# WORLD

# Global economy faces rough weather ahead

## Rising prices trigger protests as Fed's interest rate hikes cause spillover effects worldwide

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**Top left:** Bryan Cranston (front left) and Aaron Paul (front right), cast members from *Breaking Bad*, strike on a picket line outside Sony Pictures studios in Culver City, California, on Aug 29. CHRIS PIZZELLO / AP **Top right:** Members of the United Auto Workers attend a rally in Detroit on Sept 15. PAUL SANCYA / AP **Bottom left:** Customers check out at a supermarket in Barcelona, Spain, on Sept 14. ANGEL GARCIA VIA GETTY IMAGES **Bottom right:** A woman holds up a Spanish sign reading "Our soup kitchens need food" outside Argentina's Social Development Ministry during a protest demanding more government food aid for soup kitchens in Buenos Aires on Dec 22. RODRIGO ABD / AP

US actors Bryan Cranston and Aaron Paul met again in August. This time not for the reunion of the *Breaking Bad* series, but on the picket line in solidarity protests with other Hollywood actors.

Speaking to the crowd, Cranston said, "We just want them to see reality and fairness and come back to the table and talk to us."

Striking actors started the rally in mid-July, more than two months after screenwriters began protests in their bid to get better pay and working conditions under the influence of streaming services and artificial intelligence.

The celebrity-packed picket lines brought more attention to the so-called Hollywood double strike — writers and actors — unseen in 60 years.

From coast to coast, a wave of strikes has gripped the US throughout 2023, rippling across industries such as logistics and automobiles.

The country's United Auto Workers union began a strike in mid-September against all the Big Three automakers, namely Ford Motor, General Motors and Stellantis. The first-ever strike of all three at once in the union's 88-year history came after failed talks on new contracts.

In the past 50 years across the United States, there has been a massive redistribution of wealth, Vermont Senator Bernie Sanders said at a rally, highlighting the rising salaries of the CEOs of the Big Three automakers.

Against this backdrop, the union had reportedly been negotiating for significantly higher pay and new benefits.

"After the pandemic, the US economy grappled with sluggish growth and encountered intense competition from other countries, presenting challenges for businesses," Wang Zhen, a research professor of international politics at the Institute of International Relations, Shanghai Academy of Social Sciences, told China Daily.

During the pandemic, the US implemented stimulus packages to bolster the economy.

"The fiscal expansion policies led to high inflation and elevated the cost of living for the working class," Wang said. "In addition, technological advancements, particularly artificial intelligence, have encroached upon the traditional interests of corporate workers, prompting them to take to the streets to defend their rights."

The US inflation rate started to grow at a more than 2 percent rate from March 2021 and peaked at 9.1 percent in June 2022 to a 40-year high, according to the US Bureau of Labor Statistics.

To tame inflation, the US Federal Reserve raised its benchmark policy interest rate 11 times since March 2022 from the near-zero level to the current 5.25-5.50 percent range, marking the fastest pace in 40 years.

"The Fed is as aggressive as it has been since the early 1980s," Chris Turner, global head of markets at the Dutch banking group ING, was quoted by CNN as saying.

"They're willing to tolerate higher unemployment and a recession", he said. "That's not good for international growth."

Even though inflation has eased from a peak of 9.1 percent last year, it remains too high for the Fed.

The US central bank said it remains "highly attentive to inflation risks" and that it is strongly committed to returning inflation to its 2 percent goal as it left interest rates unchanged on a Dec 13 meeting, a third pause from September.

The rate-setting group pointed to recent indicators showing that economic activity has slowed in the third quarter.

The high rates have put the banking system under pressure, which has seen the collapse of Silicon Valley Bank and Signature Bank in March, and the failure of First Republic Bank in May. Elsewhere, UBS agreed in March to buy Credit Suisse in a rescue move to avert a banking sector meltdown.

"Ripple effects of US financial system strains could lead to tighter credit, sharper slowdown worldwide," said a report by The Wall Street Journal earlier this year. "Turmoil in the US banking sector isn't just a problem for the US. It also increases the risks of a global recession."

Xu Gao, chief economist at Bank of China International, told China Daily, "After the collapse of the Silicon Valley Bank, the growth rate of credit extended to entities by the US banking system showed a slower pace.

"Once the accumulated liquidity is drained, the impact of subsequent liquidity crunch is expected to manifest in the real economy."

Citing the manufacturing purchasing managers index in the US which has run under 50 since November last year, Xu said, "Although the US economy seems to be doing well this year, its role as a driving force for global economic growth has declined."

