

Eurasian Patterns for a Sustainable and Digital Future – Report on the Budapest Eurasia Forum 2021*

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What is the secret of the Asian technological successes of recent years? How can the West and the East learn from each other in the fields of innovation and investment promotion policies? What role do central banks play in the digital and green transition of the financial system? How does digitalisation affect the education sector? What are the major challenges to growth in the world economy? What future does Eurasian cooperation face in the century of a transforming world order? Last year's Budapest Eurasia Forum, a conference held annually by the Magyar Nemzeti Bank (the central bank of Hungary, MNB) since 2019, sought answers to these and similar questions. The event was organised as an e-conference on 18 and 19 November 2021, attracting more than 15,000 viewers.

The Forum examined the opportunities for Eurasian cooperation in relation to the prevailing megatrends of our day, with contributions from world-renowned experts. Topics included the rising role of geopolitics, the challenges and opportunities related to digitalisation, long-term sustainability, the revolution of money, the issue of central bank digital currency, and the opportunities stemming from the combination of these factors. The Forum explored these issues in six thematic panels again, presenting the latest trends in finance, economics, geopolitics, multilateral cooperation, technology, infrastructure, connectivity and education. Best practices and post-pandemic solutions were discussed by more than forty European and Asian experts, high-ranking economic policy and business decision-makers within the framework of wide-ranging presentations and panel discussions, making way for a novel, holistic, 21st-century approach and thinking.

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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We are living the era of Eurasia

As in previous years, the central thread of the various topics was the rise of Eurasia. This is a long-term, non-linear process which involves dynamic rivalry, interaction and cooperation of the various economic and power hubs of the world, such as the Atlantic Alliance, East Asia, etc. Especially– but not exclusively – in the wake of China’s strengthening, it is justifiable to speak about the birth of a new large power hub within this framework. In fact, we have arrived at a new stage of a comprehensive historical process: basically, the centre of gravity of the world economy has always been shifting within the Eurasian supercontinent: it moved an east-west direction over the last five hundred years and has now pivoted back towards the east. Regarding global investments, the expansion of eastern countries over western ones is increasingly obvious: in 2020, 70 per cent of global investments were already provided by eastern states, while 15 years earlier this ratio was 20:80, in favour of the West. This change can be also illustrated by Hungary’s example: 2019 was the first time that the largest investor in Hungary was not Germany or another western country, but rather South Korea. This trend continued in 2020, with the Asian giant, China taking the lead. Furthermore, Hungary was the first EU Member State to sign a memorandum of understanding on the Belt and Road Initiative (BRI).

It is also important to pay special attention to the countries of the East, because according to Bloomberg’s forecast, by 2035 China will have overtaken the United States to become the world’s largest economy; the Economist expects this to happen in 2032, and according to bolder estimates, this turnaround may even take place before the end of the 2020s. In the age of economic, financial, technological and geopolitical transformation, we must remember the role of South Korea, Singapore, Dubai, Kazakhstan and Russia as well. A new economic and power hub is developing around China in narrower and broader concentric circles. The notion of Eurasia dates back at least 150 years and is present in both Western and Eastern political thinking. The notions of Eurasia of Anglo-Saxon geopolitical thinkers and Russian, Kazakh, Turkish and Chinese political philosophies were born against different backgrounds and in different ages, but there is a clear common theme: thinking in a broader Eurasian space.

Thus, the MNB’s Eurasia Forum builds upon a living geopolitical-economic tradition. It intends to continue this tradition by strengthening the dialogue between the countries of the supercontinent, seeking common responses to economic, financial and social challenges, and presenting good practices. Furthermore, the aim of the event is to emphasise the special role of East-Central Europe, Hungary and Budapest. The existing parallel relationships with Western and Eastern civilisations

form a part of Hungary's historical heritage, representing extraordinary value in the light of the emerging multipolar world order.

