Economic Globalization in Transition: New Trends and New Challenges[1]

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Globalization has fueled world-wide economic growth in both advanced and developing economies, but is now at the center of a polarizing debate. A number of factors jointly explain new trends for the momentum, content and pattern of economic globalization. In addition, many issues and risks against the advancement of globalization are piling up and the multilateral system are exposed to shocks. Promoting cooperation or entering in to a new era of zero-sum competition? The world economic regime is at a critical juncture, where countries are faced with unprecedented opportunities and challenges requiring strategic decisions. Opening-up and cooperation should offer a strong impetus to world economic growth and a fundamental way forward to effectively to address global risks and challenges.

I. Major changes in factors influencing economic globalization

A. Fast development of a new round of technological revolution

At present, ICT-based innovative development gives birth to new technology communities led by digital technologies and triggers a new round of technological revolution will speed up global technological progress and pushing forward global industrial transformation.

First, disruptive emerging technologies are emerging, while technological progress and innovation achieved exponential growth. New technologies have a faster diffusion rate and a shorter iteration cycle.

Second, cross disciplinary integration between digital and other technologies leads to a series of new technological breakthroughs. The extensive application of AI-represented intelligent technologies in production and services and the upgrading

[1] The views expressed in the paper and PowerPoint presentation are purely those of the author and may not in any circumstances be regarded as stating an official position of the organization involved.

of biotechnology and health technology, new energy technology, advanced material and manufacturing process have facilitated general technical progress in all sectors.

Third, data (knowledge) has become a key production element. The Internet and the Internet of Things have greatly strengthened the flow and connectivity of elements, driving in-depth revolutions in modes of production and the industrial system.

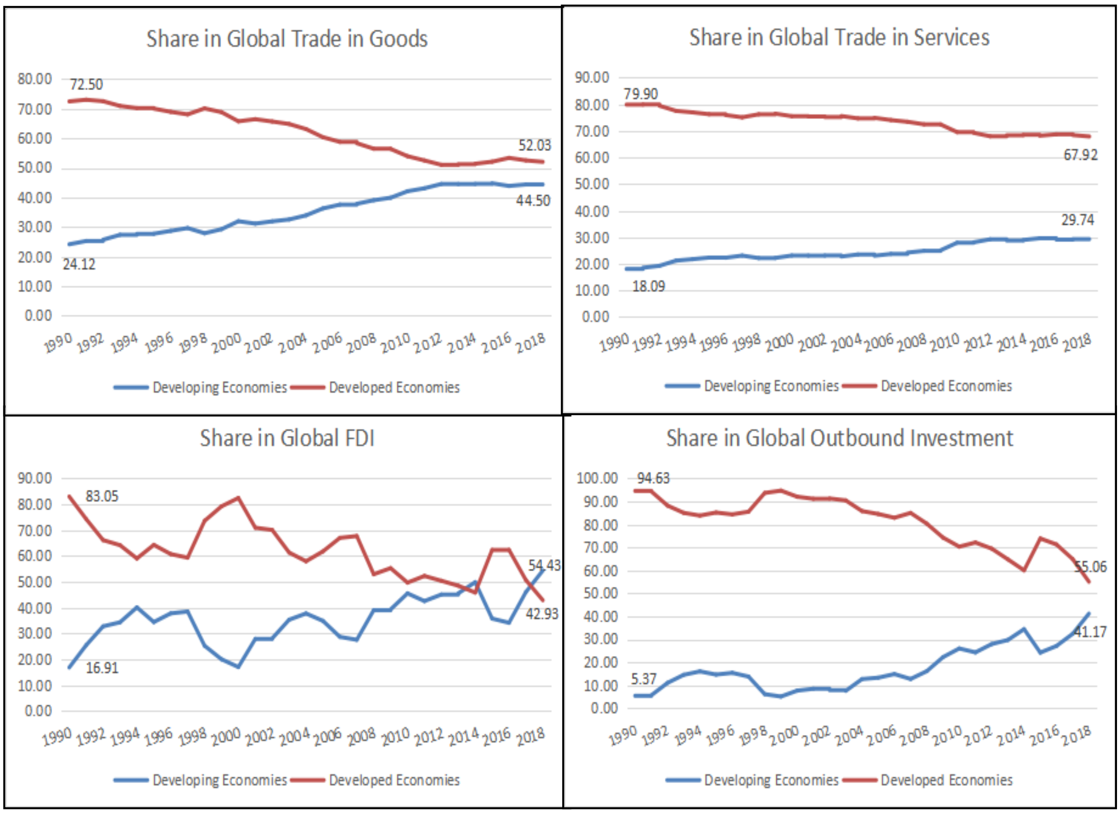
B. In-depth changes in global economic landscape

After the Second World War, developed countries have long been dominant in terms of their economic scale and facilitation to world economic growth and during the formulation of international economic and trade rules. Since the beginning of this century, the "two-speed" growth of world economy has become clearer: the growth of developed countries has shown a clear trend of decrease, from 5-6% in the 1960s, 3-4% in the 1970s, 2-3% in the 1980s till the financial crisis and further down to 1-2% after the financial crisis; the GDP growth of developing economies was about 5.4% from 1990 to 2016[2], clearly higher than that of developed economies leading to "convergence".

The balance of power in world economy has undergone important but not fundamental changes: from 1990 to 2018, the share of developed countries in global GDP decreased from 78.8% to 57.7%, while the share of developing economies increased to 39.7%; the global trade landscape has also gradually changed: the gap in shares of global trade in goods is narrowing, while the dominant role of the developed in service trade are still clear, despite a slight drop in proportions. From 1990 to 2018, the share of developing countries in global trade in goods and services increased from 24% and 18% to 44% and 29.7% respectively. In cross-border investment, as investment destinations, developing economies have significantly improved their attractiveness to global funds and gradually become an important global capital provider. From 1990 to 2018, the share of developing countries in total FDI and outbound investment increased from 16.9% and 5.3% to 54% and 41% respectively.

