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Quest for Global Cooperation
amid Fragmentation



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Editor's Note: Globalization vs. Fragmentation

A world once defined by decades of globalization has rapidly shifted to a reality marked by fragmentation. In 2024, strategic competition amongst major countries has intensified dramatically; conflicts are multiplying and escalating, from the Middle East to Ukraine, with no resolution in sight. These crises have reshaped global structures and alliances, fueling a growing trend toward bloc politics and confrontation.

Geopolitical instability is affecting national priorities. Long-term global challenges, which require international cooperation, are being sidelined in favor of more immediate concerns. For instance, commitments to energy transition and sustainable development are taking a back seat to trade competition.

The spillover of geopolitical instability into the economic sphere is evident, affecting growth, trade, financial markets, and supply chains. Nations are reassessing their trade relationships, with some over-emphasizing national security considerations above economic ones, while foreign direct investment flows are being redirected along geopolitical lines. Though often described as "de-risking" strategies, these moves are more motivated by unilateralism and protectionism. Whether this will result in a broader retreat from economic integration remains uncertain.

To address these pressing issues, Taihe Institute held the Sub-Session on International Relations of the 8th Taihe Civilizations Forum (TCF) on September 20, 2024, in Beijing, China. Since its inception in 2017, the TCF has gained great

renown as a platform for global dialogue, hosting esteemed participants from political, business, and academic worlds. This year's international relations sub-session, themed "Navigating the Changing International Political and Economic Landscape for Security and Development," emphasized the need for international collaboration to manage growing geopolitical tensions and economic disruptions.

Scholars and experts at the sub-session highlighted the importance of reinforcing global governance, enhancing economic resilience, and advancing sustainable development. Speeches showcased in this issue of TI Observer (TIO) deliver a powerful message: while the international landscape grows more complex, unified and collaborative efforts remain key to fostering a stable, secure, and prosperous global future.

The interconnected nature of today's global challenges, whether geopolitical, economic, or technological, calls for unity, not division among nations of the world.

The Specter of Geopolitical Competition Is Haunting the World

Wu Hailong



• President of the China Public Diplomacy Association

A specter is haunting our world - geopolitical competition. Increasingly, the US and its allies are viewing international relations through the lens of geopolitical competition, resulting in heightened conflicts and confrontations. People of goodwill are averse to this trend. Having suffered numerous calamities, humanity longs for peace, stability, and development. Yet, this troubling reality is what we face today.

The US allies in NATO, Europe, and the Asia-Pacific - the US-led Western bloc - have engaged in this geopolitical competition, either consciously or unconsciously. Undoubtedly, they perceive China as "the greatest geopolitical competitor" and "the biggest challenge and threat." Recently, Kurt Campbell, the US Deputy Secretary of State, labeled China as "the defining geopolitical challenge confronting modern American diplomacy." Just this past Wednesday (September 18, 2024), he reiterated that China is the top challenge to the United States in all its history. It's evident that Campbell's perspective is mired in the Cold War and zero-sum thinking, filled with hostility and bias against China. In recent years, senior officials in the Biden administration have consistently clamored for "the most intense competition" with China.

NATO, which claims to be a defensive organization that safeguards European security, is now causing disturbances in Europe. It has also extended its reach into the Asia-Pacific, persistently interfering in regional matters. NATO justifies these actions by claiming that China threatens its interests, security, and values - an

accusation that is entirely fabricated. NATO's current actions appear to be greatly aligned with the overall US geopolitical strategies.

Europe once maintained a relatively independent policy toward China. For decades, it took a cooperation-based approach toward China and gained enormously from it. In recent years, however, Europe's policy toward China has become "Americanized." They now view China as a "main competitor" and even "the greatest challenge." Europe's stance on China is moving into closer alignment with the US. Europe once proclaimed its goal of achieving "strategic autonomy," but today, that seems little more than a distant pipe dream.

Several US allies near China's borders, supported and abetted by the US, persistently provoke disputes with China and challenge China's interests and rights. Their actions serve US geopolitical objectives.

The goal of the US geopolitical competition is to unite allies around a US-led bloc, strategically isolating and suppressing China across political, military, diplomatic, economic, and technological fronts. The objective is to slow China's growth, weaken its capabilities, and diminish its global influence. Over the last eight years, whether under Donald Trump's Republican government or Joe Biden's Democratic government, the US has implemented a series of containment measures against China. The US has even waged trade and technology wars against China, employing tactics such as decoupling, disrupting supply chains, imposing sales bans, and slapping sanctions to curtail Chinese industries that might be perceived as threatening the US dominance. Following the US footsteps, Europe has introduced its policy of "de-risking" from China, citing "overcapacity," "anti-subsidy," and "anti-dumping" claims to undermine China's competitive edge in key industries.

