Algorithms are more easily shared at this stage. However, technology may provide a solution to the data hurdle through better encryption and machine computing.

- Ethics and trust are also important when talking about AI. Principles like Google’s could address some of these issues, although it is admittedly difficult to ask people to trust a technology that experts themselves have difficulty explaining. Algorithms work with constantly changing datasets and it can be difficult to explain how they reach their conclusions, let alone replicate results.
- An interesting question is whether the U.S.-China trade war is in fact about AI dominance. A 2017 State Council paper stated that China aimed to be number one in the world in AI by 2030. Whether this is a factor in the dispute, the key thing is that the country that dominates in AI will be one that nurtures creative and entrepreneurial talent.

“ *At the end of the day, technology... isn’t location-based, it’s people-based. It’s about finding a group of people who are scientifically curious, entrepreneurial and who want to move fast and try ideas. I think a country that has that environment will ultimately lead in the world.* ”

– Yam Ki Chan

LIST OF SPEAKERS



Yam Ki Chan

Head of Public Policy and Government Affairs, Hong Kong and South Asian Frontier, Google



Eric Grimson

Chancellor for Academic Advancement, Massachusetts Institute of Technology



Zhiwu Chen

Director, Asia Global Institute



Allan Gyngell

National President, Australian Institute of International Affairs



Raymond Cheng

Group General Manager & Chief Operating Officer, Asia Pacific, HSBC



Noeleen Heyzer

Distinguished Fellow, Asia Global Institute



Herbert Chia

Expert Partner, Sequoia Capital China



Yoshikazu Kato

Adjunct Associate Professor, Asia Global Institute



Barry Desker

Distinguished Fellow, Rajaratnam School of International Studies, Nanyang Technological University



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Chief Executive, Hong Kong Special Administrative Region



Victor K. Fung

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Diane Mak

Director, International Development, Social Finance (AsiaGlobal Fellow 2018)



William K. Fung

Group Chairman, Li & Fung Limited



Ryan Manuel

Policy Research Director, Asia Global Institute



Bruna Mara Liso Gagliardi

First Secretary, Human Rights Division, Ministry of External Relations, Brazil (AsiaGlobal Fellow 2018)



Pamela Mar

Director, Sustainability, Fung Group



Oki Matsumoto

Founder, Chairman and Chief Executive Officer, Monex Group, Inc.



Michael Spence

Nobel Laureate and Advisory Board Co-Chair, Asia Global Institute



Barbara Meynert

Senior Advisor, Fung Group



Zhe Sun

Adjunct Senior Research Scholar and Co-Director of China Initiative at School of International and Public Affairs, Columbia University



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Jeanne Ng

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Zhigang Tao

HSBC Professor in Global Economy and Business Strategy, The University of Hong Kong



Samuel Palmisano

Chairman, The Center for Global Enterprise



Peter Tung Shun Wong

Deputy Chairman and Chief Executive, Asia Pacific, HSBC



Keith Richburg

Director, Journalism and Media Studies Centre, The University of Hong Kong



Y. C. Richard Wong

Chair of Economics & Philip Wong Kennedy Wong Professor in Political Economy, The University of Hong Kong