[2] Apart from the 1998 Asian Financial Crisis and the 2008 Global Financial Crisis.

Figure 1 Changes in world economic landscape—international trade and cross-border investment



Source: United Nations Conference on Trade and Development (UNCTAD Database).

C. Increasing world-wide competition

As economic ties between countries get closer and their interests further intertwine, international competition also intensifies. The "re-industrialization" of developed countries and industrialization of emerging economies have been stepped up. The fight for market, funding, talents, innovative resources and especially leading position in frontier technologies continue to intensify. As global value chains further evolve, rule-making has become a key means determining global distribution of benefits, thus the competition for leadership in rule-making become more intense.

D. New challenges to economic globalization

The trend of deepening economic globalization has not fundamentally changed. The Multinationals remain an important driver for globalization. The extensive application of technological progress and online information has facilitated the free flow of elements and created new drivers for global growth. According to the research by the McKinsey Global Institute, in the past ten years, the flow of goods, services, finance, people and data has at least increased the global GDP by about 10%. In terms of benefits, although countries around the world did not benefit equally from the last wave of globalization, actively promoting any type of cross-border flow would bring substantial economic benefits. In this context, as countries have realized the importance of jointly addressing global issues and challenges, their needs and willingness to enhance coordination in macroeconomic policies and jointly promote sustainable recovery have become greater.

Meanwhile, the rising of “de-globalization” become more notable. Some attribute the widening gap between rich and poor to economic globalization and believe that globalization leads to unbalanced income between countries and unequal income distribution within countries. Developed economies complain that the violation of global economic rules leads to unfair competition. Mistrust in globalization and the fairness of economic and trade rules will lead to serious consequences, magnified negative impacts and posed new challenges towards economic globalization.

E. Adjustments to the strategies of major countries and their new challenges

As the economic importance and influence of developed economies are relatively weakening and a world order without superpower is forming, the key economies have changed their perspective on economic globalization and policy orientation on participating in global economic governance. Such as 1) more unilateral and protectionist measures, withdraws from different organizations and threats to quit the WTO, which lead to a constant escalation of global trade friction. 2) Some developed countries have gradually developed greater willingness to participate in rule-makings and want to live in a multilateral world. As firm supporters of rule-based multilateralism, they hope to play a greater role in supporting multilateral system and global trade & investment rule-making. However, they are facing with sluggish economic growth and multiple challenges such as Brexit and huge discrepancies in its internal development. 3) The rise of emerging economies is an important factor shaping economic globalization and international economic landscape in the future. They have become a force not to be ignored in providing solutions to global issues. However, economic strength need to be strengthened and there is capability deficiency in agenda-setting and coordination when participating in the WTO reform and economic and trade rule-making. In addition, the international governance system still fails to reflect the changes in the economic landscape when emerging markets and developing countries have already accounted for half of the global GDP and contributed over 80% to global economic growth. There is still a long way to go.

II. New trends in economic globalization

In recent years, the slower global economic growth, rising anti-globalization and protectionism together with lower growth in global trade and investment have indeed aroused people's suspicion for the outlook of economic globalization. However, the trend of deepening economic globalization remains unchanged. A new round of technological revolution and application creates closer ties in the global economy and promoted the integration of interests. New technological development and production elements and conditions have helped the global value chains deepen and evolve and reduce the costs of time and space in trade; the Multinationals have accelerated their adjustment to the layout of global production and supply chains, with strengthened trends of openness and innovation and deepened international and professional division of work and cooperation. Under the influence of many factors, the drivers, contents and approaches of economic globalization have changed and shown different new trends.

A. Lower growth: world economy at a stage of lower growth

Since 2008, the global financial crisis has put an end to the stage of prosperity featuring high-speed globalization. In recent years, the global economy has been volatile in a constant effort for continued recovery, with a mixture of both opportunity and risk factors.

In the next decade, some developing countries will continue the urbanization and industrialization process, which will provide a key driver of global economic growth.

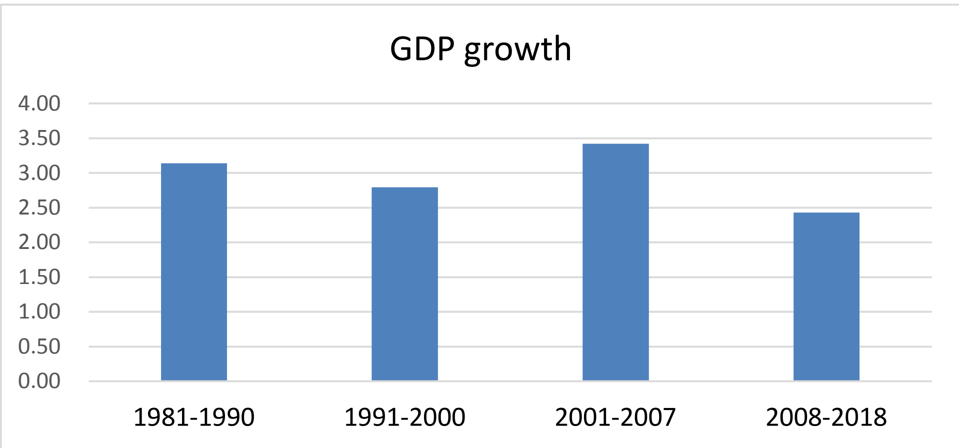
In terms of distribution, the global population growth in the next 20 years will mainly come from developing countries with an increase of middle income group significantly to about 4.8 billion in 2030, about 2/3 from Asian countries and regions.

