

globalization index increased from 31.9 to 62.2, roughly at the same level of the world as a whole. **Compared with developed countries**, developing countries, such as China and India, had a globalization index that is 20-30 percentage lower. **Generally speaking, economic globalization and the opening-up of countries reinforce each other. As the economic globalization develops, it will create demand for all the countries becoming more open. And the more open the policies of those countries, the better the economic globalization will fare.**

II. Increasing Resistance to Economic Globalization

“The more rapid its advancement, the more dangerous its path would be.” Economic globalization is a “double-edged sword”, with both driving force and resistance increasing simultaneously. After the 2008 global financial crisis, populism and extreme nationalism have been on the rise in many countries, which have blamed their own problems on economic globalization, setting off a counter-globalization wave. Economic globalization has entered a new stage of adjustment and momentum accumulation before it can re-start.

1. Rising protectionism

While economic globalization expands the “cake”, which refers to benefits of development, the problem of properly dividing and distributing the “cake” has become prominent. There have occurred increasingly serious contradictions between growth and distribution, capital and labor, and efficiency and equity. The global wealth gap has become so serious that the world’s Gini coefficient has hovered around 0.7. The “victims” of globalization have become increasingly dissatisfactory, setting off a global wave of protectionism. In recent years, there have been major events that typically reflect such a trend, such as Brexit and Trump’s election as the US president. The rise of far-right or far-left parties in some countries, emphasizing that their domestic and national interests should be the top priority of policymaking, while opposing economic globalization and adopting protectionist policies in dealing with other countries. According to a WTO report released in June, 2021, Since the outbreak of novel coronavirus pandemic, the G20 members initiated 140 trade and trade related measures, of which 39 measures or 28 percent were trade restrictive measures.

Box 4-2 Populist Movements in History

There have been three peaks in the history of populist movement. In the first wave of populist movement, including Russia's populist movement in 1870 and the People's Party movement of the United States in 1892, both safeguarding the interests of the peasant class and opposing demands of capitalists. The second wave happened from the 1930s to the 1960s, which included Latin America's populist movement, in which a series of populist economic policies was adopted. Latin America is a rare area in global politics that has provided room for long-term implementation of populist macroeconomic policies. The third wave of populist movement is a by-product of the political transformation of Asia-Pacific countries and regions. It was very influential and had been used as an instrument and political strategy in the transformation of those countries.

2. Global value chains to be reshaped

After the global financial crisis, the developed countries began to analyze the risk of industrial hollowing-out brought about by economic globalization. Many countries tried to revitalize their manufacturing industry. The US put forward the plan of manufacturing reshoring and devised preferential policies to support manufacturing, especially small and medium-sized enterprises, which has produced some results. At the same time, many countries have started the fourth industrial revolution featuring the widespread application of new-generation information technology. Taking the transformation of the German automobile industry as an example. It has transformed from traditional mode of mass production to personalized designing and customized production based on digital technology and artificial intelligence, making manufacturing reshoring more feasible. Study shows that after growing rapidly for many years, the division of labor in the global value chain has approached the "ceiling" of development. According to the *Global Value Chain Development Report 2019* jointly issued by the WTO and other organizations, from 2007 to 2017, the overall average participation in global value chain dropped by 4 percentages. It has become a trend that the global value chain will shrink temporarily and feature decentralization and localized production.

Box 4-3 New Development Trends of Global Value Chain

According to the calculation of World Input-Output Database (WIOD), from 2011 to 2015, the added value created by the production activities of domestic production and domestic consumption alone increased by nearly \$15 trillion, while the production activities of the global value chain involving more than two countries decreased by \$300 billion. It is estimated that by 2030, the proportion of offshore production activities of intermediate products in the total production activities may drop from the current 9.4% to 8.8%.

3. Restructuring of international rules intensifies gaming

“The East is rising and the West is declining” — this is the most revolutionary change in the international power balance. The voice and influence of emerging markets have increased, and the interests of developed and developing countries have clearly diverged. The emerging markets and developing countries as a whole have risen. Their share in global economy and trade increased by about 20% compared with the 1990s, and their proportion in the world’s total foreign investment increased by 18%. The developed countries require emerging market countries to assume greater international responsibilities, aiming to maintain and strengthen their competitive edge through rules, and shift from free trade to “fair trade”. The emerging market countries, as a whole, have risen and are unwilling to passively shoulder “international responsibilities” and “constraints” that have been put forward by the developed countries and that have made it unaffordable for them given their development stage and level of competitiveness. At the same time, the willingness and ability of developing countries to participate in global governance are constantly improving. Continual efforts are needed to promote a more fair and reasonable global governance system. Meanwhile, different countries have different demands in the fields of cross-border e-commerce, intellectual property, digital economy, emerging services industry, and even ecology and culture, which are not directly connected with economy and trade.

Box 4-4 Carbon Border Tariff of the United States and European Union

Tackling climate change is a global challenge. In 1992, the United Nations General Assembly adopted the *United Nations Framework Convention on Climate Change*,

which established the basic principles of *Common but differentiated responsibilities* for international cooperation in addressing climate change. Countries actively promote carbon peaking, carbon emission reduction and carbon neutralization in the form of *Intended Nationally Determined Contributions*. The European Union, the United States and other western countries accelerated the implementation of the Carbon Border Adjustment Mechanism (CBAM). In July 2021, the European Commission launched a carbon border levy plan to impose taxes on imported carbon intensive products such as steel, cement, chemical fertilizer and aluminum, so as to protect EU enterprises from being at a competitive disadvantage due to the adoption of higher environmental protection standards.

4. Eye-catching international governance deficit

The deep-seated contradictions of global development are becoming increasingly prominent: global problems are increasing, but solutions are insufficient; global rules are increasing, but international coordination is insufficient; the global market is expanding, but regulations and supervision are insufficient. Since 2016, some major powers have shown a clear tendency to focus on domestic development, with their stances and views divided on global issues. They have adopted a more selective and pragmatic approach, with the United States withdrawing from some important international organizations. In terms of multilateral trading system, progress of the WTO's Doha-Round Negotiations has been very slow; the selection process of the Appellate Body has been blocked; and the Dispute Settlement Mechanism (DSB) has been paralyzed. Therefore, the authority of multilateralism has been weakened. There lacks similar multilateral institutions and uniform standards and rules in the field of international investment. Trade barriers between countries and relevant sanctions have intensified, increasing costs of government supervision and business operation. In such fields as international finance, digital economy, and internet, new business models have continued to emerge, and the systemic construction of rules has significantly lagged behind the real needs of the businesses. Although the "hard power" of emerging markets and developing countries has somewhat increased, they still lack in "soft power", and they are still unable to undertake the important task of building and improving international economic governance.