However, we do not seek geopolitical competition with any nation. We are not interested in establishing spheres of influence, forming cliques, provoking bloc confrontations, or forging military alliances. We do not want to lead, let alone dominate, the world, nor do we aspire to emulate the US. Our goal is to work tirelessly for our country's prosperity and to improve the lives of our people. We welcome collaboration with any nation or region that wants to work with us. We are ready to provide more opportunities to countries and regions across the globe, contribute more to the world, work together toward mutual development and common prosperity, and jointly build a better world for everyone. This represents our clear and firm response to those pushing for geopolitical competition and threatening to engage in "the most intense competition" with China.

Despite Western geopolitical motivations that have led to restrictions, obstructions, and blockades in trade and technology against China, these measures have not slowed China's growth. Instead, they have acted as a catalyst for China's technological innovation. Through hard work and ingenuity, the Chinese people are developing and solidifying their strengths in more industries and products. For example, the Netherlands barred ASML from selling photolithography machines to China. As it turns out, we are now able to produce our own photolithography machines, as recently announced by China's Ministry of Industry and Information Technology. Furthermore, despite US attempts to "choke" China's chip supply, China's chip exports surged to more than 540 billion CNY in the first half of this year, marking a year-on-year increase of nearly 26%. Chips are poised to become China's top export category this year, and by 2030, China is on track to become the world's leading chip exporter. At the same time, China is launching a new generation of smartphones equipped with satellite communications and smart technologies. In the first half of 2024, domestic smartphone shipments in China exceeded 147 million units, a year-on-year increase of over 13%, with total annual shipments projected to reach 300 million units. Despite being targeted by US sanctions, Huawei managed to top Chinese foldable smartphone shipments in the first half of 2024. China's automobile industry has also made significant strides, exporting more cars than any other country in 2023. Our development of new energy vehicles has been particularly remarkable: China now takes the lead in the new energy passenger vehicle market and accounts for over 63% of the global market share. Similarly, China's photovoltaic (PV) industry and technology have achieved impressive successes, with China maintaining its position as the largest PV module manufacturer for several consecutive years and playing a crucial role in advancing global green energy development. China's full-fledged high-speed rail network has garnered admiration, including from former US President Donald Trump, who recently remarked in an interview with CEO of Tesla, Elon Musk, that China's high-speed trains "go unbelievably fast, unbelievably comfortable." Moreover, China's digital economy and innovative industries rank among the fastest-growing sectors. Attempts by Western nations to use politically motivated protectionist measures, such as the "overcapacity" claim and "anti-subsidy" probe, to stifle Chinese industries have proven futile.

In terms of trade, the US imposed high tariffs on imports from China, leading to a significant decline in the value of bilateral trade. China fell from being the largest to the third-largest source of imports into the US. Despite this, the proportion of Chinese products in US imports has actually increased from about 20% in 2018 to approximately 25% today. Additionally, the total value of China's exports to the global market continues to rise, up more than 6% year-on-year in the first half of 2024.

The US pressures have actually pushed China and its enterprises to work harder to achieve a series of innovations and breakthroughs technologically. China's economy and companies could no longer afford to stay complacent in their previous economic structure, development pace, or role in the global industrial chain and trade. Instead, they were and are driven to innovate and chart new courses, embracing changes despite increased costs, which ultimately reduces their dependence on foreign products and technologies. As American economic strategist David Goldman mentioned in an interview, no matter what challenges are posed to China, they always manage to tackle them and, most of the time, solve them. He really understands what's going on.

In contrast, driven by geopolitical competition, the US government has implemented sweeping measures aimed at containing and suppressing China. Yet, have these efforts made America "great again" or addressed its domestic challenges? Persistent trade imbalances, continuing underemployment, sluggish economic growth, and failure to fully tame inflation, all of these have painted a different picture. The US strategies of decoupling, supply chain disruptions, and blockades against China have failed to improve American people's lives or address their domestic problems. The containment policy toward China is proving to be a double-edged sword, inflicting growing pain on American businesses. Recently, some US Democrats have called on the Biden administration to freeze reported plans to impose fresh restrictions on US technology exports to China, arguing that new restrictions could "send longstanding US companies into a death spiral." The United States' dilemmas are largely of its own making, and engaging in geopolitical competition or damaging others' interests is not a solution.

In China, there's a saying that goes, "Fortunes turn like a wheel." History is ever-changing - there are no permanent winners or losers, only endless possibilities. Today, the US may be "choking" others, but tomorrow it might reap what it sows. For example, China's Chang'e-6 recently returned with lunar soil samples from the far side of the moon, and NASA was eager to collaborate. Yet, the United States' own Wolf Amendment prevented NASA from accessing these samples. Similarly, the US House of Representatives has raised concerns about the import of DJI drones from China. However, even if the US were interested in purchasing these drones, China has already implemented export controls on them. It's not a situation where one side can impose restrictions when it wants or freely import as it pleases. Not long ago, an American scholar even suggested that the US should encourage Chinese electric vehicle manufacturers to invest in the US, with the intention of stealing technology from China. While it was merely one scholar's wild idea, it reflected a shift in America's attitude toward China's progress. I've also

heard that an artificial intelligence (AI) team from a prestigious American university was accused of copying a large language model developed by a leading Chinese university. Although it was not a big deal, the incident was quite surprising. Just a few days ago, Mario Draghi, former President of the European Central Bank, issued The Future of European Competitiveness report, warning that Europe now faces an "existential challenge." He called for massive investment to catch up economically with both the US and China. I still remember times when it was China racing to catch up with the US and Europe - now it's Europe trying to catch up with the US and China. How the tables have turned!