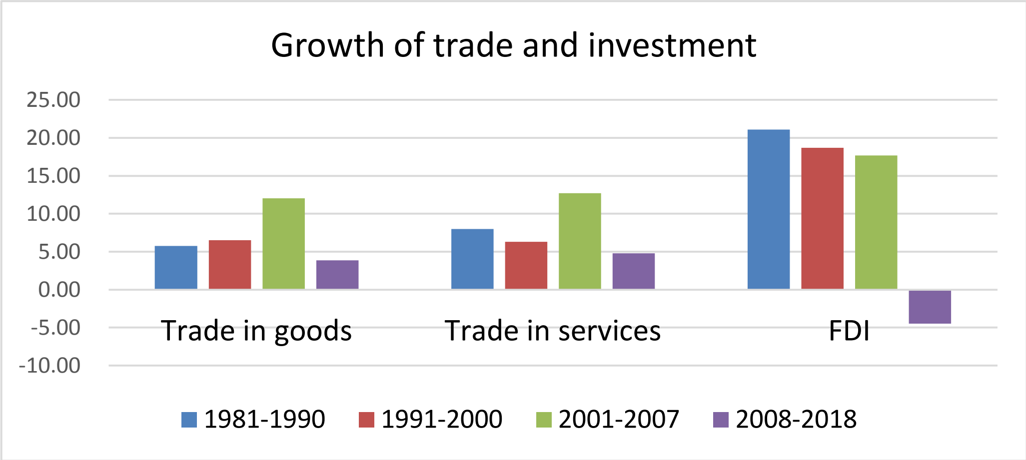
In addition, climate change, environmental pollution and other issues have caused increasingly harsh constraints on resources and environment against global economic growth. The slower population growth and the increasing aging population (According to UNDP estimation in 2017, the share of elderly population in the world will increase from 8.3% in 2015 to 13.0% in 2035) have become important factors dragging economic growth in some countries. Coupled with the many challenges faced by globalization, it is expected that the global economic growth will decrease as a trend. From 2020 to 2035, the average global economic growth will be significantly lower than the level in the first 20 years of this century.

Table 1 The estimates of world economic growth by major international organizations

Source	Period	GDP growth
PWC(2017)	2021-2030	2.70%
	2031-2040	2.50%
OECD（2014）	2011-2030	2.80%
Conference Board(2018)	2018-2022	3.00%
	2023-2027	2.80%
IMF(2016)	2016-2020	3.19%
DRC（2018）	**2020-2035**	**2.60%**

Figure2: A comparison of global economic growth by period





Source: UNCTAD database.

B. New industrial innovation reshapes industrial landscape

The rapid growth of a new round of industrial revolution will bring new opportunities to the sustained development of world economy. For example, the progress in digital technologies has driven digital transformation of companies and the rapid growth of digital economy. Based on this trend, data will become a core production element driving economic growth. According to analysis, for every 10% increase in the digitalization level, per capita GDP will grow by 0.5% to 0.62%. At present, amid sluggish global economic growth, digital economy has become a driver for global growth and industrial transformation and development. According to estimation, with the extensive application of digital technologies, half of the total global economic aggregate will come from the digital economy by 2025.

The technological revolution speeds up the industrial revolution, which will bring comprehensive and profound impacts. In particular, centered on new technological systems and the allocation of elements and resources of production, the revolution will advance the adjustment and reconstruction of global R&D, manufacturing, investment and trade. For example, some labor-intensive sectors will transform to capital- and technology-intensive ones, leading to changes in "key factors of production" and changing the industrial features. Smarter modes of production, industrial organizations as platforms and open technological innovation have been boosted as trends. Profound changes to a country's comparative competition advantages will not only change the arrangement of capital and technology-intensive industries around the world, but will also speed up the transformation and development of late-mover economies.

C. New driving force for growth: integration of services and manufacturing

In recent years, despite the increase in the absolute value of commodity production and trade in goods, the growth of trade in goods has dropped and the trade intensity of the value chain for commodity production also gradually decreased (from 2007 to 2017, the share of export in total global commodity output decreased from 28.1% to 22.5%). However, the opening up of service sector and the development of trade in services have become important channels and new highlights for countries to integrate into economic globalization and participate in international competition and cooperation.

Trade in services has become a new driver to global trade and world economic growth. Base on a BOP analysis, we can see that trade in services and the deepening of global value chain have become increasingly important. From 1981 to 2005, global trade in services export increased by 8.0% on average, higher than the average growth of 3% for the world economy; from 2006 to 2017, the export of trade in services grew by 6.3% on average, over twice as much as the global economic growth of 2.7%; in the past ten years, the growth of global trade in services was about 60% higher than that of trade in goods.

Figure 3 Growth of global trade in services export and economic growth

Source: UNCTAD database.

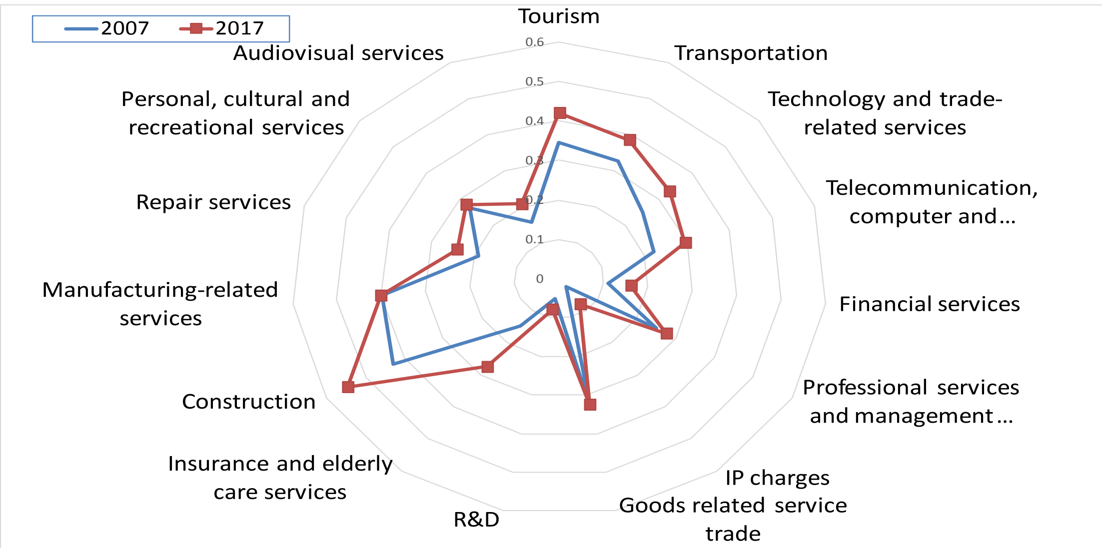
A new round of scientific revolution has created new space , models and main players for global trade in services.

