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The New Characteristics of Globalization and their Impact on the Design of a New International Economic Order

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***Abstract:** Globalization as a concept has already been in frequent use for at least some decades, but after 2008-2010 it refers more and more to a rather different reality. Some global processes describe this new reality, among them being: the economic crisis that started in 2008 and its long-lasting implications, a new balance of economic power soon to be accompanied by a de facto new international economic order, the complex implications of inequality in developed countries, the 4th industrial revolution. The paper analyzes how these processes have determined new characteristics of globalization and how this new reality requires the participation of all states for the design of a new international economic order.*

***Keywords:** new characteristics of globalization, globality, new international economic order.*

1. The new characteristics of globalization - an unconventional approach

Globalization, like any other phenomenon related to social-economic systems, big or small, is under a constant change, particularly as it encompasses the largest frame of existence possible: the entire world economy. And yet this constant change is not linear, long periods of almost stability being interrupted at irregular intervals by significant if not revolutionary changes. From the perspective of the known history, starting with the 16th century, the limits of the planet Earth have been known, more or less, and some interactions (be they exploratory, military, spiritual or economic) have been established with all the corners of the globe. From this perspective, some may say, with a grain of truth, that globalization already existed at that time and therefore nothing is new. From a more psychological perspective one can say that globalization is when humankind participates in interactions that encompass all the known world. But, as knowledge expands, new frontiers appear and our known world may expand too.

Comparing the 16th century with the contemporary world economy one can easily note that some things have significantly changed. First of all, the intensity and scope of interactions among regions, places and people have increased, reaching unimaginable levels. At the beginning of the 21st century the actors involved are also different from those of the 16th century and the ways in which they interact and inter-relate are different, increasing the quantitative part and, at the same time, moving at a rapid pace towards a qualitative and even virtual part. It is an undisputed fact that in 2016 more people interact virtually at global level than they do directly, by means of physical presence or by means of tangible exchanges, such as trade.

In order to highlight the new characteristics of globalization we focus in the following on three dimensions, less mentioned in current analyses but carrying more and longer-lasting implications than the others: **1) the proposal for a new geological era = Anthropocene; 2) a new global reality = globality; 3) a new global balance of power = a true multipolar world.**

The selection of these three characteristics does not imply in any way that we consider them the only ones that matter. The selection aims at highlighting the changes that are fundamental for the world economy of today, namely the changes that define both the inner dynamics of world economy and its new and emerging architecture.

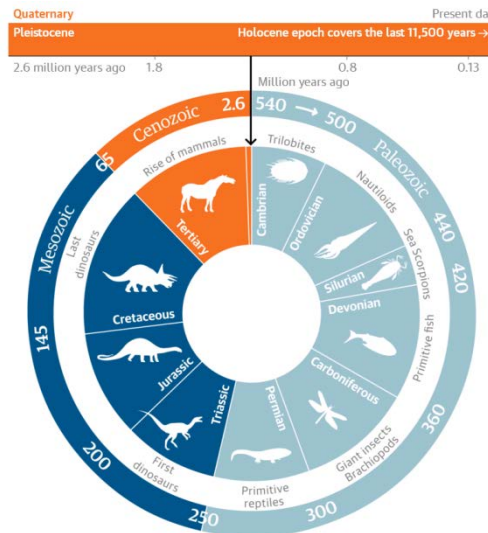
1.1. The proposal for a new geological era – Anthropocene

First of all, a few words about geological eras and why we think that entering into a new geological era is relevant for contemporary times and for the foreseeable future. Even for non-specialists, geological eras imply very long periods of time, usually so long that it is not even clear when they start and when they finish. Under such circumstances, the fact that during our time a new geological era has been proposed means that

changes of historical importance have taken place and that they will generate entirely new environmental circumstances.

The term “Anthropocene” has initially been proposed in 2002 by Paul Crutzen, a Nobel laureate in chemistry (Crutzen, 2002). In 2016, at the 35th International Geological Congress, the experts voted in favor of the introduction, with a starting point in 1950, of a new geological era, the Anthropocene, to replace the existing one, the Holocene, due to the significant impact of human activity on the chemistry, climate and surface of the Earth (Carrington, 2016). In order to better understand the significance of such a change the presentation of the previous geological eras and their time intervals may be illustrative (Figure 1).

Figure 1. Geological periods from 540 million years ago to the present



Source: The Guardian graphic, based on British Geological Survey data.

