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Reimagining the global economic order*

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A retreat from the post-1990s model of deep economic integration was inevitable and is not necessarily a bad thing. Today's worries about de-globalization should not blind us to the possibility that the present crisis may in fact produce a better globalization. This essay describes the frailties of the hyper-globalization model and lays out two key prerequisites for the construction of a better global economic order: the prioritization of the domestic social, economic and environmental objectives to build more inclusive societies and polities; and the avoidance of global primacy by major powers. It then discusses the limits of global governance, emphasizing the need to restrict our ambitions with respect to global cooperation to domains where it is most needed and likely to pay dividends. The normative core of the paper is a proposal for a meta-regime for the global economic order that presumes relatively little agreement among countries on desirable economic policies and focuses on minimizing worst cases of adverse cross-border spillovers while building trust (and increased cooperation) over time.

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1 INTRODUCTION

The post-1990s era of hyper-globalization is now commonly acknowledged to have come to an end. The COVID-19 pandemic, Russia's war on Ukraine, and most lastingly, rising US–China geopolitical tension have relegated global markets to a secondary and at best supporting role behind other national objectives, including public health, national security, the green transition, and addressing domestic income and regional disparities. In quantitative terms, hyper-globalization had already been in retreat for a while, since the global financial crisis of 2007–2008. The share of trade in world GDP began to decline after 2007, as China's export–GDP ratio plummeted[1] by a remarkable 16 percentage points and global value chains stopped spreading (Zhan et al. 2020). International capital flows never recovered to their pre-2007 heights.

However, the qualitative transformation has been perhaps more significant. Today it is not just populist politicians who are openly hostile to the post-1990s version of globalization. Policymakers in the US especially, but also many in the European

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1. World Bank, 'Exports of goods and services (% of GDP) – China,', available at: https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=CN.

Union, have begun to talk very differently about globalization. In the words of President Biden's National Security Advisor, globalization (among other forces) 'frayed the socioeconomic foundations on which any strong and resilient democracy rests' (Sullivan 2023a).

I argue in this essay that a retreat from what I have called hyper-globalization – the post-1990s model of deep economic integration – was inevitable and is not necessarily a bad thing. Today's worries about de-globalization should not blind us to the possibility that the present crisis may in fact produce a better globalization. But we must begin by diagnosing where we went wrong. I begin this essay by describing in the next section the frailties of the hyper-globalization model.[2] Then I lay out two key prerequisites for the construction of a better global economic order: the prioritization of the domestic social, economic and environmental objectives to build more inclusive societies and polities; and the avoidance of global primacy by major powers. I then discuss the limits of global governance, emphasizing the need to restrict our ambitions with respect to global cooperation to domains where it is most needed and likely to pay dividends. The normative core of the paper is a proposal for a meta-regime for the global economic order. The meta-regime presumes relatively little agreement among countries on desirable economic policies and focuses on minimizing worst cases of adverse cross-border spillovers while building trust (and increased cooperation) over time. I close by arguing that a thinner model of globalization, where countries are given (and claim for themselves) significant autonomy to address their domestic challenges can serve the world economy quite well.

2 HYPER-GLOBALIZATION'S CONTRADICTIONS

Hyper-globalization crumpled under its many contradictions. I summarize these under four headings.

First, there was an economic tension between the gains from productive specialization and the gains from productive diversification. Standard trade theory and the principle of comparative advantage told countries they should specialize in what they were presently good at producing. But there was also a long line of 'developmentalist' thinking – going back to the ideas of Alexander Hamilton and Friedrich List – that suggested governments should instead push their economies to produce what countries richer than them did. Indeed, countries that adhered strictly to free trade – such as many advanced economies as well as others such as Mexico – did rather poorly, while those pursued more activist policies while leveraging the world economy – such as China – did far better. This produced an inherent conflict between the interventionist policies of the most successful economies and the 'liberal' principles enshrined in the world trading system.