1) The development of trade in services enjoys a broad prospect through digital innovation. Digital information technologies, particularly visualization technologies and cross-border supply, help with the cross-border and remote delivery of traditional service products and make services significantly more tradable, thus quickly expanding the scale of trade in services. According to the estimation of the US International Trade Commission, the total output value of global digital economy will increase from USD 12.9 trillion in 2017 to USD 23 trillion in 2025.

2) Stimulating new modes of trade and forms of services. Supported by the Internet, cloud computing and big data, cross-border e-commerce, platform economy and other new forms and models of business keep emerging, rapidly expanding the space and scale of trade in services.

3) The expansion and upgrading of service outsourcing. Developed economies still lead trade in services in the majority of sectors, however, through taking on outsourced services, small and medium-sized service-providers and developing countries will have more opportunities and access to participate in international production, expand space for industrial development and integrate into economic globalization.

Figure 4 Shares in global service export by developing countries



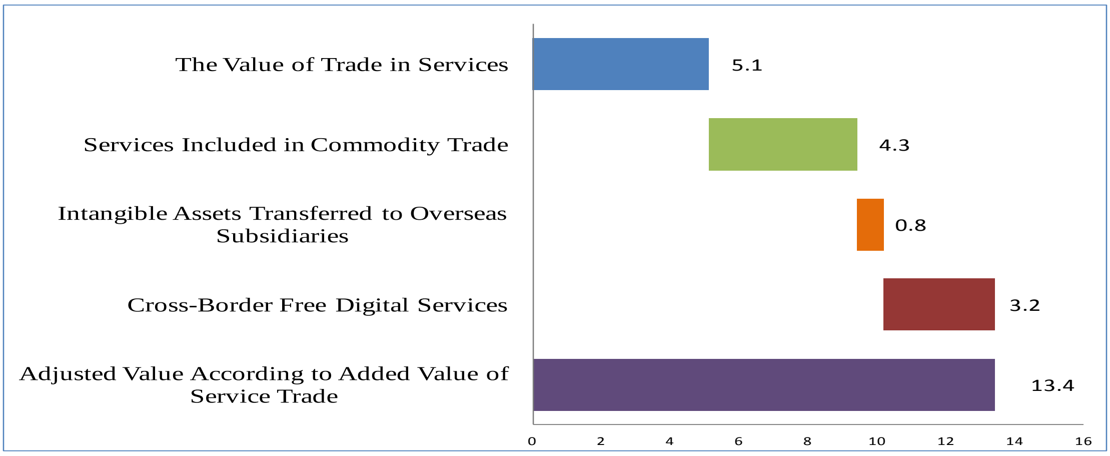
Source: UNCTAD database.

Trade in services has become more important to the global value chain. As the service level improves, the global manufacturing sector has shown a stronger trend of servicification: service elements in goods have become more and more important for product competitiveness. Services have become an important source of income and profit of companies and a key for manufacturers to safeguard their competitive edge. According to the World Bank report "The future of manufacturing-led development" in 2017, the service value added accounts for around 60% in the final price of products in developed countries; nearly 70% of global effective demand for productive services comes from manufacturing. A calculation based on added value would show a significantly rising share for trade in services in global trade from 24% under traditional methods to 46%, based on UNCTAD data for 2017.

Pushing the rapid development of trade in services and reshaping global value chains. If the scale of trade in services underestimated in traditional trade statistics is added, trade in services would be making an even larger contribution to the global value chain.

According to a report by the McKinsey Global Institute, trade statistics do not track soaring cross-border flows of free digital services. In addition, services create roughly one-third of the value that goes into traded manufactured goods(services embedded in goods trade); imported services are substituting for domestic services in nearly all value chains; the intangible assets that multinational companies send to their affiliates around the world also include software, branding, design and operational processes. Taking into account all aspects of service flows, services account for more than half of value added in overall trade.

Figure 5 Real scale of global trade in services (USD 1 trillion, 2017)



Source: *Globalization in Transition: The Future of Trade and Value Chains*, McKinsey Global Institute.

D. New landscape: changes in the global economic governance system

The global governance system has six main components: the idea and theory guiding the formation of the structure, the players and issues as the core of governance, and mechanism and rules leading the operation of the system. As the global economic landscape changes, the governance system also develops and evolves to take on new features.

First, changes in theories and concepts. After the Second World War, the free trade theory, which reflects the needs for free allocation of production factors around the world, mainstreamed the value of trade and investment liberalization. However, as the gap between rich and poor increasingly widens between and within countries.

Second, the diversified players under governance are moving towards multi-polarization. The developed will remain major economic powers in the world, while the strength of emerging economies keeps improving. According to the estimation in our research, by 2035, the GDP of developing countries will exceed that of developed economies and reach around 60% of global economy and cross-border investment. To that end, the global economic governance will gradually shift to extensive participation include developing countries, Multinationals and NGOs. The plurilateral negotiation among the "like-minded" will become a noteworthy new way for rule-making. Third, the number of global challenges significantly increased and many diverse governance mechanisms and platforms increasingly emerge and coexist. After the outbreak of the financial crisis, the G20 has become the primary global governance platform and evolved from an emergency mechanism for the crisis to a long-term mechanism. New mechanisms, such as the BRICS, have become more vibrant. Regional integration and institutional arrangements well supplements and promotes the multilateral system.

E. New rules: speeding up reconstruction of international trade & investment regime

Global trade and investment rules have shown a new trend of high standards, with clearly stronger demand for new rules.