The idea of a new geological era, the Anthropocene or “the age of man”, suggests that extraordinary changes took place as a result of human activity carried out at a global scale and with unprecedented intensity. Among the changes, one can mention the increase of carbon dioxide concentrations in the air at the fastest rates in the past 66 million years, the presence of plastic micro particles in all ecosystems, the doubling of the nitrogen and phosphorous levels in the soils in the past 100 years, generating the largest change of the nitrogen cycle in the past 2.5 billion years, ocean acidification and species extinction rates far beyond normal levels. The relation between the emergence of this new geological era and globalization is obvious and direct, as the large-scale impact of human activity on the planet Earth took place exactly because unprecedented levels of human activity exploited resources, polluted the environment, generated a huge increase of the world population and promoted an economic model based on linear growth in which **better means more** (including the exploitation of resources, production, consumption and waste generation).

While the scientific debates and the mass-media to a large extent reflect the concerns of environmentalists, of the general public and of decision-makers related to climate change or wild life protection, apparently very few people understand that if enough consolidated and documented hard facts are pointing to the beginning of a new geological era, then something momentous is going to happen and, given the experience of the past 540 million years, that something is not going to be pleasant.

1.2. A new global reality = globality

For a long period of time (approximately between the 16th century and the end of World War II) globalization had more of a quantitative dimension, meaning that more and more territories, regions and countries were interconnected by different types of human activities related to the economy (such as trade and production), and to the military, spiritual, cultural and scientific areas.

After World War II, technology improved so extensively that means of transport and communication allowed a true interconnection of almost all places on Earth. Political relations and multilateralism completed

the process by creating the framework in which more and more countries could have a relatively stable and predictable environment for their relations. From 1945 to about 1990 globalization entered the lives of normal people by means of different objects made in any other countries of the world, by services such as international tourism or financial and banking services, and even by the possibility to work in different other countries.

After 1990, the existing base of globalization has been augmented with a new dimension by the Internet and instant communications. We can say that today globalization enters not only in the lives of people (by means of foreign made watches, cars, food stuffs or TV sets), but also in their minds (by means of instant communication, shared images and movies, access to global mass-media).

This new period, after 1990 and particularly after 2000, meant that globalization ceased to be only a process of increased interconnection among people, companies, organizations and states. Globalization has become a reality, a part of daily life for the vast majority of people, almost irrespective of where they live, therefore transforming itself into a new phenomenon, **globality – global reality** (Sirkin et al., 2012). The concept of globality reflects in fact to the transition from **globalization as a process** to **globalization as a state of fact**.

If the majority of approaches concentrate on the impact of the global reality on daily life or on the way of doing business, very few approaches focus on the political implications of the existence of a global reality, speaking about the perspectives of a revolutionary transformation, meaning **a new political order that would correspond to a global reality** (Shaw, 1999). We can only ask a rather provoking question: if reality has become global, would it not be reasonable to think that governance and institutions also become global? Some analysts and people of global reputation (such as Mark Zuckerberg) even think about a global-scale direct representation of almost all people on planet Earth (Chakhoyan, 2017). In our view, the implications of such an extrapolation of Switzerland to global proportions may give rise to much more challenges than opportunities.

1.3. A new global balance of power and a true multipolar world

The concept of balance of power is intrinsically dynamic but, at least during the 20th century, it maintained a certain architecture, at least for some decades. After World War II world economy could be described as a bipolar world (from 1945 to 1990), then as a more or less unipolar world (since 1990 to about 2014¹) and then, as an increasingly multipolar world (after 2008²/2014), where the United States remains the most significant power but China, Russia and, to various degrees, other countries (Japan, India, Great Britain, Germany) have to be taken into account.

The recent events of 2016 (such as the result of the referendum in Great Britain that led to the Brexit and the result of the presidential elections in the United States) reflect, in our opinion, more profound changes related to the shift to multipolarism, beyond the surface related to certain persons, institutions or countries. The multipolar world is moving gradually from the multilateral approaches and from universalism towards bilateral approaches (where the partners can be states, but also various organizations and states). History proves time and again that it does not move in a linear way and that it may repeat itself but not in the same frame and not with the same meaning.

