Globalization Revisited

Institutional Constraints and Ways Forward

Wang Yuzhu

Abstract: Throughout history, major powers have been playing significant roles in leading the development of globalization. There have been three waves of globalization since the age of the Great Voyage, and the latest American-style globalization featuring neo-liberalism has suffered from its own institutional constraints as a result of imbalanced global economy and social-economic dynamics, which contributed to the election of President Trump and the ensuing protectionism of the United States. With the rise of emerging economies, the new round of globalization will no longer be dominated by a single major power. Given the scale of outbound investment and agenda-setting capabilities, emerging powers represented by BRICS countries are increasingly proactive in promoting industrialization and post-industrialization worldwide. China, in particular, with its institutional advantages, is endowed with far-reaching capabilities in pushing forward the new round of globalization.

Keywords: Globalization; major power; neo-liberalism; institution; the United States; China.

Wang Yuzhu is Senior Fellow at the Shanghai Institutes for International Studies (SIIS). His mailing address is 195-15 Tianlin Road, Shanghai 200233, China. He can also be reached at wangyuzhu@siis.org.cn.

The world economic system has been centered around one hegemonic “empire” in every historic period. Underpinned by their military might and political ambition, both the Roman Empire and later the Mongol Empire developed the embryonic form of global economic interconnection, which was enhanced by the Muslim commercial network and Chinese agricultural production.¹ Yet empire-centered globalization is usually weak and fragile. When an empire collapsed, the regional economic links it had created also vanished. Thanks to the industrial revolution, the modern global economy characterized by capitalism emerged, providing a new economic order and successfully penetrating to the world’s margins.² However, despite the so-called magical invisible hand of capitalism, state power – as it did in the pre-modern age of empire – still plays a dominant role in the development of globalization.

This article attempts to revisit the topic of globalization. It first clarifies the definition and reviews the process of globalization since the age of the Great Voyage. It then explores the leading role of major powers in history, namely Portugal, Spain, the Netherlands, Britain and the United States, in pushing forward globalization by different approaches. In the third part, it analyzes some institutional constraints of the American-style globalization from the perspective of norm diffusion of neo-liberalism. Finally, it concludes that domestic institutional settings can be decisive to the performance of major powers when they promote globalization, and that China, as an emerging power with institutional advantages, has become a significant driving force in pushing forward the new round of globalization.

Globalization since the Great Voyage

The concept of globalization is somewhat obscure. Based on historical materialism, Karl Marx and Friedrich Engels viewed it as a part of historical process. According to the Marxist perspective, it is the capitalist mode of production that organizes resources for production around the world.

¹Sugiyama Masaaki, *Youmumin de shijieshi* [The World History of Nomads] (Beijing: Beijing Times Chinese Press, 2014).

²Immanuel Wallerstein, “The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis,” *Comparative Studies in Society and History*, Vol. 16, No. 4 (September 1974), pp. 387–415.

Capitalism is born to go abroad and establish a world market within which production is based on this kind of market rule. Marx put forward the term “communication revolution” in describing the interactive development among nations, which went side by side with the development of productive forces, and it was also based on the concept of “world history” by Georg Hegel. As a result, capitalistic production has enjoyed profound global historical significance.

In contrast, latest research tend to interpret globalization from the angle of economics.³ For example, Jan Scholte gives five definitions of the term “globalization,” most of which are defined in terms of the economy.⁴ From this viewpoint of the economy, the process of globalization mainly reflects large-scale changes in the quantity of trade, immigrants and capital movement. Above all, technological development has enabled time-efficient and cost-saving transportation around the world. Countries, regardless of their geographical proximity, can thus be integrated with each other as long as they enjoy close business relations.

International scholars began to define the term of “globalization” tentatively since the 1990s. Some of them believe that internationalization is closely related to the concept of globalization. According to Paul Hirst and Grahame Thompson, globalization is a kind of large-scale cross-border trade and capital investment behavior, as well as human activities such as transfer of personnel, disease transmission and exchange of information and thoughts that ensue from the above-mentioned behavior.⁵

Later on, the concept of globalization extended to the indispensable international exchanges and interdependence among countries. In order to promote international trade and investment, countries have been devoted to lifting their protective measures. Experience in recent decades has indicated that sovereign states have to transfer their sovereign rights in certain areas in the wake of globalization. For example, in the field of trade, most

³Liu Jinyuan, Li Yizhong, and Huang Guangyao, *Quanqiuhua jincheng zhong de fan-quanqiuhua yundong* [Anti-Globalization Movements in the Process of Globalization] (Chongqing: Chongqing Publishing House, 2006), p. 3.

