St. Cyril and St. Methodius University of Veliko Tarnovo
Faculty of Economics

ГЛОБАЛИЗАЦИЯ, ДЕГЛОБАЛИЗАЦИЯ – ТЕНДЕНЦИИ В МЕЖДУНАРОДНИТЕ ОТНОШЕНИЯ И ПЕРСПЕКТИВИ

GLOBALIZATION AND DEGLOBALIZATION: TRENDS AND PERSPECTIVES IN INTERNATIONAL RELATIONS

Светослав Янков
Svetoslav Yankov

Център за изследвания, анализи и развитие „Перспектива“
/ВТУ „Св. св. Кирил и Методий“
Perspektiva Centre for Research, Analyses and Development /
St. Cyril and St. Methodius University of Veliko Tarnovo

Abstract: In the second half of the 20th century, a series of regional and global integration processes took place. Though with some temporary interruptions, their intensity has constantly increased, supported by the development of science, technologies, trade, etc. In 1990, the term 'globalization' gained popularity and drew the attention of researchers in various fields.

This paper aims to define the drivers of globalization, its current state and tendencies. For that purpose, different eras of the process of globalization are reviewed chronologically, outlining significant developments. A brief evaluation is made of the causes and consequences of past crises and challenges. The current developments in the so-called "modern era" (the last two decides) are analyzed in detail as they present more challenges and are a prerequisite for crises in a shorter period of time, because they tend to add up to each other. Given that some of these trends are only a few months old, any assessment of their consequences is inevitably highly speculative; thus, the measurement of globalization is proposed through the following de facto indicators: world trade and world FDI.

In conclusion, an effort is made to clarify whether the process of globalization is reversed, as speculations are made in public and political debates.

Keywords: globalization; deglobalization; international relations; trade; investments.

JEL: F15, F21, F50, F60

Introduction

Many authors have attempted to give a comprehensive definition of globalization and some have succeeded at least in the field of specific research. Others argue that such a task cannot be carried out. Yet some studies have constructed working definitions.

The first definition of the term 'globalization' can be traced back to 1961 in Webster's dictionary (Kilminster, R. 1997). Giving it a description at that time points to the prior vast discussions and varying opinions on the topic that have been developed. Later, in 2006, Dr. N. R. F. Al-Rodhan (Geneva Centre for Security Policy) reviewed a spectrum of definitions by that time by making a list of its usage in academic and resource guides. In analyzing them, he proposed the following definition: "Globalization is the process that encompasses the cause, course, and consequences of transnational and transcultural integration of human and non-human activities" (Al-Rodhan, 2006). Although the suggestion is completely true in any scenario, it is too broad and generalized. Al-Rodhan's definition is a good basis for developing a suitable working definition for a specific topic.

The meaning of globalization remains a debatable topic to date. Meanwhile, there is a wide consensus that it has had considerable consequences in politics, social and cultural life through its effects on global growth, poverty reduction, and inequality.

In general, in a more descriptive manner from a political and economic point of view, globalization is considered the process of formation and development of a global market in products and factors of production. The main characteristics of globalization in that manner are free movement of goods and services, flow of capital, movement of labour, and the transfer of technology. From a historical perspective, the process brought developed economies closer, making them better integrated, and provided growth benefits to developing countries through liberalization and increased openness to trade. Along with its economic characteristics, which are considered the main driving force of globalization, the process expands over a broader field of causes and consequences – conflicting behaviour of environment, culture, political and social development, and even seeps through the flow of ideas, norms, information and peoples (Bhandari & Heshmati, 2005).

The experience of globalization may vary in different parts of the world, as well as the perception and the specific socioeconomic results. Moreover, globalization has become heterogeneous over time across countries around the globe. As a result, diversities in the world collided, leading to a conflict with globalization – unevenness in the economic landscape. Some places in the world prosper and thrive, while other suffer from impoverishment. Such distortions may be observed even in a single country, such as the widening gap between rich and poor. Economic development brings along cultural transformation. Forces of a so-called global culture can be seen spreading across the countries in the present world as well.

