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ГЛОБАЛИЗАЦИЯ И ТРАНСНАЦИОНАЛЬНЫЕ ОПЕРАЦИИ ИЛИ ФОРМИРОВАНИЕ РАЗЛИЧНЫХ ГРУПП И РЕГИОНАЛИЗАЦИЯ?

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GLOBALIZATION AND TRANSNATIONAL OPERATIONS OR BLOCK BUILDING AND REGIONALIZATION?

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Аннотация: В данной статье анализируются происходящие изменения в современном глобализованном мире. В ней автор отвечает на вопрос, приведет ли глобализация к усилению регионализации и созданию отдельных групп стран или глобализация продолжит свои процессы? Для этого автор рассматривает внешнеэкономическую политику ряда стран, в том числе региональные торговые связи. Многие страны сегодня очень обеспокоены нынешней эволюцией глобализации, поскольку они сильно зависят от свободного доступа к глобальным рынкам. Некоторые страны используют региональные торговые связи для экономического давления и эксплуатации других стран. Мы также обнаруживаем, что результаты существующих региональных торговых связей и соглашений обещают лишь незначительные экономические улучшения или вообще не имеют позитивных перспектив для многих стран. Кроме того, в начале пандемии Covid-19 распад глобальных систем цепочек поставок продемонстрировал зависимость большинства экономик от них. А моделирование ОЭСР (Организация экономического сотрудничества и развития) показывает негативные экономические результаты замены глобальной модели региональными моделями. Однако современные исследования внешнеполитических документов и эволюции глобальной политики указывают на распад в перспективе глобальной экономической системы на множество региональных систем.

Ключевые слова: глобализация, регионализация, региональные торговые соглашения, транснациональные операционные компании

Abstract. This article analyzes whether the present changes in our globalized world will lead to increased regionalization and the building of several separate blocks of countries or whether globalization will survive. For this purpose it considers foreign economic policies of several countries as well as regional trade agreements. We find countries which are very concerned about the present evolution because they strongly depend on free access to global markets as well as countries which use regional trade agreements to pressure and exploit other countries. We also find that the results of existing regional trade agreements only promise small or no economic improvements for member countries. Also, the breakdown of global supply chain systems at the beginning of the Covid pandemic demonstrated the dependance of most economics on our global supply chain systems. And simulations from the OECD show the negative economic results of a replacement of the global model by regional models. However, our studies of foreign policy documents and the evolution of global politics points to a breakdown of our global system into multiple regional systems.

Key words: globalization, regionalization, regional trade agreements, transnational operational companies.

Globalization and transnational operating companies have become the normal and almost dominant situation over the past 30 years. As transnational operating companies we understand two very different groups of companies. Firstly, globally integrated enterprises [4, 5], with subsidiaries in different countries creating components to their final products all over the world, wherever the situation is best for the production of specific components or the execution of specific company functions. This type of companies evolved out of so-called multinational companies which created vertically integrated plants as foreign subsidiaries, producing all parts of their final products locally. Secondly, highly specialist local companies, mostly small and medium sized

enterprises (SMEs), which receive components to final products from specific suppliers, which they use to create their products, which then may be used as components by their customers in other countries producing their own products. This type of companies evolved out of vertically integrated companies when transaction costs between different companies dropped, and digital markets enabled simple outsourcing of components to other companies. Both groups of companies depend strongly on well operating global supply-chain systems. Any disturbance in the global value chains can cause a complete breakdown of transnational operating companies. There is a report by the Organization for Economic Co-operation and Development (OECD) using its METRO model[1] to estimate the impact of a change from a global economy to a more regional one. The results are clearly against a regional one.

In November 2021 the Federal Department of Economic Affairs of Switzerland published a report of Switzerland's foreign economic policy strategy[2]. The report states that foreign trade is crucial for Switzerland since it is a country with a small domestic market and lack of natural resources. The country concentrates on technological advancement and efficient use of production resources. It needs easy access to skilled workers and specialists as well as high standards of intellectual property protection. 99% of Swiss companies are SMEs, and many of them are transnational operating. Hence, Swiss companies need access to many different foreign markets. The report emphasizes that the Swiss government is very concerned about block building, and the growth in regional trade agreements (RTAs). It lists especially the following new RTAs: the "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)" which was founded in 2018, the "Regional Comprehensive Economic Partnership (RCEP)" in the south-east Asian region, founded in November 2020, and the "African Continental Free Trade Area (AfCFTA)", founded in October 2022. Besides these RTAs there is at least one other interesting new RTA founded in July 2020, the "United States-Mexico-Canada Agreement" (USMCA).

