Putting the Global Governance Initiative into Practice and Reforming Global Economic Governance

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Abstract: The current global economic order is in flux and turmoil: the rules-based system is fast becoming fragmented and camp-based; international organizations are in a dual predicament of under-representation and under-effectiveness; abuse of the national security concept is spilling over, eroding market trust and the foundation of cooperation; global public goods are in systemic short supply and unevenly distributed. Centered on the core principles of sovereign equality, international rule of law, multilateralism, a people-centered approach and real actions, the Global Governance Initiative empowers the reform of the global economic governance system at multiple levels, including values and objectives, norms and principles, and pathways for actions. Under this guidance, it is imperative to shore up institutional deficiencies in the traditional fields to narrow the deficit in governance, and accelerate the supply of rules in emerging fields to fill the void in governance. The goal is to promote rule coordination and joint risk management, build consensus for reform and enhance systemic

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resilience, to advance the establishment and maintenance of a fair, just, inclusive, open and win-win international economic order.

Key words: Global Governance Initiative; reform of global economic governance; international economic order

Held at the beginning of the year, the 2026 World Economic Forum in Davos once again highlighted the formidable challenges facing the current global economic order. In its Global Risks Report 2026, geoeconomic confrontation emerged as the top risk for the year, followed by interstate armed conflicts, extreme weather events, societal polarization and misinformation and disinformation.[①] At this historical crossroads, China's proposal of the Global Governance Initiative (GGI) could help advance the reform of global economic governance and prevent the world from further sliding into a quagmire of escalatory confrontation.

I. The Global Economic Order in Flux and Turmoil

The global economic order has now entered a new stage of both transformation and turbulence. Transformation means the global economic order has entered a historical phase of profound adjustment and systemic restructuring. With the collective rise of emerging economies and shifts in technological paradigms, the existing multilateral governance mechanisms are distinctly limited in function and deficient in legitimacy in responding to the new circumstances. Turbulence means the internal operating logic of the world economy has been significantly disrupted due to geopolitical shocks compounded by the anti-globalization measures

taken by certain countries, such as tariff bullying, decoupling and supply chain disruption. Under the interaction of transformation and turbulence, the global economic order faces unprecedented challenges.

In terms of structure, the global economic governance system is becoming fragmented and camp-based. The policies taken by the Trump administration are significantly accelerating this trend, particularly in the fields of trade and technology. Not only has the administration put additional tariffs and pressure on multiple major trading partners, including China, which reinforced the tendency of unilateralist trade; it has also systematically advanced technological decoupling from China. By tightening high-tech export controls, it has gradually formed a camp-based model driven by state power, justified on national security grounds and aimed at severing critical supply chains. Meanwhile, the U.S. government has frequently used the dollar-dominated Society for Worldwide Interbank Financial Telecommunication (SWIFT) to impose unilateral financial sanctions, weaponizing the U.S. dollar and compelling other countries to seek alternative payment arrangements. This has not only weakened the neutrality and credibility of the dollar system, but also shaken its foundation as an international public good.[②] Against this backdrop, major economies including the European Union, China and Russia have actively developed regional financial infrastructures, such as the Cross-border Interbank Payment System (CIPS). A more divided global economic map drawn along geopolitical lines is rapidly coming into being.

In terms of actors, international organizations are confronting a dual crisis in representation and effectiveness. International economic organizations are the key actors in global economic governance. Their representation and effectiveness are of vital

importance. Although the center of gravity of the global economy continues to shift toward emerging markets and developing countries, the reforms of quota shares and voting rights in the International Monetary Fund and the World Bank have long lagged behind, and the rule-making power in the World Trade Organization (WTO) and other organizations has yet to adequately reflect the growing influence of emerging economies. Instead of advancing the quota reform in these international organizations, the Trump administration repeatedly and openly questioned the effectiveness of multilateral institutions, and even withdrew from some of them. Such actions have further delayed the renewal of the global governance structure and undermined the legitimacy of the multilateral system. Meanwhile, the paralysis of the WTO Appellate Body has rendered the dispute settlement mechanism dysfunctional, severely harming the authority of the multilateral trading system and posing a grave challenge to the rules-based international law system.③

