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Deglobalization and Factors of Sustainable Development

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Abstract

The KOF Globalization Index reflects the level of economic, social and political globalization and covers over 200 countries. Since 2015, this index has fallen for the first time, after stagnating between 2009-2015. This decline is mainly attributed to trade and financial flows caused by the deterioration of the general policy framework. Equally, the social component has the same downward trend. In view of these considerations, many voices call into question the process of deglobalisation or diminishing integration between the nations of the world. Equally, the Sustainable Development Goals aim at global collaboration in the three dimensions - economic, social and environmental - taking into account different national levels of development and in line with national priorities and policies.

In the present study, we aimed to address the factors of sustainable development from the perspective of the deglobalization process and to identify to what extent the objectives of sustainable development will be affected, in the medium and long term, given that two of the pillars on which the sustainable development is based are directly affected.

Keywords: *Factors of sustainable development; deglobalization.*

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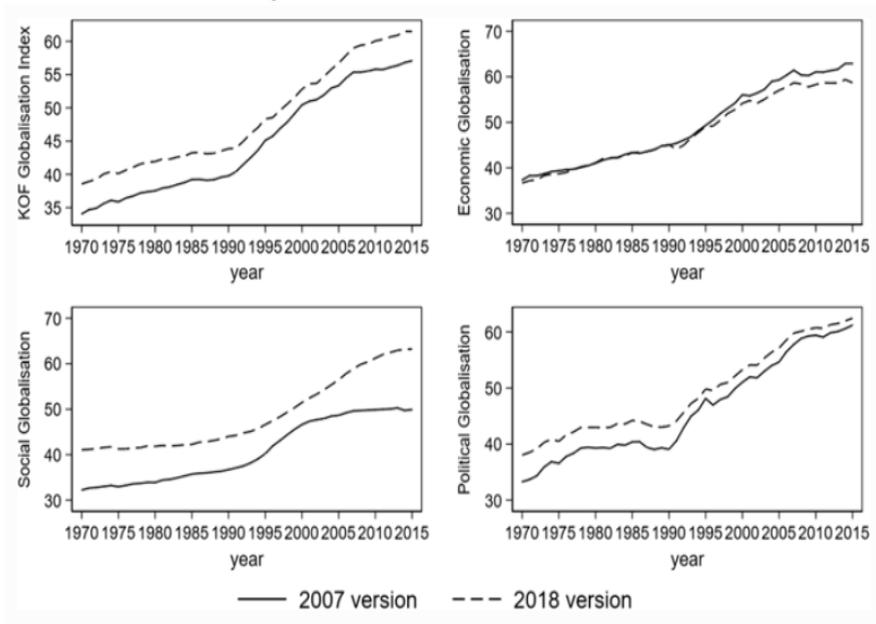
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1. Introduction

Many voices say that the second era of globalization is nearing its end. If the first era ended with the First World War, the Great Financial Depression and the Second World War, the end of the second era is expected to be very close, given the main features that seem to be repeated. Increasing tariff barriers, reducing capital flows and restrictions on migration are the main elements indicating a slowdown in the integration of markets for goods, labor and financial capital [1]. Just as the massive migrations of 1870-1914 impoverished the countries of Europe and broke the rules of the game in the destination countries, through the direct impact of the cost of immigrant labor, much lower than that of the native population, current migrations seem to fold on the same pattern, this time reinforced by production that has been moved from west to east, following China's accession to the World Trade Organization (in 2001, after 15 years of negotiations). The World Trade Organization (WTO) in its capacity as a promoter of economic globalization is currently strongly challenged, being accused of lack of impartiality towards participating countries as a result of favoring rich countries and multinational companies to the detriment of the environment and its own citizens, as a result of the undemocratic adoption of WTO treaties [2].