The World Economic Outlook published by the International Monetary Fund in October said: "Borrowing costs for emerging (markets) and developing economies remain high, constraining priority spending and raising the risk of debt distress. ... The danger is of a sharp repricing of risk, especially for emerging markets, that would appreciate further the US dollar, trigger capital outflows, and increase borrowing costs and debt distress."

In November, European Central Bank President Christine Lagarde told the European Parliament that although she expected the weakening of inflationary pressures to continue, "the medium-term outlook for inflation remains surrounded by considerable uncertainty". She said wages would continue to play a pivotal role in driving domestic inflation.

### Daily squeeze on budgets

Tomas Hnyk, a Prague resident, told China Daily that ordinary people face a daily squeeze on their budgets.

"The costs of energy and food and their basic services increased by a lot more than their income," he said.

Energy prices have surged, especially after the Russia-Ukraine conflict, which cast a long shadow on the continent as no quick ending is seen, he said.

"Prices went up for almost everything," he said. "Despite inflation being smaller than it was, it is still a big issue. For people with less money, it is a huge deal."

This frustration is not only felt in the Czech Republic, but also across other European countries, as they have experienced a wave of protests, with citizens demanding concrete steps from the government to ease their economic burden.

In France, people protested against an increase in the retirement age. In Germany, striking transportation workers caused major disruptions at airports and bus and train stations.

The United Kingdom also witnessed pay disputes across sectors, with workers demanding higher wages. Strikes in schools, railways and hospitals have become more frequent, notably in the National Health Service, where health workers staged the largest strike in its 75-year history. The financial strain intensified as Birmingham and Nottingham declared bankruptcy in September and November, respectively.

Meanwhile, Africa suffers from high inflation, as highlighted in the IMF Regional Economic Outlook for Sub-Saharan Africa published in October, which said: "Inflation is still too high. Inflation at end 2023 is projected to stay in double digits in 14 countries."

In its Economic Outlook published in late November, the Organization for Economic Cooperation and Development said it expected the global economy to slow down slightly in 2024 as a result of the tightening of monetary policy, weaker trade and dipping consumer confidence.

It projected a global GDP growth of 2.9 percent in 2023, followed by a mild slowdown to 2.7 percent in 2024 and a slight improvement to 3 percent in 2025. Asia is expected to continue to account for the bulk of global growth in 2024-25, as it has done this year.

Observers noted a recent trend of de-globalization, spearheaded by the US, resulting in disruptions to global supply chains.

The US and its Western allies "have been the biggest beneficiaries" of world economic integration and globalization since the end of the Cold War, Wang from the Shanghai Academy of Social Sciences said.

However, since former US president Donald Trump assumed office in 2017, a shift toward anti-globalization policies has been evident, initiating trade and technology wars aimed at curbing the ascent of developing countries, Wang said.

"These policies, among others, failed to achieve the 'manufacturing reshoring' advocated by US policymakers, and have increased the operation costs for enterprises. This, in turn, burdens people across the globe, and poses a challenge to the world economic recovery after the pandemic."

### Leading to disruptions

The so-called decoupling or de-risking undeniably leads to disruptions to the global supply chains, said Xu from the Bank of China International. "The potential hurdles and risks associated with this trend raise valid concerns about the overall stability and interconnectedness of the global economic landscape."

Commenting on economic security, Pascal Lamy, former director-general of the World Trade Organization, said: "You cannot do anything just by waving your flag of national security. This would destroy the multilateral trading system. So we have an issue which I think necessitates better attention."

As the US monetary tightening cycle nears an end, there is a real risk of recession for the US whose economy stands at a "precarious crossroads", Xu said, pointing to challenges to global economic recovery.

"Although overall if I look at these three engines — technology, ideology, and peace or geopolitical tensions or conflicts — I still believe that these engines will keep pushing for globalization," Lamy told a recent event hosted by the Center for China and Globalization.

2024 will be a pivotal year for elections worldwide, coupled with the Russia-Ukraine conflict and the Gaza crisis, which will add to uncertainties across the globe, Wang said.

Although headwinds abound, Wang remains cautiously optimistic about the potential growth.

"It is still possible for the international community to maintain overall peace. After the pandemic, the willingness of countries around the world to strive for economic development has not waned, and the momentum of technological change has not stalled," he said.

"Additionally, the negative repercussions of the Fed's rate hikes will be absorbed gradually, and it is widely anticipated that the Fed will pivot to monetary easing next year. These factors combined will bring new impetus and hope to the recovery of the world economy."

2023 year in Review

# RCEP steers wheel toward recovery, stability

By **SHAO XINYING**

As the world emerges from the pandemic, the Regional Comprehensive Economic Partnership is poised to further facilitate trade flows and inject much-needed vitality into the global economy, which has been disrupted by uncertainties during past years, experts say.