Andrew Sheng

Distinguished Fellow, Asia Global Institute



Xiang Zhang

President and Vice-Chancellor, The University of Hong Kong

FULL PROGRAM

Time	Event	Venue (Main Building, HKU)
0830-0900	Registration at The University of Hong Kong	Loke Yew Hall
0900-0910	Welcome remarks <ul style="list-style-type: none"> • Victor K. Fung, Advisory Board Co-Chair, Asia Global Institute • Xiang Zhang, President and Vice-Chancellor, The University of Hong Kong 	Loke Yew Hall
0910-0920	Opening remarks <ul style="list-style-type: none"> • Carrie Lam, Chief Executive, Hong Kong Special Administrative Region 	Loke Yew Hall
0920-0945	Keynote address: Redefining multilateralism in a new global economy <ul style="list-style-type: none"> • Michael Spence, Nobel Laureate and Advisory Board Co-Chair, Asia Global Institute 	Loke Yew Hall
0945-1100	Plenary dialogue 1 The geopolitical agenda <ul style="list-style-type: none"> • Zhiwu Chen, Director, Asia Global Institute • Allan Gyngell, National President, Australian Institute of International Affairs • S. L. Narasimhan, Member, National Security Advisory Board, India • Hitoshi Tanaka, Chairman, Institute for International Strategy, Japan Research Institute • Andrew Sheng, Distinguished Fellow, Asia Global Institute (Moderator) 	Loke Yew Hall
1100-1130	Coffee break	Loke Yew Hall
1130-1245	Plenary dialogue 2 Globalization in a new multilateral framework <ul style="list-style-type: none"> • William K. Fung, Group Chairman, Li & Fung Limited • Oki Matsumoto, Founder, Chairman and Chief Executive Officer, Monex Group, Inc. • Michael Spence, Nobel Laureate and Advisory Board Co-Chair, Asia Global Institute • Y. C. Richard Wong, Chair of Economics & Philip Wong Kennedy Wong Professor in Political Economy, The University of Hong Kong (Moderator) 	Loke Yew Hall
1300-1415	Luncheon keynote address Asia and multilateralism in a multipolar world <ul style="list-style-type: none"> • Peter Tung Shun Wong, Deputy Chairman and Chief Executive, Asia-Pacific, HSBC 	Loke Yew Hall

1430-1545	Parallel breakout sessions Session 1a: Remaking the global multilateral trade system from Asia <ul style="list-style-type: none"> • Barry Desker, Distinguished Fellow, Rajaratnam School of International Studies, Nanyang Technological University • Samuel Palmisano, Chairman, The Center for Global Enterprise • Hitoshi Tanaka, Chairman, Institute for International Strategy, Japan Research Institute • Zhigang Tao, HSBC Professor in Global Economy and Business Strategy, The University of Hong Kong • Victor K. Fung, Advisory Board Co-Chair, Asia Global Institute (Moderator) 	Convocation Room
	Session 1b: Solving Asia's biggest development challenges <ul style="list-style-type: none"> • Noeleen Heyzer, Distinguished Fellow, Asia Global Institute • Diane Mak, Director, International Development, Social Finance (AsiaGlobal Fellow 2018) • Pamela Mar, Director, Sustainability, Fung Group • Jeanne Ng, Director, CLP Research Institute • Bruna Mara Liso Gagliardi, First Secretary, Human Rights Division, Ministry of External Relations, Brazil (AsiaGlobal Fellow 2018) (Moderator) 	G07
1545-1615	Coffee break	Loke Yew Hall
1615-1730	Parallel breakout sessions Session 2a: Security in the Asia Pacific <ul style="list-style-type: none"> • Yoshikazu Kato, Adjunct Associate Professor, Asia Global Institute • Ryan Manuel, Policy Research Director, Asia Global Institute • S. L. Narasimhan, Member, National Security Advisory Board, India • Zhe Sun, Adjunct Senior Research Scholar and Co-Director of China Initiative at School of International and Public Affairs, Columbia University • Keith Richburg, Director, Journalism and Media Studies Centre, The University of Hong Kong (Moderator) 	Convocation Room
	Session 2b: Opportunities and challenges of AI in society <ul style="list-style-type: none"> • Yam Ki Chan, Head of Public Policy and Government Affairs, Hong Kong and South Asian Frontier, Google • Raymond Cheng, Group General Manager & Chief Operating Officer, Asia Pacific, HSBC • Herbert Chia, Expert Partner, Sequoia Capital China • Eric Grimson, Chancellor for Academic Advancement, Massachusetts Institute of Technology • Barbara Meynert, Senior Advisor, Fung Group (Moderator) 	G07
1730-1800	Closing cocktail	Loke Yew Hall

PHOTO HIGHLIGHTS



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