First, international trade rules stress high standards of facilitation and liberalization. The rule-makers focus more on issues beyond borders, particularly new issues, such as IP protection, competitive neutrality, labor and environment standards and regulatory coherence.

Second, making world-wide investment rules will be an important part for the improvement of global economic governance system in the decade and the level of liberalization and facilitation will continue to be improved. some developed countries extend domestic laws to world economic and trade relations and impose restrictions on overseas investment and technological catch-up by improving and tightening their domestic security screening mechanism. Developing countries are in a disadvantaged position during rule-making.

Third, development of new industries of GVC requires new rule-making. 1) As the global value chain develops fast, the methods of cooperation and competition for participants along the value chain have undergone significant changes, posing new requirements for the economic administration systems and regulatory coherence of countries. 2) The development of new business models and new transaction platforms has set new requirements for rule-making. Access to the services market and investment liberalization have become two primary foci for developed countries in a new round of rule reconstruction. Relevant rules for trade in services have also gradually become a focus in the contest between the parties. 3) The green development has become an important development orientation and new focus in contests for countries. Green and sustainable development has become a mainstream policy option for economic development, in turn facilitate technological innovations, industrial development and pollution and emission control, while promoting green innovation and industrial development creating new drivers for national economies. In addition, green barriers and environmental constraints are stronger and some countries are pushing for the inclusion of environmental protection standards into negotiations on rules, such as plurilateral and regional trade arrangements.

III. Accumulation of problems and risk factors in economic globalization

➢ Escalation of trade conflicts posing intensified downward pressure for global economy

The rising global trade tensions have become one of the biggest threats to world economic growth.

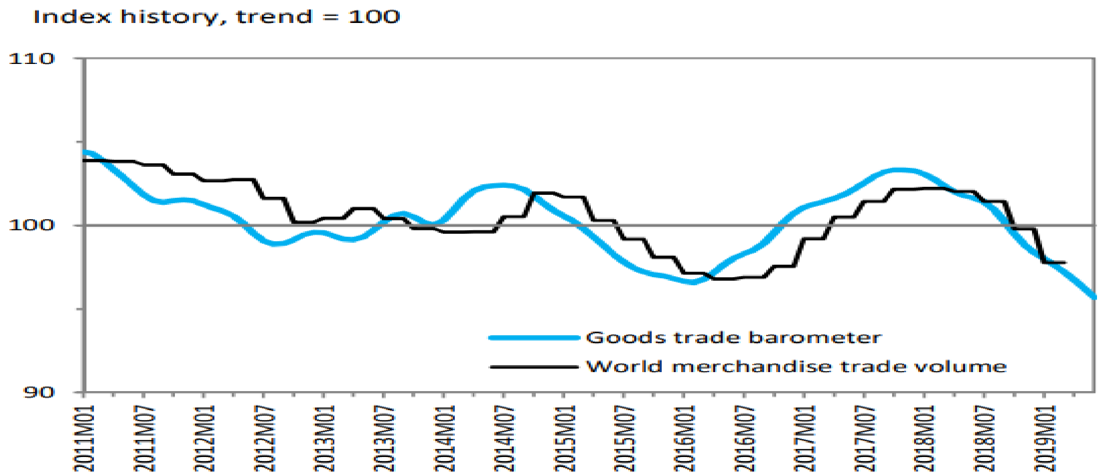
First, dragging down the world economy.

The World Bank believes that the trade tension is like a brake on global economic growth, with more serious consequences than imagined. The OECD, IMF and other international organizations continue to lower expectations for global growth. The new IMF Managing Director Kristalina Georgieva once warned that trade disputes caused significant damage to global economic growth, as by 2020, the global economy may lose USD 700 billion, or 0.8% decrease of global GDP.

Second, global trade and investment have become significantly less active.

With slowdown in global economic growth plus trade frictions, international organizations lowered the global trade growth in 2019, with the IMF's forecast of 2.6% and the WTO's forecast even falling to 1.2%, significantly lower than 4.7% in 2017 and 3.8% in 2018. In August 2019, the WTO's Goods Trade Barometer dropped to the lowest level since 2010, showing that it is hard to reverse the downward trend of global trade in the next few months and global trade growth will become slower.

Figure 6 Indicators under the WTO global trade outlook （2011.1~2019.8）



Source: WTO.

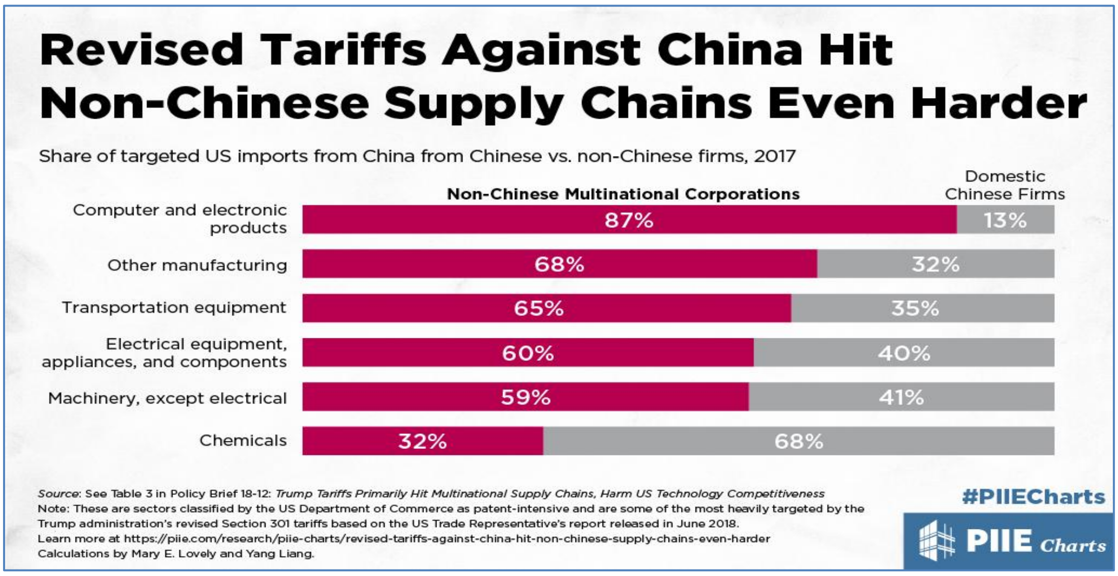
Third, China and the US both suffered losses which could have been avoided.