Second, hyper-globalization exacerbated distributional problems in many economies. Trade theory predicted that a substantial redistribution of income from trade's losers to its winners would be the inevitable flip side of the gains from trade. That is exactly what happened as many regions and groups of workers experienced income

2. For a different and complementary perspective on the tensions in deep integration, which focuses on the process of capital accumulation, see Brancaccio, Giammetti, and Lucarelli in this issue.

losses, with further negative consequences for health and social status. It is a direct consequence of economic theory that as globalization deepened, redistribution would loom larger and larger in comparison to the net efficiency gains (Rodrik 2021). Many economists and technocrats pooh-poohed the central logic of their discipline, helping to undermine public confidence in it.

Third, hyper-globalization directly undermined democracy by eroding the perceived accountability of public officials to their electorate. Reducing barriers to trade and financial globalization became code words for diluting decades-old domestic social bargains on social safety nets, industrial policies, labor markets, health and safety regulations, and macroeconomic stabilization. Calls to rewrite the rules of globalization were met with the retort that globalization was like a physical force, immutable and irresistible – 'the economic equivalent of a force of nature, like wind or water', as Bill Clinton put it. To those who questioned the prevailing rules of globalization, British Prime Minister Tony Blair responded: 'You might as well debate whether autumn should follow summer'. Rather than seek relief from their elected politicians and expect real remedies in response, those with grievances were told to grin and bear it.

Fourth, there was an inherent tension between global geopolitics and geopolitical competition, on the one hand, and international economic cooperation, on the other. The zero-sum logic of the former was antithetical to the positive-sum logic of the latter. In particular, many believed that as China became a middle-income economy and reaped the benefits of global economic integration, it would become more democratic, adopt economic policies that looked more 'Western', and downplay its strategic and geopolitical interests (including Taiwan and in the South Sea). Instead, economic strength made China's leadership more confident and more assertive over the global political and economic order. With the rise of China as a geopolitical rival to the US, and Russia's invasion of Ukraine, strategic competition would eventually reassert itself over economics.

Now that hyper-globalization has collapsed, future scenarios for the world economy run the full gamut from the good and the bad to the ugly. The worst outcome would be nations (or groups of nations) retreating behind autarky, a la 1930s – an extreme form of 'decoupling'. A less bad, but still ugly, possibility is that international trade and finance will turn merely into weapons of geopolitics, with trade wars and economic sanctions looming large – an outcome that political scientists call 'weaponized interdependence' (Farrell and Newman 2019). The first of these scenarios seems unlikely, as the world economy is more interdependent than ever and the economic costs of would be huge. But we certainly cannot rule out the second one.

I want to envisage here a different, good scenario whereby we achieve a better balance between the prerogatives of the nation state and the requirements of an open economy. I believe such a rebalancing might enable inclusive prosperity at home and peace and security abroad.

3 TWO ESSENTIAL PREREQUISITES

A healthy world economy necessarily rests on healthy national economies. Hence an essential prerequisite is that policymakers prioritize mending the damage done to their economies and societies by hyper-globalization along with other market fundamentalist policies (Rodrik and Stantcheva 2021). I have discussed the outlines of such a strategy elsewhere, under the labels of 'productivism' (Rodrik 2023) and a 'good jobs strategy', (Rodrik 2022b) and will not discuss these ideas about domestic economic reform here. From the perspective of the current essay, what is important is to recognize that this will require going back to the spirit of the Bretton Woods era, when the global economy was in the service of domestic economic and social goals – full employment, prosperity, and equity – rather than the other way around. Under hyper-globalization, policymakers inverted this logic, with the global economy becoming the end and domestic society the means, reversing the 'embedded liberalism' compromise of the Bretton Woods period (Ruggie 1982). International integration effectively led to domestic disintegration.

One might worry that prioritizing domestic economic and social goals would undermine openness of the economy. In reality, shared prosperity makes societies more secure and more likely to countenance openness to foreigners and to the world. A key lesson of economic theory is that trade benefits the nation as a whole, but only as long as distributive and other social concerns are addressed and policies are deployed to fix market and other failures that derail prosperity. It is in the self-interest of well-managed, well-ordered nations to be open (Rodrik 2020). A government that pursued autarky would forsake the benefits of specialization, get cut off from frontier technologies, and lose access to foreign capital. But a government that prioritized openness without adopting the requisite policies for productive transformation and social cohesiveness would also leave its economy poorer and its society more hostile to foreigners, ultimately doing no favor for the rest of the world. This is not just a theoretical point. The experience under the Bretton Woods regime, which witnessed significant expansion of trade and long-term investment, demonstrates that prioritizing domestic economic and social goals is not inimical to the world economy.

