



## FUTURE OF GLOBALIZATION

Globalization remains one of the frequently discussed issues among economists. There are proponents of this process, arguing for free trade, mobility of capital, people, technologies and ideas with a stronger role of international institutions such as the World Trade Organization. Opponents of the process mainly point at risks, connected with globalization, namely higher internal competition, disruption of local industries, and a lower role of states. Generally, this process brings both opportunities and risks and the success of any country will depend on how it can handle these issues. Therefore, based on the analysis of historical perspectives and taking into consideration current risks, this commentary draws future perspectives of globalization.

Globalization affected the world through its basic channels such as trade and investment. Global trade increased significantly and helped many countries to rise. According to the World Bank data, the share of global trade in gross domestic products (GDP) increased substantially from 27.3% in 1970 to 59.5% in 2018. Global investment also increased significantly in both flow and stock terms. Data of the United Nations Conference on Trade and Development shows that the stock of inward foreign direct investment increased from \$701 billion in 1980 to \$32 trillion in 2018 (in current prices). Dominant forces of globalization were China and India and now other countries from Asia and Africa are driving this process. At the same time, many countries have been marginalized and many high-income countries have fallen behind in terms of increases in GDP per capita, trade and capital flows. Globalization, in particular international trade, caused discontents in the United States and Europe. He claims that U.S. corporations and banks were major beneficiaries of globalization. As a result, the United States has higher inequality, higher unemployment for unskilled workers due to import competition from China, weaker bargaining power of workers, and stagnating incomes and household earnings. Stiglitz criticized the U.S.-driven regionalism and argues that the main issue is not globalization, but how it is being managed. Regarding trade shocks, manufacturing job losses in the United States from the rising Chinese import competition over 1999-2011 were in the range of 2.0–2.4 million. Moreover, due to the import competition the U.S. job growth became weak.

Financial globalization became beneficial for multinational corporations. However, deglobalization will lead to a slower global economic growth and a significant reduction of national incomes in all countries. He

notes that globalization contributed to substantial poverty reduction worldwide, and its slowdown and reversal can hurt more people. The United States can also be negatively affected as demand for the U.S. debt can decrease and its economy may experience higher rates of inflation and interest rates. At the same time, he agrees that globalization needs adjusting.

The world economy is currently in the fifth historical period which he calls "slowbalization." In this period, many countries reversed their attitude towards globalization. For instance, China's dependence on trade decreased and it tries to turn inward with its Made in China 2025 strategy. The United States relies on protectionism based on Donald Trump's "America First" policy. The novel coronavirus pandemic accelerated the deglobalization trend and many advanced countries, including members of the European Union, Australia and Japan, started to think about economic sovereignty. However, these processes cannot be considered as the end of globalization.

There are significant challenges for globalization. The first process that will significantly affect the future of globalization is the conflict between the United States and China, which many experts and media call a "new cold war." Initially, it started with economic issues such as the forced technology transfer, intellectual property theft, high support of state-owned enterprises, and currency manipulation in China. The gradual evolution of the conflict was significantly accelerated by the pandemic. Washington blames Beijing for spreading COVID-19 and the World Health Organization for its cover-up of China's initial actions. China, in turn, aggressively reacts to calls for an independent investigation of the origins of COVID-19. For instance, after such calls from Australia it significantly increased tariffs on Australian products. Paradoxically, while the United States uses economic sanctions against human rights violators and authoritarian regimes, China has started to sanction top democracies. Consequently, not only industrialized, but many developing countries has also started to re-evaluate globalization and China-led global supply chains. For instance, following the COVID-19 outbreak and the flight suspension to China, Israeli producers began to seek alternatives in Turkey due to its geographic proximity, qualified production methods, reasonable prices and the existence of a mutual free trade agreement. Officials in Turkey believe that bilateral trade will increase and producers will never depend on a single supplier like China.

Rethinking priorities of globalization by protecting workers and setting better labor standards instead of protecting rights of multinationals. Globalization should be based on broad popular interests rather than corporate freedom. He also calls to reconsider the role of incentives, in particular profit, which drives businesses to be more efficient and create new products. He explains that profit can also be an incentive for the exploitation of workers and consumers. Therefore, governments must regulate businesses, which put profits ahead of every other value in society.

This point is important for fair international trade and competition. Recent evidence shows that there are forced labor camps in China and 83 Chinese and foreign multinationals are benefitting from them. These practices not only exploit workers and consumers globally, they also discredit the idea and nature of globalization. Attitudes to globalization in industrialized countries would be a key to the future of the global economy. Therefore, they need to support right policies and help their people to handle globalization-related shocks. He also mentions that many experts are not opposing globalization but rather seeking a better and fairer globalization. These ideas are still relevant.