In terms of logic, the abuse of the national security concept is eroding the foundation of economic cooperation. The America First policy pursued by the Trump administration has been a key catalyst for the comprehensive emergence of the national security-based mindset in global economic governance. Under the dominance of the political rather than market logic, traditional economic issues such as trade, investment and technology have all been reassessed and intervened in the national security context. The principle of economic efficiency has been subordinated to geopolitical competition. For example, under the pretext of national security, the U.S. government imposed tariffs and sanctioned specific companies like Huawei and Shanghai Zhenhua Heavy Industries Company (ZPMC), as part of a political agenda to reduce industrial dependence on China, promote the reshoring

of high-end manufacturing, and reshape the layout of global supply chains.[④] Such actions have directly triggered technological decoupling and sweeping investment screening, and have set a negative policy precedent of meeting economic competition with unilateralism and protectionism. Against this backdrop, mini-lateral mechanisms based on values or geopolitical alliances keep emerging, which have continuously undermined the WTO-centered global multilateral trading system and have gradually led to mutually exclusive silos of rules.

In terms of outcomes, global public goods are in systemic short supply. Multilateral development institutions such as the World Bank are broadly under-funded, and cannot meet the enormous financing needs of developing countries, especially fragile states, in addressing climate change and achieving the Sustainable Development Goals. Meanwhile, the sovereign debt resolution mechanisms are rigid and inefficient, hence debt crises long remain unresolved. This has not only exacerbated the economic downturns and social pressures in debtor countries, but also made coordination among creditor countries more difficult and international financial markets more uncertain. Moreover, synergy is lacking between global climate governance and digital transformation, climate finance commitments are under-fulfilled, and green technology transfer faces political and economic barriers. In the field of digital governance, the global rules system lags woefully behind, and emerging issues such as artificial intelligence ethics and cross-border data flows are yet to be put under effective multilateral coordination frameworks. This has widened the digital divide among countries and regions, and constrained inclusive development.

II. How Does the Global Governance Initiative Empower the Reform of Global Economic Governance?

With the purposes and principles of the UN Charter as its fundamental guidance, the GGI is committed to promoting the reform and improvement of the global governance system and providing conceptual orientation and action pathways for addressing global challenges in economic governance and other fields. The five core principles it advocates—sovereign equality, international rule of law, multilateralism, the people-centered approach, and real results—are conducive to building international consensus and promoting a fair, just, inclusive, open and win-win international economic order.[5]

Sovereign equality is the starting point for the legitimacy of global economic governance. The economic weight of Global South countries does not match their voting power in major international institutions such as the IMF. This representation deficit has been draining the foundation of the legitimacy of the global governance system. The principle of sovereign equality advocated by the GGI directly and systematically addresses this issue. It goes beyond the equality of states in formality, and calls for substantive equality in the participation, decision-making and benefit-sharing in international rule-making and global affairs. Its central focus rests with enhancing the representation and voice of developing countries systematically. The legitimacy of international institutions and their effectiveness are inseparable. A fair and broadly representative governance structure can overcome the collective action dilemma. Sovereign equality-oriented reform is not a zero-sum redistribution of power. Instead, by restoring the legitimacy foundation of institutions, it can stimulate broader international cooperation and inject new vitality and resilience into

the global economic governance system.[6]

International rule of law restores the authority of global economic governance rules. With stable and predictable institutional arrangements, international rule of law helps set clear and credible boundaries for global economic governance. Whether in traditional areas such as trade and investment, or in emerging fields such as digital currencies and artificial intelligence, international rule-making should proceed on the basis of broad consensus to ensure procedural legitimacy and institutional inclusiveness. The current trends of fragmentation and camp formation in the global economic and trade system are essentially caused by the weaponization of economic tools, and selective application or arbitrary circumvention of international rules by certain countries, which has seriously undermined the authority of international law. Major economies are principal rule-makers and biggest beneficiaries. Their policy orientations and institutional practices often serve as anchors for global expectations. Therefore, major economies must lead by example in observing and upholding the international rule of law, rather than sabotaging the system of rules .[7]

