



POZNAŃ UNIVERSITY
OF ECONOMICS
AND BUSINESS

Are we facing the end of globalization? European & Asian Perspective

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Europe-Asia Trade & Investments: Does distance matter?

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INTRODUCTION (1)

1. Globalization has led to **increased international trade and foreign direct investment** (FDI) in recent decades, which coincided with such phenomena as **reduction in global poverty** (Walsh, 2020).
2. Nevertheless, it should be borne in mind at the same time that one of **the major challenges for the global economy remains the large scale of inequality**, both between countries and within individual economies (Boushey, Delong, Steinbaum, 2017; Sandbu 2020).
3. As nations gradually became economically more interdependent, **international political stability also increased** at a global level.



INTRODUCTION (2)

4. The Covid-19 pandemic and its devastating impact on public health, the resulting uncertainty as to the conditions of international trade and investment, as well as the continuity of global value chains (GVC) raises a **legitimate question as to the further shape of globalization** (Altman, 2020).
5. Not surprisingly, the current crisis and its negative impact on globalization have been compared to **the financial crisis of 2008** in the current debate (Olivié & Gracia, 2020).
6. One can argue that globalization **experienced stages of growth, contraction and mutation, in line with structural changes in the international economic and geopolitical landscape, with recent developments including the rise of emerging economies and firms**, particularly those from Asia (Olivié & Gracia, 2020).



INTRODUCTION (3)

7. However, concerns about the scale and scope of the present turbulence are definitely valid in that **the coronavirus has not only massively affected international business cooperation in a direct manner, but also reinforced the factors affecting globalization already before its outbreak.**
8. In fact, fragmented supply chains and limited mobility of people add to such trends as **the reinforcement of protectionism with a view to securing national supply of critical goods, or stricter immigration controls** (Legrain, 2020).
9. Accordingly, **an incremental path of globalization cannot be taken for granted.**
10. **Three scenarios: disrupted globalization, de-globalization and globalization rebalanced.**



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS - Globalization in the context of capitalism (1)

- Friedman (2006) argues that the **first era of globalization** dates back to the Columbus' opening of trade between the Old and New World which lasted until around 1800 (Globalization 1.0), followed by a **second great era** (Globalization 2.0) from 1800 to 2000, interrupted by the Great Depression and the two world wars. Finally, around the year 2000, the world entered the **third era of globalization** (Globalization 3.0).
- Along these eras of globalization, the driving forces behind it changed from **industrial progress, exploitation of natural resources and the related operations of multinational enterprises, through developments in communication and information technology.**



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS - Globalization in the context of capitalism (2)

- Such a multidimensional and far-reaching phenomenon is **not easy to define**.
- According to the World Health Organization, globalization can be defined as **increased interconnectedness and interdependence of peoples and countries**. It is generally understood to entail **the opening of international borders to flows of goods, services, finance, people and ideas**; and **the changes in institutions and policies at national and international levels that facilitate or promote such flows** (WHO, 2020).
- This definition seems to echo that of Dunning (1993), who also pinpointed that “modes of interdependencies are principally **three fold, viz arm’s length trade, foreign direct investment and inter-firm cooperative agreements**”.



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS - Globalization in the context of capitalism (3)

- Due to its complex character, **the dimensions of globalization embrace economic, financial, technological, political, socio-cultural, religious, ecological, educational and communication aspects of human activity** (Guttal, 2007; Kowalski, 2013; Wolf, 2014; Gorynia, 2019; Witt, 2019).
- A crucial aspect of globalization, along with technological changes, is **the economic one**, which is connected with the **very essence of market economy and the overcriticized homo oeconomicus stereotype**.



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS - Globalization in the context of capitalism (4)

- Although arguably **the most efficient wealth-creating system we currently know** (Dunning, 2003), **the capitalist/market economy system is not free from weaknesses**, the biggest of which is **the pursuit of the profit and utility based solely on the interaction of market forces, which can produce undesirable social and ecological consequences.**
- Globalization has been discussed from **the perspective of its potential to boost economic growth and contribute to poverty reduction, particularly in the developing world** (Catão & Obstfeld, 2019; Wolf, 2014; Bhagwati & Srinivasen, 2002; Dollar, 2001; Stiglitz, 2006). Indeed, **many of these potential benefits have materialized.** While the related empirical literature is mixed, there is **evidence that trade openness and economic integration are contributing positively to growth** (see e.g., Candelon et al., 2018), **while growth and improvement in living standards lead to poverty reduction, particularly in emerging economies** (Bhagwati, 2007).



