




Vahe BULANIKYAN

PhD in Economics

In 1994, he graduated from ErINH. In 1994-1997, he studied in the graduate school of ErINH, specializing in "Economic Theory". From 1998 to the present day, he has been engaged in scientific and pedagogical activities at the Department of Economic Theory, first as an assistant, then as an associate professor, candidate of economic sciences. Since 2018, he has been a senior researcher at the Amberd research center of ASUE, author of about 60 scientific papers.

 <https://orcid.org/0000-0002-0609-2837>

GLOBAL ECONOMY: FINDING NEW WAYS

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Geopolitical changes, technological advances and the COVID-19 pandemic have changed traditional economic models. This process is commonly referred to as geoeconomic fragmentation, a de facto halt in globalization processes, leading to governments attempting to facilitate the transfer of production chains to their own or at least friendly countries (friendshoring). This may result in the split of the global economy into blocs. Based on national security considerations, partners are selected within the framework of friendshoring.

Overall, we can observe the growing influence of geopolitical factors on geoeconomic ones. From the global economic downturn and climate change to the cost-of-living and debt crises, the world faces complex and interconnected challenges. Geopolitical tensions add to these issues, making it even more difficult to address vital global problems.

The world is changing rapidly, and the global economy is no exception. Geopolitical changes, technological progress and the COVID-19 pandemic have made adjustments to traditional economic models. While this process is not usually called a structural transformation, terms such as “fragmentation” are used, though this does not change the essence of the issue. The turning point we are witnessing now began to take shape in the middle of the last decade, but has now intensified.

- The actual halt in globalization processes and, conversely, the beginning of deglobalization processes, has prompted governments to stimulate the relocation of production

chains to their own or at least friendly countries_ a strategy known as friendshoring¹. This may result in the division of the world economy into blocks. It will not necessarily be rigid: most likely, there will be two cores, conditionally Western and Eastern, and a set of countries trying to cooperate with both blocks.

- Growing influence of national security issues on economic policy. It is for reasons of national security that partners are selected within the framework of the friendshoring policy. In general, we can talk about the growing influence of geopolitical factors on geoeconomic ones. The potential split of the global trading system into two blocs, East and West, would reduce global prosperity by 5%, and some regions by 10–15%. The East would suffer more, not because of reduced trade, but because of restrictions on the spread of ideas and knowledge².
- Technological transformation: Artificial intelligence, blockchain, the Internet of Things – these technologies are changing production processes, opening up new markets and creating new professions.
- Demographic trends have been pointing to an aging population worldwide for many years, and in some countries, a decline in population size. Recently, these processes have become particularly pronounced in China. This, along with other factors, is leading to a slowdown in economic growth with low unemployment.
- Sustainable development: Environmental issues and climate change require a transition to more sustainable consumption and production models.
- Inequality: The COVID-19 pandemic has exacerbated existing inequalities. Economic recovery must be inclusive.
- Innovation and digitalization: Investments in research and development, development

of digital technologies are the key to increasing competitiveness.

- Green economy: Transition to environmentally friendly energy sources, development of renewable energy sources, circular economy.
- International Cooperation: Despite increasing fragmentation, international cooperation remains important to solve global problems.

Geoeconomic fragmentation has already reduced global GDP growth by several percentage points. Increased military spending and its likely further increase in the near future will also drain some of the funds and resources that could be used to address global issues. The collapse of global coordination of development processes raises the question of the ability of the world community to solve global problems, the future of development in general - this will become a key topic in the coming years. It can be said that any increase in geopolitical tension increases the temperature of the planet both in the figurative - political - and in the literal sense of the word.

The Economist recently listed three shocks threatening the European economy that deserve comment³. The first is the energy crisis, which the author associates with the Ukrainian conflict. Let us recall that the European Union created an energy system that failed under the natural shocks of 2021, leading to a sharp price increase. Since then, the EU has been incurring additional costs for energy imports, despite the contraction in consumption. In addition, new investment costs have emerged to restructure the energy system - primarily with ambitious plans for climate programs, reinforced by the urgent refusal of direct supplies from the Russian Federation.