Another aspect which needs to be considered in determining the future evolution of the world economy is the current situation of the Russian Federation. Here, a recent publication from February 8th, 2024 [1] reveals important information. According to this report Maxim Reshetnikov, Minister of Economic Development for Russia, listed five goals for foreign trade. Firstly, a common market for trade and investment, especially free trade zones with Iran, Vietnam, the UAE, Egypt, Indonesia, and potentially also Algeria. Achieving this goal will also require the development of an independent financial infrastructure and a corresponding insurance and reinsurance system. Secondly, the creation of a system with favorable and predictable conditions for investment. Corresponding agreements are already active with 65 countries. Agreements for trade in services and investment exist already with the Commonwealth of Independent States, and new agreements are in work with India, Saudi Arabia, Iraq, Oman, and Congo. Thirdly, the development of transport and logistics corridors to connect Russia to South and Southeast Asia and Africa. The possibility of creating a Russian transport and logistic hub on the east coast of Africa is presently analyzed. Fourthly, plans for low carbon development include cross-border trade in carbon units and a regulatory framework for climate cooperation with friendly countries. The fifth priority is multilateral cooperation with CIS and BRICS, especially including the five new members of BRICS, the synchronization of shared digital services and the responses to unilateral trade restrictions through other countries. BRICS is very important for Russia; it provides international support for its activities going far beyond simple economics [9].

Looking at these Russian priorities in comparison to those of Switzerland, we see the similar need for trade with important partners, but due to the hostile activities of the western countries, importance is on the creation of save operational connections for trade in goods and services in all areas of collaboration with friendly countries. But while Switzerland is very concerned about regionalization, for Russia it is clear that this is the only possible way for it.

[1] Shocks, risks and global value chains: insights from the OECD METRO model, 2020, URL: https://issuu.com/oecd.publishing/docs/metro-gvc-final (accessed 14.04.2024)

[2] Switzerland's Foreign Economic Policy Strategy, November 24, 2021, URL: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/aussenwirtschaftspolitik.html (accessed 14.04.2024)

A further aspect is of course the situation for the USA. If we look at the webpage of the "Congressional Research Service" of the USA[3] and search for "foreign economic policy", the vast majority of documents concerns China. The role of the Congressional Research Service is to provide the American legislative (Congress) with all information needed for their debates. At present, China seems to be the most pressing problem for the USA. While China is the largest exporter in the world and the largest overall trader (exports plus imports), the USA is the largest importer and uses the size of its economy as leverage, forcing other countries to agreements. Document IF11035 — 2024 titled "managed Trade and Quantitative restrictions — issues for congress", lists quotas negotiated in the USMCA on autos, quota arrangements that have allowed certain USA steel and aluminum imports from South Korea, Brazil, Argentina, and more recently, the European Union, Japan, and the United Kingdom, avoid USA tariff increases. And best known the "Phase One Agreement" with China, which committed China to increase purchases of USA goods and services by no less than $200 billion between 2020 and 2021. The document states that WTO agreements do not explicitly include references to managed trade, but they include language that limits the ability of members to pursue such actions. Document IF11035 — 2024 warns members of congress against such policies. In any case the document demonstrates that these approaches have been used by the USA in fights against its permanent trade deficit and that members of the Congressional Research Service consider these methods as in violation to WTO agreements. There are already publications studying the transformation of RTAs in relation to regionalization [7]. Besides the leveraging of its vast imports there is another argument that the USA prefers dual agreements over a global system, this is the use of alliances. In an article by Jake Sullivan, the security adviser to President Biden, Sullivan describes the importance of international alliances for the USA [10]. These alliances are mainly just the USA and one to two other countries, cases as the USA plus six other nations like in the G7 are much rarer. This looks as if the USA prefers to work with many small groups which separately it can easily dominate, instead of large single groups where there may be more opposition against the plans of the USA.

After looking in the USA, we should look at BRICS. BRICS evolved from a discussion club into an organization which can counter the influence of the USA [6] and whose GDP in Purchasing Power Parity (GDP-PPP) (for 5 as well as now 10 members) exceeds that of the G7-Group [2]. But the BRICS group is scattered over the world and its members belong to different cultures while the so-called countries of the West can all be traced back to a common root in Europe. Brazil is a participant in many RTAs covering Mexico and all of South America (except Surinam), South and North of Africa plus some countries around the Ivory Coast, plus a stripe of countries from Turkey down to India, Thailand, Myanmar, and Indonesia. India has a similar broad group of RTAs covering South America, Mexico, North Africa, Southeast Asia, and Australia. If we would add the complete BRICS-10 with all their existing RTAs as a new RTA than this would cover South America, all of Asia except Mongolia (Mongolia seems to have only one single RTA, and this is with Japan), and parts of Africa. Therefore, it looks possible that the evolution of the BRICS group could lead to a BRICS world of few large blocks of countries connected by protected connection corridors, and a similar US-led world covering North America and Western Europe, both providing for their countries nearly the same market connections and resilient value chains as a fully globalized world. But this is pure speculation.

