

Challenges of Globalization versus Global Trends

The aim of this work is to structure the theories surrounding the challenges of globalization. The key question to be answered through the course shall be, if there will be more or less globalization in the future. Therefore trends that, due to the National Intelligence Council, will shape the near future will be compared to the challenges of globalization, defined by the World Economic Forum. Some will be in favour of each other, while others will contradict each other. The comparison will be then supported by suitable theories.

The seven Challenges of Globalization

1. Economic warfare

Instead of using military force to pursue political objectives developed economies, such as the US and Europe, economic sanctions are implemented. This could lead to a “de-globalization”, because companies, legally tied to their home countries, might therefore not invest in certain markets. While the US, China and the EU are supposed to be the winners, the losers are probably Russia and Iran (targeted by western sanctions), the WTO, as it would lose credibility and Western-quartered MNC’s.

2. The geopoliticization of trade talk

More and more countries, such as China and Russia and Latin-American countries, such as Mexico, Colombia, Chile and Peru are trying to engage in trade zones. This could lead to more free trade and economic growth. Global consumers, businesses and countries in the periphery of powerful economies will suffer under the economic and political rivalry.

3. State capitalism 2.0

Central banks are caught between political pressures, alleged monetary policy and supervisory independence. Due to the inefficiency of fiscal authorities, central banks responded to the economic crisis via monetary policy.

International standards are set by the dominating economies (US, China, EU) in strategic sectors, which are influencing economic independence, political security and stability.

Winners of this process are the central banks of the US, the EU, Japan, China and England. At the same time the USA is also losing, as it does not own national champions, who are also gaining through that process. International institutions with global mandates are losing due to fact that they cannot solve global problems with their limited resources.

4. Competition for gated markets, not natural resources

Strategic competition is changing due to cheaper resources and economic and demographic growth. As a result of technological progress the competition has evolved to a competition for markets and not for natural resources. Access to large markets with large, young population and huge middle class is the new goal. Competition here is for skills and demand for products. Countries with income p.c. growth and population growth gain (China, India and some countries in Sub-Saharan Africa). Oil rich countries (Saudi Arabia, Russia and Iran) and medium-skilled workers in OECD countries lose.

5. The survival of the biggest and hollowing out of the periphery

Core countries create relationships to strengthen themselves at the expenses of the periphery countries, economically and for security objectives. Global issues are harder to tackle, while regional hegemony is empowered. The dependence of the periphery states does not necessarily induce sustainability or stability.

6. China's infrastructure-driven alliances

China has increased FDI and loans to countries, where they want access to commodities. It will benefit from the improved infrastructure, as well as other exporting countries. This could lead to an Anti-Chinese backlash and heavy indebtedness. The pressure on local countries could lead to political tension, especially with regard to the private military personnel of China in Sudan, Algeria and others.

7. The decline in oil prices

Decisions by consumers and producers will shape future oil production, consumption and trade. Who the winners and losers of the volatile oil prices are, depends on the responses of the government. Russia and Iran are under pressure because of the lower prices, but not yet facing insolvency. Still, for economic, strategic and environmental reasons global oil use should be reduced.

The seven global trends

1. Demographic change

World population increases and will live mostly in cities. Developing economies grow rapidly, while population growth in developed economies declines or stagnates. Therefore developing economies must build infrastructures and developed economies must minimize the demand for workers with technological progress and search for alternatives to integrate migrants into the society.

2. Global Economy change

Through unexpected changes global economical and financial problems, instability and uncertainty will increase. Global economical growth is mostly supported by India and China. Stronger globalization is uncertain, because of political tension. More integration is seen sceptical and protectionism is favoured when the richest economies won't reach normal growth and the income gap between countries widens.

3. Technological Progress

Prognoses about how technological progress will change the economical, societal and political development are difficult to make. Wherever instruments are available and used, innovations will be made and could make advancements for example in biotechnology or energy technology.

4. Populism

Because of the increasing connection to the internet ideologies and religious, ethnical, secular and liberal identities will spread global and across nations. People tend to react more on negative ideas. Feelings of alienation and injustice may arise and ease the way for populism.

5. Governing gets harder

Trust in the efficiency of global institutions is decreasing. Public expectations and problems might be difficult to solve due to the high uncertainty and lack of trust.

6. Higher risk of conflicts

Because of the divergence of interests of powerful countries, terrorism, unstable states and advancing technological methods to kill and destroy, the risk of violent conflicts is increasing.

7. Climate change and infectious diseases

Changes in the ecosystems of the world induced naturally or by humans will weaken the regeneration capacity of the planet. This will lead to challenges in health, nutrition, water and energy supply and in

the infrastructure. Heat waves and cold periods are threatening the systems in various ways. As population tends to concentrate in regions with strong weather events could lead to a spread of infectious diseases. This indicates a coordination of international organizations and governments and could lead be profitable for the ones well set up.

