



# 上海论坛 2012 学术简报

## Academic Bulletin of Shanghai Forum 2012

### **International Trade, Investment and Governance with the Intensifying Economic Crisis (II)**

May 27, 2012

Professor Liu Hongzhong from Liaoning University discussed the rebalance of East Asian economy. East Asia is developing the intra-industry trade and intra-product trade. The unbalance between the final product and intermediate product is expanding. Therefore the 2008 financial crisis had more influence on the trade in East Asian area than in EU. In the future, policy cooperation shall be enhanced in East Asia, the dependence on the U.S. shall be reduced, economic cooperation shall be developed and the trade structure shall be improved, thus to achieve the stable economic growth of the East Asian countries.

Professor Ding Yibing from Jilin University furthered the discussion on China's role and influence in East Asian trade structure. In his opinion, East Asian trade is a triangle structure. China is a linkage of the net. But this structure is not good at preventing the volatility of the demands of the external advanced countries. Therefore, East Asian countries have to adjust the trade structure, which means the redeployment of the resource, readjustment of the production structure to lower the dependence of East Asian trade on the external demands.

Professor Jean-Pierre Laffargue studied the preventing effect of the development of the tourism industry on the economic recession. Through the analysis of general equilibrium model, we can find that when the demand elasticity of the foreign tourists is infinite, the incoming of the tourists can prevent the fast drop of the price of the non-tradable goods, while gaining some income, thus reduce the economic recession. When the demand elasticity of the foreign tourists is non-infinite, through the effect of the rise of the exchange rate of the foreign countries, the tourism industry still can reduce the economic recession.

Professor Sergei F. Sutyurin discussed the supervision of the trade liberalization. Trade liberalization includes bilateral liberalization, and international multilateral liberalization. Governments need to supervise the trade system accordingly, preventing the systematic risk.

Professor Mathilde Maurel from Germany analyzed the short-term and long-term effect of the adjustment of RMB's exchange rate. Through a model of the analysis of 60 countries in 15 years, he concluded that in short-term, the artificial control of the exchange rate could reduce the effect of economic recession. However in the long-term, the effect of the exchange rate is deeper.

Professor Li Kunwang from Nankai University focused on China's FDI and studied the institutional distance and the result of the international M&A by Chinese companies. Chinese companies are more willing to invest in African developing countries than the advanced countries. The reason is that Chinese companies grow up in an incomplete institutional environment. They can survive in a worse institutional environment, and even use the defect of the institution of the host countries to gain some profits. This is a significant fact of the influence of the institutional distance on the China's FDI.

Professor Fang Zhou introduced economic challenge faced by Hong Kong and the relation with China mainland. Hong Kong's institution is very complete, whose business environmental attractiveness ranks first in the world. But in recent years, many coastal cities have narrowed the gap with Hong Kong in infrastructures and services. Hong Kong's competitiveness is declining. Hong Kong's future development relies on RMB offshore market and the back flow of RMB. Also, Hong Kong can make a wider cooperation agreement with mainland, exercising its advantages in service industry.