1.3.1. Is globalization in peril?

All these profound changes made a lot of analysts speak about the **anti-globalization** or **deglobalization** phenomena, which is just a reflection of a mechanical understanding of reality and history. Globalization as a state of interconnectedness is here to stay. But as Heraclitus said 2500 years ago, it may be the same river, but not the same water. Therefore, globalization is not going to disappear, it will just adapt to a new reality, to new actors, to a new understanding of the world. Maybe the proper term for what is happening now is that of **re-globalization**.

If we can admit that something is disappearing, that something is “globalization as we know it” or “as we understood it”. The new stage of globalization is characterized by a new role for the state entities, by a more

¹ The year 2014 is used as a relative milestone as in 2014 the GDP of China measured at Purchasing Power Parity exceeded that of the United States.

² 2008 is mentioned in this context as the year representing the beginning of the financial and then economic crisis that affected the majority of countries of the world economy.

prominent role for the developing countries, and also by a relative shift in international trade from multilateral to bilateral and plurilateral³ agreements. It is also characterized by the need for new international institutions, beyond and besides the IMF and the World Bank. The existing institutions may change, new ones may develop (such as the Asian Infrastructure Investment Bank and the New Development Bank), and even other institutions may emerge in the near future. The coming years will be characterized by a process of adaption of the institutions and of the rules of the game to the new realities. It is just that these realities are so complex that it is rather difficult to foresee what such an adaptation will imply and generate.

a. Further challenges and factors of influence for the present stage of globalization

As globalization is such a huge and all-encompassing phenomenon, it would be too audacious to attempt even an enumeration of all challenges and factors of influence. Instead, we propose a much more manageable attempt, that of selecting **one challenge** (the inequality issue) and **one factor of influence** (the 4th industrial revolution).

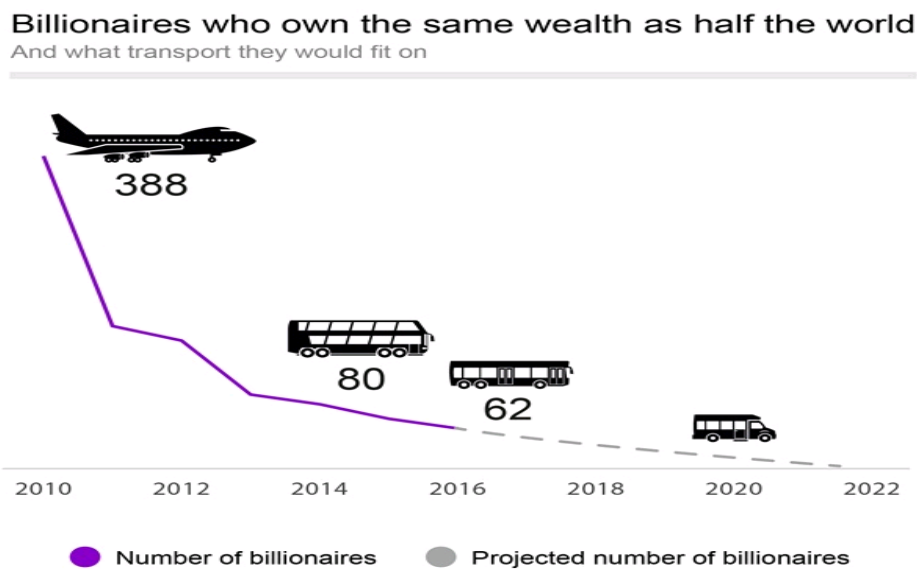
b. The inequality issue

The current stage of globalization is confronted with a rather complex and difficult to grasp phenomenon, that of inequality, a phenomenon which is particularly present in the developed countries. If this phenomenon was initially highlighted by activist organizations, such as Oxfarm (Oxfarm, 2016/2017), it later began to be discussed on a larger scale particularly due to the seminal book by Piketty (2014) and, even later, in 2016 and 2017 to be recognized and debated in well-established organizations, such as the IMF (Lagarde, 2017).

Because an image is worth thousands of words, Figure 2 presents the dynamics of the number of billionaires who own the same wealth as 50 % of the world population, that is as about 3.6 billion people.

Two aspects have to be highlighted. One aspect is the number of people having as much wealth as half of the world population. The other aspect is the speed of decline of this number. Each of the two induces a sense of strangeness and dysfunctionality even before analyzing the causes and the implications.

Figure 2. The dynamics of the number of billionaires who own the same wealth as 50 % of world population



Source: Oxfarm International (2016).