Figure 1: KOF Globalisation Index



Sursa: KOF Swiss Economic Institute

Given the impact that the process of globalization has had on the world's economies, on the social factor and, indirectly, on the environment, in this study we will try to address every factor of sustainable development in the context of populism gaining ground in the US, England (Brexit), a number of other countries in Europe and around the world, causing adverse reactions to the globalization process, the KOF index showing a downward trajectory, from 2015 to the present [3]. Since the concept of sustainable development was built on the principle of integration between the nations of the world, so, on globalization, in the following we will address each element of sustainable development to see to what extent this goal can be achieved, if the theory of deglobalization come true by repatriation capital flows to countries of origin, restricting migration and affecting free trade through last-minute tariff restrictions. According to Martine, G. and Alves, J.E.D. "The three pillars of sustainability, in practice, have become the main trilemma of humanity in the 21st century." [4]

2. Is the economic growth sustainable?

Current economic growth is based on consumption. Starting with the end of World War II and culminating in the late 1980s, when capitalism entered in the former communist countries of Eastern Europe, excessive consumption was encouraged as the only means of economic growth on local, regional and global level [5]. Economic growth has often been confused with economic development, the idea of sustainable economic development being developed on the expansion of globalization [6]. Is it possible to continue the idea of sustainable economic development in the era of deglobalization, given that this economic development has generated inequities, even in the period of expansion of globalization?

According to the Global Wealth Report (Credit Suisse Research, 2019), if in 2000 the global wealth was oriented towards North America, Asia-Pacific and Europe, with China's entry into the World Trade Organization in 2000, its wealth increased by ten or compared to the growth of rich countries [7].

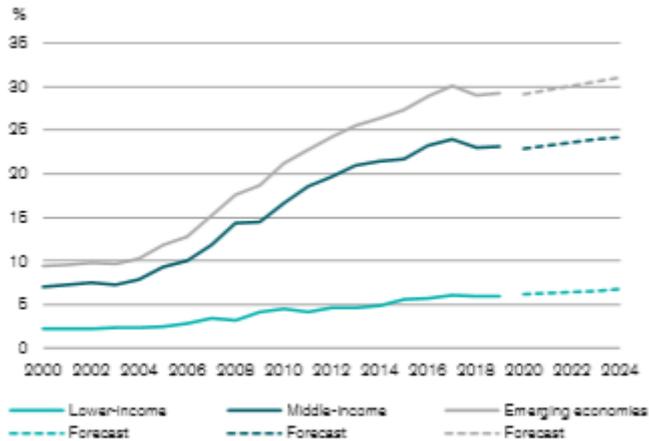
Figure 2: World Map of the wealth distribution



Source: Global Wealth Report, 2019

For the next five years, studies indicate a 27% increase in global wealth, with low and middle-income countries at stake. On what is this forecast based having in mind the withdrawal of equity to countries of origin and the protection of local strategic industry?

Figure 3: Forecast on the share of wealth of countries



Source: Global Wealth Report, 2019

Developed countries refuse to change their economic evolution in order to allow other states to develop by a certain margin. By withdrawing investment from emerging countries, they recognize that developments in

these regions pose a danger to their own economies. Sustainable development goals remain unsupported.

3. How much is the social pillar assisted to become sustainable?

In theory, the sustainable economic development is based on the co-existence of the three pillars: economic, social and environmental. However, the percentage represented by the middle class is below 30%. According to the Global Wealth Report (Credit Suisse Research, 2019), if in 2000 there were 13.9 million millionaires in USD worldwide (34% of total global wealth), they numbered 46.8 million by mid of 2019, representing about 0.92% of the adult population of the globe (44% of global wealth). By 2024, the number of millionaires in USD is expected to increase to about 66 million, while the number of very rich net worth individuals (UHNWI) is projected to reach 234,000 [7].