We admit that Western countries have led the world in many fields for decades, and even now, China still trails behind in lots of areas. However, the world is constantly evolving, and every nation is making progress. Can any country seriously expect to hold onto dominance in every domain forever? Is it really feasible to stop others from surpassing you? Seeing any country that catches up as a threat and then trying everything to bring it down is a textbook example of hegemonic thinking. In her speech at the Democratic National Convention, US presidential candidate Kamala Harris declared that she would ensure it is the US - not China - that leads the world into the future in areas such as space and AI and wins the competition of the 21st century. It's clear that Harris was trying to rally the American people, but this idea that you must always win while others must lose is short-sighted. Why can't there be success for all? Why does the US insist on being the sole victor? Such a mindset feels narrow. Yet, this is exactly the way the US perceives the world.

To this day, the US continues its misguided approach toward China, constantly devising new ways to suppress our country, and the list of unilateral sanctions goes on and on. The US persistently interferes in China's territorial sovereignty and internal affairs, particularly in the Taiwan Strait, the South China Sea, Xinjiang, Tibet, and Hong Kong, undermining China's core interests. Recently, the US House of Representatives passed 25 anti-China bills in one week, escalating hostility to new heights and once again pushing Sino-US relations to a precarious point. As the Chinese saying goes, "It's not reasoning that convinces a person, but the hard lessons he or she learns." Perhaps, after repeatedly being taught by hard lessons from the failures of its perceptions, strategies, and policies toward China, the West might finally start to reflect - and possibly gain some insight.

Today's world is intricately interconnected, where everyone's interests got intertwined with the others', thus excluding the interests of one party inevitably harms the other. Suppressing one does not guarantee the other will benefit.

Indeed, the world is big enough to accommodate China, the US, Europe, and all other nations. If Western countries could ditch their outdated Cold War mentality and obsessive interest in geopolitical competition, and instead embrace peaceful coexistence and collaborative development, the world would undoubtedly be a better place.

Unchanging "Shanghai Spirit" in an Ever-Changing World

Nurlan Yermekbayev



• Deputy Secretary-General of the Shanghai Cooperation Organization

Standing at a crucial crossroads, the world is witnessing profound changes. Amidst increasing political and military conflicts in many regions and a slowdown in global economic growth, it is highly relevant to host the 8th Taihe Civilizations Forum, collectively exploring ways to ensure a prospect of security and development. Taihe Institute, one of China's leading think tanks, is committed to the mission of "facilitating mutual appreciation between civilizations and promoting global peace and development." In Chinese, "Taihe" literally means "supreme harmony." True to its name, Taihe Institute perfectly resonates with the Shanghai Cooperation Organization (SCO), which is built around "shared values and harmonious development."

The SCO is a relatively young trans-regional organization, established just over two decades ago. Since its inception, the SCO has charted an impressive path of development, from its original six founding member states to a "large family" of 26 countries, including 10 member states, 2 observer states, and 14 dialogue partners. Today, the SCO is recognized as the world's largest international organization, both in terms of the territory and population it covers. With the addition of Belarus, the collective area of the SCO member states now reaches over 36 million square kilometers, accounting for more than 65% of Eurasia. Additionally, the population within SCO member states exceeds 3.3 billion, which represents about 42% of the global population. Many countries have expressed interest in participating in the SCO and wish to join its activities in various capacities. The SCO focuses on a wide array of topics essential for the harmonious development of humanity, which closely aligns with the core mission of Taihe Institute. These areas include

socio-economic development, cultural and humanitarian cooperation, poverty alleviation, education, and healthcare.

The SCO's significant achievements are rooted in its steadfast commitment to the "Shanghai Spirit," which upholds mutual trust, mutual benefit, equality, consultations, respect for the diversity of civilizations, and pursuit of common development. This spirit advocates for each nation's right to choose its own development path and systems. It fosters an environment conducive to peaceful coexistence and mutually beneficial cooperation among countries with diverse politics, cultural traditions, and socioeconomic development models. The "Shanghai Spirit" constitutes the moral and ideological core of the SCO and lays the foundation for a new type of international relations for today's world.