There is also a second important prerequisite for the good scenario. Nations must not to turn a legitimate quest for national security into aggression against others. For great powers, and the US in particular, this means acknowledging multipolarity and abandoning the quest for global primacy. The US must accept China as a major power, not oppose giving it greater voice in global economic governance, and not try to undermine its technological development. China in turn must stop bullying its neighbors militarily, keep cyber-espionage within bounds, and accept status quo over Taiwan (and avoid military takeover). As for Russia, the country may have had reasonable concerns against NATO expansion, but its war in Ukraine is a completely disproportionate response (Gunitsky 2022). It will likely leave Russia less secure and less prosperous in the longer run.

Washington tends to regard American predominance in global affairs as a natural and desirable state of things. In this view of the world, China's growing economy and advances in hi-tech are inherently and self-evidently a threat and everything turns into a zero-sum game (Allison 2021). This mindset is both dangerous and unproductive. For one thing, it exacerbates the security dilemma (Rodrik 2022a). American policies designed to undermine China's hi-tech initiatives are likely to make China feel threatened and respond in ways that validate US's fears of Chinese expansionism. It also makes it harder to reap the mutual gains from cooperation in areas such as climate change and global public health, while acknowledging that there will be necessarily conflict in many others (Rodrik and Walt 2024). Later in this essay, I will discuss how to navigate the difficult terrain between legitimate national security interests and geopolitical expansionism. For the moment, it suffices to note that the greatest threat to a healthy global economy is not the new domestic economic agendas in US and elsewhere, but the mismanagement of geopolitical competition among major powers.

4 THE LIMITS OF GLOBAL GOVERNANCE

Globalization requires rules. These rules are sometimes formally stated and enacted in international agreements (such as trade treaties) or the arrangements that govern international organizations (such as the OECD or the WTO). More often, they are informal norms, internalized in the policy thinking of national authorities themselves. Since national sovereignty limits the extent of external enforcement, the latter is particularly important for the maintenance of the rules. Under the Gold Standard, for example, countries maintained fixed exchange rates vis-à-vis the gold not because this was an obligation expressed in international agreements, but because it was the accepted way of managing the economy. Similarly, hyper-globalization was sustained less by the force of international treaties than by the 'rules-of-good-behavior' – what has come to be called Neoliberalism or the Washington Consensus – internalized by policymakers and that prioritized the global economy.

The key question we need to consider to determine whether a policy domain should be globalized is: does the domain in question necessitate global cooperation and coordination, or can we leave decision-making to national authorities without great cost to other nations? In view of US–China geopolitical competition and the turn towards domestic priorities, the appetite for global cooperation will be in even shorter supply in the years ahead. This makes it all the more important that we focus on those areas where there is a genuine and significant need for global governance.

The conventional rationale for global governance is the presence of cross-border spillovers: when what one country does at home affects others, nations would be better off coordinating policies. But nearly all domestic policies create some spillovers across the border for other nations. On that basis, we might be tempted to push in favor of globalist outcomes in almost all instances. Since what we do at home affects others, shouldn't there be always some global rules that discipline national practices? By this logic, there would be few policies that would be left strictly to national authorities. For example, our education policies shape our future comparative advantage, and hence the gains from trade of other nations. When we acquire a more skilled labor force, some of our trading partners may well end up worse off because their skill-intensive exports will face tougher competition. By the spillovers logic, education should not be left to national policymakers! But most economists would think it absurd to subject a country's education policies to the presumption of international discipline or oversight. Or to take perhaps an even more outlandish example, each nation's rules on highway speed limits should be subject to global discipline because these policies obviously influence the price of oil and hence the well-being of oil-exporting nations!

The reason that such examples do not seem to make such sense is that there is a contending logic that pushes in the other, anti-globalist direction. Nations have different needs and circumstances, and national political authorities are, in principle, the best judge of how to respond to those. In other words, nations should be free to choose what is best for them. Such freedom can be valuable even when the argument for global coordination is otherwise unimpeachable.