Multilateralism is the fundamental pathway for global economic operation. Based on the principles of non-discrimination, transparency and rules-based constraints, multilateralism embeds dispersed national economic behaviors in a stable and predictable institutional framework. It reduces the transaction cost and information asymmetry in cross-border trade, investment and financial activities; it also arrests the policy uncertainty arising from opportunism and power politics. Thus, multilateralism is a crucial institutional premise for continued economic globalization. At present, unilateral instruments frequently displace multilateral constraints. Tariffs, export controls and investment

restrictions imposed in the name of national security are often implemented without consultation, squeezing the multilateral framework centered on non-discrimination and predictability. Meanwhile, exclusive camp-based arrangements fuel institutional fragmentation, leading to market segmentation, efficiency losses and weaker growth. The reform of the global economic governance system needs to reshape both the principles and practical mechanisms of multilateralism to make them adaptable to the shifting power structures and increasing common challenges.

The people-centered approach guides the reconfiguration of the objectives of global economic governance. The restructuring of the global economic order is essentially about addressing the structural imbalances accumulated over the course of economic globalization. While the division of labor in the global value chains has boosted trade and economic growth, the uneven distribution of trade benefits has intensified tensions in some countries. The manufacturing sector contracted, social discontent rose, the employment structure was strained by technological progress and automation. Universally beneficial and inclusive globalization requires that global economic development do not focus solely on growth rates, but more on balancing development opportunities. Returning to a people-centered objective entails prioritizing poverty alleviation, basic livelihoods, public health and digital infrastructure in international cooperation. At the same time, excessive concentration of technological diffusion and capital returns should be prevented, to make digital dividends more broadly accessible and narrow the digital and development divide. This would reduce systemic instability and ensure that globalization better serves shared prosperity and people's well-being.[8]

The pursuit of real results serves as the operational benchmark for the reform of the global economic governance system. Global economic issues are highly interconnected and prone to spillover effects. If governance remains at the level of principle declaration and agenda duplication, it will further weaken institutional credibility and the willingness to cooperate. The GGI emphasizes real results, aiming to shift the focus of reform from formality setting to measurable outcomes. For example, responses to pressing risks should be institutionalized. Macroeconomic policy coordination should be enhanced to better respond to financial turbulence, debt vulnerabilities and supply chain disruptions. Structural problems should also be set in a framework of sustainable solutions, to reduce development divide and transition cost through institutionalized arrangements such as development financing and the provision of green and digital public goods. Effectiveness-oriented reform is not a simple redistribution of power. Instead, by enhancing enforceability, restoring cooperation expectations, and strengthening systemic resilience, the reform will inject sustained institutional momentum into global economic governance.

III. Pathways for Reforming Global Economic Governance

The structural imbalances of the global economic governance system have become increasingly pronounced in both established and emerging fields. In traditional areas such as trade, finance and development, existing mechanisms suffer from deficiency in rules supply and coordination, making it difficult to safeguard the market foundation for the smooth flow of capital, technology and supply chains. Meanwhile, a new round of technological revolution and

green transformation is pushing the boundary of governance. Issues like digital space, data as a production factor, artificial intelligence and green development keep emerging, while with rule-making not catching up and the fragmentation of standards, risks could easily spill across domains. Therefore, the reform should both reduce the governance deficits by addressing the institutional deficiencies in traditional fields, and improve rules supply and fill the governance gaps in emerging areas. Advancing on both fronts can bolster the momentum of cooperation and prevent economic competition from sliding into confrontation among rules.

(I) Filling governance deficits in established fields

Strengthening the rules-based global economic governance system. Necessary reforms of the WTO should be actively advanced to restore and reinforce its dispute settlement and rule-making functions. Operation of the Appellate Body should be resumed as soon as possible and to promote procedural and efficiency reforms of the Body, such as exploring the introduction of flexible arbitration mechanisms to shorten adjudication timelines, and establishing transitional solutions for cases where consensus has not been reached, so as to safeguard the rule-of-law foundation of the multilateral trading system. In the IMF and the World Bank, the reform of quota shares and voting rights should be advanced on a dynamic basis, to genuinely reflect the changes in the global economic balance of power and significantly enhance the representation and voice of emerging markets and developing countries.