The second shock is the wave of Chinese goods in the EU, seen as China's attempt to export "its slowdown." Liberalism is clearly

¹ Due to the deterioration of interstate relations, many countries are considering the possibility of friend-shoring – creating supply chains with allies. However, no country will benefit from friend-shoring, and the total losses could reach 4.6% of global GDP, the study found. <https://econs.online/articles/ekonomika/torgovlya-po-druzhbe-izderzhki-frendshoringa/>

² <https://econs.online/articles/ekonomika/vostok-zapad/>

³ Carr E. Europe's economy faces a triple shock // *The Economist*. 2024. <https://www.economist.com/leaders/2024/03/27/the-triple-shock-facing-europes-economy>

becoming inconvenient, but so far there is no radical means of accelerating exports from the EU in sight, since the Russian Federation is under sanctions, China is a major exporter, and the United States is only dragging production from the EU to itself. These "geo-trading" intrigues are usually discussed as part of theories of development, trade or political relations. The European Union has been facing a growth problem for five years now, and all its own decisions also do not provide a quick return. It should be noted that the difficulties of the EU's competition with the United States and China have already become a commonplace and a constant topic of newspapers. For example, the New York Times on June 5, 2024, writes about the "competitiveness crisis" of the European Union, whose capital investments, incomes and productivity lag behind the two giant competitors⁴. Finally, the third threatening shock is considered to be the election of Donald Trump as US president again, which could lead to an increase in tariffs on imports from the EU. Here, quite reasonable concerns arise that the unsuccessful measures of leading countries and associations on tariffs may turn out to be "a cure worse than the disease". In general, the European Union with large social programs and climate ambitions looks like an economic organism designed for smaller obligations with high rates of resource growth. Without the EU reaching a trajectory closer to 3% GDP growth, all of Brussels and Berlin's plans in the areas of energy, climate, and social issues will run into tough budget constraints and will be perceived more painfully by the electorate.

Historically, major crisis shocks have led the global economy to a new type of growth through asset obsolescence. The global financial crisis of 2008–2009 led to tighter banking controls, a slowdown in the investment process with low interest rates and low inflation⁵. Now we are seeing

industrial policies in developed countries in the form of subsidies, sanctions, merger bans, forced sales of companies, lawsuits, special R&D programs, which, without going into textbooks, have returned to real business life. Instead of a cyclical boom in capital investment, we are seeing a decline in trade openness, high interest rates, which in general does not contribute to a rapid recovery.

The transition to a green economy requires major investments. Emissions reduction is compatible with economic growth, and the emissions intensity of economic activity has fallen significantly in recent decades. However, emissions continue to rise. Much more needs to be done, and it must be done quickly. In advanced economies and China, green investment is growing rapidly. The greatest effort now lies with other emerging market and developing countries, which must significantly accelerate the growth of green investment and reduce investment in fossil fuels. This will require technology transfer from other advanced economies and China, as well as significant private and public financing.

The trillions of dollars that COP-28, held in Dubai in December 2023, expects the world to spend to prevent climate change are still materializing rather slowly. Developing countries only received the long-promised \$100 billion per year for the first time in 2023 to implement these goals. The choice between climate and income is now very clear. And this is a question of growth drivers in the coming years, which the current trade wars are holding back. Note that the total cost of achieving zero emissions by 2050 was estimated in the McKinsey 2022 report⁶ at \$275 trillion, or 7.5% of global GDP for this period. This figure appears realistic in its scale and indicates that the global community has not yet actually taken on the solution to the climate problem. The issue of climate change mitigation has several interconnected aspects. First of all, investments in renewable

⁴ Cohen P., Bradsher K., Tankersley J. How China Pulled So Far Ahead on Industrial Policy // The New York Times. 2024. <https://www.nytimes.com/2024/05/27/business/economy/china-us-tariffs.html>

⁵ Григорьев Л.М., Курдин А.А., Макаров И.А. (ред.). Мировая экономика в период больших потрясений. М.: ИНФРА-М, 2022.

⁶ Krishnan M. et al. The net-zero transition. McKinsey & Company. January 2022.

energy sources are aimed at increasing energy capacity to meet growing energy needs, especially in developing countries. This reduces potential emissions, but not always actual ones. Preserving the planet's climate is only possible with huge expenditures, a focus on developing countries, coordination of logistics, investments, production of the appropriate equipment, and cooperation between leading powers. Every step toward increasing geopolitical tensions essentially heats up the planet.

Social problems will worsen in the coming years. Competition between the poor in developed countries and those in developing countries will intensify. Military spending will grow, once entering a spiral of escalation.

From the global economic downturn and climate change to the cost-of-living crisis and high debt levels, there are no simple solutions. Compounding these challenges are geopolitical tensions that make it even more difficult to solve vital global problems.

Indeed, while we need to increase international cooperation on multiple fronts, we face the specter of a new Cold War that could see the world break up into competing economic blocs. That would be a collective failure of economic policy, leaving everyone poorer and less secure. It would also be a stunning reversal of fortune. After all, economic integration has helped billions of people become wealthier, healthier, and better educated. Since the end of the Cold War, the global economy has nearly tripled

in size, and nearly 1.5 billion people have been lifted out of extreme poverty. These dividends of peace and cooperation cannot be squandered.