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS – 4 approaches to globalization (1)

Pro-globalization approach (1)

- The **pro-globalization approach** features economists arguing that globalization, if properly governed, is **not only economically beneficial but also socially benign**, such as Bhagwati (2007). For instance, **while it leads to a greater prosperity in developing countries, it can also reduce child labor and increase education levels.**
- Meanwhile, Bhagwati (2007) acknowledges that **“globalization is good but not good enough”**.
- In parallel, influential thinkers referred to by Heldt et al. (1999) as “hyperglobalizers” (such as Friedman, 2006; or Yergin & Stanislaw, 2002) regard **contemporary globalization developments as a new era and argue that a new set of rules has emerged for the global marketplace** (Gopinath, 2018).



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS – 4 approaches to globalization (2)

Balanced approach (2)

- The balanced approach of the benefits and costs of globalization, was adopted among others by Streeten (2001).
- It is recognized that the benefits have not been distributed widely and evenly, many countries or regions remaining marginalized.
- The negative outcomes of globalization require institutional changes in order to better govern the globalization processes.



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS – 4 approaches to globalization (3)

Suspicious and critical approach (3)

- A **suspicious and critical, yet constructive approach** is represented by Stiglitz (2002, 2006). In the earlier book (2002) he described some of **the failures of the international financial system and demonstrated why the benefits of globalization had remained limited**.
- In his later book (2006), he argues that **globalization, when properly and ethically managed, can do a great deal of good, in both developing and developed countries**.
- In Heldt et al.'s (1999) terms, scholars representing this perspective can also be referred to as **“skeptics” in that they stress the role of nation-states and national governments, whereby major regional trading blocs play a dominant role in the world economy**.



THE PHENOMENON OF GLOBALIZATION AND ITS UNDERPINNINGS – 4 approaches to globalization (4)

Anti-globalization approach (4)

- An anti-globalization approach fueled by populism related to new protectionism and new nationalism can be identified (Rodrik, 2011; Rodrik, 2018).
- To fight the backlash against “hyperglobalization”, policy makers need to redirect globalization benefits from business to society and governance from global to national (Rodrik, 2018).



Rodrick 2018 – Populism and the Economics of Globalisation (Academy of International Business – Dubai 2017)

Conclusion: three possible future paths

- **The bad: 1930's style collapse in global economic cooperation** and rise of hard-right and hard-left regimes
- **The ugly: creeping populism and protectionism**, gradually eroding both liberal democracy and open world economy
- **The good: a democratic rebalancing** that steps back from hiper-globalization and restores greater national autonomy



POSSIBLE SCENARIOS OF THE IMPACT OF COVID-19 ON GLOBALIZATION – **Disrupted globalization**

- more or less severe **disruptions of globalization** in all its component processes envisaging **temporary character and nature of disruptions** to national economies, firms and institutions
- **reinforcement of extant anti-globalization trends** also acting in a pre-Covid-19 world
- **accordingly, indirect effects** (catalyst character) and **direct effects** (lockdown, other regulatory measures, consumer and employee medical and economic condition, and attitudes)
- **different recovery paths**: faster for developed countries, and for retail sector, yet medium-term to return to pre-pandemic (1-3 years)



POSSIBLE SCENARIOS OF THE IMPACT OF COVID-19 ON GLOBALIZATION – De-globalization

- emphasis on globalization as amplification to shocks like the pandemic
- based on likely medical → political → economic & social impacts, we may not return to pre-Covid-19 levels of global interconnectedness
- discontinuation of value chains due to the demand & supply shock may result in permanent near-shoring and redundancy procedures in MNEs
- regional focus and horizontal rather than vertical growth with the wake of new business models
- shift to lean physical infrastructure and priority to digital operations, fuelled by calls for „national supply chains“



POSSIBLE SCENARIOS OF THE IMPACT OF COVID-19 ON GLOBALIZATION – Globalization rebalanced

- Between „back to normal” and a withdrawal from globalization
- Re-balancing in the areas of
 - ✓ Role of state vs. market in shaping globalization processes and their outcomes,
 - ✓ Configuration of global value chains (GVCs),
 - ✓ Control of FDI and MNEs,
 - ✓ Modus operandi and leadership of international institutions (e.g. UN-affiliated agencies)
- Preservation of positive outcomes of globalization while benefiting from the current change impulses