Hence every globalization regime faces a central tradeoff. Global rules have the advantage that they can maximize global efficiency, reduce transaction costs across national borders, and allow nations to reap the gains from trade and benefits of scale. But they have the disadvantage of reducing policy autonomy, hence inhibiting policy diversity and experimentation at the national level. A well-designed globalization regime would pursue an appropriate mix of global efficiency and policy diversity, without seeking to maximize either.

The architects of the Bretton Woods regime got the balance mostly right. Having lived through the Gold Standard's eventful demise during the interwar period, John Maynard Keynes was keenly aware of the need to carve out space for national stabilization policies. He envisaged capital controls, to prevent disruptive speculative financial flows, to be an essential element of the post-war global economic system. In trade, the General Agreement on Tariffs and Trade similarly established a thin veneer of global rules, enabling a significant expansion of trade in manufactures while governments were left free to devise their own regulatory models.

The post-1990 push into hyper-globalization ignored the lessons of the earlier era. The World Trade Organization, established in 1994, and subsequent trade agreements pursued a model of 'deep integration' under which domestic regulations (in health, environment, intellectual property, subsidies, industrial policies) were increasingly viewed as trade barriers, impeding global efficiency. The free flow of short-term capital became the rule, rather than the norm, imposing limits on countries' monetary, fiscal, and tax policies. A little appreciated irony of the post-1990 arrangements is that their greatest beneficiary was China, a country that played the globalization game not by hyper-globalization rules, but by Bretton Woods rules. China actively managed its exchange rate, restricted capital flows, and deployed a wide range of subsidies and other industrial policy tools, while taking advantage of other countries' open markets, to engineer economic history's most impressive economic growth and poverty reduction experience.

5 WHERE GLOBAL GOVERNANCE IS REALLY NEEDED

If spillovers cannot serve as an adequate rationale for globalizing governance, what can? Beyond the basic trade-off just discussed, there are two sets of circumstances under which the argument for global rules carries significant weight. In economists' technical jargon, these are 'beggar-thy-neighbor' (BTN) policies and 'global public goods'. I will use these terms here because they have clear analytical content and cover very specific conditions. They clearly demarcate areas where global rules are necessary from those where they are not.

BTN policies refer to policies that provide benefits at home *only to the extent* that they impose costs on foreign countries. While the term is often used colloquially to denote policies that generate cross-border harm, it is important to emphasize that they are only a subset of such policies. In particular, it is not enough that there be harm for others. The domestic benefits must be the *direct and intended* result of that harm. The classic case is the abuse of monopoly power on world markets through trade restrictions. (This is the so-called 'optimum tariff' argument in trade theory.) When trade restrictions are imposed for this purpose, the home economy gains only because the rest of the world loses. For example, some years back China imposed export restrictions on rare-earth elements, used in many electronics products such as mobile phones. China has a near-monopoly in the production of these minerals, and the policy was clearly aimed at jacking up world prices.

Another illustration is undervaluing the national currency to gain a competitive advantage and 'export' unemployment to other countries. This practice, common during the Great Depression of the 1930s, is what prompted the British economist Joan Robinson to coin the term 'beggar-thy-nation'. A third example are 'pure' tax havens – practices that shift paper profits without attracting real physical investment. Some small nations such as Bermuda or the Cayman Islands maintain very low corporate tax rates to attract corporate headquarters. This results in substantial tax losses for other, higher-tax jurisdictions.

The second category of global public goods (or bads) refers to circumstances where benefits (or costs) of national action are shared equally by all nations. The clearest and most significant example is emission controls to slow down climate change. Whether greenhouse gases are produced in my country or yours makes no difference to global warming. If I impose carbon taxes in mine, you benefit as much as I do. Under these circumstances, individual nations are likely to under-invest substantially in providing for the collective global good and have strong incentive to free ride on other nations' contributions – sadly an all-too apparent reality in climate change. Transfer of financial resources and technology to developing countries so that they can decarbonize their economies and embark on a green transition is an especially important component of global public goods in climate, since these countries are not the primary culprits for historical emissions.

Many aspects of fighting health pandemics also have a global public good nature. Early-warning systems, information collection, development of vaccines and medicines provide benefits to all nations regardless of where the investments are made. Our common humanity means that basic human rights – freedom from discrimination and degrading treatment – are yet another global public good.