Establishing dialogue-led cross-mechanism coordination platforms. Within major multilateral frameworks such as the Asia-Pacific Economic Cooperation (APEC) and the Group of Twenty (G20), permanent high-level dialogue mechanisms should be set

up to coordinate the rule differences among various regional trade agreements, investment frameworks and financial arrangements, thereby reducing the institutional costs arising from rule barriers. On the basis of respecting the payment sovereignty of countries, technical compatibility and interconnectivity should be promoted between regional payment infrastructures such as CIPS and global systems such as SWIFT, to enhance the overall resilience of the international payment system. Clearer and stricter criteria and review procedures for invoking national security exceptions should be formulated to prevent the abuse of exceptions for protectionist purposes. Moreover, a cooperation framework for the resilience of global supply chains based on diversification, transparency and risk early warning should be established, to share information about supply chain risks at multilateral platforms and jointly invest in backup production capacity and logistics networks for critical materials. This will enhance systemic stability through cooperation.

Rebuilding a market-based international economic and trade order. Fundamental rules such as non-discrimination, transparency and predictability, fair competition, and lawful remedies should be upheld, to return trade and investment to comparative advantages and efficiency orientation. Furthermore, the boundaries for necessity, proportionality, minimal harm and due procedures should be established for measures such as national security exceptions, export controls and investment screening, so that the security logic will not be willfully used as protectionist tools. Characterized by open access, relatively unified rules and policy stability, a truly free multilateral international market can reduce institutional costs, anchor expectations, promote the flow of production factors and innovation diffusion, and enhance the resilience of global industrial chains and market systems through stronger public goods provision.

(II) Filling gaps of governance in emerging fields

Improving global data governance and digital trade rules. On sensitive issues such as cross-border data flows, data localization, personal privacy and public security, a minimum consensus should be pursued within the WTO e-commerce negotiations, the G20 and regional mechanisms. Mutual recognition mechanisms for data classification, compliance certification and dispute resolution pathways should be established to reduce digital barriers. Rules coordination and digital infrastructure connectivity complement each other. While promoting the "soft connectivity" of rules, the "hard connectivity" of global digital infrastructure and the provision of digital public goods should also be enhanced, to systematically narrow the digital divide. Governance rules should not become tools exclusive to a few technologically advanced countries. The ultimate goal is to put in place a more inclusive, secure and efficient digital economy ecosystem.

Building a global governance framework for artificial intelligence. Based on risk categorization, common standards should be established regarding algorithmic transparency, explication, compliance in data training, model security assessment and accountability tracing. For high-risk applications such as generative artificial intelligence and automated decision-making, cross-border auditing and impact assessment mechanisms should be advanced, to prevent technological abuse, information manipulation and systemic discrimination. Relying on platforms such as the United Nations, the G20 or other multi-stakeholder mechanisms, efforts should be made to formulate global AI rules that balance innovation and security, and provide developing countries with support in computing power, data and talent cooperation. The governance of critical technology supply chains requires more transparent vulnerability disclosure and

crisis communication mechanisms. In supply chains, de-fragility rather than de-globalization should be pursued, and resilience be enhanced through diversified procurement, joint reserves and mutual recognition of standards.

Expanding the governance of a green transition and new financial forms. Regarding emerging rules such as carbon border adjustment, green subsidies and climate risk disclosure, the accounting standards and information disclosure frameworks should be unified, to prevent green issues from being instrumentalized as new trade barriers. New quantified global climate finance commitments should be worked out and implemented, to ensure that funds genuinely flow to fragile countries. In the face of digital currencies, stablecoins and cross-border payment innovations, macroprudential supervisory cooperation mechanisms should be set up. The arrangements for anti-money laundering, consumer protection and cross-border regulatory assistance should be improved, to prevent financial innovations from evolving into systemic risks.

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