On July 4, 2024, the 24th meeting of the Council of Heads of State of the Shanghai Cooperation Organization was successfully held in Astana, Kazakhstan. The participating leaders discussed a broad range of issues, from transportation and trade to security and humanitarian concerns, reaffirming their firm commitment to the fight against the "three evils"—terrorism, separatism, and extremism. As the SCO enters its third decade, heads of member states have acknowledged the SCO's role as a robust platform for fostering neighborly trust, expanding multilateral dialogue, and enhancing cooperation. The group has established itself as a prestigious multilateral organization that plays a crucial role in maintaining regional security and stability amidst today's complex geopolitical landscape. During the summit, in addition to the Astana Declaration of the Council of Heads of State of the Shanghai Cooperation Organization, several other resolutions were adopted, including the SCO Initiative on World Unity for a Just Peace, Harmony, and Development. The SCO also designated Qingdao, China, as the SCO's tourism and cultural capital for 2024-2025. Additionally, three Heads of State Council (HSC) statements were issued, including the Statement on the Principles of Good Neighborliness, Trust, and Partnership.

Security cooperation has been one of the priorities of the SCO since its establishment, and notable progress has been made in this regard. Over the past two decades, SCO member states have championed the vision of common, comprehensive, cooperative, and sustainable security. They have implemented robust measures to effectively address a range of security challenges and threats. The SCO Regional Anti-Terrorist Structure (SCO RATS), established in 2002, is dedicated to combating the "three evils." The group has been organizing regular Joint Anti-Terrorist Exercises since 2006 and coordinating Joint Border Operations since 2013. To develop a unified stance on security issues and coordinate joint

operations, the SCO has established several meeting mechanisms, including the Meeting of Security Council Secretaries, the Meeting of the Chiefs of the General Staffs of the Armed Forces, the Defense Ministers' Meeting, the Prosecutors General Meeting, and the Meeting of the Heads of the SCO Counter-Narcotics Agencies.

The SCO continuously broadens its scope of cooperation, addressing critical issues such as drug trafficking, organized transnational crime, and cybercrime, while also focusing on security concerns related to food, energy, ecosystems, public health, and epidemic prevention. Regrettably, the regions covered by the SCO face an increasingly complex situation due to escalating global crises, intensified geopolitical conflicts, and the rise of new challenges and threats. This year, many terrorist attacks occurred globally, affecting areas within the SCO's geographical coverage. These developments underscore the imperative to not only sustain, but also intensify security cooperation within the SCO.

While the world evolves and the SCO adapts, the "Shanghai Spirit" remains unchanged. Committed to collaboration with the global community, the SCO strives to foster a more equitable and sound international order.

Global Economic Fragmentation vs. Robustness of Economic Globalization

Liu Zhenmin



• China's Special Envoy for Climate Change

The International Monetary Fund (IMF) updated its World Economic Outlook report on April 16 this year, raising its global economic growth forecast for 2024 to 3.2%, an increase of 0.1% from the January forecast. The report underscores the resilience of the global economy yet acknowledges prevailing uncertainties. IMF Managing Director Kristalina Georgieva highlighted that, while the world has averted a global recession, the economy has no optimistic markers, potentially heralding a "sluggish and disappointing decade."

The global economy is languishing amidst a complex mix of political, economic, financial, climate, and geopolitical challenges. In recent months, we have observed an intensifying fragmentation of the global economy.

First, disruptions in key shipping routes have dealt a severe blow to global supply chains, resulting in substantial rises in logistics costs and commodity prices. The crisis in Ukraine has paralyzed commercial shipping activities in the Black Sea. At the same time, the conflict in Gaza has precipitated a crisis in the Red Sea, obstructing the most direct sea route between Asia and Europe. In response to a drought that reduced water levels, Panama Canal authorities were forced to impose restrictions on ship passage, severely hampering shipping operations between the Pacific and Atlantic oceans. Consequently, three of the world's five major supply chain hubs are now compromised by geopolitical conflicts and climate change. Maintaining the smooth flow of global shipping routes is now a critical prerequisite for restoring and sustaining global economic growth.

Second, the Western strategy of "decoupling" and "de-risking" from China has severely disrupted Sino-US and Sino-European Union (EU) economic cooperation and exerted a detrimental impact globally. For years, the US, China, and the EU have been the top three powers leading global economic development. In 2023, the global GDP reached 104.79 trillion USD, with the combined GDP of the US, China, and the EU accounting for 58.7 trillion USD, or 56% of the total. Given the economic scale of these three powers, their interactions are pivotal in shaping global cooperation. The US policy of decoupling from China, initiated by the Trump administration, aimed at restricting imports from China by imposing high tariffs, thus reducing trade deficits, and encouraging the return of manufacturing to the US. The Biden administration implemented "decoupling" and "de-risking" policies with strategic considerations, especially targeting advanced technologies such as semiconductors. The US banned certain exports to China and promoted so-called "friendshoring" to cut off cooperation with China. In 2022, Sino-US trade reached a historic high, while China's trade with Europe also grew. However, in 2023, Sino-US trade fell by 11.6% compared to the previous year, and Sino-EU trade dropped by 1.9%. It is evident that while the West seeks to politicize and overstretch the concept of national security on trade and economic issues and approach "de-risking" from China, they are unlikely to hinder China's development. However, these actions will cause significant disruptions to global industrial chains and economic cooperation.