There is evidence that the globalization process has a significant impact on the world's ecology. Already existing research summarizes literature and reviews the causes and effects of globalization on ecology, government and intergovernmental policies; it also evaluates the impact, suggest solutions, and promote discussions on the topic. Though it is not the aim of this paper to examine the issue, its importance should be mentioned. Globalization requires institutions to act in a manner to preserve the natural environment, otherwise an ecological catastrophe may become inevitable on a regional or even on a global scale. (Figge, Oebels & Offermans, 2017)

There are many discussions regarding the main drivers of globalization in the academic world. Throughout history, different conditions in the environment have supported or hindered the process.

Overview of the Globalization Process

According to some researchers (e.g. Bhandari & Heshamti), the first significant signs of the process date back to 1789 and to the period of the **Industrial Revolution**. The so-called "first period of globalization" or the "Industrialization Era" lasted until WWII, and it was marked by the fall of mercantilism and by the evolution of transport around the world. This enabled a steady growth of international trade, international and intercontinental financial flows, and migration waves. The period was also marked by European colonialism due to its leading role in developing transportation and communications; thus, trade was dominated by European countries.

The next conditional period encompassed **WWI, WWII, and the time between them**. It was marked by nationalism and national protectionist policies, and it was characterized by the destruction of the international and intercontinental connections established by that time, as well as by limited global cooperation.

The third period of globalization, following the end of WWII, is referred to as the **Bretton Woods Era**. It is described as a decolonization period, although some practices of that time continue to exist. It was characterized by the establishment of international organizations that implied multinational, regional and global policies for trade liberalization and for boosting multilateral cooperation. During the period, the United States of America dominated as an economic power backed by the strong dollar and the Gold Standard. At that time, most of Europe, Japan and the developing countries witnessed strong economic growth through intense international trade and relaxed capital controls. Nevertheless, the significant progress towards globalization, some of the developing countries and especially those marked by colonialism were less prepared for the interconnected world. In 1971, the United States terminated the dollar's convertibility into gold (temporarily at that time) and marked the beginning of a transition to the floating exchange rates.

The fourth conditional period of globalization began in the early 1980s. It may be addressed as the **Liberalization Era** as it saw a new set of political changes, a gradual removal of trade barriers, and new factors, including huge progress in modern transportation and in communication technologies. Additional momentum was given to the globalization process by the unprecedented international economic cooperation, as China increased its international activity and later the integration of countries from the former Soviet Bloc after the events in 1989. Transnational capitalism gained popularity and spread globally, boosted by another technological revolution expanding the production and trade network worldwide. Financial markets further were expanded as well, supported by the rise of information technologies.

The **modern era** of globalization began in the late 2000s, and it was characterized by intense dynamics up to date. This allowed it to be separated into several subperiods:

The **Global Financial Crisis** broke out in 2007–2008 and was followed by trade wars, disenfranchised middle classes in developed economies, and rising concerns about over-reliance on trade with single partners that led to a period of relatively stagnant economic development, referred to as "slowbalization." Economic activity and international relations were gradually restored and further developed in the following years.

The next subperiod began in 2015 with public and business discontent about the impact and uneven import competition from countries with lower production costs, primarily due to lower wages on the local labour market (e.g. China). Other challenges at that time were the result of huge refugee flows, especially in Europe from countries of North Africa and the Middle East (motivated by poor socioeconomic conditions and the war with the Islamic State). Such developments led to protectionist policies in the receiving countries, which were widely accepted by the general public. The subperiod was also marked by two other disintegration movements – the United Kingdom's withdrawal from the EU (Brexit), and the US–China trade war which gained momentum by increasing tariffs on one another. At that time, the economic consequences were significant and the globalization process was struggling, but yet there were no signs of reversal.