A part of globalization, which should be protected, is the free flow of ideas and knowledge. This flow through the exchange of scientific ideas, international conferences, human and business interactions and academic publications tends to accelerate economic growth in all countries. They also note that international knowledge spillovers are far from complete and can contribute to raising knowledge stocks around the globe through further integration of the world economy.

Thus, the future of globalization remains uncertain and complicated. Majority of experts agree that the globalization process cannot be ended, but must be adjusted. This re-evaluation of the process will require significant changes of international institutions, such as the World Trade Organization and the World Health Organization. It is important that their future transformation will also be based on values and norms, and no powerful country can manipulate their activity. It is also worth noting that globalization cannot be built on confrontation. On the contrary, globalization based on universal values, including equal treatment of people, environment and business, is more sustainable than globalization driven purely by profits of multinational corporations. It is not so easy to achieve, however individual countries can succeed in implementing these changes, which will have global implications.

## Politics, Foreign Affairs, and Security

- The Council of Foreign Ministers of the Collective Security Treaty Organization (CSTO) held its regular meeting chaired by Russian chief diplomat Sergey Lavrov via videoconference. The ministers exchanged views on relevant international and regional topics and their impact on security of the CSTO member states, including potential threats related to the coronavirus pandemic. They also discussed ways to enhance the CSTO's cooperation with the Commonwealth of Independent States (CIS) and the Shanghai Cooperation Organization (CSTO, 26.05.2020).
- CSTO Secretary General Stanislav Zas stated that the organization would create a unified base for the training of peacekeeping forces in accordance with UN standards, which would be located at the existing training centers of Russia or Kazakhstan. According to Zas, a final decision will be made after consultations with military experts before the end of 2020. The CSTO also plans to adopt necessary legal norms this year to allow the participation of its peacekeepers in UN missions (TASS, 27.05.2020).
- The OSCE Office for Democratic Institutions and Human Rights published a final report on the 2020 parliamentary elections in Tajikistan. According to the report, the elections took place in a tightly controlled environment that left no space for a pluralistic political debate. The document also states that significant efforts are needed to align the country's electoral process with Tajikistan's commitments and OSCE standards for democratic elections (OSCE, 27.05.2020).
- A meeting between the deputy foreign ministers of the Central Asian states and Afghanistan and Secretary General of the European External Action Service Helga Maria Schmid was held via videoconference. The parties exchanged views on prospects for developing cooperation between Central Asia and the European Union, including in the fight against the spread of COVID-19, and discussed preparations for the next session of the bilateral high-level dialogue on politics and security scheduled in Tashkent (UzDaily, 28.05.2020).
- President of Kazakhstan Kassym-Jomart Tokayev attended a virtual forum dedicated to the consolidation of international efforts to mitigate the effects of COVID-19 and post-crisis recovery. The event was held at the initiative of UN Secretary General Antonio Guterres and the prime-ministers of Canada and Jamaica. Speaking as the chairperson of the Group of Landlocked Developing Countries, President Tokayev pointed out that these countries were among the most affected by reduced external financing, trade and investment (Akorda, 28.05.2020).
- A conflict broke out between residents of the Kyrgyz village of Chechme and the Uzbek village of Chashma on the border of Kyrgyzstan and Uzbekistan's enclave of Sokh during an annual joint cleaning of a local spring. Villagers threw stones at each other and set on fire several houses, leaving dozens of people on both sides injured. Officials of the two countries held talks and agreed to take measures to prevent unlawful actions (Azattyk, 31.05.2020).

