Chapter 4 Evolution of World Pattern and Megatrend of Global Openness

Economic globalization is the megatrend of world development. In the wake of the Cold War, globalization has advanced rapidly, featuring fast-paced integration of almost all economies. In recent years, the world has undergone accelerating changes that are "unseen in a century", to which the COVID-19 pandemic has brought new possibilities; meanwhile, the development imbalance of various countries has worsened, and the anti-globalization sentiment has been rampant. In general, however, economic globalization is an objective requirement of the development of productivity and an inevitable outcome of scientific and technological progress. It is an irreversible trend of the times. In history, plagues, wars, and crises have once hindered the development of economic globalization, but the general direction of globalization has not changed. With the vigorous development of the digital economy in the post-pandemic era, new technological innovations will promote globalization to ensure it embarking on a new journey amid twists and turns.

I. Global Openness at A Crossroads

From the exploration of the Silk Road to the formation of the world market and then the rapid advancement of globalization in the wake of the Cold War, economic globalization, with multi-dimensional and complex characteristics, has been constantly evolving, and, in its development process, has experienced many "counter-trends" and setbacks. In recent years, the world economy has suffered great shocks caused by the pandemic. In addition, while promoting economic development, governments of various countries have paid more attention to national security. As a result, protectionism and unilateralism have been on the rise, and economic globalization has once again faced challenges. Where is the world heading for? It is the question of the times that we must answer.

1. Despite anti-globalization sentiment, economic globalization advances amid twists and turns

Today's world has entered an era of high-level division of labor, and the global allocation of resources for the purpose of improving productivity is still the megatrend of economic development. Multinational corporations, the carriers of globalization, continue to establish footholds globally, and science and technology, the driving force of globalization, are still advancing; meanwhile, and the established international norms and mature international mechanisms will also further strengthen the foundation of globalization development and continue to give impetus to economic globalization. Economic globalization will continue to move forward amid twists and turns.

a. Anti-globalization sentiment increases resistance against globalization

As the global political and economic environment changes, the anti-globalization sentiment has kept resurging, and the world economy is facing many complex challenges; the economic globalization has encountered resistance.

Protectionism is on the rise. In recent years, some countries have begun to prioritize their own interests domestically, and, when it comes to foreign relations, adopt protectionist policies. For example, some Western developed economies have begun to reduce foreign trade and investment, and some countries have successively introduced policies that require their enterprises to move back their production capabilities from other countries. According to the Global Value Chain Development Report 2021, jointly released by the WTO and other organizations, from 2018 to 2020, the average level of participation in global value chains showed a downward trend[①].

Unilateralism worsens. The global multilateral trading system, represented by the WTO, is facing challenges. The willingness and strength of support from some developed economies for multilateral institutions, such as the IMF and the World Bank, are seriously insufficient, leading to weakening multilateralism. The foundation

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① *Global Value Chain Development Report 2021: Beyond Production*, jointly released by the WTO, University of International Business and Economics and other institutions, 16 November 2021; http://rigvc.uibe.edu.cn/docs//2021-11/2808a0a300af4f11aba55bd3a9dfa777.pdf.

of global cooperation and common development has been damaged, thus seriously affecting the development of globalization.

Populism prevails. Economic globalization has seen many multinational companies transfer capital and production lines to developing countries, resulting in rising unemployment in their home countries, which, together with the depressing domestic economic situation, in turn triggers political and social turmoil in the developed economies. Meanwhile, in the era of globalization, the personnel flow has accelerated and a large number of refugees have poured into the developed countries, which has increased the domestic burden of those economies. Against such a backdrop, populism in some countries has intensified and some populist politicians have even begun to call for changes in the rules and values of world politics, arguing that the globalization process under the framework of neoliberal order has trampled on national sovereignty, traditional values and local culture; the anti-globalization sentiment has become increasingly strong.

b. Digital economy injects fresh impetus into globalization

A new round of scientific and technological revolution and industrial transformation is advancing by leaps and bounds, and the in-depth integration of science and technology with economic and social development has accelerated, leading to the formation of new growth engines for economic globalization.

The digital economy has prompted a shift in consumption patterns in the post-pandemic era. In the wake of the outbreak of the pandemic, governments around the world have taken measures to limit the movement of people to stem the spread of the virus, spurring demand for digital products and services. Major online social platforms have reported significant growth in online messaging, voice and video calling services, and mobile network communication traffic has increased by more than 50%. The pandemic is changing people's habits and consumption patterns, and their reliance on the Internet has become prominent.

The digital economy has become a new engine for the economic development of various countries. From the first set of artificial intelligence intergovernmental policy guidelines, officially approved by 42 countries in 2019, to the advocacy and exploration of global data governance policies and structures, the global digital economy has achieved stable development despite the many negative forces hindering its development. To keep up with technological progress and the pace of the times, Italy and other EU countries have taken the digital economy as an important engine for recovery of development and accelerated the region's digital transformation. Statistics show that in 2020, the value added of the digital economy in 47 countries around the world reached $32.6 trillion, a nominal increase of 3.0% year-on-year, accounting for 43.7% of their GDP in total[①]. In contrast, the overall global GDP growth rate in 2020 was -3.6%. With the global economic growth falling into the negative territory, the digital economy has become a strong tool to promote global economic recovery and a key force driving growth of the global economy.