The speed of the rise in inequality is simply amazing. In 2010, that is only 7 years ago, 388 people in the world owned as much as half of the world population. In 2014, that number declined to 82, while in 2015 the number was 62. For 2017, the number is expected to further decline to 8 (Oxfarm International, 2016/2017).

³ Different for universal agreements (like those under World Trade Organization), the plurilateral agreements involve more parties but not all of them.

From an economic point of view, this is not a matter of ethics or morals. It is just a matter of a system that is less and less functional. Because such a concentration of wealth is objectively accompanied by distortions, conflicting and divergent interests, insufficient aggregate demand, social tensions that are only waiting to translate into political instability. In this respect, numerous researches done, among others, by the IMF point out to the fact that unequal growth is unsustainable growth (Berg& Ostry, 2011). There is no easy fix for such a situation and unfortunately the long history offers only very unpleasant solutions for leveling inequality, such as large-scale wars, catastrophic plagues, revolutions, state failures (Scheidel, 2017).

1.3.2. The 4th industrial revolution

The concept of the 4th industrial revolution is not exactly new. Nor is it a well-defined one. But it came to the fore in 2016 as it was chosen as the main topic of the Davos Forum.

According to Klaus Schwab (Schwab, 2016), the founder of the Davos Forums, the first three industrial revolutions brought humankind the mechanical and transport revolution (at the end of the 18th century and the beginning of the 19th century), then the mass production revolution (at the end of the 19th century and the beginning of the 20th century), then the computer-based revolution (during the 1960s and 1970s). Different from the previous ones, the 4th industrial revolution is based on deep knowledge, the Internet of Things (IoT), the block chain, genetic editing, 3D printing, nanotechnology and new materials, like graphene. Many studies relate the 4th industrial revolution to artificial intelligence (AI) and robots.

But the main characteristic of the 4th industrial revolution is the fact that it will integrate the real world (the physical one) with the biological world (particularly with human existence) and with the digital world (the virtual one). The implications of this integration at a global scale are difficult to assess. But they can call into question the very meaning of what it means to be human, changing “how we live, work and relate to one another” and also changing “not only what we do but also who we are” (Schwab, 2016b).

2. The world of tomorrow: between utopia and dystopia

Such fundamental changes that are well underway give raise to numerous questions about the medium- to long-term future. Will they bring the solution to all our problems or, on the contrary, will they bring an end of the world as we know it? Science, technology and knowledge are so great and their availability is so facile that the future seems to be definitely better or definitely worse. This is why, in the following we focus on these alternatives in hope that some useful paths and directions will emerge from the analysis.

2.1. Utopia?

In the positive scenario, the future will be free of any problems and limitations because the knowledge available, the limitless computing power, communication and interconnectedness will allow humankind to find solutions to almost anything, particularly to famine, illnesses, war, limited resources and energy. From this perspective, the world seems to have a chance to be a better place.

But these expected achievements are only possible if humankind acts coherently and consistently in a rational way, eliminating waste of all sorts, eliminating conflicts, choosing at a global level the most efficient solutions.

Looking at the knowledge and technologies available one may feel very optimistic. At the same time, looking at the rather simple conditionalities, one may feel very pessimistic. And given the same knowledge and technologies available, as well as the experience of the long history one can expect not a middle of the road situation but rather a situation in which it will be much worse before being much better.

2.2. Dystopia?

At the same time, the new technologies, the Internet of Things (IoT) and the global interconnectedness give way to access and control of information, to the concentration of power both at state and corporate levels, to the rise of the robots, to biological hazards, and the list can continue.

In the following lines, we attempt to illustrate with some examples the negative scenario that may emerge from the use of the already existing technologies.

2.3. Lethal autonomous weapons systems (LAWS)

While many people know about drones (particularly in their manifestation of aerial drones), much fewer know about lethal autonomous weapons systems (LAWS). Such systems, that can use artificial intelligence in order to decide autonomously (without human intervention) the killing of human beings, are already available. As proof we can mention the SGR-A1 robots already deployed by South Korea (Wagstaff, 2014) or the fact that in June 2016 an Israeli firm launched the first-ever torpedo from an unmanned sea vessel while a U.S. artificially intelligent fighter pilot easily won combat simulations against human pilots (Gardner, 2016).

