



## Pandemic as the Trigger for a New Phases of Globalization

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*Abstract:* The modern world is a world of global trends. Studies often do not take into account the nonlinearity of the process and create the appearance of automatically deepening and expanding global processes that affect all areas of life. Globalization is considered in the article as a non-linear process of spatial interaction, mutual influence and interdependence of the world economy subjects. One of the main periodization criteria of economic globalization is the qualitative changes in spatio-temporal relations. The purpose of the paper is to justify the reasons for the emergence of a new phase of globalization. The pandemic has triggered a serious blow to the global interdependent economy. This means that globalization is entering a new phase.

*Keywords:* periodization criteria of globalization; globalization; pandemic.

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### Pandemija kot sprožilec nove faze globalizacije

*Povzetek:* Sodobni svet je svet globalnih trendov. Študije pogosto ne upoštevajo nelinearnosti procesa in ustvarjajo videz samodejnega poglobljanja in širjenja globalnih procesov, ki vplivajo na vsa področja življenja. Globalizacija je v članku obravnavana kot nelinearen proces prostorske interakcije, medsebojnega vpliva in soodvisnosti subjektov svetovnega gospodarstva. Eno glavnih meril periodizacije ekonomske globalizacije so kvalitativne spremembe v prostorsko-časovnih odnosih. Namen prispevka je utemeljiti razloge za nastanek nove faze globalizacije. Pandemija je povzročila hud udarec globalnemu soodvisnemu gospodarstvu. To pomeni, da globalizacija prehaja v novo fazo.

*Ključne besede:* periodizacijska merila globalizacije; globalizacija; pandemija.

### 1 Introduction

Globalization is often identified in scientific publications with the process of weakening the role of state borders or "denationalization" (Kriesi, 2009). The paradox is that at the beginning of the 20th century there were approximately 100 borders, at the beginning of the 21st century - 600. Studies often do not take into account the nonlinearity of the globalization process and create the appearance of automatic deepening and expansion of global processes that affect all areas of life. Globalization should be considered as a non-linear process of spatial interaction, mutual influence and interdependence of the world economy subjects. One of the main

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periodization criteria of the world economy, and hence economic globalization, is the qualitative change in spatio-temporal relations. Any periodization is arbitrary but allows you to identify new trends in the development of the process.

It is necessary to take into account in global space the manifestation of such a regularity as hysteresis or the "catastrophe flag" - features of behavior by which it is possible to judge the approach of a critical point (Krugman, 1998). The first call that violated the established spatial relations between states, and therefore globalization, was Brexit. Disintegration dynamics appeared in the integrated space. One of the exogenous causes of Brexit was a decrease in the congruence of borders, and an increase in their permeability (Zobova, 2019). A migration crisis arose as a result. The modern pandemic has forced states, even those included in integration associations, to close borders and limit interaction. Factors have appeared that hamper the further deepening of globalization processes. This means that globalization is entering a new phase. Numerous publications claim that the world after the pandemic will not be the same (UNSTATS Committee for the Coordination of Statistical Activities, 2020; Новости сибирской науки [Siberian science news], 2020; Seric, Görg, Mösle, and Windisch, 2020). The main question: "What changes in the existing spatial global interstate relations can be regarded as the beginning of a new stage?" It is necessary to answer these questions in the article:

- Why can a pandemic (medical problem) trigger the start of a new phase of globalization?
- What factors may indicate the beginning of a new stage in world development?
- The role of new IT technologies in the onset of a new phase of globalization.

The purpose of the study is to identify factors that may indicate trends in a new phase of economic globalization.

## 2 Methods

The answers to the research questions posed are possible based on an adequate methodology. It is possible to assess the role of a pandemic in global economic processes based on the theory of hysteresis. This means (in the economic system) that "the effect of the impulse remains in the system even after the disappearance of the impulse" (Torsvik, 2004, 46; Carlsen, 2004). To describe the periodization criteria, it is necessary to rely on the conclusions of the spatial theory and the theory of international integration (Krugman, 1998; Friedman, 2006).