Box 4-1 Digital Economy

The digital economy A new-type economic form that takes digital knowledge and information as the key production factors, uses digital technology as the core driving force, and takes modern information network as an important carrier to achieve in-depth integration of digital technology and the real economy to continually improve the level of digitalization, networking, and intelligence of the economy and society and accelerates the reconstruction of economic development and governance models. Specifically, it comprises four major parts: first, digital industrialization, that is, the information and communications industry, including electronic information manufacturing, telecommunications, software and information technology services, and the Internet industry; second, industrial digitization, that is, the application of digital technologies in the traditional industries that brings about output and efficiency improvement, including, but not limited to, integration-based new industries, new models and new business forms, such as industrial Internet, the integration of industrialization and digitization, intelligent manufacturing, the Internet of Vehicles, and platform economy; third, digital governance, including, but not limited to, diversified governance, the combination of technology and governance featuring "digital technology + governance", and digitalized public services; fourth, data value, including, but not limited to, data collection, data standards, data rights confirmation, data labeling,

① China Academy of Information and Communications Technology, *Global Digital Economy White Paper — New Hope for Recovery against the Pandemic Shocks*, August 2021, http://www.caict.ac.cn/kxyj/qwfb/bps/202108/t20210802_381484.htm.

data pricing, data transaction, data flow, and data protection. The digital economy is developing rapidly, has a wide range of coverage, and has a profound impact. It is driving profound changes in production methods, lifestyles, and governance methods, and has become a key force in reorganizing global factor resources, reshaping the global economic structure, and changing the global competition landscape.

c. Regional integration becomes the main feature of globalization

Globalization has shifted significantly to regionalization and multilateralism and become more group-based in recent years. Such a change has become the dominant trend of economic globalization.

Globalization is showing a trend towards regionalization. Compared with globalization, regional integration further reduces transportation costs, achieves higher levels of tariff reduction and exemption, and highlights the advantages of intra-industry division of labor of trade. The latest statistics from the World Trade Organization show that as of 2022, the number of effective regional trade agreements has amounted to 354 in total, of which 82 are effective regional trade agreements that appeared between 2019 and 2021[①]. Although global trade has suffered setbacks, the pace of regional integration has not stagnated, and the level of intra-regional economic and trade liberalization and facilitation has continued to improve.

Regional integration promotes in-depth development of globalization. As the Regional Comprehensive Economic Partnership (RCEP), which covers the largest scale of economy and population and the highest level of openness in the Asia-Pacific region, formally entered into force, tariff and non-tariff barriers will be significantly reduced in the region. Meanwhile, the dependence of Asian economies and countries signing the RCEP and CPTPP on Asian trade of goods will continue to increase. The signing of the RCEP also marks a major breakthrough of East Asia in terms of method to achieve regional integration, which is of great significance for further promoting free trade and stabilizing the supply chains in the region. Regional integration facilitates relevant countries to bring out their respective advantages, improves their economic development efficiency, and accelerates establishment of economic development

① WTO (2022). Regional Trade Agreements Database. May 9. http://rtais.wto.org/UI/charts.aspx.

alliances among relevant countries; at the same time, it also changes the political and economic landscape of the world and promotes the continuous development of economic globalization.

Box 4-2 China's stance towards CPTPP

In September 2021, China officially applied to join the CPTPP. The move marks an important measure for China to expand its opening-up in the new era.

CPTPP is a high-standard international economic and trade agreement. The high standards are consistent with China's direction of further deepening reform and opening-up. Regarding joining the CPTPP, China is willing to fully meet the CPTPP standards through active efforts to deepen reform and expand opening-up. **In terms of market access**, China will make an opening-up commitments that exceed all existing commitment-fulfilling practices, further expand opening-up, promote in-depth domestic reforms, and achieve high-quality development; **in terms of market reform**, China has the capacity to implement the CPTPP rules on State-owned enterprises; **in terms of e-commerce**, China has passed the Data Security Law, the Cybersecurity Law, and the Personal Information Protection Law, and relevant departments are formulating relevant implementation regulations or detailed rules. China will work with all parties to promote regional trade and economic integration and make efforts to contribute to regional economic development and world economic recovery.

2. New trends in global trade and investment cooperation

Open cooperation in trade and investment caters to the common interests of all countries in the world. For more than half a century, more and more countries have reduced the barriers to cross-border flow of goods, capital, information, personnel and other factors through bilateral and multilateral negotiations, thus becoming promoters, participants and beneficiaries of open cooperation. In 2022, the world economy will face intensified risk of uncertainty and some economies have begun to pursue "localization" and "decoupling", and international trade and investment will face increasing uncertainties.

a. Weakening international grade growth momentum

Throughout the history of international trade, there has been a long-term game between free trade and trade protection. Since the GATT took effect, trade liberalization and facilitation, after decades of evolution, have entered the track of institutionalized development, and an open and cooperative multilateral trading system has gradually become the main trend of world trade development. However, in the wake of the global financial crisis, especially since the outbreak of the COVID-19 pandemic in 2020, the momentum of global economic development has weakened, and trade in goods and services has inevitably been affected.

In terms of trade in goods, the negative impact of the pandemic has somewhat eased, and the overall trade in goods has shown a new trend of slow growth amid fluctuations and rising proportion of trade in industrial products. In terms of overall trade volume, the level of trade in goods has somewhat recovered, but its growth is expected to slow and fluctuate drastically. In 2020, due to the impact of the pandemic, the total import and export of international trade in goods fell by 7.3% to $35.5 trillion. In 2021, following the global economic recovery, the total import and export volume of international trade in goods increased remarkably by 26.1% to $44.8 trillion, and the ratio of trade in goods to global GDP rose from 41.8% in 2020 to 46.6%. In 2022, the Ukraine crisis, to an extent, affected trade in goods, especially that in primary products, such as food, fuel and energy. Using a global economic simulation model, the WTO has predicted that in the short term, the global trade growth may drop by nearly 50% to 2.4%-3% in 2022; in terms of long-term impact, conflicts and sanctions may further exacerbate the global economy, restrain international industrial competition, dampen global scientific and technological innovation, and result in the global GDP growth rate reduced by 0.7-1.3 percentage points to between 3.1% and 3.7%[①]. In terms of sectors, with the development of science and technology and the improvement in the level of industrialization, global trade in goods has gradually been dominated by the trade in manufactured goods, and the share of trade in agricultural, fuel and mining products has been small. In 2020, the trade value of industrial goods was $25.16 trillion, accounting for 70.8% of the total value of global trade in goods[②].