Third, since World War II, economic sanctions have become a convenient instrument employed by major powers. While some sanctions were justified and legal, such as those endorsed by the United Nations, the majority were imposed unilaterally. In the past, sanctions targeted at a specific nation primarily affected that nation alone without broader implications for the global industrial chain. However, since the onset of the Ukraine crisis in February 2022, sanctions imposed on Russia have profoundly impacted the global industrial and supply chains and international trade systems, intensifying the fragmentation of the global economy. As one of the world's top ten economies, Russia boosted the integration of global trade following its accession to the World Trade Organization (WTO) in 2011. Now, under sanctions, Russia has been forced to establish alternative economic cooperation networks to sidestep these sanctions.

Fourth, green barriers imposed by the US and EU are further fragmenting the global economy. Over the past two years, there has been a notable rise in green barriers, namely trade barriers targeting Chinese new energy products, particularly photovoltaic products, wind power equipment, and electric vehicles. In August

2022, the US enacted the Inflation Reduction Act (IRA), providing substantial subsidies to domestic new energy products, such as electric vehicles, to limit imports and protect local industries. In March 2023, the EU introduced the Net-Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA), aiming to ensure that at least 40% of the products in eight key net-zero sectors, including photovoltaics, are manufactured within EU borders. More alarmingly, in April 2023, the European Parliament and the Council of the EU approved the EU's Carbon Border Adjustment Mechanism (CBAM), which is essentially a carbon tax law. Coming into effect in May 2023, the CBAM has been in a transitional phase and is set to enter in force in 2026. Under this carbon tax mechanism, the EU imposes carbon emission standards on certain imports, requiring the payment (or return) of tax or carbon emission allowances (CEAs) on carbon-intensive products entering (or leaving) the EU. The CBAM affects sectors such as steel, cement, aluminum, fertilizers, electricity, and hydrogen products. Consequently, all relevant products entering the EU will soon need carbon certificates. In the absence of WTO-sanctioned green standards, these EU-centric green barriers have gone far beyond the protection of local markets and industrial chains and are likely to cause widespread disruptions. This could severely hinder the production and adoption of new energy products essential for climate change mitigation over the next two to three decades.

These four issues do not capture the full extent of the ongoing fragmentation of the global economy, yet they clearly reveal the huge risks involved. This fragmentation is not a result of natural market dynamics, but rather a consequence of deliberate political manipulation. Dani Rodrik, a professor at Harvard Kennedy School of Government, emphasized in early 2023 that enabling the national security establishments of the world's major powers to hijack the economic narrative would endanger global stability.

A Chinese proverb states, "After clearing the clouds and mist, one sees the blue sky; by enduring the clouds, one eventually sees the bright moon." While we must acknowledge the risks of global economic fragmentation and actively work to curb its escalation, it is equally important to recognize that, despite setbacks, economic globalization remains robustly resilient and vibrant.

First, after the establishment of the WTO in 1995, China's accession in 2001, and Russia's accession in 2011, the world finally saw the creation of a unified global market. This expansive market is robust against disruptions from individual nations, and countries of the Global South will not acquiesce to a reversion to a world divided into self-contained trading blocs.

Second, the establishment of the WTO catalyzed an extensive global trade system, centered around the WTO and bolstered by a network of regional and bilateral trade arrangements. When it comes to prevailing geopolitical tensions, divergences among major powers and blocs might affect the efficiency of this system, but are unlikely to change its fundamental structure.

Third, regional economic integration is playing an increasingly pivotal role in the revitalization of economic globalization. From the European Union to the African Union, and from the North American free trade area to the Caribbean free trade area, regional trade arrangements are proving to be key drivers of regional growth. A notable example is the Regional Comprehensive Economic Partnership (RCEP), which officially came into effect on January 1, 2022, with China and nine other nations among the first to approve it. Creating the largest free trade area in terms of population and market size, RCEP has injected substantial momentum into regional cooperation. Despite a broad downturn in global trade in 2023, the share of intermediate goods trade within the RCEP region increased to 66% of the total, demonstrating remarkable robustness. By around 2030, ASEAN's GDP is projected to hit approximately 6.6 trillion USD, positioning it as the fourth-largest economy worldwide, behind only the US, China, and the EU. In addition, Asia's share of global GDP is expected to rise from 39.1% in 2021 to between 45% and 50% in 2035.

Fourth, global economic fragmentation is driving the regionalization of global value chains, which is unfolding across several dimensions: Firstly, global production networks are evolving into numerous regional and sub-regional production centers; secondly, there is an increasing trend toward localized production that relies on regional resources and commodities, although these regional value chains remain integrated and interconnected; thirdly, international investments, including those from outside these regions, remain critical drivers of these value chains; fourthly, while cross-regional foreign direct investments (FDIs) are declining, investments within regional markets are on the rise.