These considerations clarify why climate change and global public health in particular call for globalizing policy. In these domains, moving beyond the nation state to develop global rules that allocate responsibilities and prerogatives is a worthwhile, if challenging, objective. On the flip side, these principles reveal that the case for global regimes is much weaker in other domains. This is especially true for economic aspects of globalization. Much of the effort and political capital invested in recent decades in building global rules for the world economy cannot be justified on the basis of these first-order considerations.

This may be a surprising claim. In the vernacular of the financial press, business circles, and policy technocracy, the world economy is a 'global commons' that necessitates global cooperation. But the metaphor is misleading for the most part. There are some exceptions to be sure, and I mentioned the most important ones previously. Abuse of national market power, competitive currency manipulation, and tax havens do need to be disciplined through global rules. But the vast majority of the problems we encounter in international economics derive neither from BTN policies nor from failures to provide for a global public good.

In economics, virtue is generally its own reward. Prioritizing the national economy can be perfectly benign. It is also compatible with significant degrees of openness to international trade and finance. After all, according to conventional economic theory, it is in a country's own interest to adopt free trade. A government that pursued autarky would forsake the benefits of specialization, get cut off from frontier technologies, and lose access to foreign capital. Hence the policies that expand the national economic pie also tend to be good for other nations. Openness to foreign trade and foreign investment, full-employment policies, price stability, appropriate prudential regulation of financial institutions, growth-promoting structural policies are all the cornerstones of a healthy global economy. Well-governed nations do not need persuasion from other countries to pursue such policies, because they are even more essential for the home economy to function well. Take free trade. As economists delight in demonstrating to first-year students, the point of free trade is to expand *domestic* consumption possibilities; it is not to confer benefits to other nations. The same is true for openness to long-term capital flows, growth policies, or macroeconomic stability.

There is a key caveat in the previous paragraph, and it shows up in the phrase 'well-governed'. Incompetence or the power of special interests frequently push governments to make mistakes that are costly to their economies, and hence to others' as well. Trade barriers or subsidies may redistribute income to politically well-connected firms or sectors. Regulators may err in allowing banks to take excessive risks, increasing the likelihood of financial crises. Failures of this sort are common enough. But they do not arise from weak global governance. They are the product of bad *local* governance. The costs – to consumers, taxpayers, financial stability – are borne primarily at home.

Nor is it clear that in such instances global governance can do much to fix the problem. It is possible that global rules might enhance national governance in some instances. Global information sharing, transparency norms, and rules that promote evidence-based decision-making cannot hurt. But there cannot be a presumption that globalizing policy regimes will reliably prevent domestic policy mistakes. Global rules can be hijacked by special interests just as easily as domestic policies can, to overturn social contracts or arrangements in the broader public interest. Perhaps the clearest example of this is how big pharma has managed to rewrite global rules on patents to preserve and increase monopoly profits. It is no secret that the agenda of hyper-globalization has been set by multinational corporations and big banks, with labor, environmental and civil society groups typically on the defensive. Instead of targeting genuine domestic governance failures, global economic rules have been designed for the most part to privilege one set of distributive interests over others (Rodrik 2018). The recent history economic globalization provides ample reason for global rules to be restricted to clear-cut instances of beggar-thy-neighbor and global public goods.

6 A META-REGIME FOR GLOBAL ORDER

With these considerations as background, it is possible to envisage a thinner form of globalization that enables countries to reap most of the benefits from trade and encourages the provision of global public goods, while also leaving adequate space for governments to address their domestic economic, social, political, and national-security priorities. In recent writings, Steve Walt and I have outlined a meta-regime for global order with that objective (Rodrik and Walt 2022, 2024). The regime makes a distinction between four categories of policies: (i) prohibited actions; (ii) negotiations and mutual adjustments; (iii) independent actions; and (iv) multilateral governance. To participate in it, states would agree on the desirability of this four-fold classification of policies, without having to agree in advance on which actions or issues belong in each category or on specific policy outcomes. The meta-regime presumes little agreement at the outset. It is designed to encourage discussion and explanation for countries' motives in pursuing particular policies. But it might allow increasing cooperation over time as a result of transparency, mutual reason-giving, and trust-building.