The third subperiod was marked by the **COVID-19 pandemic**. During that time, supply chains were disrupted and trade was discouraged due to shortages of protective equipment (PPE), medical products and other items. These challenges brought forward public and political initiatives for strengthening dependance on domestic production (reshoring/onshoring). Those ideas followed the first shocks of the pandemic and were short-lived. According to the data shown in Graph 1, such demands did not have any significant implications on policy and international relations, as trade marked a fast rebound in the second year of the pandemic.

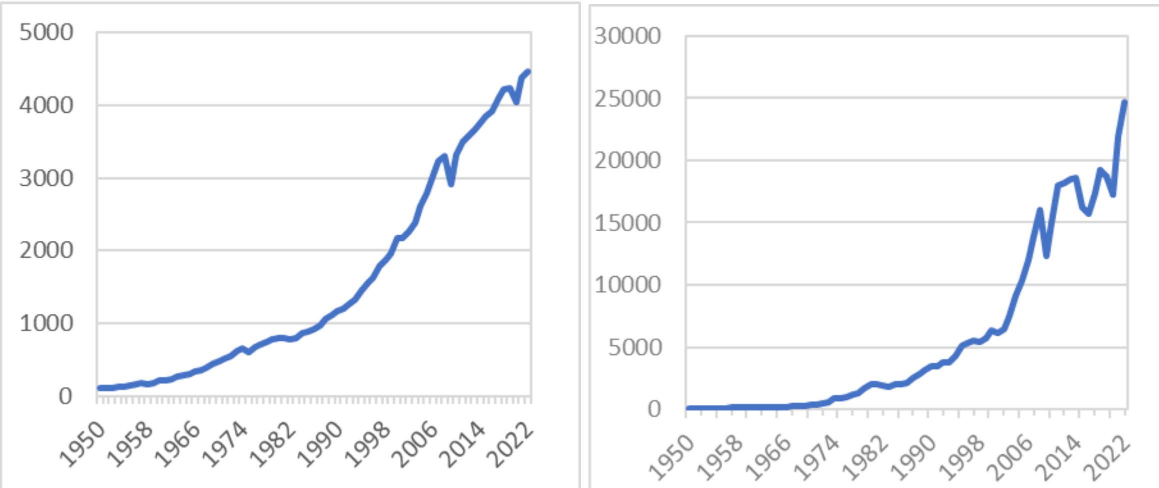
The fourth subperiod began with the **Russian invasion in Ukraine** in February 2022. The development of the conflict to date raised fearful concerns about national, regional and even global security, and refuelled some current challenges – post-pandemic recovery and energy crisis. Oil and gas supply chains were exposed once again, especially in Europe, as the Old Continent is dependent on Russian resources and since western countries imposed sanctions and restrictions on the Federation. Strong sentiment was driven towards limiting interaction with Moscow. Red lines were drawn in international relations regarding the conflict, countries were divided into "friends" and "foes," and the practice of "friendshoring" became popular in international politics (manufacturing and sourcing from countries that are geopolitical allies). Along the war in Ukraine, a new wave of tensions was observed in October 2022 in the trade war between China and the US, as the latter banned Sino companies from buying advanced chips and chipmaking equipment without a license. Even more, it also restricted the ability of American people to provide any support for the development or production of semiconductors at certain facilities in the Asian country.

Taking into consideration the aforementioned developments and the acts of reconsidering external dependencies by governments and corporation and the ideological differences, the question of emerging deglobalization arises.

Measuring Globalization through World Trade and Foreign Direct Investments (FDI)

There are multiple approaches to define the trend of globalization. Metric measuring can be done through examining some economic variables – world exports and imports, capital flows, migration. These values are supposed to mirror the expected results of the policy environment, but in practice this is not necessarily the case. The policy environment represents the will and intentions for countries and unions to integrate, so it can be indicative as well. The economic results are considered de facto indicators while policies de jure.

Measuring globalization through world trade and FDI indicators reveals its current state, as these two variables include consequences of broad international activities and relations. Further research can be carried out by measuring international debt and reserves, transfers, migration, and other aspects of international relations.