Table 1. Number of millionaires in USD (evolution 2019 compared to 2010)

	Number of millionaires (thousands)	
	2010	2019
United States	7,440	18,614
China	38	4,447
Japan	1,990	3,025
United Kingdom	750	2,460
Germany	618	2,187
France	428	2,071
Italy	424	1,496
Canada	274	1,322
Australia	108	1,180
Spain	172	979
Netherlands	185	832
Switzerland	177	810
India	34	759
Korea	78	741
Taiwan (Chinese Taipei)	164	528
Hong Kong SAR	104	516
Sweden	55	374
Austria	78	313
Belgium	72	279
Brazil	36	259
Russia	14	246
Denmark	52	237
Singapore	35	207
New Zealand	16	185
Mexico	78	173
All countries	13,883	46,792

Source: Global Wealth Report, 2019

Although the gap between rich and poor has narrowed in emerging markets, especially in China, the same trend cannot be said to exist globally. In other words, with economic growth and the development of technologies on a global scale, social disparities have also increased. Or, as a concept, the sustainable development involves increasing prosperity among the masses. It is found that the vast majority of the world's population, which is not engaged in consumerism, contributes the least to environmental issues and suffers the most from environmental changes generated by economic development based on irrational exploitation and exacerbated consumption. Will globalization, which involves limiting investment and blocking migration, be able to ensure the social factor the prosperity promised through the goals of sustainable development?.

4. What will happen to the environmental pillar?

In the era of globalization, the global environmental crisis was generated by a small part of the world's population, located in rich countries, whose consumption patterns have put pressure on natural resources, generating pollution and affecting the entire planet. Maintaining the pattern of consumption-based growth in emerging economies has led to worsening environmental conditions. Reducing the living standards gap between developed and poor countries, based on the same pattern of economic growth, would increase pollution and drain the planet of its natural resources much earlier. How can sustainable economic development be ensured and the condition of many people in underdeveloped/poor countries improved without putting pressure on the environment? If in the era of globalization, rich countries have moved industrial production and implicitly pollution in developing countries/emerging economies, what will happen to the sustainable development of the environmental pillar, once the withdrawal of investment from these areas take place?

In theory, even if deglobalization is an antithesis of globalization, in concrete terms, the effects of this process will not register the same evolution and implicitly the return to the initial state will never be the same. In a sustainable economy, saving the environment seems to come from renewable resources, but it involves significant investment efforts [8]. Additional investment is needed, which cannot be easily accessed, in this context. At European level only, climate impact neutrality in 2050 will cost € 260 billion by 2030, on a yearly basis (European Green Pact). In the field of energy, the main objective is to decarbonise the sector, the energy production and use generating more than 75% of greenhouse gas emissions in Europe, only. According to World Energy Investment -2019, it is noted

that emerging economies and rich countries also access the financial resources needed for global investment, China remaining the largest market for energy investment in 2018, followed by the US and EU [9].

In terms of investments in production capacity from renewable sources, in 2018, China achieved the most important level of investment, of 88.5 billion dollars, although it registered a decrease of 38% compared to the previous year, followed by US with investments of 42.8 billion dollars, down 6%, followed by Japan with 17.6 billion dollars. (Global Trends in renewable energy investment 2019) [10]

Table 2. The level of investments performed in 2018 in renewable energy production capacities

Country	The level of investments made in 2018 - \$ BN-	% growth on 2017
China	88.5	-38%
United States	42.8	-6%
Japan	17,60	-17%
India	11,00	-15%
Australia	9,20	36%
UK	8,80	36%
Spain	7,50	859%
Germany	6,30	-52%
Vietnam	5,20	809%
Netherlands	4,90	197%
Sweden	4,50	122%
France	4,10	-8%
South Africa	4,10	3493%
Mexico	3,80	-38%
Brazil	3,40	-44%
TOTAL	221.7	

Source: processing authors based on Frankfurt School of Finance & Management data[11]

The contribution of renewable sources had a beneficial effect, only in 2018 preventing the emission of 2 (two) gigatons of carbon dioxide, with only 12.9% of production capacity, in total. (Global trends in renewable energy investment, 2019)[10]. However, given the need for neutrality in

terms of environmental impact, and the level of investment in production capacity from renewable sources has decreased in recent years, reaching the level of 2011, to what extent will be materialized in the future, investments in non-polluting production capacities, especially considering the discrepancies registered in this sector between regions, remains to be seen [12]. From the perspective of the sustainable development of the environmental pillar, especially in the context of the new trend of deglobalization, the new renewable sources still have a long way to go.