Keywords of Prosperity in the 21st Century: Sustainability and Digital Development

In 2021, the event bore the title 'Sustainable Recovery and Prosperity in Eurasia – Trends, Future, Solutions', referring to the importance of innovation, multilateral cooperation and sharing 'good practices'. The Eurasia Forum is a unique conference organised by a central bank in Europe, because, on the one hand, it presents an unusually broad spectrum of economic-social life, and, on the other hand, because the participants are also special. The conference was opened by *György Matolcsy*, Governor of the MNB, *Péter Szijjártó*, Hungary's Minister of Foreign Affairs and Trade, and *Zhenmin Liu*, United Nations Under-Secretary-General for Economic and Social Affairs. *Guoli Tian*, Chairman of the China Construction Bank, which recently opened a branch in Hungary, was also among the distinguished speakers at the opening ceremony. Each year, many European and Asian experts who can be rarely heard together at a live event by the professional audience meet and exchange ideas at this conference. In 2021, Hungarian viewers had the opportunity to draw on the thoughts of *Gang Yi*, Governor of the People's Bank of China, *Parag Khanna*, a bestselling author and expert on geopolitics of Indian origins, and *Sopnendu Mohanty*, Chief FinTech Officer at the Monetary Authority of Singapore, while the remarks by *David Marsh*, Chairman of the Official Monetary and Financial Institutions Forum (OMFIF), *Paolo Borzatta*, a strategy consultant from Italy, and *Mateusz Rykała*, Vice President of the Management Board of the Katowice Special Economic Zone, Poland, were of particular interest to the Asian audience.

The keynote speeches highlighted the importance of Eurasian cooperation, which plays a prominent role in the midst of such challenges as climate change and the issue of transitioning to a sustainable economy, from different aspects. *Governor Matolcsy* pointed out that the prosperity of the region could be best achieved by combining Eastern and Western patterns, and that the promotion of multilateralism would play a key role in this regard. In addition to governments, central banks – whose scope of activities had expanded significantly in recent years compared to the practice of the past 30–40 years – would also play an important role in overcoming the obstacles ahead of us. Central banks should plan for the long term and incorporate factors such as climate risks, for example, in their operations. *Mr Szijjártó* added that for the development of the region, it was of key importance that multilateral cooperation be based on mutual respect and understanding.

After the opening ceremony, European and Asian experts examined the most urgent issues of our age in thematic panels. The two-day programme began with a panel on finance, entitled *'The Role of Central Banks in the Wake of the Pandemic – Experiences Across Eurasia'*. The panel focused on sharing the most important experiences concerning the management of the coronavirus crisis and discussing the changes in the role of central banks. Renowned experts, including *Gang Yi*, *David Marsh*, *Sopnendu Mohanty*, *Alexander Morozov*, Director of the Research and Forecasting Department at the Bank of Russia, *Yang Su Park*, Director General at the Bank of Korea, and *Barnabás Virág*, Deputy Governor of the MNB, explored the major challenges faced by central banks. The experts agreed that after the pandemic, several factors, such as inflationary pressure and the expansion of central banks' mandates, make things more complicated for central banks. Governor Yi called special attention to the fact that in the future, coordination between fiscal and monetary policies may become more difficult. Mr Virág emphasised that in recent years, central banks had started to actively deal with the two megatrends of our age, sustainability and digitalisation: 86 per cent of the institutions are exploring the opportunity of introducing a central bank digital currency (CBDC), and the 'greening' of central bank activities can also be observed. The experts agreed that central banks would learn how to manage existing challenges successfully if they prepared for innovative solutions, but also learned from the experiences of history. Mr Marsh also added that a holistic mindset was essential for responding to future challenges.

After the topic of finance, questions concerning geopolitics were addressed as the changing geopolitical space holds new challenges as well as opportunities for the world. The participants of this panel explored the opportunities for Eurasian cooperation. In the panel entitled *'The New Era of Geopolitics in Eurasia'*, *Parag Khanna*, renowned expert on geopolitics, *Norbert Csizmadia*, President of the Board of Trustees at Pallas Athéné Domus Meriti Foundation, *Rana Mitter*, Director of the University of Oxford China Centre, *Roza Nurgozhayeva*, Former Vice President of Nazarbayev University in Kazakhstan, *Huiyao Wang*, Founder and President of the Center for China and Globalization, and *Elena Rovenskaya*, Expert at the International Institute for Applied Systems Analysis, shared their ideas. According to Mr Khanna, by 2021 a new geopolitical approach will not only have covered extending influence over geographical regions but also the infrastructure running around and across them. Moreover, in the future the power struggle will focus on influencing the infrastructure of Eurasia. The states participating in the BRI can play a major role in reducing pollutant emissions, and China also has to make considerable efforts in this regard as well. Mr Wang noted that the green shift of the Belt and Road Initiative may also create new opportunities for China's allies in

