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Globalization and the World Order in the New Realities of the Post-COVID World

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Abstract—The contours of the accelerated transformation of the architecture of the world order under the influence of numerous crisis shocks associated with the consequences of the COVID-19 pandemic in 2020–2021 are considered. The trends of globalization–deglobalization and the growing bipolarity of the world order, which is viewed as a consequence of the exacerbation of the US–China confrontation, are assessed. China’s approaches to significant structural shifts in economic priorities are analyzed. In conclusion, proposals are formulated for changes in the Russian economic policy.

Keywords: global crises, world economy, pandemic, world-order architecture, technologies, external shocks, industrial policy, Russia, China, European Union, India, United States.

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The beginning of the 2020s has already gone down in history as a time of global crises—humanitarian, economic, and sociopolitical, as well as a crisis of the health care system. On March 11, 2020, the World Health Organization (WHO) announced the COVID-19 pandemic. By mid-May 2021, the number of its victims in the world already was almost 3.5 million people, and more than 167 million were infected (Fig. 1). Today, almost a year later, despite the beginning of mass vaccination, no one dares to predict the timing of the end of the epidemic that struck humanity.

Globalization under the pandemic. It is obvious that the pandemic has accelerated the already outlined structural shifts in society, economy, global governance, and politics. The world, in leaps and bounds, in one year, found itself, roughly at the end of the second decade of the 21st century, as if the tendencies of the early 2020s had developed gradually, as in “peacetime.”

It would be very rash to predict a complete collapse of globalization: this process slowed down in the field of trade in goods and in labor migration but accelerated in the service sector thanks to digital platforms, the gig economy, and online services. By May 2020, global trade was down 17.6% from the 2019 baseline,

but in summer, between two waves of the disease, trade in goods exploded for a short period. As a result, by August, the decline in trade volumes in annual terms was only 4.4%. By October, world trade indicators had returned to the level of January 2020, outstripping the rate of GDP growth, but at the end of the year there was another decline. In our opinion, the main causes of the emerging deglobalization are not economic but geopolitical. In the period from November 2019 through May 2020, the new barriers introduced by the G20 countries extended monthly to trade flows of \$52.2 bln, and in June–November 2020, only to \$7.2 bln, that is, seven times less.

In 2020, the coronavirus shock caused a decline in the GDP of most countries. According to IMF estimates, by October, the loss of world GDP already amounted to \$3.7 trillion, which is comparable to Germany’s GDP, about \$4 trillion (Table 1) [1]. The losses from the second wave have yet to be assessed. The largest European economies in December were in a hard lockdown. Nevertheless, the beginning of large-scale vaccination not only gives hope for a victory over COVID but also confirms the need for countries to join their efforts in the fight against global challenges and the inevitability of international cooperation in the pharmaceutical market, contrary to private interests. However, we must state with regret that, despite the obvious imperative of concerted action, the emerging bipolarity of the modern world order has affected the vaccine market. The obvious victims of

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Fig. 1. The number of deaths in the world as of May 26, 2021, and the increase in new cases of coronavirus in the world.

Source: <https://coronavirus.jhu.edu/map.html>; John Hopkins University CSSE COVID-19 Data <https://ourworldindata.org/coronavirus>.

this “hybrid pharmacological war” are the citizens of developing countries.

Development trends in China in the new environment. The pandemic has confirmed that China remains the main locomotive of the global economy. The economy of China is the only one the GDP of which not only avoided a decline in 2020 but grew in annual terms, and in 2021 its growth is projected by more than 8%. The 5th Plenum of the 19th CPC Central Committee, held at the end of October 2020, approved the basic principles of the 14th Social and Economic Development Plan for 2021–2025 and long-term targets for the period up to 2035. Chinese President Xi Jinping said that the goal of doubling the size of the economy and per capita income by 2035 was fully achievable.