## 3 Results and discussion

Economic globalization is considered as a phase in the development of the world economy. Modern economic and political transformations can mean a gradual transition of globalization, and hence the world economy to a new stage of its development.

The periodization of the world economy is based on exogenous and endogenous shocks that contribute to the formation of radically new spatial relationships. Exogenous shocks in the 20th century were the First and Second World Wars, the collapse of the colonial system, the collapse of the socialist camp. Endogenous shocks were world economic crises. It can be argued that one of the criteria for the periodization of the world economy is the qualitative changes in international spatial relations, which means that the number of subjects of international relations is changing; the forms and types of international relations are changing quantitatively and qualitatively. The possibility of these changes is based on qualitative changes in the development of productive forces. Nowadays there are three (sometimes four) stages in the development of the world economy and each stage has a progressive character compared to the previous one. According to experts, the third stage in the development of the world economy began in the mid-1970s and continues to the present. In the 1990s, the world economy acquired elements of a global nature and "the World has become flat" (Friedman, 2006, 13). The beginning of the 21st century coincided with the intensive and widespread dissemination of IT technologies. New and latest technologies have had an ambiguous effect on globalization processes. Thanks to the use of the Internet, intensive links have been established not only between national governments and firms, but also private citizens. But the paradox is that in spite of the active ties between firms, the growth rate of productivity on a global scale has slowed down. According to the World Bank, digital technology is spreading faster than digital dividends (The World Bank, 2016) (Table. 1).

Table 1: The impact of new IT technologies

<i>The key signs of globalization</i>	<i>The impact of new IT technologies</i>	
	Total negative effect	Total beneficial effect
Interaction	the results of the digital revolution do not apply to the whole world	the new subjects of international trade have appeared, the cost of information is declining, the boundaries of companies are eroding, trade in goods and services through online platforms is developing
Mutual influence	polarization is increasing on world labor markets, concentration on markets is increasing, cybercrime is spreading	the high rates of economic growth, an increase in the number of jobs, better services provided the creation of an analog foundation
Interdependence	the large digital gap between countries, the gap between technology and institutions, over-regulated commodity markets and high duties on digital goods	the "maximum scale with minimum weight" model opens up economic opportunities for millions of people living outside industrialized countries

Source: The World Bank, 2016: Digital Dividends

The process of the world economy globalization is a non-linear process. The nonlinearity of the system manifests itself as a slowdown or change in the development vector. Such changes occur at the bifurcation point. This is a certain event or a set of events that affect the further course of the process. The pandemic has disrupted the progressive development of the world economy, in fact, has become a bifurcation point. As a result, changes in spatial relations, institutional changes in society, global governance and politics are necessary. If the elements of new global spatial relations are really formed, we can conclude that they are caused not only by economic reasons.

The peculiarity of the situation is that the pandemic acts simultaneously as a catalyst and a harbinger of a new economic crisis. It is possible contraction of the world economy by 5.2% in 2020. This is the deepest drop in economic growth since the Great Depression (*COVID-19: Unparalleled Economic Shock Threatens Development Hopes and Gains*, n.d.). The pandemic also triggered the rapid and widespread use of new IT technologies that have influenced spatial interaction. But it is impossible to draw an unambiguous conclusion about its economic consequences.

There is a little empirical evidence on the impact of the pandemic on the global economy. But some facts are quite eloquent. The visible economic consequences of the pandemic that have already affected the spatial interaction of states: the aviation crisis and the employment crisis, a sharp drop in commodity prices, an unprecedented shock for tourism, a decline in sociocultural dynamics, and, at the same time, a sharp increase in the trade in medical goods. The deeper implications for the global economy are associated with the revision of activities, primarily of multinational companies engaged in production around the world. Companies will make decisions about places of production, taking into account not only economic factors. Global value chains (GVCs) will be seriously affected by declining international trade. Six months after the start of the pandemic, there was a sharp outflow of capital from emerging markets. At the same time, more than 80 countries applied for emergency financing to the World Bank (Seric, Görg, Möhle, and Windisch, 2020). It can be concluded that the main manifestations of globalization are a spatial interaction and mutual influence are in the phase of transformation.

