

## The Transformation of the World Economy in the Context of Global Instability

COMMEMORATIVE MEDAL FOR YOUNG RESEARCHERS

*Tatiana S. Malakhova*

Today's world is undergoing different transformations nearly in all spheres of social life. One can state that the 21<sup>st</sup> century is an epoch of global changes. The modern civilization is facing numerous challenges that have not always positive impact on particular countries and world regions. At the beginning of the 21<sup>st</sup> century, there has been exacerbated the problem of formation of institutions of global governance, which received wide recognition in the world community in the middle of the 20<sup>th</sup> century. The dynamics of globalization processes had profound impact on uneven development of particular countries and world regions. In this regard, it is essential to examine in which direction the balance of power in the world will change, as well as which countries are able to overcome crisis in the world's economy (Frank 1980). We live in the world, where not only superpowers acquire a dominant position, as it was in a bipolar system, but also emerging geostrategic economic blocs that sought to assert their positions in a global economic and political sphere. As the world experience shows, economic and political transformations in the world economy are inextricably linked to each other. With the formation of a multipolar system and emergence of the new centers of power structural problems of the key world's economies worsen, for example of the USA and Europe. It can be assumed that the first wave of the modern global economic crisis is only a sign which warns us of structural transformations, not only in a geo-economic sphere, but also in political, social and cultural, technological spheres, *etc.* Unfortunately, geopolitical confrontation comes again to the forefront, which negatively affects economic relations between countries. In general, one should note that modern society is experiencing social and economic turbulence that has a significant impact on particular countries and world regions. The world economic system, dating from the mid-20<sup>th</sup> century was characterized by a tense confrontation between socialism and capitalism, which was developing for a variety of patterns. At that period international economic and political relations were of bipolar nature, largely because of the confrontation between

*Kondratieff Waves: The Spectrum of Opinions 2019 213–217*

two great powers – the USSR and the USA. The question arises, ‘Is bipolarity possible in the modern world?’ According to Prof. Viktoriya V. Perskaya, it is possible if external and internal conditions will be conducive to it (Bornschier 1982: 38–39). According to a number of experts, the US and CPR economies may act as poles of the world economy. Still, we would like to emphasize that the beginning of the 21<sup>st</sup> century is characterized by the formation of a multipolar system led by numerous centers. At the same time, the concept of superpower, in our view, is a phenomenon of the bipolar system period when the USA and the USSR were clearly marked as leaders. Under present conditions, a core with a potential leader is being formed, and the periphery countries are concentrated around it. Only at present they are not oriented towards the ideological constituent, but towards the weight and importance of a leader in the global economic and political sphere. Thus, we suggest using the concept of ‘geostrategic economic bloc (GEB)’ instead of the concept of ‘superpower’. We suggest the author’s definition of this notion in the context of formation of the multipolar system. Geostrategic economic bloc is a union, formed at the initiative of a dominant country (core), with partner countries (periphery) with a purpose to assert interests of the former and to increase their influence in a global politico-military, economic, monetary and financial spheres at the expense of the periphery’s resource base, which in turn leads to the formation of the multipolar system headed by particular centers of contention and commonwealth. Let us distinguish three key geostrategic economic blocs: NAFTA (dominant country – USA), EU (dominant country – Germany), East Asia (dominant country – China). Two of them have already been established – EU and NAFTA. East Asia was singled out not by chance since China and Japan are situated in this region and aim to assert their leader positions in geopolitics and geoeconomy. One can assume that the third bloc is still evolving. In each of these blocs there is a distinct politico-military and economic leader (USA, Germany, and China). Their purposes are nearly identical – to orient as many states as possible towards their side. If in the Soviet period the countries were oriented towards the ideological dimension, nowadays they focus on the position of dominant countries in the global sphere. In addition, lead countries, *i.e.*, USA, Germany, and China have in common that they use expansionist strategy in monetary and financial spheres, banking and that their TNCs and TNBs distribute their affiliated companies all over the world. However, as international practice shows, the locomotive centers have a significant impact (not always positive) on the states of a bloc. One should also note that with the formation of geostrategic economic blocs, the positions of the USA are being dispersed and their significance in the global sphere is gradually declining. Under the present circumstances, the United States is one of the centers of power, which cannot but have influence on their reputation in the mid- and long-term perspective. The main reasons for the weakening of military and

political domination of the US in the transformation of the global scale are: strengthening of the Asia-Pacific region's position, particularly China, Japan and some new industrial countries; the formation of integration groupings and international organizations in opposition to the US; approval of the positions of individual countries in the military-technical sphere, in particular Russia, Germany; reducing costs to the national US Department of Defense military-industrial complex. In addition over the past more than ten years, there is a tendency to reduce the share of the US in the world GDP. This situation is symptomatic of the fact that in the global financial and economic system the United States was the largest debtor. It can be stated that under modern conditions there appear new key players which are being formed by the developed countries of Asia and Europe. Already today, in many sectors of the economy of China modern infrastructure has been created, there emerge new plants and enterprises focused on the creation of innovative products. It is also necessary to emphasize that the monetary and financial system of China is characterized by the combination of a high degree of openness with strict national control. At present it occupies an intermediate position in terms of development between the financial systems of developed and developing countries. In addition, the Asia-Pacific region rather calmly 'survived' the first wave of modern global monetary and financial crisis.