Eurasia, to promote climate protection and the conservation of natural resources. Participants of the panel agreed that Eurasian countries would have the chance to manage emerging climate protection and social issues only in close cooperation, and therefore – with developing infrastructural opportunities– the pursuit of free and open dialogue should also be strengthened between Europe and Asia (and within the latter, China in particular).

Today, infrastructure, technology and connectivity are ubiquitous and exert a significant impact on almost every discipline, including finance, economics and education. Therefore, the Budapest Eurasia Forum dedicates a panel to this issue every year. The panel *‘Infrastructure, Connectivity and Technology: Innovation is the New Normal’* explored the question of how digital infrastructure contributes to economic and social resilience. In this discussion, *Christopher Mattheisen*, General Manager of Microsoft Hungary, *Justyna Czyszek*, Vice Director of the Investor Support Department of the Kraków Technology Park Special Economic Zone, *Glenn Diesen*, Professor at the University of South-Eastern Norway, *Radosław Kedzia*, Vice President of Huawei CEE & Nordic region, *Sixuan Li*, Founder of ViaVia Shopping and Financial Commentator at CCTV Business, and *Péter Fáykiss*, Director of Digitalisation at the MNB, discussed the most important questions concerning infrastructure. Mr Mattheisen referred to the fact that digitalisation had accelerated due to the coronavirus pandemic, and thanks to technological advancement, we had such enormous volumes of data available as never before. The participants of the panel discussion also added that we were living the era of the Fourth Industrial Revolution, the main three pillars of which were 5G, artificial intelligence and big data. There was a consensus that, relying on these technologies, significant breakthroughs can be achieved in all areas of life in the future. It is also important that digitalisation should equally reach the population and market players. Mr Kedzia aptly called for ‘being part of the change instead of waiting for the change’.

The second day of the conference began with a panel on the economy, with the title *‘Innovation and Investments in Eurasia: Recent Best Practices’*. In the discussion, participants addressed important questions, such as the key factors of successful innovative activities, and why Eurasian tech companies have achieved enormous successes in recent years. *Qiang Ni*, Vice Governor of Hainan Provincial People’s Government, *Paolo Borzatta*, Member of the Board of The European House – Ambrosetti, *Mateusz Rykała*, Vice President of the Management Board of the Katowice Special Economic Zone, *David Zeng*, Director of Corporate Affairs at Merck Holding (China), *Zongxian Feng*, Professor at Xi’an Jiaotong University in China, and *Dániel Palotai*, Executive Director of International Monetary Fund, took part in the panel. At the beginning of the panel, Mr Ni emphasised that the Budapest Eurasia

Forum had evolved into an important platform of dialogue which helps to seize the opportunities offered by Eurasian cooperation. As critical factors, experts identified the size of the available markets and the interaction of numerous and diverse, experienced professionals (for example through the network of universities and educational institutions), long-term educational and (basic) research investment, as well as government incentives and the self-organisation of companies. Mr Feng pointed out that, from the perspective of China's innovation and economic successes, special economic and free trade zones, aiming for increasingly high standards of regulation and services, played an important role. In connection with that, Mr Zeng said that for foreign companies (including Germany-based, globally active Merck Group), it was of key importance that they should fit the Chinese economic and innovation ecosystem and coordinate their activities with the directions of China's economic policy. All participants regarded cross-border cooperation as essential.