⁴Jan Aart Scholte, *Globalization: A Critical Introduction* (New York: Palgrave Macmillan, 2015).

⁵Hirst Paul and Graham Thompson, *Globalisation in Question* (Oxford: Polity Press, 1999).

countries in the world have entered the World Trade Organization (WTO) and adopted its regulations, in order to eliminate trade barriers and implement market-oriented reforms. Meanwhile, a set of internationally accepted rules have also been embedded in the current international system. For instance, after the 2008 global financial crisis, international financial markets have carried out a series of new regulatory measures upon financial institutions. Harald Sander first defined de-regulation and the convergent process across the world as economic integration.⁶ Moreover, some scholars have identified “Westernization” and “modernization” as the core of globalization.⁷

Since the age of the Great Voyage, the whole world has gone through three waves of globalization in the modern sense. The first wave of globalization occurred against the background of the first industrial revolution, with steam-driven vessels replacing traditional sailing boats, making it possible to carry out long-distance ocean transportation. In the wake of the second industrial revolution, the first wave of globalization had already developed on an unprecedented scale, driven by colonialism. At the same time, the removal of trade barriers, starting with the Anglo-French Entente Cordiale, had promoted the development of global trade in the institutional aspect. During this period, a variety of investment activities and trade regulation arrangements between metropolitan states and colonies had propelled the institutional reform throughout the world.

After World War II, the second wave of globalization began. The Bretton Woods System was established and the *General Agreement on Tariff and Trade* (GATT) was concluded thanks to ever more active global trade and investment. Driven by the third industrial revolution, this round of globalization progressed swiftly and vigorously. Breakthroughs in atomic

The concept of globalization evolves with accelerated economic integration among countries.

⁶Harald Sander, “Multilateralism, Regionalism and Globalization: The Challenges to the World Trading System,” in Andras Inotai and Harald Sander, eds., *World Trade after the Uruguay Round: Prospects and Policy Options for the Twenty-First Century* (London: Routledge, 1996), p. 27.

⁷Hirst Paul and Graham Thompson, *Globalisation in Question*.

energy, electronic computing, space technology and biological engineering greatly promoted productivity at the global level. The development of transnational investment further spread the achievement of technological revolution across the world. The third wave of globalization began with the development and transmission of information technology, which has transformed the world's political and economic patterns. Labor-intensive industries have been relocated from developed to developing countries like China, India, Bangladesh and Indonesia, after the "Four Asian Tigers."⁸

Leading Role of Major Powers in Globalization

From 1914 to 1945, many countries in the world adopted the policy of "beggar-thy-neighbor,"⁹ which impeded the progress of globalization. After World War II, the anti-colonization movement and rising nationalism in the Third World further slowed down the globalization process for a long time. The global economy was separated into two isolated systems during the Cold War era until the collapse of the Soviet Union in 1991. Nevertheless, major powers continued playing a leading role in different historical periods due to their technological and institutional advantages.

Beginning from the 14th century, the rise of the Ottoman Turks obstructed the traditional trading links between the East and the West on Eurasia. The Europeans thus tried to explore new trading channels, which ushered in an era of maritime expedition. The opening of new sea routes and the revolutionary development of marine technologies enabled mankind to enter into uncharted waters. In this respect, as the earliest navigation pioneers, both Portugal and Spain became the drivers and leaders in the process of globalization. The earliest trade network among metropolitan states and colonies was built by these two countries. As a result, both countries became the earliest colonists who disseminated Western technologies, culture and institutions. For example, soon after the Portuguese explorer Diogo Cao first visited the Kingdom of Kongo in 1483, the ruler Nzinga a Nkuwu converted the kingdom to a Catholic country. Moreover, the Portuguese passed on their knowledge of advanced technologies and

⁸Paul Collier and David Dollar, *Globalization, Growth and Poverty: Building of an Inclusive World Economy* (New York: Oxford University Press, 2002), pp. 18–25.