More than one year after the trade friction started, the Chinese and American economies are both under pressure caused by changes in external environment. A research report by the Peterson Institute for International Economics in August 2019 pointed out that "Trumps' economic hand grenades will do even more damage to the US", while citing a Goldman Sachs analysis that the US will lose 0.6% of GDP growth worth more than USD 100 billion annually. Statistics from real life have also shown that recent downward pressure on the US economy suddenly increased since the levy of heavy tariffs by the US on other countries: 1) the ISM's PMI index came in at 47.8 in September, substantially lower than expected and also the lowest since the financial crisis; 2) in the first seven months of this year, the US export to China decreased by 24% year-on-year, lowering the growth of the total US export. In the same period, the export of the US to the world decreased by 0.9% and new export orders dropped sharply to 41, the lowest since March 2009. 3) On the issue of trade deficit, which the US follows closely, the US Department of Commerce statistics show that, since 2017, the trade deficit of the US with the world not only have not decreased, but increased by USD 119 billion， including a growth of 12.5% in 2018, a record high in ten years (reaching USD 621 billion).

Fourth, negative impacts on the stable and smooth operation of global supply chains.

China is the important market for many US companies, especially those high-tech companies who need huge market for bearing the high R&D cost. For companies like Apple and Qualcomm, revenue from China account for as high as 1/4 to 1/2 of its global revenue. In the longer term, the erection of walls between the world's two largest economies would likely lead to increase friction among the global business networks. According to the analysis of the Peterson Institute for International Economics, among many industries under tariff hike, the share of non-Chinese firms being hurt is higher than that of Chinese firms (See figure below).

Figure 7 US additional tariffs against China: no winner



Source: PIIE paper.

Taking the high- and new-tech sector as an example, famous US tech companies all have important business in China. In particular, tech companies often need the support of a global market for their huge R&D costs, thus the Chinese market is crucial to them. Therefore, such companies clearly oppose constantly expanding the scope of tariffs and worry that a long-drawn-out trade and economic friction will have a significantly bad impact on their global strategy and stability of supply chains.

As a matter of fact, the trade imbalance between China and the US is caused by many factors. The scholars, business communities and consumers of the two countries know that pretty well. Apart from the reasons known to all, I want to particularly stress that the simple trade indicators of cross-border deficits do not take into account business activities in foreign countries. Foreign companies enter the Chinese market by investing in China (instead of trade) caused the replacement of trade with investment. If cross-border trade in goods and services, and the sales in the other country's domestic market as a result of investment by companies of the two countries are all considered, the benefits for China and the US are balanced from the perspective of employing opportunities from the other country's market, even the US still has a slight surplus. For example, in 2016, according to the data of BEA, US multinationals recorded $345.3 billion in sales in China, while the sales of Chinese multinationals in US was only $35 billion. That means the total "surplus" of US was $310 billion, which was $2 billion higher than US goods trade deficit with China in 2016.

Figure 8 US and China's gains from each other's market

Source: UNCTAD and BEA database.

In addition, the sales of US multinationals in China continues growing, which is significantly higher than that of other regions. In 2016, US investment in China was $97.3 billion, leading to an impressive sales-to-FDI ratio of 355%, which is much higher than the number of Europe (85%) or APEC region (180%).

Table 1 The cross-border sales and FDI of US multinationals in 2016

Region	Sales($ billion)	FDI($ billion）	Sales-to-FDI ratio
Europe	2800	3300	84.8%
APEC	1580	881	179.3%
China	345.3	97.3	354.9%

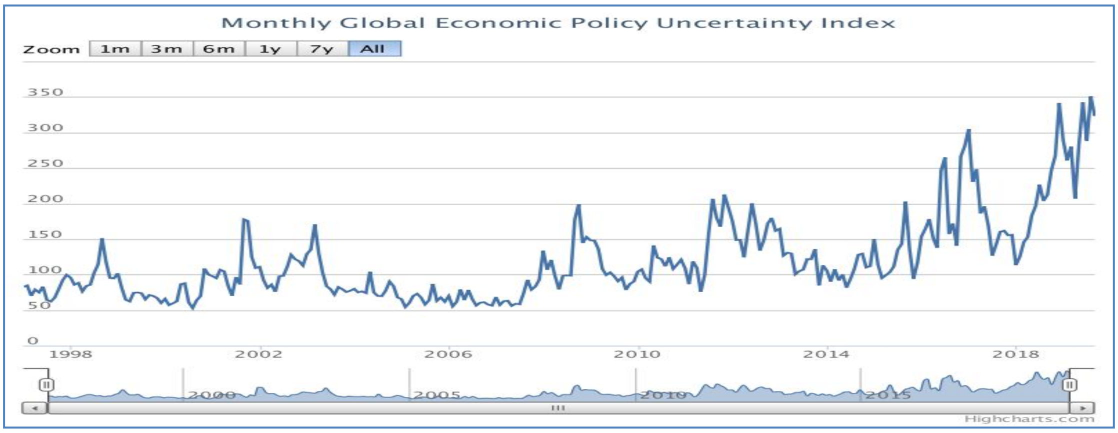
Source: calculated according to “How will the US-China trade war affect corporate America?” by Andrew Sheng & Xiao Geng, World Economic Forum.

Therefore, the geo-economic rivalry between the world’s two largest economies would likely lead to increased frictions and tensions throughout the global trade, and cause adverse impact on the related enterprises and countries in the supply chain.