## Economy, Finance, and Energy

- The Council of CIS Heads of Government held its meeting chaired by Uzbekistan in a videoconference format. The parties exchanged views on pressing issues of economic cooperation, especially in the transport, construction and energy sectors, and examined joint efforts to combat the spread of COVID-19. The CIS prime ministers also approved the CIS Economic Development Strategy for the period until 2030 (CIS Internet Portal, 29.05.2020).
- The economy of Almaty, Kazakhstan's largest city, fell by 9.2% due to the nationwide state of emergency and the coronavirus related quarantine measures, with transport and trade being the most affected sectors. According to mayor of Almaty Bakytzhan Sagintayev, trade accounts for 40% of the city's economy and this situation needs to be changed. The mayor's economic recovery plan provides for the support of the industrial sector and the creation of new jobs (Kazakh TV, 28.05.2020).
- President of Uzbekistan Shavkat Mirziyoyev signed a decree on urgent measures to support the tourism sector with the aim to reduce the negative impact of the coronavirus pandemic. According to the document, starting June 1, 2020, organizations related to domestic tourism (tour operators, travel agencies, accommodation facilities, cultural sites and others) will resume activities, with strict adherence to sanitary and hygienic norms. They are also granted a 50% reduction of the income tax and a suspension of the tourist tax until January 1, 2021 (UzA, 29.05.2020).
- According to Kyrgyzstan's National Energy Holding, the country is currently in negotiations with Kazakhstan, Tajikistan and Turkmenistan on electricity imports. Kyrgyzstan plans to purchase 1 billion kW for the next autumn-winter period until April 2021. The price of imported electricity will be much more expensive than the existing tariff for the population, but the holding does not plan to increase the tariff and will cover the difference at the expense of other consumers (Kabar, 27.05.2020).
- According to Tajikistan's Ministry of Finance, in January-April 2020, the country's state budget amounted to 6 billion 823 million somoni, or 91.9% of the plan. During this period, the budget did not receive the planned revenues of over 600 million somoni (over \$58 million). The budget shortfall is primarily associated with a decrease in the volume of collected taxes that account for more than 75% of total budget revenues (Avesta, 26.05.2020).
- President of Azerbaijan Ilham Aliyev signed a decree establishing a new free trade zone that will be part of the emerging trade and logistics hub in the Alat settlement on the Caspian Sea coast. The Alat free economic zone is created to promote business and investment activities around the settlement. Companies operating within the zone will enjoy a special tax and customs regime. The government also guarantees not to apply nationalization, confiscation or any other restrictive measure on private property (Caspian News, 26.05.2020).

## Society and Culture

- The International Turkic Academy (TWESCO) celebrated 10 years since its establishment on May 25, 2010. The proposal to create an international research center for the study of the Turkic world was put forward by the First President of Kazakhstan, Nursultan Nazarbayev, at the ninth summit of Turkic speaking countries in Azerbaijan in October 2009. During this period, the academy organized more than 120 scientific events and published over 170 books and other scientific works in many languages (TWESCO, 25.05.2020).
- The Parliamentary Assembly of Turkic Speaking Countries (TURKPA) held a video conference meeting of heads and staff members of research units and international relations departments of the member states' parliaments. During the meeting themed "Empowering the Parliamentary Research Services", participants discussed the value of research for parliaments, learned the experience of the research center of the Grand National Assembly of Turkey, and reviewed opportunities for future cooperation (TURKPA, 29.05.2020).
- President of Uzbekistan Shavkat Mirziyoyev signed a decree on measures to further enhance the role and importance of culture and art in society. According to the document, starting January 1, 2021, the licensing of concert and entertainment activities will be carried out through a single online portal. Fees charged for issuing a one-time permit to hold a concert or entertainment event are canceled. Government agencies are prohibited from involving artists and performers in official events on a pro-bono basis. In addition, starting September 2020, the first Sunday of each month will be declared the Doors Open Day in state museums (UzA, 28.05.2020).
- Turkey and Uzbekistan provided humanitarian aid to Tajikistan to assist in the fight against the spread of coronavirus. Turkey's Red Crescent Society sent 50,000 protective masks on a Turkish Airlines charter flight which also delivered 194 Tajik nationals stranded in Turkey. Uzbekistan sent the 24-ton cargo consisting of medicines, mainly antibiotics, produced by the Uzbek-British joint venture "Samarkand England Eco-Medical" (Avesta, 26.05.2020; Asia-Plus, 26.05.2020).
- According to the Kazakhfilm studio, the Kazakh documentary film "Overcoming Barriers" featuring horse culture in Central Asia will participate in three prestigious international film festivals in Turkey, Greece and the United States. The film premiered in February 2020 and stars horse Absent, a thoroughbred Turkmen Akhal-Teke stallion, that became a legend in the Soviet equestrian sports. The movie explores the important role of horses in Kazakh history and nomadic culture (The Astana Times, 28.05.2020).
- Over 200,000 seedlings of walnut, pistachio, larch, pine, and Tian Shan spruce replenished the forest fund of Kyrgyzstan. The restoration of degraded forests is carried out under the five-year project on protecting the biodiversity of the Western Tian Shan, which is funded by the Global Environmental Facility and implemented by the UNDP and Kyrgyzstan's State Agency for Environmental Protection and Forestry (Kabar, 26.05.2020).