⁹*Ibid.*, p. 17.

equipment to Kongolese, such as the wheel, plough share and firearms. Because of the Portuguese and subsequent colonists, Kongolese made full use of the achievements of the Western civilization in terms of writing, dressing and building design.¹⁰

Spain's exploration of new sea routes was a bit later than that of Portugal. In 1492, Christopher Columbus began to open new sea routes under the auspices of the Catholic Monarchs of Spain. He insisted that the Earth is spherical and he could thus reach the eastern part of the world by going all the way west rather than reaching India via the Cape of Good Hope as the Portuguese had done. On August 3, 1492, Columbus departed from Palos de la Frontera with the letter of appointment issued by the Catholic Monarchs of Spain. On the morning of October 12, he landed on an island which is now the Bahamas. By making an incursion into Mexico, Spain established a lot of colonies in America. In order to acquire the most valuable resources, Spanish colonists carried out *encomiendas*, a labor system that rewarded conquerors with the labor of particular groups of subject people, to force indigenous inhabitants to convert to Christianity. For the sake of sacking gold and silver in local areas, the Spanish colonists had left no stone unturned.¹¹ Although Spanish colonists had disseminated their technologies, culture and institutions, their colonizing experience was a devastating and slaughterous one for the people they colonized.

With well-developed seaborne trade, sophisticated business culture and favorable geographic location, the Netherlands followed suit and became the commercial center of the world. Compared with Portugal and Spain who plundered oversea colonies by rather violent means, the Netherlands colonized on a small scale. It mainly relied on monopolizing the shipping markets of Europe and played a substantial role in the transmission of global commercial civilization and the promotion of institutional evolution. In their long foreign trade practice, the Dutch created a variety of modern commercial tools. During the process of colonization, the Dutch established the modern version of joint-stock system enterprise, which became the first company in history to publicly issue bonds and stock shares. The world's first stock exchange and bank in a modern sense

¹⁰Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (London: Profile Books, 2012), p. 40.

¹¹*Ibid.*

(The Bank of Amsterdam) were both established in 1609 in the city of Amsterdam. Its financial transaction system established in that year has been playing an important role even until today.

Based on capital and technological advantages, Britain promoted various institutions as a new driver of globalization.

Britain demonstrated how a great power was able to play a significant role in promoting the globalization process, through its history of overseas colonization. Britain's overseas expansion took place in tandem with the industrial revolution in the wake of the Capitalist Revolution. With the steam-driven vessel, railway network and telegraph line, Britain started its colonization world-wide. Through trade and investment among its colonies, Britain promoted the spread of

its technologies and economic institutions. In 1588, after defeating the Spanish Armada, the British navy was greatly strengthened.¹² Since the colonies across the world had already been carved up by Portugal and Spain, Britain at first had to choose North America as its first colonial settlement. When Britain established its first colonial settlement named Jamestown in North America on May 14, 1607, it began to colonize North America in its own way, which is marked by institution-building in various fields. From the beginning, Britain paid great attention to reform the economic system in its colonies, which was very different from Portugal and Spain. For example, a series of incentive mechanisms, such as land rights and taxation, was carried out in North America. In India and Southeast Asia, Britain also benefited from local institutional reforms. According to British historian Niall Ferguson, during 1858–1947, Britain governed a population of 0.3 billion in India only by employing 4,000 non-military personnel by virtue of a set of sound systems. In Africa, there were only 1,200 key management members in 12 colonies.¹³

¹²For a comparison among "Britain-led," "U.S.-led" and "China-led" globalization, refer to Jia Wenshan, "'Zhongshi quanqiu' shifou yiji ruhe neng?" [Whither 'China-led globalization?'], Huanqiu, December 12, 2016, <http://opinion.huanqiu.com/1152/2016-12/9797245.html>.

¹³Niall Ferguson, *Empire: How Britain Made the Modern World* (New York: Penguin Press, 2002).

After Britain, the United States took over the lead for globalization. Starting from the late 19th century, The U.S. became the place where technologies and industries developed most rapidly, with many scientific and technological achievements made and commercialized on a large scale. These in turn created a variety of new industries in the country, such as the cotton gin, telegram, jeans, safe lift, interstate railway, electric lamp, telephone and radio.¹⁴ Finally, the United States surpassed Britain and Germany in terms of industrial capacity and became a great power. During World War I, its gross industrial production exceeded the total sum of that of Britain and Germany. When World War II broke out, the United States came onto the central stage and became the leader of the anti-Fascist camp thanks to its unmatched industrial capacities. After World War II, the new economic order laid the foundation of a system in which the United States served as the leader of the whole industrialized world. Meanwhile, it had also accumulated strong soft power to influence other countries. By playing a leading role in a variety of new industries such as television, air conditioning, automobiles, photographic film, jet aircraft, nuclear power, semi-conductors, computers, the internet and genetically engineered drugs, the United States eventually became the only superpower in the world and a role model for other countries in terms of institutions.