In 2020, China’s development model changed significantly. The country is abandoning its role of a “global factory” in favor of a “dual circulation” strat-

egy, according to which China should become a global supplier of new technologies. The Chinese leadership recognizes that the complexity and instability of the international situation is increasing, and this is a strong incentive to reduce dependence on foreign markets and focus on domestic consumption. In accordance with the official interpretation of *dual circulation*, the coexistence of external and internal economic circulation is affirmed, but now the main role is assigned to internal circulation. Dual circulation is becoming Beijing’s weapon in the struggle for scientific, technological, trade, and economic independence. The priority of domestic production and domestic consumption turns into a guarantee of economic sustainability and future growth. Already now, according to official Chinese statistics, 400 mln people belong to the middle class—about a third of the country’s population. The program of doubling the size of the economy is expected to increase this number to 800 mln by 2035.

Table 1. Prospects for the global economy to recover from the crisis caused by the COVID-19 pandemic. Organization for Economic Cooperation and Development (OECD) forecast, GDP growth rate, %

	2020	2021	2022
World	−3.4	5.6	4.0
United States	−3.5	6.5	4.0
Eurozone	−6.8	3.9	3.8
China	2.3	7.8	4.9
India	−7.4	12.6	5.4
Brazil	−4.4	3.7	2.7

Source: OECD Interim Economic Outlook Forecasts, March 2021. <https://www.oecd.org/economic-outlook/>.

It will not be easy to implement this plan. In May 2020, Chinese Premier Li Keqiang announced that 600 mln Chinese people belong to the middle- and low-income group. They earn about 1000 yuan a month (about \$150), and the negative economic consequences of the pandemic have made their lives even more difficult. As one of the recipes for expanding the stratum of wealthy consumers, the Chinese leadership is considering continued urbanization. From the current 60%, the share of the urban population in China will grow to at least 75% by 2035. In addition, the Chinese authorities will have to create an effective social security system that would instill confidence in people in the stability of their financial situation and thereby contribute to the expansion of consumption and, hence, domestic circulation. Currently, middle- and

Fig. 2. Fall of Russia's GDP in 2020 in comparison with other countries, % (IMF estimate).

Source: IMF, World Economic Outlook, April 2021. <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>.

low-income Chinese citizens tend to save money for old age.

The Plenum of the CPC Central Committee did not define specific figures for the GDP annual growth for the coming years. However, a simple calculation shows that meeting the target of doubling the economy by 2035 will require a growth of about 5% per year. The lowest limit is 4.7%. Only in this case will the Chinese middle class make up more than half of the country's population.

In 2020, China's per capita GDP exceeded \$10000, approaching the World Bank's threshold of \$12535 for high-income countries. Reaching this limit is a concern of many Chinese economists, who fear that China may fall into the middle-income trap, meaning that further increases in this indicator will be difficult to achieve. To avoid this, the authorities will have to pay more attention to structural reforms of the economy, as well as to look for an answer to the demographic challenge: the country's population is already aging, and in 5–10 years it will begin to decline. Social welfare, health care, and raising incomes are becoming a serious and urgent challenge for China.

Russia after COVID-19. The trajectory of the post-crisis recovery of the Russian economy is not entirely clear. The space for reducing the Central Bank rate is almost exhausted, and the risks of further supersoft policy are obvious: the flow of bank deposits to the stock market and the mortgage bubble. The arsenal of the Central Bank still includes the easing of banking regulation. It does take place. Loans in the amount of P6.6 trillion have already been restructured. In addition, the departure of ruble assets into foreign currency is countered by gold and forex interventions. This is the current dynamic.

However, the economy is facing fundamental challenges. The main challenge is the need to improve the living standards and incomes of the population. To solve this problem, there are two interconnected

paths: economic growth and the formation of an innovative economy. Here, alas, there is no link “by pulling which you can pull out the whole chain,” and there is no magic formula. It seems to many that, by printing money, it is possible to stimulate investment; note that advocates of this approach refer to the foreign experience of quantitative easing. However, the statistics of 2020 show that Russia has managed to limit the decline in GDP by significantly lower monetary interventions than most large economies (Fig. 2).