➢ Policy uncertainty

The more complex and unstable global trade & investment environment leads to significantly higher economic downside risks and policy uncertainty. In particular, the economic structural contradictions of countries have not been fundamentally resolved; high global debt is overlapped with fluctuations in global financial markets; the spillover effects of monetary policy normalization in developed economies remain to be seen; and the uncertainties in world economic growth are significantly heightened. In addition, the countries differ in their abilities to address risks and their policy reserves. Since 2018 and till the end of August this year, the economic policy uncertainty index keeps registering new record highs.

Figure 9 Global Economic Policy Uncertainty Index (By August 2019)



Source: Compiled by Scott R. Baker, Nicholas Bloom and Steven J. Davis, three scholars from Stanford University and the University of Chicago, https://www.policyuncertainty.com/index.html.

Divergence in the macroeconomic policy orientations makes coordination more difficult. Themed "Creating a Shared Future in a Fractured World", the 2018 World Economic Forum Annual Meeting believed that de-globalization and populism have constantly caused shocks to traditional values and the diverging trend of the international community and policies of countries has intensified. At the same time, for quite a long time in the future, the countries will differ in development levels and economic performance, thus their economic policies would become more differentiated and interests more complicated and complex. Even for global challenges, different approaches towards a solution would often create new contradictions and differences.

Difficulties in business decision-making. In a survey of global senior managers by McKinsey in September 2018, 33% of respondents said that uncertain trade policies are their biggest concerns. If de-globalization takes place in those sectors, it would have a negative impact on global innovation and the increase of productivity.

➢ New challenges for global economic governance

First, global economic governance system would not be able to adapt to the in-depth changes in the international economic landscape.

The key contradictions would be: First, the system lacks representativeness and fairness. After the crisis, emerging economies and developing countries have become forces that are not to be ignored in solutions to global issues. Although developed countries have transferred part of the voices, they still take the lead in determining the issues and rule-making, which could not reflect and accommodate the demand of emerging economies for more voices when they rise. Second, the global economic and trade rules could not keep up with the times and are fragmented. It is hard for them to meet the new requirements of technological and industrial development and the challenge of coordinating complicated and mixed interests of different parties. Third, the high-level liberalization does not fit a landscape of greatly different development levels and complicated interests. The plurilateral negotiations or regional/bilateral FTA negotiations have a wide coverage at high liberalization levels and showing stronger exclusivity. In particular, on issues of opening up the service market, investment liberalization and regulatory coherence, they have caused unprecedented pressure to the institutional reform and market opening up of emerging economies and developing countries.

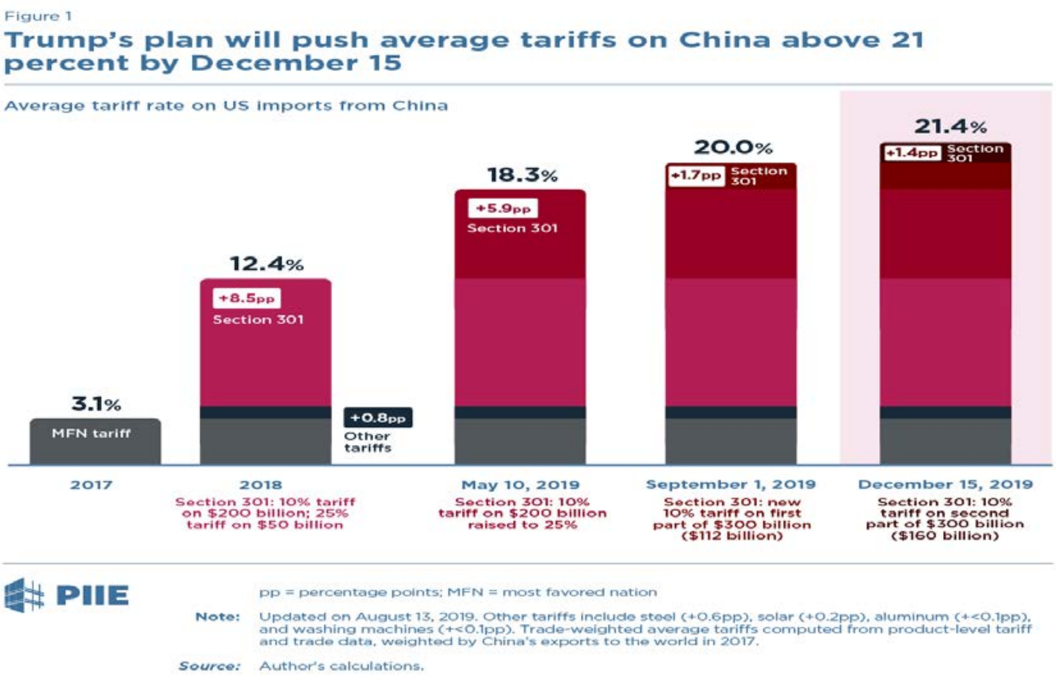
Second, the WTO is under unprecedented shocks while its authority and effectiveness need to be strengthened.

On one hand, WTO has deficiencies in its own system. The three key functions of the WTO, trade dispute settlement, multilateral negotiations and trade policy review and monitoring, are facing serious difficulties and could not function smoothly.

On the other hand, the prevalent trade and investment protectionism and unilateralism pose a great challenge to the authority and effective governance of the WTO. The trade and economic disputes between countries should be settled by multilateral consultations. Protectionism, the abuse of trade remedies, unilateral pressure or extension of domestic laws would not help solve the problem. Instead, such measures would draw retaliatory responses from other countries and seriously undermine the rule-based, free and open multilateral and international trading system.

According to PIIE analysis, the China-US trade frictions, starting from 2017, keep increasing the tariffs on Chinese exports to the US. If all the tariff plans of President Trump went into effect, the average tariff on Chinese exports to the US would be increased from 3.1% before the trade war to 20.0% in September 1 and as high as 21.4% in December 15. This is not free trade, let alone fair trade.

Figure 10 Additional tariffs on China by the US:
The tariff level on Chinese products increased by a large margin



Source: PIIE "Trump's Fall 2019 China Tariff Plan: Five Things You Need to Know".