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① WTO (2022). The Crisis in Ukraine: Implications for the War for Global Trade and Development. April. https://www.wto.org/english/res_e/booksp_e/imparctukraine422_e.pdf.

② WTO STATS: accessed on 2 July 2022, https://stats.wto.org/.

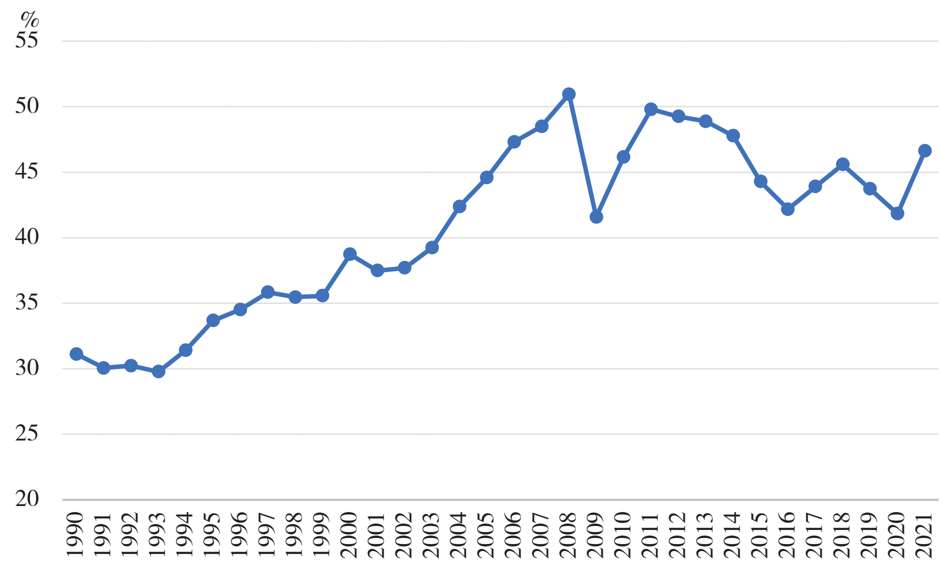

Fig. 4.1 Ratio of total global trade in goods to GDP, 1990-2021

Source: WTO STATS: accessed on July 2, 2022; Wind database, accessed on July 2, 2022, https://stats.wto.org/.

In terms of services trade, the adverse impact of the COVID-19 pandemic has continued to ferment, featuring shrinkage of total trade volume and adjustment of trade structure. In terms of total volume of services trade, in 2020, the total global services trade dropped by 19.8% to $9.89 trillion. In 2021, the total volume of services trade increased moderately to 11.42 trillion yuan, up by 15.4%, reaching the pre-pandemic level in 2020. In terms of composition, knowledge-intensive services trade has grown strongly. In 2021, the total volume of trade in the knowledge-intensive services, such as construction, insurance, finance, technical services, intellectual property, and personal culture and entertainment, already reached $7.34 trillion, accounting for 64.3% of the total global trade in services, up from 53.2% in 2018; China has gradually been playing a dominant role in global services trade[①].

In terms of North-South cooperation, the international market landscape is being reshaped, with the proportion of developing countries participating in world trade increasing and the North-South development becoming more balanced. From 2000 to 2021, in terms of trade in goods, the share of trade of the developed countries had decreased gradually, while that of the developing countries had increased year by year. In 2020, the total volume of trade in goods of the developed countries reached $20.9

① WTO STATS: https://stats.wto.org/, accessed on July 2, 2022.

trillion and that of the developing countries amounted to $14.7 trillion, accounting for 58.7% and 41.3% of the total global trade in goods, respectively. The gap between the two groups of countries was not very big. In 2021, the total trade in goods of the developed and developing countries reached $25.7 trillion and $19.1 trillion, respectively, accounting for 57.4% and 42.6% of the global total, respectively, with their gap further narrowed[①]. In contrast, the proportion of the developing countries in global services trade is only 28.6%, which is significantly smaller than that of the developed countries, which is 71.4%; it means there is still a large room for the developing countries for them to catch up with the developed countries[②].

b. Brewing changes in the international investment environment

Since the beginning of the new century, the world has ushered in a peaceful and stable period of rapid development. Against the backdrop of globalization, international business exchanges have become increasingly close, and capital flows have become more frequent; the developing countries have vigorously ushered in foreign capital, more and more multinational companies have engaged in cross-border investment, and investment ties between countries have been continuously strengthened. The international investment has entered a fast track of development. Since 2020, the world economy has fluctuated drastically, and the uncertainties and risks of the global investment environment have increased remarkably. It is urgent to explore more new development opportunities.

In terms of investment scale, the scale of international investment has gradually increased and grown amid fluctuations. In the wake of the Cold War, international direct investment started to grow strongly. From 1990 to 2007, its average annual growth rate was as high as 8%. After the eruption of the global financial crisis in 2008, global FDI showed a weakening trend amid fluctuations. Since the outbreak of the COVID-19 pandemic, the global FDI flow has slumped to $963.14 billion, down 35% a year-on-year (see Fig. 4.2). The latest report released by the United Nations Conference on Trade and Development shows that in 2021, global FDI has returned to the pre-pandemic level, reaching $1.58 trillion, a year-on-year increase of 64.3%. However, due to the Ukraine crisis, the international business environment has been

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① UNCTAD STAT: accessed on July 2, 2022, https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx

② WTO STATS: accessed on July 2, 2022, https://stats.wto.org/.

affected, and economic sanctions may lead some major economies to "decouple" based on geopolitical considerations and pursue greater self-sufficiency of production and trade. It is expected that in 2022, global FDI flow will not be able to maintain the previous growth momentum, and it will remain flat at most or even fall into a downward channel.