Poland on the path of globalization - export - active internationalization

Table 1. Countries with the highest value of exports of goods in 1990, 2000, 2017, 2019 and 2020

Exports of goods									
1990		2000		2017		2019		2020	
Place	Country	Place	Country	Place	Country	Place	Country	Place	Country
1	Germany	1	USA	1	China	1	China	1	China
2	USA	2	Germany	2	USA	2	USA	2	USA
3	Japan	3	Japan	3	Germany	3	Germany	3	Germany
4	France	4	France	4	Japan	4	Japan	4	Japan
5	United Kingdom	5	Canada	5	Korea	5	France	5	Netherlands
6	Italy	6	United Kingdom	6	France	6	Korea	6	Korea
7	Canada	7	China	7	Hong Kong	7	Netherlands	7	Hong Kong
8	Netherlands	8	Italy	8	Netherlands	8	Hong Kong	8	France
9	Belgium	9	Netherlands	9	Italy	9	Italy	9	Italy
10	Hong Kong	10	Hong Kong	10	United Kingdom	10	United Kingdom	10	Mexico
37	Poland	34	Poland	22	Poland	24	Poland	23	Poland

Source: author's own calculations based on UNCTAD data (<http://unctadstat.unctad.org>, October 9, 2021).



Poland on the path of globalization – outward FDI - active internationalization

Table 2. Countries with the highest value of outward foreign direct investment in 1990, 2000, 2017 and 2019

Outward foreign direct investment (stock)							
1990		2000		2017		2019	
Place	Country	Place	Country	Place	Country	Place	Country
1	USA	1	USA	1	USA	1	USA
2	Germany	2	United Kingdom	2	Netherlands	2	Netherlands
3	United Kingdom	3	Germany	3	Hong Kong	3	China
4	Japan	4	Canada	4	China	4	United Kingdom
5	France	5	Hong Kong	5	United Kingdom	5	Japan
6	Netherlands	6	France	6	Germany	6	Hong Kong
7	Canada	7	Netherlands	7	Canada	7	Germany
8	Switzerland	8	Japan	8	Japan	8	Canada
9	Italy	9	Switzerland	9	France	9	France
10	Sweden	10	Belgium	10	Switzerland	10	Switzerland
62	Poland	70	Poland	49	Poland	52	Poland

Source: author's own calculations based on UNCTAD data (<http://unctadstat.unctad.org>, October 9, 2021).



Poland on the path of globalization - import - passive internationalization

Table 3. Countries with the highest value of imports of goods in 1990, 2000, 2017, 2019 and 2020

Imports of goods									
1990		2000		2017		2019		2020	
Place	Country	Place	Country	Place	Country	Place	Country	Place	Country
1	USA	1	USA	1	USA	1	USA	1	USA
2	Germany	2	Germany	2	China	2	China	2	China
3	France	3	Japan	3	Germany	3	Germany	3	Germany
4	United Kingdom	4	United Kingdom	4	Japan	4	Japan	4	Japan
5	Japan	5	France	5	France	5	France	5	France
6	Italy	6	Canada	6	United Kingdom	6	United Kingdom	6	Hong Kong
7	Canada	7	Italy	7	Hong Kong	7	Hong Kong	7	United Kingdom
8	Netherlands	8	China	8	Korea	8	India	8	Netherlands
9	Belgium	9	Hong Kong	9	India	9	Korea	9	Korea
10	Spain	10	Netherlands	10	Canada	10	Netherlands	10	Canada
40	Poland	27	Poland	21	Poland	19	Poland	20	Poland

Source: author's own calculations based on UNCTAD data (<http://unctadstat.unctad.org>, October 9, 2021).



Poland on the path of globalization – inward FDI - passive internationalization

Table 4. Countries with the highest value of inward foreign direct investment in 1990, 2000, 2017 and 2019

Inward foreign direct investment (stock)							
1990		2000		2017		2019	
Place	Country	Place	Country	Place	Country	Place	Country
1	USA	1	USA	1	USA	1	USA
2	Germany	2	Germany	2	Hong Kong	2	United Kingdom
3	United Kingdom	3	United Kingdom	3	United Kingdom	3	Hong Kong
4	Hong Kong	4	Hong Kong	4	Netherlands	4	China
5	Canada	5	Canada	5	China	5	Netherlands
6	France	6	Netherlands	6	Singapore	6	Singapore
7	Australia	7	Belgium	7	Switzerland	7	Switzerland
8	Netherlands	8	China	8	Ireland	8	Ireland
9	Spain	9	France	9	Canada	9	Canada
10	Italy	10	Spain	10	Germany	10	Germany
116	Poland	27	Poland	25	Poland	27	Poland

Source: author's own calculations based on UNCTAD data (<http://unctadstat.unctad.org>, October 9, 2021).