Third, plurilateral negotiation and regional RTAs become new paths for making multilateral trade & investment rules.

Since the beginning of the 21st Century, the WTO Doha Round has been at a standstill. Recently, many member states are calling for faster WTO reforms. As the economic development levels, comparative advantages and economic governance systems vary significantly between Members, there are large differences between the reform plans they offered. At present, the WTO Members still have not reached a full consensus over the direction, issues and the negotiation mode of the WTO reform. The key suggestions on WTO reform fall into the following four areas: "Modernization" of the WTO rules, development status and special and differential treatment, systems and mechanisms serving WTO operations and issues on new rules, such as the digital economy and trade in services. However, a long way to go.

Meanwhile, regional trade and investment arrangements (RTA) have grown fast. By September 1, 2019, 481 RTAs have been notified to the WTO, with 302 in effect[3]. As plurilateral negotiations such as ITA and TISA are rising and their rules may be

[3] According to WTO database, as of 1 September 2019, 302 RTAs were in force. These correspond to 481 notifications from WTO members, counting goods, services and accessions separately.

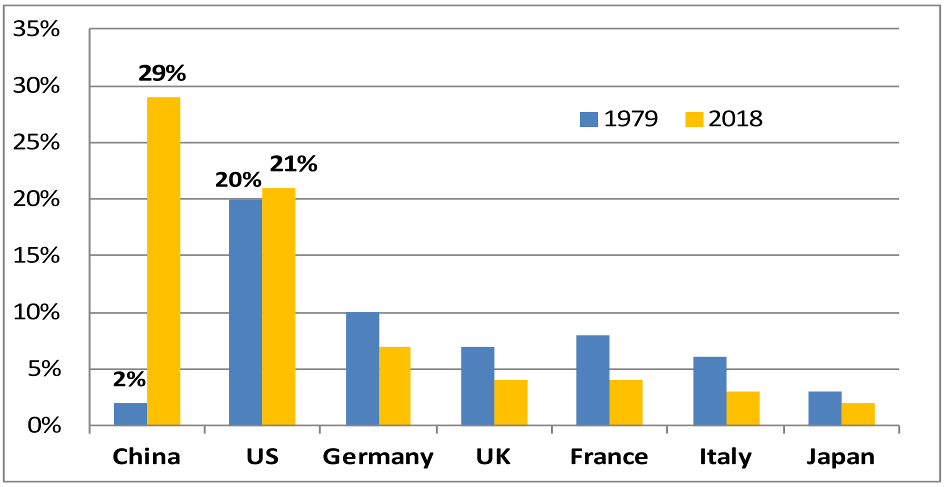
adopted on the multilateral front, RTAs have become a key path for formulating global economic and trade rules. The influence of traditional players for global economic governance has weakened and G20, BRICS and other new governance platforms play an active role in coping with crisis. However, as there lacks a binding system for compulsory enforcement, it is necessary to enhance the implementation of outcomes and make it more effective.

IV. Policy options

At present, the global economy is at an important juncture: whether to safeguard and build an open world economy and jointly address challenges for sustainable development, or work in a fragmented manner and let risk factors develop and further endanger the recovery process and market confidence or even lead to a new crisis: this is a daunting challenge and important choice for countries. Further opening up and international cooperation is a strong momentum and fundamental path for world economic growth and a solution to risks and challenges.

As China grows, it changed from passively accepting external influence to actively shaping external environment: on one hand, as China enjoys a large economic scale and greater contribution to world economy growth (See the figure below), it has become an important element influencing the global economy while stands ready to share development opportunities with other countries in the process of globalization. According to the latest OECD estimation, in 2040, China’s GDP will take up as high as 27% of the global total, making greater contribution to world economic growth than any OECD country. On the other hand, China advocates building an open world economy and will become an important driver to deepened economic globalization, the reform of the multilateral trading system and improved global economic governance.

Figure 11 Contribution to world economic growth by key economies



Source: Analysis based on WB statistics.

In the future, the positive factors and driving forces for further deepening of economic globalization would coexist with uncertainty and risks for a long time. In the new era, we could work on the followings:

- Advocating and building an open world economy under the principles of fairness, openness, cooperation and sharing; enhancing international coordination of macroeconomic policies and jointly addressing global challenges for a more just and reasonable global governance system.

- Improving bilateral economic relations and trade and well addressing contradictions and differences. We should take a comprehensive and reasonable view on bilateral trade imbalances and cherish the close ties between the two economies and their intertwining interests. In particular, the economic and trade ties between China and the US are critical not only to the two countries, but also to the whole world. We should seek the convergence of interests from an innovative perspective and tap the potential of win-win cooperation, so that bilateral relations would return to a mutually-beneficial and win-win track and play a positive role in safeguarding the stable growth of the world economy.

- Offering targeted and constructive solutions to global issues (such as prone to fluctuations in the international market due to weak intraregional markets, backward infrastructure and impeded connectivity of developing countries for a long time) based on regional arrangements. Emerging economies could advance regional economic integration and jointly address complex and varied external challenges. And, jointly developing the Belt and Road and other new types of regional economic cooperation. Under the principles of “extensive consultations, joint development and shared benefits” and “openness and inclusiveness”, the Belt and Road Initiative is a beneficial attempt at playing a constructive role in international cooperation and global economic governance. It should enhance coordination and interaction with the existing mechanism and platforms to achieve a mutually-reinforcing effect and offer new momentum for the sustained recovery of regional and global economy.

- Jointly safeguarding the institutional environment of global trade and investment and deepening economic globalization. On one hand, further unleashing new momentum of economic growth through reform and opening-up. As a large country in the world, China is bound with such obligations and as good as its words. On the other hand, safeguarding the core values such as non-discrimination and openness, participating in necessary WTO reforms, safeguarding the development interests of developing members and firmly opposing unilateralism and trade and investment protectionism to safeguard the authority and centrality of the multilateral trading system.