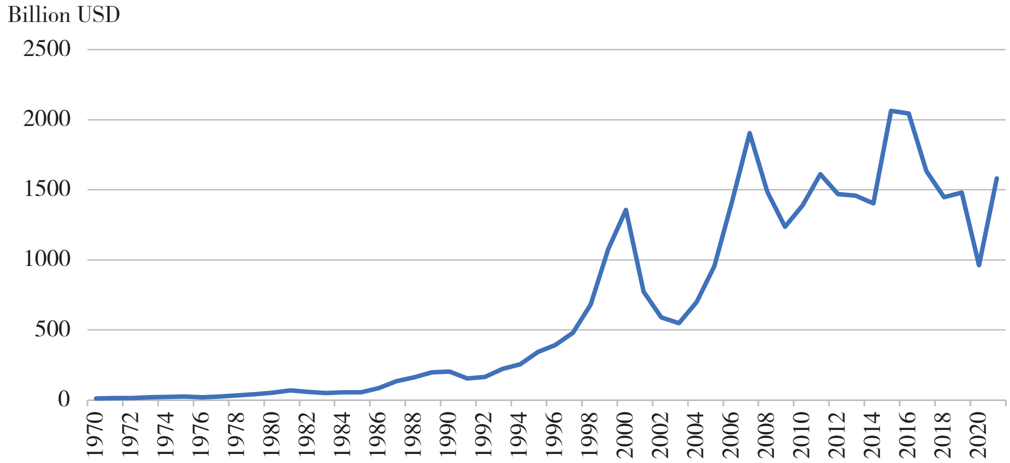

Fig. 4.2 Global FDI flow, 1970-2020

Source: Wind database, accessed on July 2, 2022.

In terms of capital flow direction, the focus of international investment has gradually shifted from the developed countries to the developing countries, and cross-regional flow has become more balanced. In terms of global FDI outflow, the proportion of the developed economies in the wake of World War II dropped from more than 90% to the current average of about 70%. In 2020, affected by the COVID-19 pandemic, the FDI flow of the developed economies fell sharply to \$312.17 billion, a decrease of 58.3% from \$749 billion in 2019; in other words, it shrank by more than 50%. The ability of the emerging economies to attract investment has been relatively stable, with FDI in those countries still standing at \$662.56 billion in 2020, accounting for 66.3% of the total global FDI flow. In 2021, three-quarters of global investment was in advanced economies, a rise of 134%; investment flowing into the developing economies increased by 30% to hit an all-time high, mainly due to strong growth in Asia, the partial recovery in Latin America and the Caribbean, and growth in Africa.

In terms of investment structure, the direction of investment has gradually

shifted from labor-intensive industries to technology-intensive industries and services sectors, and the investment structure has undergone fundamental adjustments. Currently, the proportion of FDI stock in services has increased from about 25% in the early 1970s to more than 60% now. The FDI stock in the primary sector only accounts for about 6% of the total FDI, and the manufacturing sector accounts for about 26%[①].

II. Impact of COVID-19 Pandemic on Global Openness

Compared with other public health incidents and natural disasters, the impact of the COVID-19 pandemic is more globalized and has greater uncertainties. The outbreak and spread of the pandemic on a global scale not only threatens the lives of people around the world, but also has a serious impact on the world economy. It has severely damaged international trade and investment, widened the gap between the rich and the poor, intensified the anti-globalization sentiment, and slowed growth of the world economy and increased its systemic risks; it has brought shocks to the global value chains, and the adjustment of the international economic structure has accelerated; the world is facing a severe test in improving openness.

1. The pandemic hampers sustained global trade

The outbreak of the COVID-19 pandemic on a global scale has significantly inhibited cross-border trade activities, including both export and import activities. With new variants of the virus emerging, the situation has gradually become more complicated and begun to serve as the main risk factor to affect international trade growth. How to alleviate the impact of the pandemic and push international trade back on track of recovery is a major issue that the international community currently urgently needs to deal with.

a. The most important risk factor for international trade

The emergence of new variants of the virus has brought more uncertainties to the prevention and control of the pandemic, leading to increased vulnerability of

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① UNCTAD (2020). *UNCTAD Handbook of Statistics 2021 - Economic Trends.* December. https://unctad.org/system/files/official-document/tdstat46_FS09_en.pdf.

international trade partnerships.

It damages the confidence of traders and related entities. The results of the Global Economic Confidence Index 2022 survey show that although many respondents believe that the global pandemic will further ease, 53% of the respondents are still worried that it will recur; such worry may be related to the concurring spread of the Delta and Omicron variants and the fact that there have been no signs of them disappearing any time soon. Compared with the 2021 survey, the respondents this time have been significantly more worried about the continuation of the global supply chain disruption[①] (See Fig. 4.3). Such public panic is likely to disrupt the normal economic and social order and impact the psychological expectations of economic participants, thereby increasing the vulnerability of cross-border trade links.

It leads to countries strengthening trade protection. WTO members and observers have implemented a number of trade measures related to the COVID-19 pandemic, and almost all countries have formulated entry management measures in response to the pandemic, which has raised trade access barriers and led to a sharp increase in trade costs. The Global Trade Alert database shows that the number of global trade protectionist measures has been continually on the rise, with a sharp increase from 2019 to 2021; among them, trade restrictive measures have been on the rise accordingly. As of April 2022, there had been 515 global trade protection measures implemented, up 35% compared with the whole-year number of 2019[②] (See Fig. 4.4). It is clear that the pandemic is gradually leading to "safety" replacing "efficiency" to become the dominant factor in globalization. The global spread of the pandemic and its impact on life, society and economy are becoming an excuse for some countries to implement trade protection measures, leading to higher possibility of intensifying global trade frictions.

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① Thinktank for Finance and Economy (2022). *Report on Confidence in Global Economy 2022.* March 18. http://www.china-cer.com.cn/guwen/2022031817338.html.

② Global Trade Alert Database, Estimates for harmful interventions, 2021-2022，https://www.globaltradealert.org/data_extraction.