Poland on the path of globalization – years 1990-2020

Gross domestic product 2020/1990 (constant prices 2015) – 283%

Place in the world: **1990 – 36, 2019 – 23**

Foreign trade 2020/1990 (current prices):

– dynamics of exports – 1679% (**1990 – 37, 2020 – 23th place in the world**)

– dynamics of imports – 2056% (**1990 – 40, 2020 – 20th place in the world**)

Foreign direct investment 2019/1990 (current prices):

– dynamics of OFDI stock – 26142% (**1990 – 116, 2019 – 27th place in the world**)

– dynamics of IFDI stock – 216978% (**1990 – 62, 2019 – 52th place in the world**)



Poland on the path of globalization – years 1990-2020

Gross domestic product 2020/1990

Share in the world GDP:

1990 – 0,29%, 2019 – 0,69%

Foreign trade 2020/1990:

– share in world exports – **1990 – 0,46 %, 2020 – 1,36%**

– share in world imports – **1990 – 0,36%, 2020 – 1,40%**

Foreign direct investment 2019/1990:

– share in world OFDI stock – **1990 – 0,004%, 2019 – 0,092%**

– share in world IFDI stock – **1990 – 0,005%, 2019 – 0,72%**





European & Asian Perspective

Methodological problems:

- What does the **European & Asian perspective** mean?
- Should we treat Europe and Asia as two separate entities, each continent as a whole – **holistic approach**?
- Or should we follow a **reductionist approach** and consider the relations between particular groups of countries, or even individual states?
- There seems to be no room for **methodological purity** – rather, some kind of **compromise** is needed



European & Asian Perspective

By applying the above-mentioned **compromise methodological approach**, it is possible to signal, for example, some important components of the Euro-Asian perspective:

- **India–European Union** Summit May 2021 – a decision to resume negotiations of economic agreements
- **China–European Union** – two tendencies: concentration of the economic plans of the People's Republic of China on the internal market? greater leadership role for global affairs in accordance with its rising power and status?
- **Japan–European Union** – Japan will continue to cooperate with the EU based on the agreements of recent years



Polish & Asian Perspective

By applying the above-mentioned **compromise methodological approach**, it is possible to signal, for example, some important components of the Polish–Asian perspective:

- Poland is a potentially relatively **large market** for Chinese producers of solar panels due to the European Green Deal promoted by the EU
- we are **part of the Chinese Belt and Road project**, which translates into infrastructure investments (especially railroads) in Poland
- as a country, we have achievements in **organic farming and food processing**, which means that our experience in this field can be used on Asian markets
- **foreign direct investments** of the ADAMED GROUP in Vietnam, which since 2017 has been implementing de facto the first significant Polish investment project in Vietnam, because in the past the value of FDI flows from Poland to Vietnam was minimal



European & Asian Perspective

European perspective on Asia

- European companies and governments will **be interested in developing cooperation** with Asian economies because of its growth and demographic potential – Asian market means for European players good expansion possibilities
- big role of **political context** and of continuing efforts to develop **trade and investment agreements**



European & Asian Perspective

Asian perspective on Europe

- it seems that **the interest of Asian companies and governments in cooperation with Europe may be conditioned by a more complex combination of factors** characterizing European economy: limited demographic potential, relatively high level of prosperity and high purchasing power
- possible intensification of tendencies towards anti-globalism and regionalism
- Polish market – ???



CONCLUDING REMARKS

- coming back to globalization scenarios – **government factor** as a determinant of particular scenarios
- in a longer perspective the potentially negative effects of de-globalization will require appropriate **policy responses**
- **distinction between** what the global economy is likely to become (*possible, projected real view*) from what it should be or what one would like it to be (*normative view*)
- “*over the last century and a half, globalization has been a cyclical phenomenon, and there is reason to believe that **we have reached a plateau if not the peak of the second, late twentieth century wave***” (Kobrin, 2020)
- **possible asymmetry of interests** – European interests in Asia and Asian interest in Europe?



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***THANK YOU VERY MUCH
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