Unlike the first two rounds of globalization, the third wave of globalization is characterized by Americanization.¹⁵ Closely linked to neo-liberalism, the American-style globalization is more institution-oriented and soft power-based, though Spain and Britain had institutional impacts on globalization as well. In terms of neo-liberalism, it can be regarded as a renaissance of liberalism after Keynesianism, based upon classic liberalism before the Great Depression in the 1930s.¹⁶ In 1970s, Keynesianism eclipsed after going through two large-scale financial crises.

¹⁴Wang Changlin, Jiang Jiang, Cheng Zhaoxun, and Han Qi, *Daguo jueqi yu keji chuanxin: yingguo deguo meiguo he riben de jingyan yu qishi* [The Rise of Great Powers and Scientific and Technological Innovation: Case Studies of Britain, German, America, and Japan], *Globalization*, Vol. 9 (2015), pp. 39–49.

¹⁵Zhang Yijun, *Quanjihua yu duojihua danjihua meiguohua* [Globalization: Multipolarity, Unipolarity, and Americanization], *World Economics and Politics*, Vol. 12 (2000), pp. 5–10.

¹⁶David M. Kotz, "Globalization and Neoliberalism," *Rethinking Marxism*, Vol. 12, No. 2 (Summer 2000), pp. 64–79.

As a result, neo-liberalism became the guiding ideology in the Western world and also the guidance for globalization. Neo-liberalism aims to uphold individualism, economic efficiency, technological development and fairness in wealth distribution; it underscores that both property rights and contracts are key to economic operation. Meanwhile, the economic role of both state and government has been underplayed. According to neo-liberalism, government intervention may be of no avail even when there is a market failure. In terms of the international market, neo-liberalism advocates that commodities, services and capital should be able to flow freely. The United States-endorsed institutions like the World Trade Organization (WTO), World Bank and International Monetary Fund (IMF) became important propellers of neo-liberalism, which paved the way for the development of globalization in terms of de-regulation of the world market.

Neo-liberalism has been the guiding principle for U.S.-led globalization since the end of World War II.

After 30 years of glorious capitalism,¹⁷ neo-liberalism has promoted bourgeois liberalization and economic growth as a proud Western pattern, which had been the pride of a number of U.S. Presidents until the latest global financial crisis. Since the 1970s, the world's growth pattern has undergone a series of transformation. After the collapse of the Soviet Union, most countries in the world adopted neo-liberalism through institutional

reforms and were gradually integrated into the world economic order dominated by the United States. On the one hand, de-regulation is conducive to stimulating market vitality; yet on the other hand, the relative lack of concerns for social equity and welfare commercializes the traditional distribution of public goods through market mechanisms.

Institutional Constraints of American-Style Globalization

Institutional constraints, especially the imbalance of capitalist economy, are deeply embedded in the American-style globalization. The 2008 global financial crisis actually derives from the imbalance within the world

¹⁷Luiz Carlos Bresser-Pereira, "The 2008 Financial Crisis and Neoclassical Economics," *Brazilian Journal of Political Economy*, Vol. 30, No. 1 (January-March 2010), pp. 3–26.

economic structure. Neo-liberalism has not always performed well in terms of economic growth. With slowing economic growth in major developed countries, a series of problems with their economic patterns were exposed. As a result, neo-liberalism has increasingly come under fire, and people in the Western world have begun to re-evaluate their development pattern and neo-liberalism itself.

When developed countries relocate their industries, their competitiveness is undermined. Although the industrial relocation of multinational corporations (MNCs) has embodied the general principle of industrial upgrading, the maximization of individual benefits will guide investment behavior that in turn exacerbates the industrial hollowing out in their home countries.¹⁸ In the current world production pattern, emerging economies produce middle- and low-end products, while in other developing countries, MNCs have established regional research and development (R&D) centers and manufacturing plants of advanced equipment, bringing them further into regional value chains. Consequently, the portion of developed countries in their international division of labor has been squeezed, which leads to their industrial hollowness.