Fifth, investments related to the 2030 Sustainable Development Goals (SDGs) and the carbon neutrality targets for the mid-21st century should be the focus of global investors and primary targets of international cooperation by 2050. Instituted by global leaders in 2015, the 2030 Agenda for Sustainable Development sets forth 17 SDGs and 169 associated targets. Yet, a mid-term review by the UN General Assembly last year disclosed that less than 15% of these goals and targets had been achieved, underscoring an urgent need to significantly ramp up related

investments over the next six years. Also in 2015, world leaders created the Paris Agreement to address climate change. The 28th Conference of the Parties to the UN Framework Convention on Climate Change (COP28) in Dubai last year conducted the first-ever global stocktake and adopted the UAE Consensus, kick-starting a globally coordinated transition away from fossil fuels, which aims for carbon neutrality by the middle of this century. According to international forecasts, achieving these ambitions will require annual global investments of 4.3 trillion USD by 2030 and 5 trillion USD from 2031 to 2050. Although the sources of this funding remain uncertain, these investment targets are set to propel and stimulate economic growth globally.

Last, current geopolitical conflicts are unlikely to disrupt the tripartite equilibrium among the US, China, and the EU within the global industrial chain. The US will maintain its upstream leadership in numerous global industrial chains and tighten its grip on competitive industries. Amidst the wave of manufacturing repatriation to the US, the US will decentralize production across different countries and regions, but mainly through "nearshoring" and "friendshoring" strategies. Europe, too, will remain an integral part of the global industrial network, with a heightened emphasis on high-end manufacturing and services sectors. China, as the world's foremost manufacturing giant, boasts the most comprehensive industrial chains and clusters. By honing this edge, China is steadily advancing into higher-end, more value-added segments. Despite significant pressures from geopolitical-induced industrial chain relocations and the growing prevalence of "nearshoring" and "friendshoring," China remains the world's largest manufacturer and a great magnet for international investors.

Driven by the economic powerhouses of China, the US, and the EU, industrial chain specialization in key regions - East Asia, North America, and Central and Western Europe - is set to expand, creating new opportunities for regional economic growth. In East Asia, the traditional industries of China, Japan, and the Republic of Korea (ROK) are poised to extend further into Southeast and South Asia, fostering regional economic integration. In North America, several Central American and Caribbean nations, represented by Mexico, are developing new export-oriented industrial clusters. In Europe, influenced by the crisis in Ukraine, investment flows are reversing from their traditional west-to-east orientation to east-to-west, with further expansion toward the Mediterranean coast. Amidst these developments, Europe's economic resilience remains strong.

While we remain confident in the robustness of economic globalization, we must also acknowledge the persisting and widening gap between the Global North and South. The world must realize the importance of and enhance support for developing countries, especially those in Africa, small island nations, and least developed countries. We must strive to steer the global economy toward greater fairness, justice, and equality, gradually achieving shared development for all.

UN Reform for Inclusive Multilateralism

Siyabonga Cyprian Cwele



• Ambassador of the Republic of South Africa to China

Multilateral cooperation, through the United Nations (UN) system, has characterized the post-Second World War global order with various levels of success. While it has been imperfect, multilateral cooperation has averted direct military conflict between major powers and spurred nations to recognize and take joint actions to address international challenges, sustainable development challenges, and human rights challenges. However, the impediments to global cooperation are hindering relations between nations. This has made it increasingly difficult to address our ever-increasing number of challenges, including maintaining international peace and security, ensuring global sustainable development, addressing climate change and environmental challenges, and protecting human rights.

We are witnessing a steady erosion of trust and competition between states. This is weakening our ability as an international community to work together to address our shared challenges. The obstacles we are facing include growing unilateralism, geopolitical rivalries, inconsistent compliance with - and at times blatant violations of - international law, and the application of double standards. There has also been a proliferation of alternative forums and side processes outside of established multilateral forums where decisions are taken amongst the few, thereby disenfranchising the many and diverting attention away from the delivery of multilateral commitments.

In short, the major weakness of the system is not the UN leadership itself, but the lack of inclusiveness and failing to recognize that the realities of today are far

different from those of 1945. The world governance system no longer requires the victors of war to dictate to the rest of the nations. The increasing tensions, rivalry, and competition among the permanent members of the UN Security Council have reduced their capacity to ensure world peace. In addition, the threats to global peace are no longer limited to direct military confrontations, conflicts, or wars, but we now face wider threats to humanity, including climate change, pandemics, famine, terrorism, piracy, disasters, etc.

Three Proposals

1. We must all uphold the noble notion of collective solutions, or multilateralism, to be at the heart of the engagements between member states guided by the United Nations Charter, under the reformed UN System. At the center of these reforms must be the UN Security Council and the global financial institutions, to incorporate the needs of all nations, particularly those of developing countries. We must resist the demon of unilateralism because it is not sustainable. We must rather modernize the UN to be inclusive, fit-for-purpose, agile, result-oriented, and representative of the current international geopolitical relations. There should be a collective recognition that the United Nations remains the most relevant global and international platform for tackling our challenges, particularly i) threats to peace and security, ii) addressing poverty and underdevelopment, and iii) ensuring the protection of human rights, which are the three pillars of the United Nations Charter.
2. We must all prioritize inclusive development for humanity. We may not realize lasting peace without shared global development. At the same time, we may not realize sustainable development without peace. We must espouse them to eliminate the triple challenges of poverty, unemployment, and inequality in all societies. We must jointly embrace shared growth and development for all.
3. We must all adapt to new realities and challenges and share the tools and skills to mitigate them. There are various new and unprecedented threats, including, but not limited to, cybercrime, potential abuse of artificial intelligence, and organized transnational crimes. We need to collectively address the crises that are already changing the world as we know it. These include climate change, altering weather patterns, food systems, and trade relations.