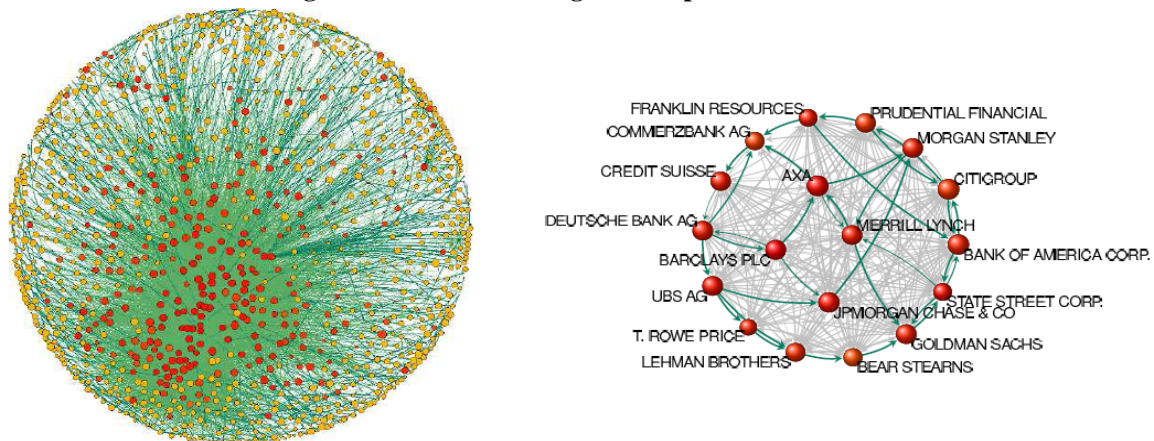
As a proof of the international concern generated by this technology, the United Nations started discussions on lethal autonomous weapons systems in 2012, the latest meeting being in April 2016 in view of eventually banning them under the Convention of Certain Conventional Weapons (CCW).

2.4. The network of global corporate control

If the Oxfarm's reports are concentrating on individuals that have such considerable wealth that they can compare to 50% of the world population, other studies focus on the concentration of economic decision power with a limited number of transnational corporation.

A study published in 2011 by the University of Zurich determined that 737 transnational corporations (TNCs) control 80% of the value of top 43060 TNCs (Vitali et al., 2011). At the same time, 147 companies or groups control 40% of the sales of top largest corporations (Figure 3).

Figure 3. The network of global corporate control



Source: Vitali et al., 2011.

Such a concentration of economic decision power intrinsically generates tensions between the network of corporations and the states and large groups of population as they cannot have the same objectives and maximization functions. While corporations will aim at maximizing profits, countries and populations will have more social, health and welfare objectives. Both parties may be right in their decisions and objectives but a conciliation mechanism is not available.

And even if the managers of the largest transnational corporations understand the message from the IMF that unequal growth is not sustainable, how can they convey this message to the shareholders who look at the annual reports to the market value and share value of the companies? The question remains open for debate and for visionary solutions.

2. Conclusions

The tensions and changes that manifested in the world economy after the onset of the economic crisis that started in 2008 as well as the inequality issue and the concentration of global corporate control seem to put globalization **as we know it** under a question mark.

Anyway, the issue is not about stopping globalization (this is not even possible) or acting against it, but rather about optimizing the distribution of benefits while reducing the costs. This optimization is not an easy process as it involves all actors from the world economy and this implies diversity and a lot of flexibility.

The idea that there is only one ideology (the Western-style liberal democracy) and only one economic mechanism (the market economy) has gradually faded away. Therefore, there is no end of history as Francis Fukuyama once said (Fukuyama, 1992).

The world economy is moving gradually towards a true multipolar world which will require new, universally accepted rules of the game and institutions, as well as a new international economic order.

Given the current architecture of the world economy, the design of a new international economic order will require strong, coherent and responsible states, as the states are still, for better and for worse, the only actors to participate in such an exercise.

At the same time, in order to prevent the current risks of sharp competition and even confrontation that may lead to war, a functional new world order will require strong feedback, verification and correction mechanisms.

Within such a new world order maybe the most difficult aspect to be solved will be the following: while all stakeholders should have a voice, decisions have to be made in a clear, expedite and enforceable manner. Direct participation at global level by means of Facebook style voting is technically possible, but it is not practically feasible. Such an approach will lead to unstable and ever changing majorities, while in the very short run it will automatically lead to the tyranny of the majority.

While we cannot propose here a simple and feasible solution for such a global problem, we can still propose a motto: “One planet, one responsibility”, based on cooperation and consultation of all relevant actors.

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