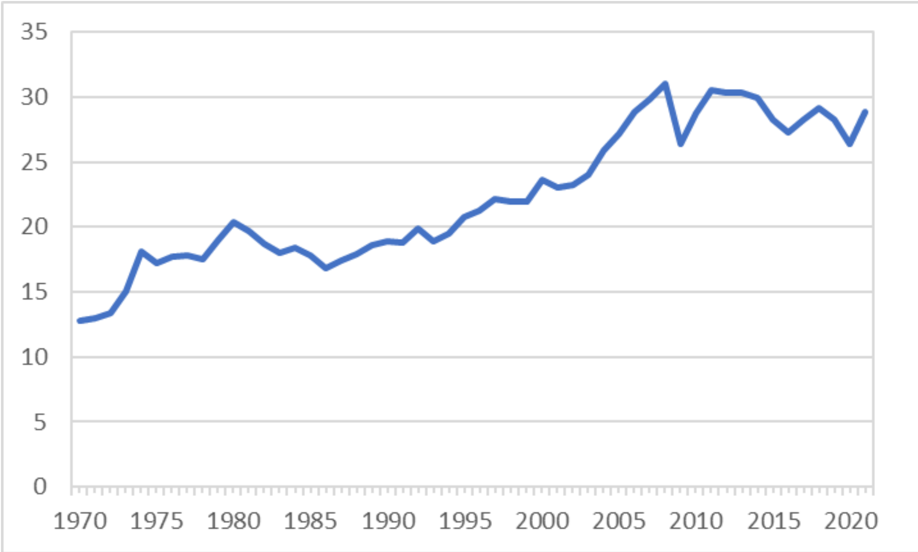


A. **B.**

Graph 1. *Evolution of World Trade Since 1950:*
***A.** Volume Index: 1950 = 100; **B.** Billion USD (WTO, World Bank)*

International trade defines spatial interdependencies between participants in the global economy and reveals their ability to interact and cooperate at the world market. Graph 1 presents the evolution of world trade over the years. The aforementioned crisis and challenges are observed as pushbacks, but later they are compensated for and trading is recovered in the following years, reaching new levels of integration and cooperation. It is notable to mention that, in Graph 1-B, the current prices do not reflect inflation and the slope seems steeper than the actual contribution to global economy.

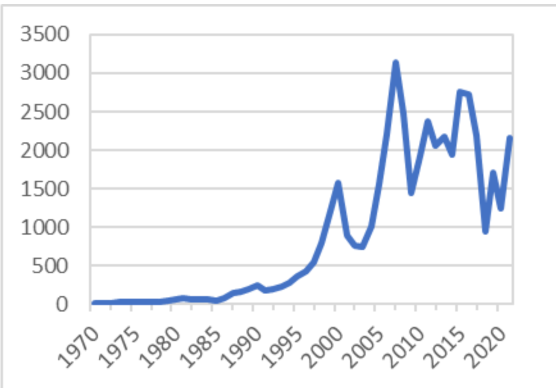
In order to get a better understanding of world trade as a measurement of globalization, the value of exports of goods and services provided in the world have been compared to the gross domestic product (GDP), as shown in Graph 2. A similar result is achieved by comparing the imports to GDP. In this way, the increase or fall of the variable is matched to the actual economic world growth; thus, the result represents more precise data.



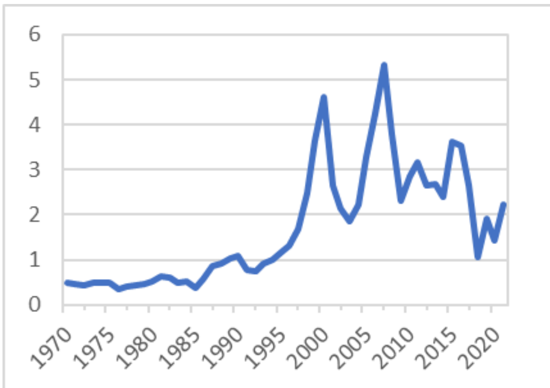
Graph 2. *World Trade as Percentage of GDP (World Bank)*

There is evidence in Graph 2 that the developments following the Global Financial crisis in 2007 to date have led to a stagnation of global trade to levels from 26% to 31% of global GDP.