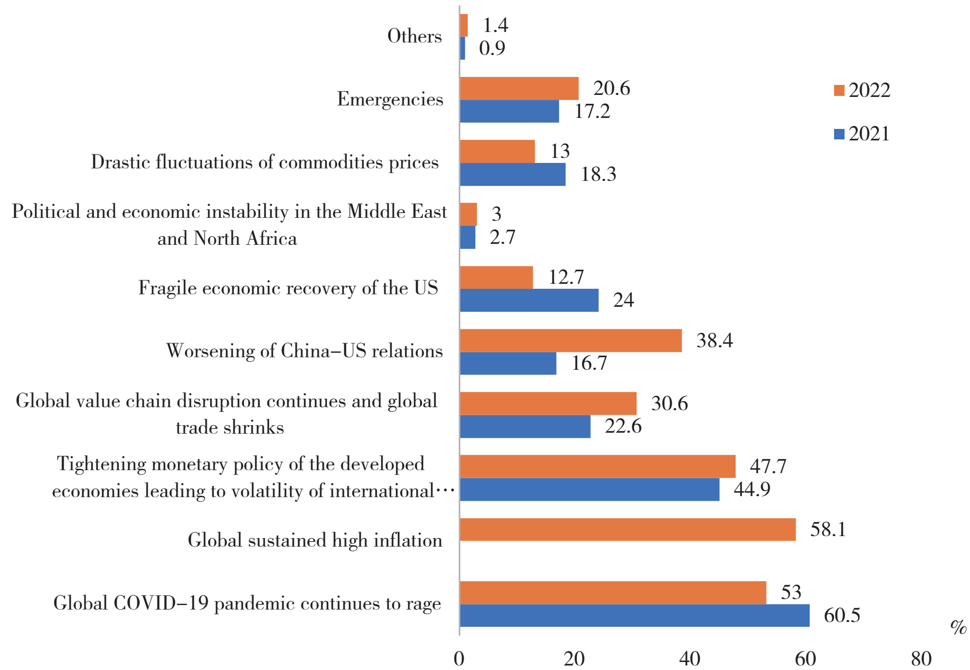

Fig. 4.3 Global Economic Confidence Survey 2022

Source: Financial Minds, Global Economic Confidence Index Report 2022, March 18, 2022, http://www.china-cer.com.cn/guwen/2022031817338.html.

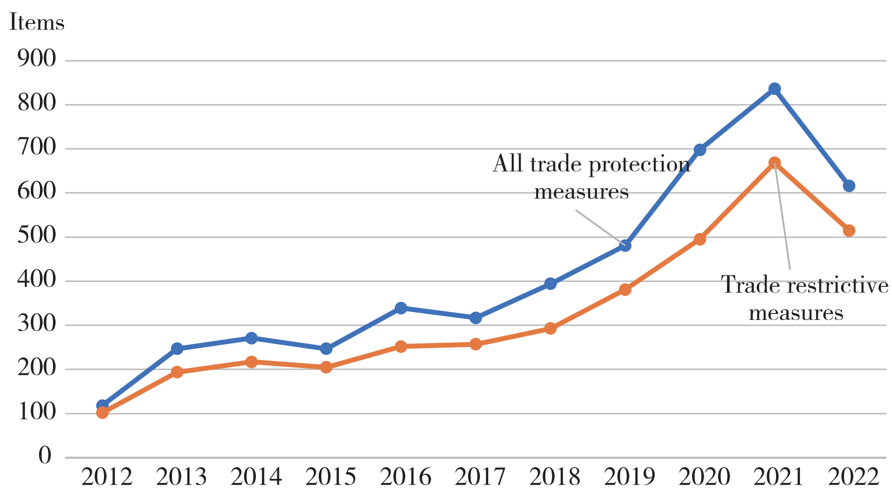

Fig. 4.4 Number of implemented trade protection measures, 2012-2022

Source: Global Trade Alert database, Estimates for harmful interventions, 2021-2022, https://www.globaltradealert.org/data_extraction.

b. Diversified prevention and control measures lead to varying levels of recovery

The diverging trend of economic recovery among different countries is deepening due to differences in vaccine supply and governance, which has had a direct impact on global trade recovery.

Infections have continued to increase and the movement of people has been restricted, slowing the pace of global trade recovery. The World Economic Outlook report, released by the IMF in January 2022, pointed out that "as the new Omicron COVID-19 variant spreads" and infections increase, "countries have re-imposed mobility restrictions"①. Meanwhile, the emergence of new variants may make the pandemic last longer, once again disrupting the economy, and, as a result, the economic conditions of countries may continue to be weaker than expected.

Unbalanced vaccination and slow recovery in some regions have combined to restrict the progress of global economic recovery. From early 2021, the research and development and promotion of the COVID-19 vaccine have greatly pushed forward the prevention and control of the pandemic and injected impetus into the recovery of the world economy. The widespread use of the COVID-19 vaccine has reduced measures that impose strict restrictions on economic activities, and economic activities are gradually returning to normal. However, affected by various factors, such as values and economic conditions, it will take a long time for vaccines to be accepted and administered globally. Moreover, the emergence of new variants of the virus, the rise of vaccine nationalism, and the continual spread of the virus around the world have continued to affect the global economy. In 2021, the IMF released a report stating that as of October 2021, the vaccination rate of the sub-Saharan African population barely reached 2.5%②, while the region's GDP growth rate was only 4.5% that year, far lower than that of emerging markets and developing economies, which was 6.8% on average③. It is fair to say that the slow economic recovery in Africa is mainly attributable to the low vaccination rate. The COVID-19 virus continues to sweep the world, and even countries with a very small number of infections cannot guarantee a smooth economic and trade recovery. The vaccination rate continues to have a bearing on the global economy.

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① IMF (2022). *World Economic Outlook*. January. https://www.imf.org/zh/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022.

