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Institutions, Economics, Ethics and Gender

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Role of China in the Transition of Globalization: Fostering or Preventing A More Just and Stable World?

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An outline of this study

- Motivation and research questions
- The doubled-edged sword of globalization
- China as a selective imitator and an innovator
- Essences of alternative options of China
- Dynamics and uncertainties in transition of globalization
- Conclusion and Remarks



Motivation and research questions

- What are the major drawbacks w/ globalization which hinder the progress of a more just and stable world, hence setting an inevitable stage for its transition?
- How does globalization benefit China's economic development?
- How does China's progress foster the transition of globalization?
- What are the upsides and uncertainties with China's proposals?
- In what ways would China contribute to a progressive change for the transition of globalization?



The doubled-edged sword of globalization - (1)

- Between 1982 and 2022,
 - ◆ Value of international trade ↑ by almost **31 times**;
 - ◆ FDI inward stock ↑ by **70 times**;
 - ◆ FDI outward stock ↑ by **60 times**.
- Not necessarily leading to a more just and stable world ...
 - ◆ “... globalization, ... government elites have tended to talk too much about free trade and **not enough about social justice and stability**.” (John Kenneth Galbraith 2002, 6)
 - ◆ “In poor countries, globalization is the new synonym for imperialism and colonialism; generally **the word evokes collapse rather than common gain**.” (James Kenneth Galbraith 2002, 11)



The doubled-edged sword of globalization - (2)

- Downsides with globalization
 - ◆ Income inequality, financial instability, climate change
 - ◆ Philipp Heimberger (2020): a meta-analysis w/ evidences from 123 quantitative studies ...
 - Economic globalization \propto income inequality
 - Financial globalization “shows a stronger inequality-increasing impact” than trade globalization.
 - ◆ Carbon emission was double between 1982 and 2021.
 - ◆ To institutionalists, the issues are largely attributed to the practices of the MNCs.
 - MNCs process the “capability of manipulating one country against another in an effort to secure favorable tax concessions, relaxed labor and environmental standards, ...”. (Foster 2003, 497)
- To globalization, “the benefits have reached new heights, but dangers have reached new depths” (Nolan 2018, 92)

China as a selective imitator and an innovator - (1)

- Upon the economic opening policies in 1978, selected FDI projects were approved in manufacturing rather than financial sectors in certain SEZs.
 - ◆ **FDI inflows: USD0.43bn (1982) → USD11.16bn (1992) → USD53.07bn (2002) → USD344.08 (2021)**
 - ◆ China captured the cutting-edge production technologies and management practices directly from the outside world in a short period of time instead of inventing/searching for these by itself.
 - ◆ **Exports of manufacturing goods: USD12.27bn (1982) → USD297.06 (2002) → USD3,222.95bn (2021)**



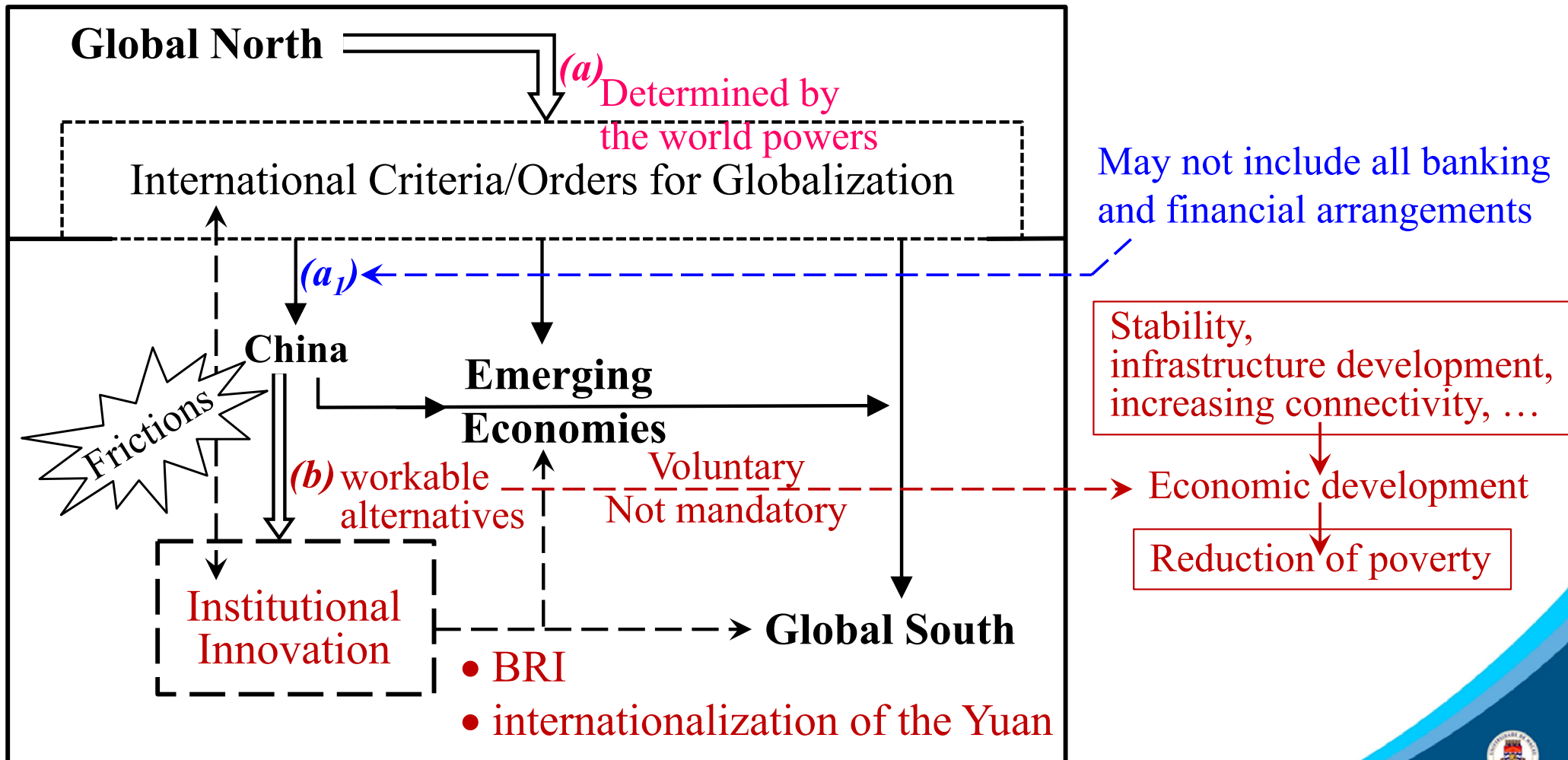
China as a selective imitator and an innovator - (2)