Since the mechanism of globalization usually lies in the system and principles pursued by major powers, institutional constraints can generate profound impacts upon behaviors of major powers when they promote globalization. For decades, the United States has been the leader and key driving force of globalization with norm diffusion of neo-liberalism. However, neo-liberalism has passed its zenith and is on the decline. Since his inauguration as U.S. President, Donald J. Trump has been advocating economic protectionism, which jeopardizes the long American tradition of globalization and the United States' unshakable leadership in globalization since World War II. The root cause of America's policy shift on globalization is profound. According to Karl Polanyi, the economic system had been embedded in the social system before a free economy came up. However, since the rise of a free economy, social operation has to be subordinate to the market. As a result, the parallel development of self-protection and expansion between market and society is formed. As the self-adjusted market

¹⁸Wang Ying, *Duiwai zhijie touzi yu muguo chanye kongxinhua tantao* [A Study of Outward Direct Investment and Hollowing-out of Industrial Entities in Recipient Countries], *Practice in Foreign Economic Relations and Trade*, Vol. 4 (2008), pp. 79–81.

is by and large a pseudo-proposition or even Utopia, it will certainly cause the counteraction of social protection.¹⁹ The recent policy shift initiated by President Trump has revealed the parallel movement between society and market, as well as the social backlash against the economic system.

Trump's economic policy reflects and enhances social backlash against American-style globalization.

Throughout U.S. history, capitalist economy has tended to evolve from market freedom to government control, despite some varied scenarios at certain historical moments. During 1800–1860 when the capitalist system was burgeoning, for instance, state interventionism was rather powerful because of the foundation of federal government. For the sake of nurturing domestic industries, the federal government levied

heavy prohibitive duty on manufactured goods produced in Europe. In another example, in order to maintain competitiveness of domestic industries and integrate the domestic market, governments at federal, state and even lower levels had played active roles in carrying out infrastructure programs with regard to the building of canals, railways and highways.

In the early years of country-building, the U.S. federal government had distributed economic resources through subsidy, reorganized the banking system, stipulated the currency standards and attracted European immigrants to develop land on a large scale.²⁰ When public and private property rights came into conflict, the government repeatedly intervened in the process of reconciliation. In history, some cases adjudicated by federal courts became significant references for regulatory policies of the government. As business monopolies sprang off as a result of the rampant capitalism, the voice of restricting and regulating monopolized industries began to emerge. To impose restrictions on the illicit competition of monopoly enterprises, the U.S. Congress passed the *Sherman Antitrust Act* in 1890. In the United States, financial crises usually broke out almost every ten years — even before the Great Depression in 1930s. The role of government

¹⁹Bao Gangsheng, “*Fansi Bolanni Dazhuanxing de jiuge mingti* [Reflections on Karl Polanyi's Great Transformation],” *Zhejiang Social Sciences*, Vol. 6 (2014), pp. 4–14.

²⁰Jonathan Hughes and Louis P. Cain, *American Economic History* (Beijing: Peking University Press, 2011), p. 378.

was always indispensable in managing economic risks. Doubtlessly, state interventionism was taken to the highest level during the Great Depression and World War II. Not until the two world oil crises in the 1970s did the United States begin to deregulate its economy and adopt neo-liberalism.

Neo-liberalism-based globalization has been a process of expanding capital and liberalism across the world. Although capital movement transcend borders, capital and markets have failed to transcend society and human nature, because human behavior will not always follow the so-called market principle.²¹ The economic function of advanced capitalist nations, especially those Western democracies, is inseparable from their social system. When the integrating force of market becomes too powerful and exceeds the capacity of social integration, market forces become divorced from social policies and the process of capital expansion is suspended. Consequently, social forces counterattack the liberalism-oriented market system through political institutions. The imbalance between economy and society, characterized by income inequality and environmental degradation, contributes to the rise of populism, which eventually threatens the harmony between capital and society. Then political institutions need to be rebalanced at the request of the majority of people.

China and the New Round of Globalization

Admittedly, the leadership role played by the United States in the new round of globalization has diminished and will continue to decline in the coming decades. Meanwhile, American protectionism will remain a general trend. As the incumbent leader of globalization, the United States has been enslaved by its own institutional constraints and national interests. Social problems from the bottom of the society and ordinary people have ultimately driven the policy shift of the country. However, the globalization process will not end in the long term. Similar to business cycles, globalization also has its own cycle, with ups and downs in a certain period of time. The new round of globalization cannot count on its incumbent leader and needs to be complemented by other emerging powers. China, with its

²¹Zhengyu, "Quanqiu huajincheng bingweinizhuan [The Course of Globalization Isn't Getting Worse]," *Cultural Review*, No. 12, 2016.

institutional advantages, has been committed to pushing forward the new round of globalization.