Several months of the pandemic and the isolation associated with it significantly accelerated a number of processes. Given the limitations of global interaction at different levels, those subjects of the world economy who largely used distance technologies benefited. First, these are processes related to the labor market. Existing freelance is being modified into a Gig economy. Gig economy (sharing economics) is a network of people working without any formal labor agreement through digital platforms. It is estimated that remote work is one third more efficient and half the cost for the employer. Currently, less than 0.5 percent of the economically active population is involved in the "free earnings economy" in the world, and less than 0.3 percent in developing countries (The World Bank, 2016, 26).

It can be assumed that the trend will intensify. At the same time, during the pandemic, the capitalization of Facebook, Microsoft, Google, and Amazon increased.

Distance education became widespread in the 21st century. In the new environment, mobility restrictions may benefit processes related to cross-border education and virtual mobility. Countries that have created a common digital

educational space can benefit from competition in educational spaces. Therefore, for example, the creation of a common educational space is so important for the countries of the Eurasian Economic Union. Students from the countries of the former USSR are studying at Russian universities: Kazakhstan, Turkmenistan, Tajikistan, Armenia, and Belarus. Restrictions on interstate displacement may facilitate the influx of international students into Russian universities for distance education (Zobova, 2020).

One of the first papers on the essence of globalization had the characteristic title "World without Borders" (Ohmae, 1990). Other authors also drew attention to this phenomenon (Dohse, 2005; Friedman, 2006). In the context of global interaction, the role of state borders is changing. The phenomenon of the border is a combination of two roles: contact and barrier. The priority of barriers will have an impact primarily on migration processes. As a result, the process of spatial competition for labor is exacerbating. In order to curb the spread of the virus, more than 150 countries have imposed restrictions on crossing the border (Guterres, 2020). Countries with great immigration potential in the short term are forced to revise their migration policies. This means that the role of state regulation in international economic relations is changing.

One of the world economic space patterns is endogenous asymmetry, which is expressed in the deepening of economic inequality between countries and the division of space into countries of the center and countries of the periphery. The share of high-income countries (17% of the world's population) has 49% of the world gross domestic product (GDP) at purchasing power parity. The share of world GDP in low-income countries (8% of the world's population) was less than 1% (The World Bank, 2019).

The pandemic objectively contributed to widening this gap. The absence in many countries of the necessary protective equipment, vaccines, drugs and the impossibility of their rapid purchase is a demonstration of the deepened dependence of the countries of the periphery on the countries of the center. Experts also talk about a possible food crisis, and especially in the vast majority of developing and least developed countries (Espitia, 2020; Guterres, 2020).

## 4 Conclusion

The pandemic emphasized the non-linear nature of the globalization process and the multidimensional nature of its further manifestation. There are no simple answers to these questions, but they deserve active discussion and analysis. It can be assumed that the global world is "creeping" into a new phase, which, like the previous ones, is associated with exogenous and endogenous shocks. The peculiarity of the modern phase is associated with a medical problem, which at the same time is a catalyst for these shocks. Exogenous shocks are the further violation of the world economy homogeneity, the deepening of economic inequality between countries, increased cross-country competition, including digital inequality and digital competition. Endogenous shocks can manifest itself as another global crisis. But it was not the pandemic that caused the crisis; it became only a trigger that launched processes that already had a basis: Brexit, the trade war between of the USA and China, the sanctions policy of the USA and the European Union against third countries. It can be assumed that those countries that have more developed IT technologies that allow remote interaction will emerge faster and less painfully from the impending crisis. According to UN Secretary General A. Guterres, overcoming social exclusion is beneficial. An inclusive public health and socio-economic response will not only help stop the spread of the virus, but also restart the economy and move forward towards the sustainable development goals (Guterres, 2020).

The article shows that modern crisis phenomena cannot stop the globalization process. It is possible slowdown or modification of global processes. Since process changes occur over time, an unambiguous interpretation of the changes is impossible. So far, we can state a clear influence on global interaction. Changes in mutual influence and interdependence will appear later. Globalization will be implemented in new forms of interaction. No country can fight a pandemic or manage migration alone.

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