The RCEP is an important institutional arrangement for regional economic integration in the Asia-Pacific region, offering a new paradigm for broader cooperation, they say.

The partnership was signed in November 2020 by 10 member countries of the Association of Southeast Asian Nations and Australia, China, Japan, New Zealand and South Korea.

Since the agreement came into effect for 10 of these countries on Jan 1, 2022, it has catalyzed intra-regional trade and spurred economic development, observers say.

"The RCEP forges tighter economic bonds between the economies and integrates ASEAN 10+5 free trade agreement arrangements," said Li Siqi, an associate professor at the China Institute for WTO Studies at the University of International Business and Economics in Beijing.

The RCEP covers 2.3 billion people, $25.8 trillion of global GDP, $12.7 trillion of global trade in goods and services and 31 percent of global foreign direct investment inflows, according to the World Bank.

"Amid economic uncertainties and persistent downward pressure, the RCEP stands as a beacon of stability, offering member countries relatively predictable and secure trade expectations," said Zhang Miao, an associate professor of the School of International Relations / Research School for Southeast Asian Studies at Xiamen University.

As certain countries, amid global geopolitical risks, are initiating trade wars and pursuing decoupling, "the RCEP fosters mutual trust and serves as a stabilizer in navigating international uncertainties", Li said.

Buoyed by its commitment to further opening-up, China has emerged as a driving force in the global economic recovery by spearheading trade liberalization, experts say.

In 2022, China's imports and exports to the other 14 RCEP members reached 12.95 trillion yuan ($1.76 trillion), up 7.5 percent year-on-year, accounting for 30.8 percent of its total imports and exports, China's General Administration of Customs said. The figure reached 6.1 trillion yuan in the first half of this year, up 1.5 percent year-on-year.

"China's substantial economic scale serves as a vital source of reassurance," Zhang said. "It will have a positive effect on the global value chains and supply chains.

"Given the deeply intertwined interests among the countries, it can be said that the members' destinies are closely linked and stand to gain and lose together. This is what we can call 'economies of a shared future'."

### 'Inclusive' pact

Li hails the RCEP as "inclusive" because of members' different levels of socioeconomic development and because the pact involves not only developed economies such as Singapore and Australia, but also less-developed countries such as Laos and Cambodia.

Zhang said the agreement is like "a double-edged sword" for the less-developed countries because it presents both opportunities and challenges.

On one hand, these countries, by taking part in the pact, take on the "fast trajectory" of free trade; on the other hand, it elevates governance standards within them, she said.

The RCEP incorporates innovative policies applicable across diverse economies, she said. "The principle of cumulative rules of origin stands out as the most important institutional innovation of the RCEP as it is the embodiment of the multilateralism that China has long championed."

By setting a time frame for reducing tariffs, the RCEP focuses on reducing tariff barriers among member countries and on promoting the circulation of goods and services within the region, Li said. "The enhanced regional market cooperation not only alleviates disruptions in the global supply chains, but also mitigates risks from so-called decoupling."

Zhang said such an arrangement provides "a cushion period" for some of the participating countries.

"It enables the less-developed countries to safeguard their industries, and at the same time to reap benefits from the pact," Zhang said.

Penn Sovicheat, secretary of state of Cambodia's Commerce Ministry, said the RCEP has been a key driving force for Cambodia's export growth and has become a magnet for attracting more foreign direct investment inflows into the country.

Cambodia exported $7.21 billion worth of products to RCEP member countries in the first 11 months of 2023, up 27 percent from the corresponding period last year, said a ministry report published this month.

A staff member loads packed durians into a truck at a processing facility in Chumphon, Thailand, on Sept 19. China accounted for more than 96 percent of Thai durian exports in 2022, Thailand's Ministry of Commerce said. WANG TENG / XINHUA

The Philippines was the last country to ratify the deal in February, which became fully effective for all 15 signatory countries on June 2.

Allan Gepty, the nation's lead negotiator in RCEP talks, hailed the entry as "a milestone for the Philippines".

According to the Asian Development Bank, the RCEP could increase the Philippines' exports by 3.7 percent by 2030, an addition of $7 billion.

"The RCEP introduces new ideas and solutions for global economic governance, that is, to jointly build a universally beneficial and inclusive economic governance system and promote economic cooperation," Li said. "It is believed that the RCEP will inject fresh momentum to the Asia-Pacific economic development."

Zhang said: "The RCEP reflects the commitment of a responsible major country toward further opening-up and providing a necessary international public good. The RCEP will deliver benefits for member countries and contribute to post-pandemic global economic recovery."