② IMF (2021). *A Fraught Recovery. Despite Some Encourage Sign, Another Difficult Year.* October.https://www.imf.org/zh/Publications/REO/SSA/Issues/2021/10/21/regional-economic-outlook-for-sub-saharan-africa-october-2021.

③ IMF (2022). *World Economic Outlook*. April. https://www.imf.org/zh/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022 accessed on April 2022.

2. The pandemic restricts free flow of international investment

The spread of the pandemic has disrupted the global supply chain, prompting countries to take protection of the integrity and upgrading of domestic supply chains as part of their national security strategy. In particular, the developed economies have continually reduced overseas investment and pushed reshoring of overseas capital and manufacturing. Meanwhile, investment disputes caused by the pandemic have also attracted widespread attention from the international community, and may lead to reform of international investment rules.

a. It intensifies the rise of international investment protectionism

The raging pandemic has prompted governments of relevant countries to give more priority to national security while pursuing economic growth. However, countries have very different understanding of pandemic prevention and control; as a result, policy restrictions and conflicting ways of thinking have adversely influenced international investment.

Increased government intervention in international direct investment. Some countries have introduced policies to encourage domestic enterprises operating overseas to return and invest in the domestic market and improve the domestic investment environment. Meanwhile, due to national security considerations, since 2016, many countries have increased restrictions and reviews on foreign investment in specific industrial sectors, and the proportion of restrictive and regulatory policies has risen to 33% in 2020[①]. Such restrictions and reviews mainly involve industrial sectors such as defense industry, critical infrastructure, and strategic industries, increasing the difficulty for international capital to enter.

It magnifies the conflict of values, intensifies mistrust among major countries, and dampens the confidence of international investors. A country's attitude towards pandemic prevention and control is influenced by values, and as the contradictions and conflicts among countries have increased, it has had a negative impact on the investment environment. In March 2020, the United Nations Conference on Trade and Development made a gloomy forecast of global FDI growth, expecting it to decline by 30%-40%[②]. It turned out that the forecast was very close to the actual growth of global

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① UNCTAD, https://unctad.org/.

② UNCTAD (2020). *Global Investmetn Trend Monitor*. March 27. https://unctad.org/system/files/official-document/diaeiainf2020d3_en.pdf.

FDI, which was a negative 42%, even 30 percentage points lower than the lowest level recorded in the wake of the 2009 global financial crisis. The gloomy expectations brought by the pandemic have affected investor confidence, tilting them towards holding cash and monitoring the market instead of transactions, thereby dampening outbound investment and economic activities.

b. It triggers international investment disputes and accelerates rule adjustment

The pandemic has led to countries taking a large number of extensive prevention and control measures in health, travel, trade, investment, among others, which have inevitably affected free flow of investment. At the later stage of the pandemic, the possibility cannot be ruled out that a large number of foreign investors may file arbitration claims based on investment treaties, accusing the host country of violating investment protection obligations and requiring the host country to assume state responsibility.

It may increase investment-related disputes between foreign investors and host countries. Since the outbreak of the pandemic, global economic and trade frictions have continued to heat up. In 2021, India recorded the highest average monthly reading of the Global Economic and Trade Measures Index, and the US' index reading was at a high level for 10 of the 12 months in 2021[①]. Considering pandemic prevention and control and national security, a significant number of economies have tightened their foreign investment review measures, which has created some obstacles to the normal development of international trade and cross-border investment activities. The resulting investment arbitration cases, therefore, have gradually increased. Moreover, some countries' negative attitude towards pandemic prevention and control has prolonged efforts to contain the pandemic and increased risks. The resulting adverse effects, such as disrupted logistics and blocked economic activities, will aggravate the losses of foreign investors and are likely to trigger more investment-related disputes.

It may have an impact on international investment rules. The increase in litigation has also prompted the international community to reconsider the substantive and procedural rules of international investment agreements. The international law

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① China Council for the Promotion of International Trade (2022). *Global Economic and Trade Measures Index 2021.* March 31. https://www.ccpit.org/image/1273893138053726209/9863c2f5973743cca0c73ef341184d57.pdf.

community generally supports multilateral and bilateral investment treaties and international conventions, and the host country's various investment protection obligations to foreign investors can become a strong legal basis for claims of investors. Although international investment agreements that have been signed in recent years have paid more attention to the safeguarding of regulatory rights of host countries while protecting the rights and interests of investors, in reality, the effect of safeguarding the regulatory rights is not obvious. Therefore, the international community is considering and discussing systemic and institutional reform of investment dispute settlement mechanism to better resolve disputes between investors and host countries.

3. The pandemic undermines growth momentum of global value chains

The rapid development of globalization in the past decades, which is attributable to the market division of labor and scientific and technological progress, ensures a relatively stable environment for the continual extension of global supply chains. The outbreak of the COVID-19 pandemic has greatly increased the importance of the dimension of security in the supply chain system, which not only restricts the global allocation of means of production, but also affects the effective operation of global value chains.

a. It deals a blow to economic and trade activities on both the supply and demand side of value chains

To effectively prevent and control the pandemic, almost all countries have implemented social distancing measures of varying levels, such as isolation and quarantine, working from home, reducing social activities, restricting border entry, and reducing the flow of people, disrupting many sectors of the global supply chain system.

It seriously dampens production and export from the supply side. The strict logistics control policies of countries around the world have led to suspension of some logistics services, increased complexity of the inspection and quarantine process for transportation of goods, and in turn caused congestion of the international logistics network. According to a report on global air cargo, released by the International Air Transport Association (IATA)[①], global air cargo demand growth had slowed

① IATA (2021). *Air Cargo Market Analysis*. November. https://www.iata.org/en/iata-repository/publications/economic-reports/air-freight-monthly-analysis---november-2021/.

in November 2021 due to factors such as supply chain disruptions and capacity constraints. Meanwhile, the resumption of work and production of enterprises had suffered setbacks, the supply of raw materials from upstream enterprises in the supply chain, such as steel, mining, and energy, had been reduced, and downstream enterprises are caught in the predicament of raw material shortage, blocked transportation, and shortage of labor. It is precisely because of the dual restraints of logistics and production that the global industrial chain faces the risk of rupture.