In the past three decades, China has made many remarkable achievements in economic development and become the world's second largest economy in terms of total GDP. China's economic model, a mix of market economy and socialist institutions (generally termed as "socialism with Chinese characteristics"), is attracting worldwide attention. Reviewing the history of China's economic growth since the reform and opening up in the late 1970s, it is easy to identify that China's miracle is closely linked to the globalized world economy. Due to path-dependence, a continuous opening up has shaped the logic for China's further reform. As China enters into an economic "new normal," it has put forward a further opening up and comprehensively deepening reform strategy, aiming at promoting a forced reform through continuous opening up. China believes that economic globalization provides good references for its continuous reform. On the one hand, as an export-oriented economy, China has to rebalance itself in the globalized markets through industrial restructuring; on the other hand, China has also learned many lessons from the 2008 global financial crisis and has come to believe that only a balanced and sustainable world economy can facilitate China's economic growth in the long run.

China is becoming a new leader of globalization with the Belt and Road Initiative.

Faced with problems created by economic globalization, Chinese President Xi Jinping called for collective actions at the Davos Forum 2017 to "adapt to and guide economic globalization, cushion its negative impact, and deliver its benefits to all countries and all nations."²² President Xi's keynote speech has received tremendous applause from developing countries that are

making strenuous efforts to be integrated into the global value chain. Against this background, China actively engages itself in all types of global governance mechanisms by proving various kinds of public goods. The Group of Twenty (G20), BRICS and the Belt and Road Initiative (BRI) are all

²²"Spotlight: Xi Charts Globalization Course at Davos Forum with Chinese Plan," Xinhua News, January 18, 2017, http://news.xinhuanet.com/english/2017-01/18/c_135993655.htm.

important platforms through which China can play a leading role in pushing forward the stagnated globalization.

Focusing on infrastructure connectivity and capacity building, the BRI advocated by President Xi in 2013 has been playing a positive role in driving the globalization process. As a program of comprehensive cooperation, the BRI is a good mechanism for the new round of globalization through “five connectivities”²³ in the principle of achieving shared growth through discussion and collaboration. In the past five years, the BRI has leveraged huge amounts of investment in infrastructure and industrial sectors. In many parts of the world, the BRI is becoming one of the driving forces of economic growth and local industrialization. The United Nations General Assembly (UNGA) also welcomes the BRI and calls for international efforts to implement it, which implies that the BRI has been increasingly recognized as an important mechanism in promoting the new round of globalization.

Contributions of the BRI to the world economy are mainly seen in the following three aspects. First of all, the initiative helps bridge the capital and technology gap among countries that had previously been widened by developed countries’ investment re-shoring process. The surging of China’s outbound investment leveraged by the BRI helps emerging economies to continue their development. Capacity cooperation with countries along the Belt and Road helps them integrate into the new global value chain. And those previously marginalized countries, like transitional economies in the Eurasian continent, and least developed countries in South and Southeast Asia, can all be involved in the world production system.

Second, the BRI cultivates a new balanced and inclusive international order through institutional reform and creation of new mechanisms. China, together with other emerging economies, is striving to create and safeguard an open world economy through promoting institutional reforms in sectors like trade and investment. In the past years, China has made tremendous efforts in new institution building. The Asian Infrastructure Investment Bank (AIIB), the New Development Bank (NDB) and the Silk Road Fund (SRF), as new sources of development finance, are complementing

²³The “five connectivities” refer to policy consultation, infrastructure connectivity, free trade, free circulation of local currencies and people-to-people connectivity among nations along the Belt and Road.

traditional institutions of globalization founded by the United States and other Western economies.

Third, the BRI helps rebalance the world economy. China is currently rebalancing itself in the global economy through a structural reform focused on the supply side, aiming to reduce domestic overcapacity and expand domestic demand. Indeed, many traditional industries are being relocated to other countries along the Belt and Road. These countries are empowered with basic production capacity and are expected to ultimately conduct balanced trade with China and other global partners.

It is important to note that with the rise of emerging economies, the new round of globalization will no longer be dominated by a single power. Engaging more nations in the many initiatives it has proposed and working with the international community on various established platforms, China is very hopeful to lead the new round of globalization that aims for more equitable and sustainable development of diverse economies around the world.