

Box 5-4 Regional Trade Arrangements and Multilateral Trading System

Despite the current slowdown in the progress of the multilateral trading system, the conclusion that “the multilateral trading system represented by the World Trade Organization is the main channel of global trade rules, and regional trade liberalization is a useful supplement” remains unchanged. The multilateral trading system and regional trade arrangements have always been two paths and two wheels for promoting trade liberalization. The multilateral trading system provides disciplinary constraints and a rule basis for regional trade arrangements to prevent regional fragmentation and the “spaghetti bowl” effect. Regional arrangements are more flexible than multilateral arrangements, relatively easier to accomplish, and easy to implement. They have enriched economic cooperation, and are also an important way to promote the development of the multilateral trading system.

III. New Trends Evolving from Global Economic Governance

With the evolution of the multilateral trading system and regional economic and trade arrangements, the global economic governance structure and rule system are also gradually evolving. With the changes in the international balance of power and the unsmooth development of economic globalization, especially the adjustment of the international trade and investment landscape since the outbreak of the global financial crisis in 2008, the global economic governance system has undergone accelerating changes, and the current pandemic has intensified this process.

1. More multilateral governance platforms

Traditionally, WTO, IMF and World Bank have been the three pillars of the global economic governance mechanism. In the post-global financial crisis era, the role of the three pillars has declined. Meanwhile, governance mechanisms at different levels have gradually played an important role. The importance of the G20 has increased significantly and gradually become one of the main platforms for global economic governance; the importance of such cooperation mechanisms as APEC, BRICS, and Shanghai Cooperation Organization is also rising. Forum mechanisms such as the World Economic Forum, the Boao Forum for Asia, and the Hongqiao International

Economic Forum are also actively contributing to global economic governance. Since 2008, the **G20** has held 15 leaders' summits and one special summit, with its topics expanding from fiscal and financial cooperation to cooperation in trade, development, and public health. As a result, its role in economic governance and policy coordination has been increasingly strengthened. After years of development, the **BRICS** mechanism has gradually expanded its influence and become an important platform for promoting global governance reforms and pragmatic cooperation among its member states. **APEC** has held 27 informal leaders' meetings, focusing on topics such as trade and investment liberalization and facilitation, and economic and technological cooperation in the Asia-Pacific region, and has played a positive role in promoting global and regional economic growth. At the same time, it must be noted that different mechanisms and platforms are relatively independent, and international coordination and cooperation are also facing some challenges, such as rising costs.

2. Changing governance landscape

As the overall prowess of the developing countries increases, making more contributions to growth of world economy, their willingness and ability to participate in global economic governance have increased, which, as a matter of act, requires the global economic governance system to be reformed to increase their representativeness and voice. As a result, **the global economic governance landscape featuring dominance by the developed countries has gradually shifted to one featuring gaming between the North and the South.** The cooperation mechanism of developing countries and emerging economies has been continuously strengthened, with their role in international economic affairs having become more important. At the same time, some countries have delayed and thwarted reform of international institutions, such as the IMF and the World Bank, shifted their focus from multilateral arrangements to bilateral and regional arrangements, established exclusive trade and investment arrangements, and made efforts to compete for the power to formulate the new-generation international economic and trade rules. In general, the developing countries need to improve their ability in agenda-setting and guidance of rules, and there remain complex possibilities of changes in the power game and landscape evolution of global economic governance.

3. Governance reform still lagging behind

The global economic governance system as a whole has failed to reflect the current new pattern of international development, and lacks in representativeness and inclusiveness. The global industrial landscape has been constantly adjusted, leading to the gradual emergence of new industrial chains, value chains, and supply chains. However, trade and investment rules have failed to keep up with the new situation, and such problems as closedness of mechanism and fragmented rules have become prominent. The ability of global financial markets to cope with risks needs to be strengthened, and the global financial governance mechanism is yet to adapt to new requirements. So that it is difficult for it to effectively resolve the problem of frequent turbulences and accumulation of asset bubbles in the international financial market. **In particular, the outbreak of the novel coronavirus pandemic has exposed the defects of the international governance system.** Moreover, the role of relevant multilateral institutions has failed to be fully brought out, making it difficult for them to effectively coordinate international cooperation in the fight against the pandemic.

4. Gradual generalization of governance issue

Some developed countries have create new rules and set new thresholds in the fields of finance, economy and trade, and networks to maintain their competitive edge in digital economy and emerging industries. Topics in the economic and trade negotiations led by those countries have been increasingly generalized to include such “behind the border” issues as state-owned enterprises, free flow of data, investment dispute settlement mechanism, competition neutrality, labor standards, and environmental protection. Some topics also involve politics, culture, and ideology, among others. On the one hand, it reflects the fact that **the gaming involving the right to formulate international economic and trade rules has become more intense.** On the other hand, it also lead to greater challenges for the improvement of the global economic governance system.

5. Constant evolution of governance philosophy

As the challenges posed by global governance deficit, trust deficit, peace deficit, and development deficit become increasingly severe, **the international community has generally realized that global governance must be built on the willingness**

and interests of most countries so that equal participation and common development can be achieved. China has put forward the philosophy of building a community with a shared future for mankind and pushed for equal rights, equal opportunities, and equal rules for all countries in international economic cooperation. It has promoted democratization and legalization of global governance rules, and pushed forward the development of the international economic order in the direction of equality, justice, and win-win cooperation. As a result, it has won widespread recognition from the international community, and enriched and improved philosophy of global governance. The vast number of developing countries wish to strengthen cooperation, integrate into the global industrial chain, and boost economic growth. The international community generally agrees that issues such as counter-terrorism, poverty, climate change, refugees, and public health are global in nature and require cooperation among all countries.

Facing changes in the global economic governance reform, all countries should **persist in keeping up with the times**, build a fair and rational global economic governance model, and better adapt to the new requirements of the international economic landscape. They should **adhere to the principle of extensive consultation, joint contribution and shared benefits**, improve open and inclusive institutional arrangements, and respond to the challenges of global economic governance through coordinated and connected development. They should **adhere to multilateralism and open regionalism**, give full play to the constructive role of global and regional multilateral mechanisms, jointly safeguard rules-based multilateral trading system, and strengthen macroeconomic policy coordination. They should also **adhere to common development**, provide more support for the integration of the developing countries and small and medium-sized enterprises into the global value chain, improve fairness, synergy, and inclusiveness of development, and promote the building of a community with a shared future for mankind.