

# The Future of Globalization: Adapting to Evolving Economic Realities

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## ***US-China Competition and Supply Chain Reshaping Spark Debates on Globalization's Fate***

Over the past few decades, globalization has been a prevailing trend in the world economy, fostering increased interconnectedness and interdependence among nations through trade, investment, exchanging goods and services, information, and ideas. The relationship between globalization and the supply chain has grown in tandem, mutually reinforcing each other's growth. However, recent years have witnessed headwinds challenging the former's trajectory.

While globalization has yielded economic growth, poverty reduction, and enhanced access to goods and services, it has also faced criticisms for widening inequality, environmental degradation, and social disruptions. This article examines the *"future of globalization"*, especially in light of geopolitical tensions, trade disputes, and the US-China technology competition, which have sparked debates about its continuity. Furthermore, it explores the transformative governance necessary to adapt to evolving economic realities.

## Debates Surrounding Globalization's Future

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The question of whether globalization is nearing its end has become a defining inquiry in today's global economy. Scholars such as Professor Joseph Nye from Harvard University and Professor Douglas Irwin from Dartmouth College have tackled this question, echoing the sentiments of previous discussions spanning over a century. Notably, the COVID-19 pandemic led to a resurgence of the concept of deglobalization, drawing attention to the potential slowdown of globalization. However, these titles belie the conclusions drawn by Nye and Irwin, who argue against the decline of interdependence and interconnectedness. Instead, they emphasize the significance of technological advancements in driving globalization and caution against an inward turn that could partially reverse its course, making the subsequent challenges difficult to rectify.

## Challenges and Uncertainties in the Global Economy

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The global economy has experienced turbulence and volatility, primarily driven by non-economic factors such as the pandemic and conflicts. Uncertainty looms due to various compounded crises, including the war in Ukraine, geopolitical conflicts, the US-China strategic competition, global inflation, potential recession, and climate change. Recent tensions between the US and China have intensified, prompting calls for decoupling the global supply chain and fostering intense competition in critical industries and advanced technologies like semiconductors, batteries, artificial intelligence, quantum computing, and biotechnology.

## US Industrial Policy as a Response

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In response to China's ascendance as a global economic competitor, the US has formulated a new industrial policy to bolster economic competitiveness and domestic innovation while reducing dependence on China for critical technologies and supply chains. The **Chips Act** and **Inflation Reduction Act (IRA)** reflect key aspects of this policy, including increased investment in research and development (R&D) to foster innovation and reinforce US technological leadership, the promotion of domestic manufacturing, and reshoring of supply chains in sectors crucial for national security, measures to safeguard US intellectual property, and efforts to establish alliances countering China's economic influence while encouraging global economic cooperation. The US industrial policy strives to promote domestic innovation, enhance supply chain resilience, protect intellectual property, and forge alliances to maintain economic competitiveness amid rising competition from China.

## Secretary Yellen's Call for Collective Efforts

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US Treasury Secretary Janet Yellen recently **cautioned against** unilateral decoupling from China, emphasizing the potentially disastrous consequences and advocating for a constructive and equitable economic relationship between the two nations. Yellen's speech highlights the necessity for collective efforts and stakeholder cooperation to address pressing global issues such as climate change, pandemics, poverty, and debt. This stance reinforces the view that the future of globalization and the supply chain necessitates a collaborative approach among nations.

## Conclusion: Adapting to Evolving Economic Realities

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Despite the challenges and uncertainties faced by globalization, the article concludes that globalization is not disappearing but rather evolving. Its governance must undergo transformation to align with shifting economic realities. This necessitates the establishment of effective governance mechanisms to address existing challenges and leverage opportunities presented by them. The future of globalization hinges on collective efforts and cooperation among stakeholders, as emphasized by Secretary Yellen, to address common global issues and shape the direction of global cooperative alliances and frameworks.

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