Estimates of the costs of fragmentation from recent studies vary significantly. The long-term costs of trade fragmentation alone could range from 0.2 percent of global output in a limited fragmentation scenario to nearly 7 percent in an adverse scenario, roughly equivalent to the combined annual output of Germany and Japan. When the technology gap is factored in, some countries could face losses of up to 12 percent of GDP⁷.

In addition to trade restrictions and barriers to technology diffusion, fragmentation could be felt through restrictions on cross-border migration, reduced capital flows, and a sharp decline in international cooperation, leaving us unable to cope with the challenges of a more shock-prone world. This would be especially hard on those most affected by fragmentation. Low-income consumers in advanced economies would lose access to cheaper imports. Small, open-market economies would be hit hard. Much of Asia would suffer because of its heavy reliance on open trade.

Emerging market and developing economies will no longer benefit from the spillovers from technology that have boosted productivity and living standards. Instead of catching up with advanced economies in income levels, the developing world will fall further behind.

¹ <https://www.imf.org/ru/Blogs/Articles/2023/01/16/Confronting-fragmentation-where-it-matters-most-trade-debt-and-climate-action>

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Վահե ԲՈՒԼԱՆԻԿՅԱՆ

«Ամբերդ» հեղափոխական կենտրոնի ավագ հեղափոխող, ՀՊՏՀ, Կնարկային գիտությունների թեկնածու, դոցենտ

ԱՇԽԱՐՀԱՏՆՏԵՍԱԿԱՆ ՔՐՈՆԻԿԱ

ՀԱՄԱՇԽԱՐՀԱՅԻՆ ՏՆՏԵՍՈՒԹՅՈՒՆ. ՆՈՐ ՈՒՂԻՆԵՐԻ ՈՐՈՆՈՒՄ

Աշխարհաքաղաքական փոփոխությունները, տեխնոլոգիական առաջընթացը և COVID-19 համաճարակը փոխել են ավանդական տնտեսական մոդելները: Այս գործընթացը, սովորաբար, կոչվում է աշխարհատնտեսական մասնատում (ֆրագմենտացիա): Գլոբալացման գործընթացների փաստացի դադարումը հանգեցնում է կառավարությունների փորձերին՝ խթանելու արտադրական շղթաների տեղափոխումը սեփական կամ գոնե բարեկամ երկրներ (ֆրենդշորինգ): Դրա հետևանքով համաշխարհային տնտեսությունը կարող է բաժանվել բլոկների: Ազգային անվտանգության նկատառումներից ելնելով է, որ գործընկերներն ընտրվում են ֆրենդշորինգի շրջանակներում: Ընդհանուր առմամբ, կարելի է վկայել աշխարհաքաղաքական գործոնների՝ աշխարհատնտեսական գործոնների վրա աճող ազդեցության մասին: Համաշխարհային տնտեսության անկումից և կլիմայի փոփոխությունից մինչև կյանքի արժեքի և պարտքային ճգնաժամերը հաղթահարելու հեշտ ճանապարհ չկա: Այս հիմնախնդիրներին գումարվում են նաև աշխարհաքաղաքական լարվածությունները, որոնք էլ ավելի են դժվարացնում համաշխարհային մակարդակով առաջացող կենսական խնդիրների լուծումը:

Հիմնաբառեր. *աշխարհային տնտեսական մասնատում (ֆրագմենտացիա), բարեկամական հարաբերություններ (ֆրենդշորինգ), կանաչ տնտեսություն, կլիմայի փոփոխություն*

Vare БУЛАНИКЯН

Старший исследователь исследовательского центра «Амберд», АГЭУ, кандидат экономических наук, доцент

ГЕОЭКОНОМИЧЕСКАЯ ХРОНИКА

ГЛОБАЛЬНАЯ ЭКОНОМИКА: ПОИСК НОВЫХ ПУТЕЙ

Геополитические изменения, технологические достижения и пандемия COVID-19 изменили традиционные экономические модели. Этот процесс обычно называют геоэкономической фрагментацией, фактическим прекращением глобализационных процессов, приводящим к попыткам правительств способствовать переносу производственных цепочек в свои или хотя бы дружественные страны (френдшоринг). Следствием чего может стать раскол мировой экономики на блоки. Исходя из соображений национальной безопасности, партнеры выбираются в рамках френдшоринга. В целом можно констатировать возрастающее влияние геополитических факторов на геоэкономические факторы. От глобального экономического спада и изменения климата до кризиса стоимости жизни и долгового кризиса – не существует простого способа их преодоления. К этим проблемам добавляется геополитическая напряженность, которая еще больше затрудняет решение жизненно важных проблем на глобальном уровне.

Ключевые слова: *геоэкономическая фрагментация, френдшоринг, зеленая экономика, изменение климата*