The first category of prohibited actions would encompass policies that have a clear BTN nature – such as trade restrictions that manipulate a country's terms of trade to extract rents from other countries. The second category refers to policies where countries may arrive at mutually beneficial arrangements, as when countries bargain for tariff reductions. The third category refers to policies where such bargains do not seem feasible, and countries engage in independent, autonomous actions. The fourth category includes cases, such as global public goods, where multilateral arrangements are essential to achieve outcomes that are more desirable for *all* countries.

A few words to clarify the definition of BTN policies may be needed. BTNs are policies that generate gains at home through the mechanism of the harm that is created for others. It is important to note that not all policies that harm other nations are BTN, insofar as the intent of many such policies is to achieve a legitimate domestic objective and they would be pursued even if there were no harm for others. The 'optimum' tariff for monopoly rents extraction, competitive devaluations to create employment at home at the expense of jobs abroad, or 'pure' tax havens that shift paper profits at the expense of tax revenues abroad are clear examples of BTN policies. By contrast, most industrial policies would not be considered BTNs, by this definition, in so far as they target market failures at home such as learning spillovers or coordination failures. Most domestic regulations (e.g., consumer, health, safety, environmental rules) would also not be BTNs. Even when they seem to be economically inefficient, countries should have the right to make their own mistakes or to emphasize non-economic goals over economic ones. With such non-BTN policies, countries might be asked to explain their rationale, but would not be expected to be disciplined by international rules. By drawing a distinction between strict BTNs and other types of policies that create cross-border spillovers, this meta-regime aims to be quite permissive and enable the construction of a thinner globalization that nevertheless avoids the worst consequences of lack of cooperation globally.

The third category of independent actions is perhaps the most critical for our purposes, since the vast majority of national economic policies is likely to fall in that basket. While countries would have wide latitude within this category, our framework demands that they pursue their objectives in a *well-calibrated* fashion (and avoid prohibited actions in category (i)). In particular, independent policy actions should not have the goal of punishing another country or hurting its economy. When such actions are taken in response to another states' behavior, they should be clearly linked to the damage being done by the other side's policies and intended solely to mitigate the negative effects. Failure to reach an acceptable compromise in one policy area should not be used as pretext to retaliate in an unrelated domain. While ultimately each country remains free to design its own policies, it would have a responsibility – well understood and accepted by all – to explain its choice of policies with these guidelines in mind.

Consider how this framework might be applied in one contentious policy domain: competition in high-tech industries. As China's high-tech industries have developed, US and European policymakers have become concerned not only about the commercial consequences but also the national security implications. The Biden administration has imposed significant restrictions on China's access to advanced semiconductor products and technologies. How do we evaluate these restrictions in light of our framework?

One clear implication of the meta-regime is that policymakers in the West should not engage with policies that have the primary goal of undermining China's economy or its technological capabilities in commercial domains. Interestingly, the Biden administration has been explicit in saying that the objective of the US restrictions is not to harm the Chinese economy or hold its technological development back. It is instead to build resilience and strength in the US economy and to protect core national security interests. Whether this is indeed the goal or not, and regardless of how it plays out, the policy's stated motivation is at the very least consistent with the meta-regime's prohibition of BTN policies.

The second, more difficult question to answer is whether US restrictions are in line with category (iii)'s admonishment to stick to well-calibrated policies. Here too, the Biden administration has paid lip service to principles that are well aligned with the meta-regime. The National Security Advisor Jake Sullivan has described the US approach in hi-tech as a 'small yard and a high fence' (Sullivan 2023b). In other words, restrictions on China's access to advanced technologies are supposed to remain limited to a narrow range of domains with clear national security implications. Sullivan characterizes the export controls as measures that are 'carefully tailored' on 'a narrow slice' of advanced technologies, premised on 'straightforward' national security concerns.

However, other observers have been less charitable. Edward Luce of the *Financial Times* called the restrictions 'a full-blown economic war on China' (Luce 2022). Gregory C. Allen of the Center for Strategic and International Studies called them 'a new U.S. policy of actively strangling large segments of the Chinese technology industry—strangling with an intent to kill' (Allen 2022). When the depth and breadth of the controls are taken into account, it becomes harder to dismiss the idea that US policies may not be well calibrated – and indeed may fall in the BTN category.

