



Minding the gaps to deliver prosperity for Asia

Christine Lagarde argues that it is through trade
that Asia will transform itself from an importer to an
exporter of innovation

Sixty-six percent of 3.9, times two equals Asia. What do I mean? Asia contributes two thirds of global growth, forecast at 3.9 percent, this year and next. This underscores the importance of this region. To borrow from the great French writer, Simone de Beauvoir, who said: *"Life begins at 40."* I congratulate you, President Xi. For this new era that you have identified; for the openness that we are celebrating; for the innovation and inclusiveness that you have encouraged.

You have not only said this in general terms; you have been very specific: opening sectors—banking, insurance, automotive. Removing caps, reducing barriers, providing a more business-friendly environment. Advocating for inclusiveness.

So as you have been very practical, let me advocate for the benefit of closing a few gaps—because it can help China's openness strategy.

The first gap is the digital gap applied to finance. Indeed, the digital gap in Asia is smaller than almost anywhere else in the world¹. The gap can be closed even further, including through policies that enable more women to access digital financial services.

IMF analysis shows that, if the gap between the least financially inclusive country in Asia and the median country was narrowed, national GDP per capita could be increased by a full percentage point².

Gap number two is what I would call the regulatory gap. Here in Asia, we see a blossoming of fintech industries. Yet the rise of fintech is revealing regulatory gaps which, if not closed both domestically and on a cross-border basis, can lead to systemic risks. You do not want to risk that. Instead, transform safely, and be more inclusive!

The third gap is a very interesting one—I would call it the innovation gap. New IMF research shows not only the contribution of trade to growth, but it identifies how trade facilitates the sharing of technology across borders, especially in emerging markets³. That is another gap that needs to be closed.

Until recently much of the creation of new technology was concentrated in a small number of advanced economies. But that is changing. Two thirds of the world's industrial robots are to be found in this region, predominantly in Japan, South Korea, and China. This needs to be continued.

And it is through trade that innovation will continue to be shared, and that Asia will transform itself from being an importer of innovation to being an exporter of innovation. This is the kind of progress that you have identified, President Xi, particularly when it comes to the protection of intellectual property. IPR protection for all—Chinese and foreign companies alike—can help ensure that this progress will come through. Happy next 40 years! ■

Christine Lagarde is IMF Managing Director

Endnotes

1. IMF, 2018: APD Department Paper 002: *Financial Inclusion in Asia-Pacific*. Forthcoming.
2. *Id.*
3. IMF, *World Economic Outlook (Washington: April 2018)*, Chapter 4.

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