If the reduction in the growth rate of the Russian economy in 2020 does not exceed 4%, then the average annual growth in 2011–2020 will be below 0.9%. What does this mean in terms of international comparisons? Many of our economic observers used to comment animatedly on the fact that China had overtaken the United States in terms of GDP (purchasing power parity). This is a significant achievement, and the Americans have come to terms with it, shifting the focus of competition to the technological sphere—to the field of artificial intelligence, quantum computing, cloud programming, financial technology, etc. However, the same observers ignored an event that is much more important for us: in 2020 (according to the IMF at current prices), the Chinese outstripped Russia in terms of GDP per capita (\$10 582 versus \$9 972). Of course, to a certain extent this is a consequence of exchange rate changes, but the bell rang. Back in 2010, we were 2.5 times ahead of the Chinese in this indicator [2]. See what high rates of technological change and economic growth can do.

It is difficult to accept the calls to “unseal the money box” and thereby stimulate investment. These things have been discussed and even tested many times. Recall “acceleration based on mechanical engineering.” The Russian President never tires of talking about the importance of the macroeconomic health of the economy. Economics has long evaluated the moral damage of industrial policy. The point is that from the macroeconomic angle, industrial policy means the

nationalization of losses and the privatization of profits. We are forced to use this tool. It brings results, for example, in agriculture and food production, and we have been waiting for effects in civil aircraft construction for a long time. Until our business environment and financial markets are sufficiently stable and competition is developed, we cannot do without this tool, but it is a delusion to consider it a universal recipe.

An innovative economy must solve the problems of defense capability and national security, and we are doing quite well here. However, the lessons of the Soviet Union make it necessary to focus constantly on nonmilitary parameters of security. Note that they are already close to the limit. In 2018, the ratio of federal spending on health care and education (excluding science and culture) to defense spending was 2.3 times, while the median value for 15 leading countries in defense spending was 7.3 (for example, in France), and in Japan, 15. The simultaneity of sanctions and the threat of a new arms race can create a severe multiplier effect [3].

We face the task of replicating innovations, i.e., creating high added value on our territory. If we achieve this, then the share of highly skilled labor in the national economy will increase and, accordingly, its remuneration and living standards will grow. What resources could be used here?

In countries leading in terms of innovation, the share of state ownership is 5–10%. China demonstrates brilliant innovative achievements with the share of state-owned enterprises in the GDP reaching about 30%. In our country, according to conservative estimates, state ownership reaches 45–50%. Thus, we institutionally limit the space for innovation competition in the economy. Where competition exists (mobile communication, digital platforms, banking), the situation is better. For example, Russia ranks second in the world in terms of the number of online payments per capita.

Selling prospects for the sake of attracting investors is a natural property of innovation. Yet there comes a time when you have to present a real product. In other words, we have many activists calling to increase own science intensity and promising innovative breakthroughs. However, when it comes to, say, economic benefit from science intensity, it often turns out that there is no result. Fortunately, our traditional biomedical centers have survived, otherwise we could have been left without domestic vaccines. This is one of the reasons for the recent reform of development institutions. Going deeper into the topic, one cannot but see in innovation strategies a continuing focus on technocratic results rather than on meeting social needs or solvent demand. The weakness of the institutions for the protection of intellectual property, the high risks of venture investments, and the use of linear vertically integrated innovation models are obvious, while the world has long moved to nonlinear, horizontally orga-

nized structures. We preserve an archaic patent law that limits the possibilities of protecting intellectual property and capitalizing on the results of innovations. All these circumstances must be taken into account in the regulation of the domestic economy.

As for relations with the United States, there are no prospects for improving them thus far. Rather, the election of J. Biden will return them from high expectations and empty rhetoric to a state of “normality.” However, the summit of the presidents of the two countries on June 16, 2021, can ease tensions on several issues on the bilateral agenda. Maximum expectations are “local warming.” This means a search for compromises on arms control and strategic stability, but at the same time, there will be sanctions, as well as informational and ideological pressure, on Moscow from Washington. Today, cooperation between Russia and the United States is reduced to the interaction of Roscosmos and NASA on the ISS and in trade relations. Trade turnover between the two countries in 2020 amounted to \$23.9 billion, down 8.97% compared to the previous year. The United States has become the sixth foreign trade partner of Russia. Apparently, the maximum that is worth striving for is preventing war “by mistake”—because of a computer failure or human factor.