Panel 5 of the Forum was entitled '*Green Cooperation and Green Multilateralism – Sustainable Ways to Handle Global Threats*'. Its central theme was exploring the role of development banks and multilateral institutions in the green transition and the formation of regional and global partnerships with the aim of implementing green projects with long-term sustainability. In the discussion, *Simon Tay*, Chairman of the Singapore Institute of International Affairs, *Lin Cheng*, Director of Center for International Collaborations of the Beijing Institute of Finance and Sustainability, *Aseil Nurakhmetova*, Advisor at AIFC Green Finance Centre, *Wenhong Xie*, Head of China at the Climate Bonds Initiative, *Linda Zeilina*, Founder and CEO of the International Sustainable Finance Centre, *Csaba Kandrács*, Deputy Governor of the MNB, and *Tamás Baranyi*, Deputy Director of the Institute for Foreign Affairs and Trade, exchanged their thoughts on the importance of green multilateral cooperation. According to the experts, the transformation of infrastructure is a key issue, and the required financial support should be available for the countries, in which different financial institutions must provide help. Mr Tay agreed with the importance of so-called green cooperation and stressed the need for the commitment of leading economies to global cooperation and the green transition. The experts claimed that the costs of certain green financial instruments should be decreased so that they could be used more widely and under much more favourable conditions. Mr Xie called attention to the fact that, while China is still on the path of catching up and addressing shortfalls compared to developed countries, it plays a leading role in green finance. All of the experts agreed that all countries and economic regions have their own plans for climate protection and the development of a sustainable economy, but international cooperation should be sought to implement these at

the global level. Ms Nurakhmetova remarked that financial institutions would play a key role in these processes.

The closing panel of the Forum, '*New Skills for a Digital Age – The Increasing Role of Digital Literacy*', examined the effects of globalisation from the perspective of education, with a special focus on the development of digital skills. The main topic of the panel was the effects of the rapid digitalisation process, and the role of universities in developing digital competences was also discussed. In this panel discussion, *Zhimin Chen*, Vice President of Fudan University in Shanghai, *Paul Cheung*, Director of the Asia Competitiveness Institute and Professor at the National University of Singapore, *Sang-Hyun Jang*, Director of the Korea Education and Research Information Service, *Sandra Kučina Softić*, President of the European Distance and E-Learning Network, *Timothy O'Connor*, Director of the Center of Competency at the National University of Science and Technology in Russia, *Levente Horváth*, Director of the Eurasia Center at the John von Neumann University, and *Kristóf Lehmann*, Director at the MNB, shared their thoughts on new trends in education. The experts agreed that the rapidly developing sector of digital education continuously posed challenges for educators and institutions, and therefore the attention of students should be attracted, using new platforms, techniques and innovation. Messrs Jang and O'Connor drew attention to the fact that teaching big data and artificial intelligence will take on a prominent role in the future. As Mr O'Connor added, in addition to the development of a digital skillset, teaching and developing indispensable basic communication skills, such as interpersonal communication, literacy, media awareness and a critical assessment of the sources of information also require greater emphasis. Mr Cheung's comments highlighted the major challenges to the future of the education sector: 'e-learning is simple, hybrid learning is simple, but how can we make adult employees learn new skills and adapt to the new economy? This is the really hard task!'

The key messages of the Forum were summarised by *Mihály Patai*, Deputy Governor of the MNB. The two-day conference shed light on the dominant role of strengthening the Eurasian partnership in addressing the challenges ahead of us, such as climate change and the promotion of inclusive, sustainable growth. The opportunities offered by the development of digital and cross-border infrastructure create a mutually advantageous situation for the development of the countries in the region. In the turbulent times that we now face, the most important task is to create balance, innovation and harmony in finance, economics, geopolitics, multilateralism, infrastructure development and education. The fusion of Eastern and Western models is indispensable for creating a prospering Eurasia.

The event helped place Hungary on the ‘radar’ of the Eurasian community: it was possible to watch the Forum live on the website of the conference (<https://mnb.hu/eurasia>), as well as on YouTube and Zoom. Participants could also take a newly published volume of studies ‘in their hands’, as the MNB made its unique collection entitled ‘*Age of Eurasia – Future Directions of Knowledge, Technology, Money and Sustainable Geoeconomics*’ available online on the first day of the conference. Renowned experts not only from Hungary but also from China, South Korea, Singapore, Russia, Norway and the United States of America were involved in the creation of this work, published for the first time.