Given that sustainable development relies on the simultaneous development of the three pillars (and not a single pillar to the detriment of the others), we wonder if there are really enough resources and innovative technology to ensure the economic well-being of the global social pillar? Of course, there are solutions, but they must aim at reducing consumption and rewriting the concept of sustainable development through a new approach from an economic point of view. Human demand exceeds the planet's regenerative capacity by 50%, and studies conducted by UNEP (United Nations Environment Program) show that only a few programs out of the dozens of environmental agreements have had positive results. In this context, without adequate sources of funding to ensure the continuation of programs and the finding of effective environmental measures, the sustainable development of the environmental pillar seems to be compromised [13].

7. Conclusions

In terms of environmental requirements, the most developed countries and emerging economies are those that have exploited resources uncontrollably as a result of exacerbated consumption, outside the concept of sustainability, and these countries, which have sources of funding, require new concepts of sustainability for other countries that enjoy neither financial nor technological support, due to the decades-long gap between them. And all this, while reorienting its investments towards its own countries.

From an economic point of view, the principles of the neoliberal economic system aimed at privatization and reducing public spending actively contribute to undermining sustainable development by increasing poverty and inequality. In order to grow sustainably, economies need sound economic policies that promote well-being. The opinion of many academics and NGOs, at the international level, is that sustainable development is incompatible with this world capitalism, based on economic growth, whether we are talking about state capitalism (socialism in many countries) or capitalism itself.

From a social point of view, the idea of social inclusion, which is still promoted in large working groups, contradicts the current trend of reducing the employed population, blocking migration, as a result of developments in new technologies and reducing public spending. This fact determines the continuous reduction of the absorption capacity of the dismissed workers and implicitly the increase of the poor population. Moreover, the deepening of social disparities is evident, globally, with all the progress made by emerging economies.

Given that sustainable development is based on the three pillars, economic, social and environmental, compliance with sustainability criteria from one perspective or another, and not from all points of view, will not lead to the achievement of strategic objectives aimed at eradicating poverty and a better life for all. Lack of clarity and cohesion hinders global action and leads to some dissent within organizations promoting sustainable development.

We are moving fast towards the 2030s and political leaders, civil society representatives and experts in sustainable development (300 people from over 40 countries), participants in the International Agenda 2030 Conference, held in Bucharest in April 2019, were still discussing the fact that "we must move from theory to practice", placing the achievement of objectives in an uncertain time horizon, during which time the disparities will continue to deepen.

In most countries of the world, the power of the state has been greatly diminished, being subjected to pressure from the business environment, whose tone has been set by large multinational companies. Without financial resources, a country cannot develop sustainably, no matter how much will it has, regardless of the number of ongoing projects or the number of pages written in the specific literature of sustainable development.

For Romania, Napoleon Pop and Valeriu Ioan-Franc, consider that after 25 years of market economy, the formula of optimal state involvement in regulating the economy has not been established, so that the private sector to be efficient with healthy companies and continuous activity, in development. According to the authors, the poor management of insolvencies, the drainage of natural resources through low royalties, the perception of the advantage of foreign companies, to the detriment of national ones, are visible certainties [14].

Internationally, the debts of states are growing, and this is demonstrated by international statistics, which, from year to year, confirm the worsening of the situation, from this point of view, and the fact that

access to sources of financing for future developments is becoming increasingly difficult.

Given the limited natural resources, with all the technological developments and financial resources enjoyed by the rich countries of the world and emerging economies, with or without globalization, or in the process of deglobalization, without declining consumption, sustainable development will remain a beautiful dream.

Awakening to reality will probably be a little steeper for less developed countries, but for sure, in time, rich countries will end up in the same place, of ecological catastrophes and unprecedented economic decline. According to Mill and o

ther classical economists, the state of stationarity is necessary. According to Daly (2014) achieving this state before reaching an economic decline is our only insurance against ecological catastrophes [15].

Could Covid-19 be the start of this stationarity?

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