Moreover, it is not clear what the so-called 'straightforward' national security concerns of the US really are. Many American officials and technologists seem to associate national security with permanent technological superiority over China. In the absence of a clear definition, the concept of national security can be so permissive as to authorize all kinds of unilateral actions, verging on aggression. The alternative is to be open and specific about any adverse security consequences generated by a rival's technological development and to communicate those transparently to domestic audiences and foreign audiences alike.

As an example of a more cooperative and transparent process, though in the narrower domain of telecom, consider the UK's approach to Huawei. The British government made an explicit arrangement with Huawei under which the company's products in the UK telecoms market underwent an annual security evaluation. The evaluations are undertaken by the Huawei Cyber Security Evaluation Centre (HCSEC), a facility that is governed by a board that includes a Huawei representative along with senior officials from the British government and the UK telecom sector. The British approach is noteworthy for the degree of transparency built into it. Since HCSEC's reports were public, the technical reasoning on which a national-security determination was made could be seen and evaluated by all parties. The Chinese side could perhaps appreciate the legitimate concerns that the UK government had.

By contrast, the US national-security review process is quite opaque. The Committee on Foreign Investments in the United States (CFIUS), which undertakes the national-security review process for Chinese investments, has a much wider remit than HCSEC yet publishes only a single annual report. The report contains general statistical information about the cases it has investigated, but it does not provide any of the evidence or reasoning behind its judgments. US citizens, foreign governments, or foreign companies are not presented with any clear and authoritative information to evaluate the national security case for banning specific investments.

In sum, our meta-regime would allow Western nations considerable latitude in limiting Chinese firms' activities or presence within their own countries, largely on national security grounds. But it would also restrict attempts to undermine Chinese industries through deliberate international restrictions. While some of the language around US policy in high-tech competition with China accords well with this conception, serious questions remain. Are the controls truly well-calibrated, or do they go too far in sabotaging Chinese technological capacity at little gain to US national security? If similar controls expand to other areas of technology such as AI or nuclear fusion, would it still be possible to speak of only a 'narrow slice' of technology being targeted? Perhaps the meta-regime is ultimately toothless: countries will do what they can get away with, and the US will exercise its power with scant regard for the norms the schema tries to instill. But the very fact that the US national security advisor has articulated the 'small yard, high fence' doctrine is an indication that even major powers feel the need to justify their policies to external audiences so as to legitimize them. Clearer norms on what constitutes well-calibrated action and better communication may help, even when countries engage in self-help, as they will often do.

Great powers (and indeed all nations) look out for their interests and protect their national security, taking countermeasures against other powers as necessary. But a secure, prosperous, and stable world order requires that these responses be well-calibrated, addressing national security without trying to dominate other nations. The risk is that the US response to China will amount to doubling down on US primacy instead of accommodating to the realities of a post-unipolar world. Arguably, the Biden administration has given up on making a distinction between technologies that directly help the Chinese military (and hence might pose a threat to the US and its allies) and commercial technologies (which might produce economic benefits not just to China but others as well, not least American firms). Such a broad-brush approach by the US, even if partially justified by the intertwined nature of the commercial and military sectors in China, raises significant dangers of its own. China will justifiably treat this as an aggressive move and will find ways to retaliate, raising tensions and heightening mutual fears even further.

7 A THINNER BUT BETTER GLOBALIZATION

The retreat from hyper-globalization can lead us down the path of trade wars and rising ethno-nationalism, damaging economic prospects for all. But it need not do so. It is possible to envisage a more sensible, less intrusive model of economic globalization that focuses on areas where international cooperation truly pays off – global public health, international environmental agreements, global tax havens and other BTN policies – but otherwise leaves nations unencumbered to prioritize their economic and social problems at home. Such a global order would not be inimical to the expansion of world trade and investment. It might even facilitate it insofar as it opens up space for restoring domestic social bargains in the advanced economies and crafting appropriate growth strategies in the developing world.

A necessary condition for such a good outcome, however, is that nations do not overreact to geopolitical concerns. Until recently, we made the error of letting international banks and corporations write the rules of globalization. We now run the risk of handing the same privilege to the national security establishments of great powers. In the earlier era, it was our domestic social fabric and politics that paid the cost. Today, we are risking global peace as well.

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