

Darryl Chan: Europe, Asia and the changing global economy

Welcoming remarks by Mr Darryl Chan, Deputy Chief Executive of the Hong Kong Monetary Authority, at the Joint Conference of the Hong Kong Institute for Monetary and Financial Research (HKIMR), the European Central Bank (ECB) and the Bank of Finland Institute for Emerging Economies (BOFIT) on "Europe, Asia and the Changing Global Economy", Hong Kong, 20 January 2025.

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Governor Rehn, Dr Lane, Distinguished Guests, Ladies and Gentlemen, Good Morning!

A very warm welcome to all of you for joining today's conference. As we begin the new year, let me wish everyone a prosperous year ahead.

The Hong Kong Institute for Monetary and Financial Research (HKIMR) is deeply honoured to host this conference in collaboration with the European Central Bank (ECB) and the Bank of Finland Institute for Emerging Economies (BOFIT). The title of today's conference, "Europe, Asia and the Changing Global Economy", has been aptly chosen. Barring any surprise, this year will be marked by major changes – changes that echo political and economic events taking place in different parts of the world.

Indeed, the world economy is at a critical juncture. We are facing increasingly challenging near-term macroeconomic environment, heightened geopolitical tensions and geoeconomic fragmentation, rising trade disruptions and protectionism. Across both advanced and emerging economies, public debts as a share of economic output have surged steadily for years, further constraining the fiscal policy headroom going forward. Meanwhile, medium-term growth rates are expected to decline on the back of lacklustre productivity growth and ageing populations.

Against this complex backdrop, policymakers need to look to structural reforms as the most effective way to stabilise debt dynamics and boost domestic productivity and longer-term growth. One notable example is the European Commission's "Draghi Report", which highlights the main elements necessary to enhance Europe's competitiveness.

Many policymakers in Asia share a similar sense of urgency to boost or reinvigorate economic growth. If history is any guide, a key lesson from the Asian Financial Crisis before the turn of the century is the need to address structural weaknesses through broad-based reforms and greater regional cooperation to enhance financial resilience.

History has also consistently demonstrated that an open and rules-based multilateral trading system generates value for the global community. In our view, it is crucial therefore that efforts to raise the competitiveness of domestic sectors should not be at the expense of the integrity of the global trading system.

Asia is and remains a major trade partner of the European Union (EU). China and the Association of Southeast Asian Nations (ASEAN) bloc represent respectively the EU's

second and third largest trading partners. At unsettling times like this, Europe and Asia should endeavour to explore as much common ground as possible, so as to better harness mutual and sustained economic benefits through trade and investment.

We need to look beyond traditional merchandise trade, or trade in the traditional way. For example, there can be closer cooperation in the digital economy and on green technologies and green services. Digital trade transformation offers substantial productivity gains. It also offers better prospects of distributing the gains generated from trade more widely and equitably among the various stakeholders.

Cooperation in green innovations, including through mutually beneficial technology transfers, can support faster transitions by improving material productivity, reducing pollution, and mitigating climate change.

In this process, central banks and regulators also have a role to play – by upholding the resilience of our financial systems to support the real sector; by future-proofing our financial infrastructures so that they are fit for purpose with the advancements in technology; by better coordinating monetary and fiscal policy to provide a conducive macro environment.

In this regard, forums like today's conference provide a platform for policymakers, academics, and market participants to share their insights and expertise. I would like to thank colleagues from our joint-organisers, the ECB and the Bank of Finland for putting together such an interesting programme.

I look forward to many productive and insightful discussions in the next one and a half days. Thank you.