

The Development and Future of Economic Globalization

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Economic Globalization

The world is moving away from self-contained national economies toward an interdependent, integrated global economic system. Globalization refers to the shift toward a more integrated and interdependent world economy. When the division of labor continues to deepen, the relationship between countries is close, and the trade between countries begins, especially the in-depth development of international trade in goods. Economic and trade exchanges between countries have become increasingly close and economic globalization has begun to take shape. There are some vocabularies related to economic globalization include: International trade occurs when firms export their goods or services to consumers in another country. Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country. Global market falling trade barriers make it easier to sell globally. Multinational Corporation (MNC) is any business that has productive activities in two or more countries. Firms source goods and services from locations around the globe to capitalize on national differences in the cost and quality of factors of production like land, labor, and capital. Companies can lower their overall cost structure and improve the quality or functionality of their product offering.

Origin and Evolution of Economic Globalization.

Lower barriers to trade and investment mean firms can view the world as their market and locate production in the optimal location for that activity. Global market creation can low-cost transportation, low-cost internet, global media. Global production made easier lower transportation costs, lower information processing and communication costs.

Stages of Globalization from Thomas Friedman: Age of Discovery (1492-1800), which

is driven by European nations; Expansion of global trade (1800-2000) is driven by western MNCs, and global market came into shape; Flattening world (2000-) is driven by individual collaboration & competition and the major trade model is Outsourcing/Offshoring.

Dilemma of Economic Globalization

The emergence of the epidemic and other crises has delayed the process of economic globalization. Economic globalization has shown a trend of reversal, but due to the close connection between countries, it is difficult to find an autarky country, so although economic globalization has suffered a certain degree of setbacks, but in the long run, this predicament can be controlled and changed.

Future Development of Economic Globalization

Business Enabling Environment (BEE)

World bank will give a new project is Business Enabling Environment. It provides a quantitative assessment of the business environment for private sector development. This quantitative assessment will produce data and a report based on these data. Private sector development is defined by three characteristics: it promotes economic growth through innovation and entrepreneurship; it increases equality of opportunities among market participants; and it ensures the general sustainability of the economy in the long term. BEE's data and summary report will aim to achieve a twofold purpose: to advocate for policy reform and to inform economic research and specific policy advice. The business environment can be defined as the set of conditions outside a firm's control that have a significant influence on how businesses behave throughout their life cycle.

Resilience in GVCs Trade Data

In the Figure, panel 1 and panel 2, the resilience of trade in goods can be traced to the adaptability of GVC. These trade data show the sizable changes in trade market shares between regions in GVCs. The market shares appear to be reversing over time.

For example, Asian countries, which were hit early by the COVID-19 shock but then managed to contain the virus, and European and North American countries lost market share. up to June 2021, most countries are during the recovery phase.

In addition to these, the theory of intra-industry trade and the development of digital economy will promote the development of economic globalization.