Conclusion

South Africa is calling for renewed efforts to strengthen inclusive multilateralism with a reformed United Nations at its core. Let us all push for peace and development for all humanity. Let us join hands to shape our multilateral institutions to represent our current and future realities.

International Payment and Settlement System in Urgent Need for Profound Reforms

Wang Yongli



- Senior Fellow of Taihe Institute
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The global landscape of economic security and cooperation faces numerous challenges, such as geopolitical conflicts, economic blockades, and financial sanctions. As the undergirding infrastructure for global trade and investment, the international payment and settlement system is now the cynosure for all. This system enables cross-border trade, investment, and financial dealings. When business is done between countries, an inability to transact using either country's currency can hinder the completion of deals.

Currently, the vast majority of cross-border transactions are completed through clearinghouse transfers and account settlements, with direct cash dealings playing a negligible role. Clearinghouse transfers require payment instructions from both trading parties to ensure accurate account crediting. If each country uses different payment instructions, languages, and protocols, the efficiency of international payment and settlement systems will be very low. Therefore, an ideal approach might be for countries or clearinghouses to open accounts at a unified global clearing center for seamless inter-institutional fund transfers. However, the establishment of such a center faces significant hurdles due to the sovereign nature of currencies, which are subject to disparate national laws. Thus, country-specific clearing centers and cross-border interbank payment and settlement systems have emerged. For instance, the US operates the Clearing House Interbank Payments System (CHIPS), while China runs the Cross-Border Interbank Payment System (CIPS).

Another solution involves creating a unified global platform for interbank financial information transmission, exemplified by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Established in 1973, SWIFT was intended to manage, transmit, and process global interbank payment instructions on the principles of neutrality, professionalism, security, and efficiency. Even during the Cold War, SWIFT was utilized by both the US and the Soviet blocs. Today, SWIFT has evolved into a specialized organization with over 11,000 institutional members from more than 200 countries and regions, significantly enhancing the development of the international payment and settlement system through its adherence to commercial operations and political neutrality. Notably, SWIFT functions solely as a financial communication platform, i.e., a messaging network within the international payment and settlement system, without requiring its members to open accounts with it.

However, following the 9/11 terrorist attacks in 2001, the US demanded that SWIFT provide data on USD transactions under the pretext of counterterrorism. Since then, the US and Europe have increased their intervention in SWIFT, using it to impose sanctions on certain countries and institutions by blocking their access. Immediately after Russia launched its special military operation against Ukraine in 2022, SWIFT excluded several major Russian banks. Nonetheless, since Europe relies on Russian natural gas and needs to settle transactions in the corresponding currencies, not all Russian institutions have been cut off from SWIFT. Still, this action has raised eyebrows in many countries, prompting nations to explore the creation of independent and secure alternatives. This has significantly impacted both SWIFT and the international payment and settlement system.

To address these challenges, there are several potential solutions for the international payment and settlement system:

First, SWIFT should establish a sound governance mechanism that restores its neutrality, professionalism, security, and efficiency. As a global service provider, SWIFT must be managed collectively by the international community instead of being controlled by a few nations, although this is easier said than done. Such a governance mechanism also suggests that profound reforms are necessary within the international payment and settlement system.

Second, countries currently excluded from SWIFT can develop an alternative platform jointly so that the two platforms can grow together through competition. It is technologically feasible to create a new financial messaging platform based

on the standards established in SWIFT's extensive history. However, the primary challenge lies in how to ensure the new organization is truly neutral, secure, fair, just, and not controlled by a few countries. If individual countries were to set up their own platforms, the overall effectiveness and efficiency would be compromised.

Third, drawing from digital currency technologies, a new international payment and settlement system could be created. Take Bitcoin as an example. Since its launch in 2009, it has become a secure, super-sovereign cryptocurrency to circulate globally. However, Bitcoin's exclusive system and limited supply (capped at 21 million) render it an inefficient medium for international transactions.

Stablecoins offer another possibility. Stablecoins like Tether (USDT), USD Coin (USDC), and Gemini dollar (GUSD), which are pegged to sovereign currencies, have proven effective for years in facilitating cross-border payments and settlements. Though employing stablecoin technology to develop digital sovereign currencies for cross-border transactions could lead to an international payment and settlement system dominated by individual nations rather than collectively controlled, the potential advantage in cost-effectiveness makes the approach worthy of further research.