It is logical that the neo-liberal model of the market economy yields its positions and is being criticized by the expert community. In general, during transformation of the Central and Eastern European countries the ideas of the neo-liberalism were applied. They served as the basis for reformation of the Russian economy, without taking into account the peculiarities of its formation and historical development. As almost every dominant country assumes, there is no country that can solve successfully its structural problems in the context of globalization. By uniting with partner countries (periphery), they put emphasis on ensuring complementarity and mutual benefit, taking into account national interests of every partner (Perskaya and Glukhovtsev 2011). Yet matters are different in practice.

In the situation of global instability, the positions of Russia in the geoeconomic sphere seem to be ambiguous and disputable. The sanctions which were imposed against Russia have just exacerbated the structural problems of the Russian economy. One can state that in the present conditions the social and economic development of the country is conditional upon external factors, in particular, on fuel prices, on the modalities for participation in WTO, on the global economic crisis. In addition, the commodity structure of Russian export becomes more primitive with each passing year, whereas the national economy becomes more dependent on the export of oil, gas and other mineral resources. All these factors have a negative impact on the national economy development. The first wave of the global crisis became a breaking point for

many countries of the world, including Russia. In conditions of the turbulent state of the world economy and worsening of the geopolitical relations of Russia in the world, it becomes harder year by year to restore the national industrial landscape, which was lost in the end of the 20<sup>th</sup> century. Which position will take Russia in the 21<sup>st</sup> century? Can Russia form a powerful geostrategic and economic bloc and become a core of it? There are no unambiguous answers to these questions. In the present conditions Russia operates in different international groups, such as EEMA, CIS, and BRICS. Still, at present it is hard for Russia to confront the existing or forming blocs. Within CIS and EEMA Russia is not able to accept the role of a leader, that is why one can consider these unions as a platform for constructive negotiations. The main goal of CPR is limitation of the dominant position of American dollar, which gives the USA advantages over other participants of the world economic system, as well as accelerating of the internationalization of the Chinese national currency – Chinese yuan (Leksyutina 2014: 81–89). For this reason, only countries which are most powerful and are able to regulate world economy can radically solve urgent problems that are on the agenda (Malakhova 2015a: 13–26).

Moreover, we have defined possible scenarios of cooperation of Russia with particular countries and regions of the world after cancellation of sanctions or their weakening: collaboration with key players in a global economy (USA, Germany, Japan, China, *etc.*); reorientation of the national economy on the Asian market and collaboration with partner states in this region; increased interaction with partner countries within BRICS, CIS and EEMA, *etc.*; restoration and development of the close cooperation with EU, or emergence of the geopolitical positions onto Eurasian space. We suggest that in the situation of global instability it is necessary to improve cooperation with EU because both Russia and EU need a truce. There are two models of participation of countries in the world economy represented in the academic work of Ruslan S. Grinberg and Lidiya S. Kosikova ‘New Trends of the Economical Collaboration in the Post-Soviet Territory’ – integration and adaptation. It shows that the mixed model of collaboration with post-socialistic countries is the most appropriate as it takes into account geopolitical and geoeconomic interests of Russia in the context of global instability.

Thus, firstly, in the modern conditions the politico-economic and technological shift from the West to the East takes place, one can observe the increase of the Asian influence on the world economy along with the development of international organizations and groups.

Secondly, the author's definition of the concept of ‘Geostrategic economic bloc’ in the context of creation of the multipolar system has been proposed. As the world practice shows, against the background of forming geostrategic economic blocs the positions of the USA are being dispersed across the world.

Therefore the multipolar world succeeds the unipolar world, whereas superpowers are substituted by geostrategic economic blocs (Malakhova 2015b).

### References

- Bornschie F. 1982.** The World Economy in the World-System: Structure, Dependence, and Change. *International Social Journal* 1: 38–39.
- Frank A. G. 1980.** *Crisis in the World Economy*. Holmes & Meier Publishers.
- Leksyutina Ya. V. 2014.** China in BRICS: Participation Motivation. *Mirovaya ekonomika i mezhdunarodnye otnosheniya* 4: 81–89. *In Russian* (Лексютина Я. В. Китай в БРИКС: мотивация участия. *Мировая экономика и международные отношения* 4: 81–89).
- Malakhova T. S. 2015a.** Russia's Positions in Global Economy: Tendencies and Contradictions. *Finansy i kredit* 21(645): 13–26. *In Russian* (Малахова Т. С. Позиции России в мировой экономике: тенденции и противоречия. *Финансы и кредит* 21(645): 13–26).
- Malakhova T. S. 2015b.** *The Crisis of the Global Economy*. Krasnodar: Kuban State University. *In Russian* (Малахова Т. С. *Кризис глобальной экономики*. Краснодар: Кубанский государственный университет).
- Perskaya V. V., and Glukhovtsev V. E. 2011.** *Multipolarity: Myth or Reality? Geoeconomic Considerations*. Moscow: Ekonomika Publishing. *In Russian* (Перская В. В., Глуховцев В. Е. *Многополярность миф или реальность?* М.: Экономика).