Considering the realities of our relations with the European Union, which has spread from Lisbon to Tallinn, we can argue that a kind of “frontline” states have developed in Europe that maintain their anti-Russian status. This is the belt from Bucharest to Tallinn. Their policies are encouraged by financial, political, military, and other preferences. According to Eurostat, in 2019, annual subsidies to Lithuania from the EU budget alone amounted to almost 3.2% of the country’s GDP; to Latvia, 4.51%; to Estonia, 4.17%; and to Poland, 3.09% [4]. For them, as well as for European Atlanticists, the conflict in the Donbass has become a breeding ground. Therefore, it is necessary to find a compromise on the Donbass. As for the “Minsk Agreements,” they have turned into a “*perpetuum mobile*”: their failure by Kiev creates a pretext for the annual extension of anti-Russian sanctions for almost seven years. Yet the dramatic conflict in Nagorno-Karabakh was frozen by Russia with the “brilliant” absence of the European Union, despite all the “Eastern partnerships.”

On December 10, 2020, Russian Minister of Foreign Affairs S.V. Lavrov said, “One of Washington’s primary goals is to make the EU lose its strategic independence and return to the fold of Euro-Atlantic unity” [5]. Thus, the EU loses its sovereign subjectivity and becomes a protectorate in the security sphere. If this trend comes true, it will be another step towards a new bipolarity.

The postcrisis world order: preliminary outlines. The degradation of relations between the United States and China is becoming a constant in the postcrisis world

order. For Russia, while maintaining a privileged strategic partnership with China, it is important not to get involved in the US–China confrontation. At least, we should remain at the same level of involvement as China supports Moscow in our sharp disagreements with Europe over the Ukrainian issue.

At present, it is critically important to preserve the polycentric world order. India remains one of its most influential and independent poles. It is an economic giant, the third largest in the world in terms of GDP (PPP) after China and the United States. For centuries, Russia has developed stable, good relations with India, perhaps owing to the absence of common borders; a certain role is also played by the fact that many generations of Russian Indologists have formed a positive image of this country among Russians. However, the problem is the low level of our economic relations. According to the Ministry of Trade and Industry of India, Russia, with \$8.5 bln in trade turnover, occupies only 25th place on the list of India's trade partners, while the United States and China are in first and second places. It is obvious that Russia–India relations should be sharply intensified, relying on the deep historical tradition and the Indian policy of non-alignment pursued after the country's independence.

In December 1998, during an official visit to Delhi, Chairman of the Government of Russia E.M. Primakov put forward the organic idea of the Russia–India–China triangle. It is still waiting for its full-scale implementation. Obviously, Russia has better relations with the other two vertices of this triangle than they have with one another. The Indian military–political elite is still characterized by distrust of Beijing, fueled by border disputes in the north of Kashmir and in Arunachal Pradesh and by military clashes in the Himalayas. We went through a similar stage of relations with China in the late 1960s and early 1970s, before the delimitation of the Russia–China border. A severe regional conflict with Pakistan, lasting more than 70 years, went to India as one of the results of the collapse of the British Empire. Note that the Chinese are known to be very active in Pakistan. Note also that Delhi's fears concerning Beijing are actively fueled by the United States, which is seeking to drag India into an anti-Chinese quadrangle with the participation of Japan and Australia. As an argument, the Americans emphasize that Russia is allegedly becoming increasingly involved in China's orbit,

which means that Delhi should not count on Moscow's support.

What lies ahead? This question can be answered briefly. Russia coped better with medical and economic problems in the past year than the United States and most European countries. However, in 2021 we face equally serious challenges and tasks. The accelerated transformation of the world, the growth of horizontal ties, and the explosive demand for online services; the rapid development of artificial intelligence and the growth of social tension, including in connection with forced isolation; and the shift in the focus of society's interests from political and economic topics to issues of survival and security dictate the need for a conscious and socially responsible behavior not only of states but also of each individual citizen.

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