Now let us consider the influence of RTAs on the economic evolution of their member countries. According to the World Trade Organization (WTO)[4] the first regional trade agreement (RTA) was registered in 1949. In 1990 the number of cumulative RTAs in force had reached just 30, but then a strong increase started to 361 at the end of the year 2023. Most RTAs are bilateral, but the WTO also lists many regional organizations with multiple members. There are already publications about the role of RTAs on foreign direct investment (FDI) [8] Our main interest here is whether these RTAs improve the economic situation of their member countries or

[3] Reports from the USA Congressional Research Service. URL: https://crsreports.congress.gov/search/#/?termsToSearch=foreign%20economic%20policy&orderBy=Relevance (accessed 14.0402024)

[4] WTO Regional Trade Agreements. URL: https://www.wto.org/english/tratop_e/region_e/region_e.htm (accessed 14.04.2024)

not. For this purpose, we will compare the evolution of Gross Domestic Products in Purchasing Power Parity (GDP-PPP) as percent of world total of their groups of member countries. For the new RTAs listed above, the comparison is of course mainly for the time before the participant countries formed the RTA, but there exist also many older RTAs with other member countries which were founded before the year 2000. Especially the RCEP group evolved out of ASEAN by adding China, Japan, Korea, Australia, and New Zealand. ASEAN was founded already in 1967 and there is a study on the role of RTAs in mineral resources projects in ASEAN [3]. The comparison will use data from the International Monetary Fund (IMF) for the GDP-PPP values[5] starting with year 2000 and until 2022 since values are available for this range and all groups of countries we want to analyze.

Besides the new RTAs listed in the second paragraph of this article, we will analyze the European Union (European Economic Community from 1958 until 1993), the Association of South-East-Asian Nations (ASEAN — founded 1967), the Pacific Alliance (Chile, Colombia, Mexico, Peru) founded 2011, Common Market for Eastern and Southern Africa (COMESA — founded 1994), the East African Community (EAC — founded 1999), and the Southern African Development Community (SADC — founded 1992). Table 1 displays the GDP-PPP values for each of these groups in the years 2000 and 2022, as well as the founding year and the number of member countries.

Table 1

Organization	GDP-PPP in % of world total		Founding Year	Number of countries
	Year 2000	Year 2022		
ASEAN	4.9	6.3	1967	10
RCEP	21.9	31.4	2020	15
RCEP wo China	14.6	12.9	2020	14
CPTPP	14.5	10.7	2018	11
USMCA	24.6	18.8	2020	3
AfCFTA	4.6	5.1	2022	55
Pacific Alliance	3.6	3.1	2011	4
COMESA	1.1	1.6	1994	8
EAC	0.3	0.5	1999	8
SADC	1.2	1.0	1992	15
EU	22.2	14.9	1958	27

From the organizations which existed already for the years from 2000 to 2022 three (ASEAN, COMESA, and EAC) show an increase in the GDP-PPP in percent of world total, and two (EU and SADC) a decline. The Pacific Alliance, which was founded 2011, i.e., in the middle of our measurement, shows a continuous decrease during our years of measurement. Hence, our limited data of existing RTAs show no evidence of an advantage or disadvantage for member countries due to the creation of the RTAs.

If we consider the four new RTAs founded between 2018 and 2022, we find that only RCEP showed a strong and AfCFTA a small increase in their GDP-PPP values while CPTPP and USMCA show clear declines of their GDP-PPP values. But looking closer at the data we see that the growth of RCEP is mostly caused by China. Subtracting the value for China shows a decreasing GDP-PPP for the remaining members. If we also subtract the numbers of ASEAN, which is now part of RCEP but existed as an RTA already since 1967, RCEP without ASEAN and China shows a strong decrease in GDP-PPP values from 2000 to 2022. From these data we conclude that countries may decide to join RTAs because without such agreements the majority of them may face decreasing prosperity, i.e., declining GDP-PPP values in percent of world total. Here we should mention

[5] International Monetary Fund, World Economic Outlook Database October 2023 / WEO Groups and Aggregates Information // URL: https://www.imf.org/en/Publications/WEO/weo-database/2023/October (accessed: 14.04.2024).

that declining GDP-PPP in percent of world total does not necessarily mean a decline in a specific currency, but only a growth smaller than the world in total.

In conclusion, looking at our findings concerning the role of RTAs and world segmentation to Switzerland, Russia, BRICS, and the USA, as well as the findings of Perskaya et al on the use of RTAs by the European Union [7], it seems to be clear that we have to expect a significant increase in regionalization. This shift to more regionalization seems more the result of political reasons than of economic ones.

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