From the demand side, the pandemic has led to weak global demand. According to the statistics of the United Nations Conference on Trade and Development (UNCTAD), the pandemic may lead to the loss of 114 million jobs worldwide, and about 120 million people may fall into extreme poverty[①]. The unemployment risk, combined with a decline in income levels, have forced consumers to take emergency money-saving measures, thus showing a negative trend of suppressed individual consumption demand. An Ernst & Young survey shows that due to the economic uncertainties and rising inflation brought about by the recurrences of COVID-19 virus variants, 60% of the respondents - from across the world - want to save more money for the future; among them, 39% have made money-saving as a long-term goal. 52% of the respondents said their purchasing power has declined moderately, which in turn had influenced their spending decisions[②]. Meanwhile, pandemic prevention and control measures, such as home isolation, have also affected the normal production of enterprises, which, coupled with insufficient investment caused by uncertain corporate prospects, has led to weak corporate demand across the world.

b. It disrupts the optimal allocation of resources within the global value chain

The pandemic not only magnifies the vulnerability of the global supply chains, but may also cause major adjustments and restructuring of the global supply chains.

Industries across the world suffer from shocks. The economic disruption caused by the pandemic has reduced the volume of global trade in goods and services by about 10 percent[③], according to data released by the United Nations. The policy restricting

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① UN DESA (2021). *Financing for Sustainable Development Report 2021.* March.https://desapublications.un.org/publications/financing-sustainable-development-report-2021.

② Ernst & Yong (2022). *EY Future Consumer Index*. April. 2022, Issue IX, P5.

③ UNCTAD (2022). *Key Statistics and Trend in International Trade 2021*. March 10. https://unctad.org/system/files/official-document/ditctab2022d3_en.pdf.

free flow of people, as part of the pandemic prevention and control measures, has directly led to a significant reduction in the supply and consumption of labor factors, thus bringing negative shocks to labor-intensive agriculture and manufacturing industries. Meanwhile, the pandemic has restricted the free movement of people, which, coupled with declining capital investment, has resulted in a decline in both the demand and output of the services industry.

The global value chain system faces the risk of fragmentation. The pandemic has raised concerns about material shortages. Governments of relevant countries have adopted export control policies on food, energy, and medical supplies in disregard of WTO free trade rules. In addition, air and shipping controls for the purpose of pandemic prevention and control have had an impact on the normal global economic and trade order and the global value chain system. Meanwhile, non-market factors, such as the fierce gaming among major powers triggered by the pandemic, have also caused otherwise avoidable damage to the global value chains, and the prevailing unilateralism has increased the risk of rupture of the global industrial and supply chains.

It exposes the fragility of the global industrial chains. Under the division of labor framework of the global value chains, the quality of the legal system and environment have a bearing not only on a country's export, but also on the positioning of specific industries in the global value chains. The pandemic has led to the global value chain system facing restructuring, and had higher requirements for optimizing relevant systematic arrangements to protect implementation of contracts.

III. Promoting the Positive Evolution of Globalization and Common Opening of the World

At present, the world is at a critical crossroad of historical development, security challenges are emerging one after another, and the global economic recovery is struggling. How to prevent pandemic risk, cope with the food and energy crisis, defuse downward pressure on the economy, maintain world peace and stability, and promote global sustainable development, are important issues of the current era. All major economies should work together, with global cooperation as the cornerstone, solidarity and innovation as the core, inclusiveness and inclusiveness as the criterion, to promote world openness and globalization, and build a community with a shared future for mankind.

1. Taking global cooperation as the cornerstone to jointly resolve risks

The world is facing profound and broad changes of the times. Coping with development risks and stabilizing economic recovery are major issues of common concern to the world. It is necessary for the world to pool strong forces to overcome difficulties and challenges and jointly resolve world economic risks.

a. Working together to resolve uncertainty risks

The *World Economic Outlook* report released by the IMF in July this year pointed out that the world economic situation will be gloomy in 2022, and related risks will begin to emerge, with increased uncertainty. In the face of uncertainties in the development of world economy, the international community should continue to address risks and challenges together on the basis of cooperation. We will work together to overcome the pandemic of the century. The pandemic is a tenacious war of resistance faced by the international community. Although the global fight against the pandemic has made breakthrough progress, the repeated delays of the pandemic and the multiple mutations of the virus still hinder the development of world economy. Strengthening confidence and jointly overcoming the pandemic is the right way to restore world economy. In the face of this global crisis, all countries should strengthen international cooperations in anti pandemic, drug research and development, accelerate the pace of vaccination and bridge the international "immunization gap" while ensuring the equitable distribution of vaccines. We will work together to resolve the negative impact of the Ukrainian crisis, which has brought about intertwined risks such as the disorder of global industrial chains and supply chains, continuous rise of commodity prices, and the shortage of energy supply. Only by abandoning unilateralism and hegemonism, strengthening solidarity and cooperation, enhancing coordination and communication, striving to maintain world peace and avoiding turbulence and division can we defuse and overcome the risks of uncertainty.

b. Jointly promote the stable recovery of world economy

The world economy has suffered many shocks, the development of many countries has frequently experienced crises, global inflation expectation has been raised, the financing environment has been tightened, trade growth has slowed down, and the risk of economic downturn has increased. All economies should adhere to cooperative development, jointly cope with inflation and other pressures, and promote stable recovery of the world economy.

Cooperate to resolve the inflation crisis. Under the combined impact of various risk factors, the economic recession and inflation wave swept the world. Many countries faced the pressure of currency devaluation. The rising prices squeezed the living standards of people around the world. The labor market in some economies was tense, and compound inflation risks were emerging. If the monetary policies of major economies “brake sharply” or “turn sharply”, there will be serious negative spillover effects, bringing challenges to the world economy and finance. Therefore, all economies must establish a sense of community, strengthen macro policy coordination, promote transparency and sharing of policy information, and jointly prevent economic systemic risks.

