

China seen pipping US as largest economy in 2018



Prof Jorgenson: *Ongoing massive reconfiguration will lead to a new world economic order by 2020*

Developing Asia will overtake G-7 by then too, says Harvard professor

By **TEH SHI NING**

CHINA will overtake the US to become the world's largest economy in 2018, in terms of gross domestic product at purchasing power parity. Developing Asia, which excludes Japan, is set to overtake the G-7 by then too, predicts Harvard University professor Dale W Jorgenson.

This "new growth paradigm" that is shaping the global economy "places a premium on skilful econo-

mic management", said Prof Jorgenson, who delivered the SMU Shaw Foundation Distinguished Faculty Lecture yesterday.

He thinks that the "massive reconfiguration" which the world economy is now experiencing will come to fruition in a "new world economic order" by 2020.

He also expects, within the next 10 years, India to overtake Japan, Russia to surpass Germany and Brazil to eclipse the UK.

In response to questions during the post-lecture panel discussion on what this means for global politics, Prof Jorgenson said that he does not think the world will move to a new hege-

monism. "Rather, we should be looking for opportunities to cooperate in an increasingly globalised economy", one in which multilateral institutions such as the International Monetary Fund will be important, he said.

This shift has already surfaced in the recent debate over leadership of the IMF, Prof Jorgenson said, pointing out that China has now received its first deputy managing director role at the fund.

One of the panellists, Yeoh Lam Keong, vice-president of the Economic Society of Singapore, sees some risk to Asia's rise however.

"The institutional under-

pinnings of these economies are much less developed than the rapid pace of growth," he said, pointing in particular to China's underdeveloped banking and financial sector and need to give its emerging middle class a political voice.

As for the growth of the "Asian Tigers" – Singapore, Hong Kong, South Korea and Taiwan – Prof Jorgenson forecasts, on the basis of estimates of capital, labour and total factor productivity growth, that growth of these economies will continue to slow in the next decade. But all except Hong Kong will still grow faster than the world economy.