

China and the World Economy: Special Issue for the 10th biennial conference of Hong Kong Economic Association (HKEA)

Guest Editor's Introduction

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This *Special Issue* arises from paper submissions to the 10th biennial conference of Hong Kong Economic Association (HKEA) held at Xiamen University in Xiamen, China, from December 14 to 15, 2018. The conference was co-organized with the School of Economics, Wang Yanan Institute for Studies in Economics (WISE), and Gregory and Paula Chow Center for Economics Research of Xiamen University. In this issue, we select two papers that focus on issues related to China and the world economy.

One of China's most important policy initiative in recent years is the "Belt and Road Initiative" (BRI) announced by President Xi Jinping in Nov. 2013. The BRI aims to connect China with countries in the Central Asia, Central and Eastern Europe, Russia and Western Europe, and to link China with countries in Africa and Europe through maritime route that goes through Southeast Asia, Middle East and West Asia. The BRI region covers more than 60 countries with a total population of over 4 billion and a lion share of the world's output. The impact study of this giant project is still in its infancy.

The first paper by Voon and Xu examines the impact of China's BRI from an unique perspective, i.e., whether China's overseas direct investment (ODI) in general, and investments in "the Belt and Road" countries following China's BRI announced in late

2013 help improve China's soft power. Using country-level panel data on China's overseas investments and survey data on China's soft power, the paper finds that the overall impact of ODI in BRI countries on China's soft power after the launch of BRI in 2013 is positive and statistically significant only for the investments in the BRI countries along the 'Belt' route, but not for the "Road" route countries. The result raises important questions for future study as to what are the factors that are holding back the effects of this massive investment projects.

Another topic of heated debate recently is the rise of income inequality and populism around the world. Macau, a special administration region of China, is an interesting case for study. Importantly, following the fast expansion in casino gaming, we observe that there are rising income inequality and a housing bubble. Does the fast expansion in casino gaming worsens income inequality and results in a housing bubble? The second paper by Gu et al. studies this question more formally through a vector autoregressive model with exogenous variables (VARX) and an autoregressive distributed lag model (ARDL). Their results show that this is exactly the case. The policy recommendations that follows are well discussed in the paper.

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