Restructure the new pattern of world economic recovery. At present, the process of globalization is suffering a serious impact, and many development problems such as the North-South gap, recovery differentiation, development fault and technological gap are more prominent. In order to reduce domestic economic risks, some economies have stepped up their efforts to promote “manufacturing industry reflow”, leading to a decline in international openness and cooperation, which has a negative impact on the long-term and stable development of world economy. Based on this, all major economies must adhere to openness without isolation, integration without decoupling, build an open world economy, and work together to reconstruct a new pattern of world economic recovery.

2. Focus on solidarity and innovation to promote development

At a time when the global development process is seriously impacted, it is the common goal of all economies to bridge the development gap and revitalize the global development cause. To achieve this goal, we must abandon the cold war mentality, embrace development with an open attitude, stimulate the potential and vitality of cooperation, and achieve mutual benefit and win-win results.

a. Building a global development community

Development is the key to solving problems. In the face of the first decline in the human development index in recent 30 years, promoting the recovery and development of less developed countries is a top priority. To promote balanced global development, we need not only to promote the synergy of existing development cooperation mechanisms, but also to implement the *United Nations 2030 Agenda for Sustainable Development* and create the necessary conditions for countries around the world to achieve sustainable development. Cooperation is a necessary condition for development. No single tree can make a forest. The common development of the world is the real development, and sustainable development can achieve long-term development. We should build an international consensus to promote development, create an international environment conducive to development, avoid politicizing, instrumentalizing and weaponizing the world economy, let the North and the South meet each other through deepening cooperation, build a global partnership for development that is united, equal, balanced and inclusive, and form a global joint force to achieve common development.

b. Cultivate new impetus of global development

With the rapid development of science and technology and the rapid change of industrial iteration, only by grasping the pulse of the times can we seize the opportunities of economic development, and only by pooling collective wisdom can we activate the driving force of global development. Exploring and cultivating new impetus of global development is the key to common development. In the process of going out of the downturn, the world economy is faced with many constraints. Pandemics, wars and other factors also increase the uncertainty of the economic recovery process. Therefore, all major economies must jointly explore and cultivate new drivers of economic growth under the conditions of normalized pandemic prevention and control, promote the integrated development and safe development of the international industrial chains and supply chains, turn crisis into opportunity, and promote the steady and solid process of world economic recovery.

Adhering to innovation is an important aspect of the new driving force of economic growth. Innovation is the first driving force for development. Whoever can give priority to new economic development opportunities such as big data and artificial intelligence will be able to keep pace with the times. The international community must work together to promote technological and institutional innovation, accelerate technology transfer and knowledge sharing, promote the development and upgrading of modern industries through innovation, constantly stimulate cooperation potential and market vitality, and promote more robust, green and healthy global development.

3. Expand openness and integration based on inclusiveness and inclusiveness

Although there have been many countercurrents and dangerous shoals on the road of development, the general direction of economic globalization has never changed and will not change. To seek further development, we must take fairness and justice as the concept, tolerance and inclusiveness as the criterion, promote the reform of the global governance system and economic globalization towards a more open, inclusive, inclusive, balanced and win-win direction.

a. Work together to improve global economic governance

In the face of the growing development gap, some economies are willing to beggar their neighbors for short-term economic benefits and undermine mutual trust, which makes global economic governance entering into a period of turbulence and change. Trade frictions in 2018 made the trend of anti-globalization increasingly popular. The pandemic situation in 2020 accelerated the further fermentation of this trend. The geopolitical conflict brought about by the Ukrainian crisis in 2022 further broke the original economic order and interest pattern, and global economic governance faced severe challenges. There is turbulence, there is change, and we must seek to eliminate or reduce turbulence in the process of change. The reform of global economic governance should conform to the trend of economic multi-polarization. To reduce conflicts around the world and actively reshape the new order of global economic governance with benign changes, we must adhere to multilateralism, abandon the old rules, rationally seek the greatest common denominator of the interests of all countries, run in with each other, constantly reduce the intensity and duration of the game in the anti-globalization stage, and accelerate to enter a new era of more stable, balanced and orderly global economic governance at the lowest cost.

b. Cooperation and inclusiveness to achieve mutual benefit and win-win results

There is inevitably competition and differences between countries, but history has repeatedly proved that zero sum game is not the right choice, and win-win cooperation is the right path in the world. Economic globalization is an objective requirement for the development of productive forces and an irresistible historical trend. With the continuous progress of globalization, the flow of goods and capital in the world is becoming increasingly frequent, the progress of science, technology and civilization is advancing rapidly, and the links between economies are becoming closer.” Decoupling and breaking the chain” and building a high wall will only lead to the division of the world economy and even stagnation of growth.

In order to achieve the stability and long-term development of world economy, we must abandon the idea of “each closing the door to development”, remove barriers that hinder the development of productive forces, and follow the trend of globalization. Inclusion, mutual benefit and win-win results are the only way to promote global common development. “Mount Tai is big because it does not allow soil; rivers and seas are deep because they do not choose small streams.” In the face of the current complex and severe development environment, only by adhering to openness and inclusiveness, allowing capital and technology to flow freely internationally, and allowing innovation and wisdom to emerge and fully collide, can we pool the combined forces of world economic growth, thus guiding and promoting the healthy development of globalization, can we bring broader development space to all countries, and can we achieve mutual benefit and win-win results and create a more prosperous future.

Looking ahead, the new situation brings new challenges, and the new situation breeds new opportunities. Driven by the concept of openness and inclusiveness, collective wisdom and strength, the world economy will certainly glow with more brilliant light, and the destiny of mankind will certainly blossom into a brilliant flower of win-win cooperation.