- On top of following the standards determined by the world's importers, China's exported goods carrying its own and innovative designs/features ↑↑↑
 - ◆ E.g., “Chinese semiconductor companies have been automating and digitizing facilities to serve global customers.” (World Bank Group 2019, 63)
- Number of China's MNCs (*Fortune Global 500*):
11 (2002) → 95 (2015) → 126 (2021)
- China's FDI outflows:
USD7bn (2002) → USD179bn (2021)
- China is attempting to institute some new alternatives/standards for the world.



Essences of alternative options of China

- China and the institutions of economic globalization



Dynamics and uncertainties in transition of globalization - (1)

- Alternative institutions proposed by the Chinese gov't are appealing to countries in the GS for development and as a mode of transition of globalization (re-globalization).
 - ◆ BRI and internationalization of the Yuan **offer more choices** (rather than absolute substitutes of existing institutions) for the transition of globalization.
 - ◆ A **cultural melting pot** is to be collectively realized by participating countries for mutual growth and a more just world.
 - **Infrastructure development and education** are emphasized at the outset instead of simply pushing the production and trade.
 - ◆ A **more stable financial environment** with **lower transaction cost** for trades by using the Yuan.

Dynamics and uncertainties in transition of globalization - (2)

- Uncertainties in the real world
 - ◆ The BRI largely represents the attempt of the Chinese government to establish “a melting pot of different economic cultures” (Thees, Pechlaner and Manske-Wang 2022, 170) as an alternative framework to promote the transition of globalization.
 - A melting pot **for many countries with diverse mass cultures will not be realized in any short period of time.**
 - ◆ While the success of China’s development exemplifies the Kuznets and Keynes view that “inequality will decline as the development process matures” (James Galbraith 2002, 14), the process in **China witnessed almost three decades of significant increase in income inequality** before it declined modestly in the 2010s (Dunford 2022, 42).
 - A more just and stable world could hardly be guaranteed right away to the GS countries.

Dynamics and uncertainties in transition of globalization - (3)

- ◆ **Reactions** like trade and business **restrictions** imposed by governments **in the GN** to counteract the increasing threats posed by the Chinese government and MNCs on their global dominance have clearly inhibited the progress towards a more just and stable world
- ◆ Possible **adverse environmental impacts** from development of the GS may not be overlooked.
 - Rapid economic growth and development of China actually comes at a cost. **Carbon dioxide emissions** have increased from 8.5% of the global volume in 1982 to 30.9% in 2021.
 - Will potential development (industrialization) in the GS be unfolded with 100% green energy?

Conclusion and Remarks

- The long-practicing criteria for globalization clearly inhibit the development of a more just and stable world.
- China clearly attempts to foster a new global network (in the GS) for attaining a more mutual and stable long-term growth.
- Despite some initial positive results, uncertainties do exist.
 - ◆ Establishing and sustaining a cultural melting pot for a large network participated by many countries is definitely a challenge for achieving a progressive institutional change.
 - ◆ Despite the vision of establishing a more just world, the tug of war between China and other world powers in the GN have clearly hindered the global production and supply chain in the S.R.
 - ◆ The alternative set of criteria introduced by China to the GS will undoubtedly accelerate the transition of globalization as traditionally held by the world powers.

Thank You!

Any questions/criticisms are welcome.

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