Increasing the ratio of FDI to GDP implies a greater share of FDI, which is indicative of stronger globalization. FDI flows, whether in or out, presented as percentage of world GDP, reveal the degree of global investment activities of the economy for a given time period and reflect the changes between two periods. Thus, world FDI to world GDP is suitable for reviewing globalization tendencies for a shorter period or for indicating the current development of the globalization process. In line with this, it should be considered that FDI are more dependent on sentiment, policies of the receiving countries, legislation, security and political environment. A good example of this is the period 2001–2003, as world trade rebounds faster with less fluctuation than FDI.



A.



B.

Graph 3. *FDI, Net Inflow: A. Current Billion USD (BoP); B. Percentage of GDP.*

Conclusion

The trends displayed in the graphics of world trade of goods and services and the global FDI flows present evidence for a slowdown of the globalization process. While post-crisis recoveries were more rapid and gradual in past eras, the last decade tends to be more dynamic, with overlapping challenges leading to an extended crisis. Yet there is no explicit reasoning to suggest that globalization is turning backwards even in the environment of the current "friendshoring" policies and complex geopolitics.

In the contemporary world, it seems once again that foreign trade dependency is critical and prone to exposure; so, it has to be revised in a manner that risks are managed in a more protective way – diversification, not termination. On the other hand, primarily protectionist and "onshore" politicies may lead to even worse socioeconomic results and even to recession, as history has already shown. A more flexible stance is required to face future challenges in the modern globalized world. This is expected to force the global production and trade network to adapt, revealing new opportunities and rising competition in the new conditions and requirements. Single resource-dependent countries (e.g. oil production countries) will be forced to supply their raw materials abroad more or less according to the demanding countries' expectations. Unless, of course, a global deficit is present which, most probably, will cause a new crisis and aftershocks.

Bearing the above in mind, implying that global politics and economics are turning to deglobalization would not be correct, although regional and similar isolated processes are present. Global relations tend to adapt and shape according to current conditions. By closing or restricting some supply chains, in line with the challenges that it brings, new opportunities arise as the need and demand for new knowledge, technology and know-how increase. So far, each crisis and transitional period in history put a setback in globalization, but then it was followed by steep or moderate recovery and growth until the next crisis and/or challenging period.

In conclusion, it is notable to mention that the higher level of globalization is reached; it is somehow essential that the process would skid as the potential inevitably depletes. It is unrealistic that the share of trade will take over the world GDP, surpassing local consumption in developed countries.

REFERENCES

Kilminster, R. (1997). *Globalization as an emergent concept*. – In: Scott, A. (Ed.). *The limits of globalization*. London: Routledge.

Al-Rodhan, N. R. F., & Stoudmann, G. (2006). *Definitions of globalization: A comprehensive overview and a proposed definition*. Geneva Centre for Security Policy.

Bhandari, A. K., & Heshmati, A. (2005). *Measurement of globalization and its variations among countries, regions and over time*. Bonn, Germany.

Figge, L., Oebels, K., & Offermans, A. (2017). *The effects of globalization on ecological footprints: An empirical analysis*. International Centre for Integrated assessment and Sustainable development (ICIS), Maastricht University, Netherlands.

World Trade Organization Statistics Database (https://stats.wto.org/)

The World Bank Database (https://data.worldbank.org/indicator/)

За контакти:
Светослав Янков, докторант, инженер
Управител на Център за изследвания, анализи и развитие „Перспектива"
Служебен адрес:
ул. „Тича" №5, офис №10, гр. Варна, 9000
Ел. поща:
D1338@sd.uni-vt.bg
svetoslav_yankov@cradperspective.com