A fragmented global governance system could affect cross-border trade, investment, and financial dealings, however, potentially this could also lead to the creation of a new system or a series of alliances or other blocs. We should remain optimistic, as the present challenges could be a blessing in disguise.

Disaster Response Calls for Global Partnerships

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In the present world exists an area where there is not only minimal competition, but also many opportunities for international cooperation. The need for that cooperation is growing and reflects some of the risks that the world faces in dealing with disasters - being able to respond to, prepare for, and recover from those kinds of events.

On one hand, in the last 20 years, there have been many advances in emergency management that have been made by large countries and many small ones. Mostly, those advances have come as a result of the recognition of flaws in our preparation, as a result of shocks to the system.

Some examples of these disasters here in China including SARS in 2003, the major blizzards in 2008, earthquake of 2008, H1N1 in 2009, and COVID-19 drove China appropriately to build much stronger emergency management capabilities, planning systems, institutions, exercises, and personnel training systems.

For the United States, similar things happened as a result of shocks from the terrorist attacks in 2001, the failures of response to Hurricane Katrina in 2005, to the BP oil spill in the Gulf of Mexico in 2010. These led the US to refine its systems to improve the Federal Emergency Management Agency, and to develop a national response framework, a national incident management system, and a whole-community approach at the local level. We can see many countries around the world building this capacity. These events have spurred a great deal of improvement.

Yet on the other hand, the US faces many challenges in the future that are likely to demand not only better national preparation, but also international cooperation on levels that have not existed before.

So what are some of the forces driving this? One of them is climate change, which creates many hazards. We know that the frequency, intensity, and duration of weather-related events like typhoons, hurricanes, cyclones, and tornadoes are increasing. We know that climate change is creating a chronic emergency that could include drought and possible famine. It's driving the migration of populations away from areas that can't be supported economically. In addition, the growth of population and the location of populations in potentially hazardous areas - such as seacoasts threatened by rising sea levels or areas subject to seismic activity - create further risks. This means that we have potential disruptions of increasingly complex and vulnerable human systems, like food distribution, energy systems, communications, and others.

The increasing dependence of the world on technology also increases the vulnerabilities that we have to disasters of various sorts. Some of this is because some of these technologies are inherently dangerous: nuclear power, for example, is tainted by the Three Mile Island accident in the United States, the Chernobyl explosion in the Soviet Union, and the Fukushima Daiichi explosion in Japan in 2011. All of these indicate to us that nuclear power can be very threatening. The world, for good reasons, is expanding its use of nuclear power, not least here in China. Yet this means that the massive building programs for nuclear power create new risks and vulnerabilities we have to be conscious of.

The question is, given these risks, are individual countries - even if they're large, prosperous, and capable ones like China or the United States - ready for these kinds of events? The answer, I would argue, is "No." National capabilities will need to be reinforced or even supplemented in some cases, especially by developing nations or smaller countries when they've been overwhelmed by some of the events we may face in the future.

Why is that the case? First of all, emergency events don't necessarily respect political boundaries. The world has discovered this, if it didn't know it already, with the COVID-19 crisis. Infectious disease outbreaks like SARS, H1N1, and COVID-19 reflect the dangers of infectious disease spreading across borders with lightning speed, abetted by modern transportation. COVID-19, for example, spread around the world in a very short period of time.

There are also situations where political boundaries don't protect people from events that may occur in one place, but affect other nations, even though they're not directly affected by them. For example, the supply chain disruptions that occurred under COVID-19 created terrible problems for China, the United States, and others. Another example from a few years ago was the terrible 2011 flooding in Bangkok, affecting factories that made disk drives for laptop computers. It was discovered that in almost all laptops, the disk drives were made in the area around the Bangkok metropolitan area. As a result, computer manufacturers in China, Japan, and the United States were unable to complete their products and sell them.

A second kind of problem that occurs is that frequent disasters require a scale of response that is beyond the capabilities or the planning horizons of the jurisdictions. This is certainly true for smaller or developing countries, but sometimes it's true for larger ones.

Finally, there may be a need, in certain disasters, for expertise and specialized technical resources that one country may not have, but another can supply. There are a variety of needs that are expanding due to the nature of the threats we face in the future, and this means we need to take action in advance that prepares nations better for these kinds of situations. We need better integration of non-governmental resources and organizations with state resources for better coordination. In many countries, the military - such as the People's Liberation Army (PLA) in China and the National Guard in the United States - is the prime resource for responding to large-scale disasters. Yet those resources have to be integrated better, especially when there is a need for international cooperation, as there was in the Nepal earthquake in 2015, when about a dozen countries, including China, sent military resources.

The rivalries, tensions, or conflicts among international powers make it hard to improve these kinds of situations in terms of disaster response. I firmly believe that these are areas that reflect great need, but there needs to be a substantial effort in that regard. These are areas where there is a possibility of cooperation, because values from one country to another in the domain of disasters are very much congruent. We value human life and the protection of the lifestyles of people in our countries. As a result, this is a critical and hopeful area.

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