One of the biggest questions is: Will the world de-globalize or will the current trends result in more globalization? If we take into account the challenges and trends above, the future prospects remain uncertain. The usage of economical instruments in dealing with conflicts is not in favour of globalization as it results in trade embargos and the closing of markets. Furthermore, stronger economies tend to close their markets to protect them and reach their growth goals. Currently China and India are the economies contributing to a positive world economy growth. In addition to that, China is investing in countries to improve their access to their commodities. This influences globalization in two ways: On the one hand this leads to an increase in globalization, as they invest in infrastructure and more trade will arise. On the other hand these ambitions could lead to an aversion of economies against China and therefore hinder globalization and free trade. The tendency of strong economies to strengthen themselves in disadvantage of poorer economies leads to more inequality between the states. The preference to only pursue own interests raises conflicts and tension between countries. The increase in the availability of the internet supports the spreading of populism and other ideologies. This is moreover supported by more uncertainty and scepticism in the governments, dissatisfaction raises. Governing gets harder.

The entry of Latin-American countries, China and Russia in free trade zones will enhance globalization, even though political and economical tension could increase. The demographic change of the strong economies could lead to more integration of migrants and therefore support social globalization, as the cultures approach. As the climate change increases natural disasters and infectious diseases, international organizations and governments might be forced to improve their cooperation.

After the short discussion of trends and challenges and their contribution to the development of globalization, theories from the course notes shall be shortly introduced to support both sides.

Theories supporting further globalization:

- **Globalization 1.0, 2.0, 3.0/The industrial revolutions:** As globalization exists and increases since the 16th century due to this theory, it is likely to persevere in the future
- **Kishore Mahbubani's 'Great Convergence'**
- **Drivers behind the globalization of labour markets: more workers, better educated, with better technologies**
- **The paradox of power**
- **Washington Consensus**
- **Convergence**

Theories supporting de-globalization:

- **Rise of the West/Great Divergence/ North-South divide/Little divergence/The Matthew effect:** As there are huge differences between the wealth of economies and the strong economies are solely pursuing their interests political tensions may arise.
- **The 'paradox of our times':** Dealing with problems nationally and not internationally
- **Rodrik's dilemma/trilemma:** Shows the incompatibility of globalization with political aspects
- **Globalization and policy:** Governments might favour decrease globalization to gain back power
- **Paradoxes of the free market**

- **The Seneca effect**
- **The Thucydides trap**
- **Ian Bremmer's G-Zero world/ Ian Bremmer's G-Subzero world**
- **Challenges of Globalization**

Other points worth discussing are if further globalization is desirable or not, why it evolved like it did and if there ultimately be a global government. Matching theories are following:

Theories about the desire of further globalization/result of current globalization process:

- **The elephant curve/The Kuznets wave (or cycle)/ The Matthew effect:** If the gains of globalization are so unevenly distributed, is further globalization not increasing inequality?
- **Globalization and wages/Skill-biased technical change/Race between technology and education:** Lower wages for unskilled workers in developed countries will also lead to more inequality in the distribution of wealth in affected countries.
- **Development requires industrialization/Poverty traps:** Globalization hinders poorer economies to develop.
- **The paradox of power:** Opposite of the Matthew effect, globalization could lead to better development of poorer economies
- **Yate's dilemma/ Yunu's three zones/ Main players in the world economy:** As our capital economy does not favour social welfare it is questionable if globalization, as it supports capitalism, is preferable.
- **The tragedy of the commons:** More capitalism could lead to a privatization of commons and therefore solve this problem.
- **Globalization and risk/ Big threats to the 21st century world economy/ Butterfly effect/ Crisis/Neoliberalism/Paradox of neoliberalism:** As globalization seems to raise vulnerability of the humanity and threats are also increasing, less globalization might improve the capability of economies to deal with those threats.
- **Abundance paradox**
- **Zero-sum view of the world**
- **The price of progress**
- **Death of conflict**
- **The ultimate question**

Historical Aspects:

- **Territorial conquest of the Earth**
- **Ancient globalization/ Agricultural Revolution**
- **Old globalization/ Old world + New world**
- **Modern globalization/Industrial Revolutions**
- **Hyperglobalization/ Digital Revolution**

Theories about the future:

- **The Malthusian view/ The Neo-Malthusian view/ The Jevons paradox/ Ambivalence of technology**
- **Taxonomy of collapse**
- **X events**

- **The Red Queen effect**
- **In-built tendency of economic systems to collapse/Tainter's theory of collapse/A lesson of history?**
- **Herman Daly's impossibility theorem/Corollary to Daly's Impossibility Theorem of unlimited economic growth in a limited environment/ Any good systems eventually goes bad (institutional diseases)**
- **The paradox of development**
- **Paradoxical nature of democracy**
- **Moravec's paradox/Technological unemployment/Technological singularity**
- **Moore's law**
- **Calum Chace's economic singularity**
- **The Drake equation (Frank Drake)**
- **The Fermi paradox**
- **Peter Frase's four futures**
- **Robert Costanza's visions of the year 2100**

To structure the course, I suppose to introduce challenges and trends of the nearby future and their interdependence. Following I would introduce theories that support both sides. Another aspect to be mentioned are the costs that both processes inherit. At last I would introduce the historical aspects to discuss possible futures.

Proposed structure:

- 1. Challenges of Globalization**
- 2. Global Trends**
- 3. Costs of Globalization/'De-Globalization'**
- 4. Historical aspects supporting/opposing possible futures**