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Globalisation versus Deglobalisation*

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One of the biggest questions in recent years concerns the future of globalisation. Some argue that the rivalry between the USA and China, certain trade policy restrictions and the repercussions of the coronavirus pandemic that threatened global production and supply chains could mean the end of globalisation. In fact, however, we are witnessing a fundamental transformation of the globalised world economy. Identifying the main directions of change is a crucial task for economists as well as a precondition for prudent economic policy action.

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1. The essence of globalisation: global and regional integration

Globalisation is a far-reaching process that affects the whole world. It is driven by the emergence of the global economy. It is also a long, complex historical process, the dominant dimension of which is global integration. The latter aspect has primarily come to the fore over the more than seven decades that have passed since the Second World War and became a dominant trend in the second half of the 20th century.

The key features of globalisation are as follows:

- a rising share of international trade in GDP;
- increasing international financial flows;
- a rising share of FDI; growth in outsourcing and global value chains; migration;
- global flows of information, intangible assets and knowledge;

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- the elimination of political and administrative barriers to trade and investments;
- the establishment of international organisations and regulation; calls for global governance;
- political, cultural and environmental factors, effects, correlations and growing interdependence[1] in the world economy.

Globalisation is an all-encompassing process. It involves the integration of national and regional economies, and societies and cultures through the global network of trade, finance, communication, migration and transportation.

With regard to its position and progress, globalisation can be measured and assessed in terms of its main elements. Indicators of internationalisation – such as international trade, FDI, migration, the appearance of international organisations and the development of international communications (e.g. satellite television, submarine cables, intercontinental mobile links) – provide quantifiable evidence of the evolution of these processes. They offer a chance to identify and assess new developments.

The internet and the opportunities it offers have become symbols of globalisation. Liberalisation, involving free trade, privatisation and deregulation, has a similar trajectory and effects. Nevertheless, a heated debate surrounds the so-called neoliberal approaches to globalisation. To a great degree, the assumed and actual consequences of these developments determine the positive or negative opinion of globalisation held by individual players and observers.

Global integration has been a dominant, new phenomenon in the global economy in recent decades (for more information, see *Palánkai et al. 2011*). In today's global economy, *integration processes* can be observed *at both the regional and global level.* In a general sense, integration means *unification* and *incorporation.* However, the individual components do not lose their characteristics in the process of integration.

The concept of globalisation is closely linked to the process of integration and transformation. Globalisation is a process that unifies previously fragmented markets into a broader system of relationships. Geographical and political constraints have less and less bearing on the allocation process. The movement of capital of is driven by returns, whereas the movement of people is driven by material advancement. This is facilitated by the rapid flows of knowledge and information. World-famous economist *Jagdish N. Bhagwati* defines globalisation as integration: globalisation is the integration of national economies into the international economy through the flows of trade, FDI, short-term capital flows, the international movement of people and the flow of technologies in general (*Bhagwati 2007* [*2004*]).

[1] It may, however, cause problems for some countries if these economic and technological interdependecies are structurally one-sided.

Global integration is basically market integration. Nevertheless, integration processes are consciously promoted by governments, international organisations and the business sector. The effects and correlations of integration processes also affect almost all other aspects of social life. One important aspect of globalisation is the elimination of the borders splintering the world. This increasingly allows people to connect to each other, in a physical, legal, linguistic, cultural or emotional sense, wherever they are on the globe.

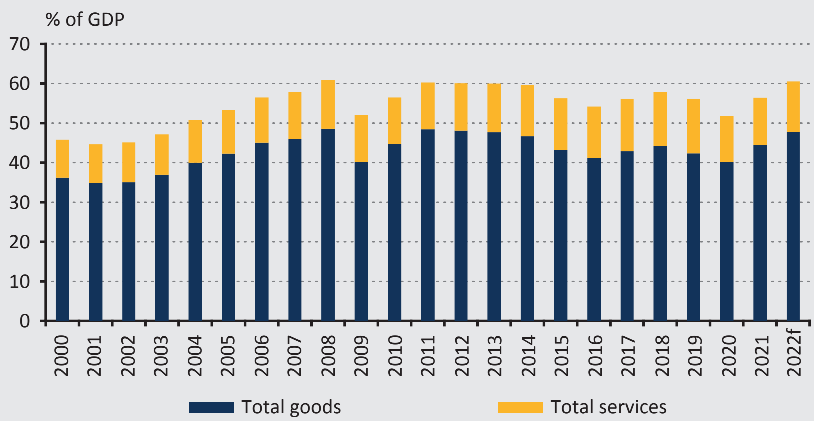
In the course of *regional integration,* nations cluster into supranational, regional-based organisations to improve cooperation and reduce any existing tensions. Although in various ways and to a varying extent, these cooperations aim to ensure the free flow of labour, goods, products and capital. Regionalism is closely tied to globalisation, but they are not identical.

Global and regional integration build upon each other, and they are closely related and correlated (in certain respects, they can supplement each other or even be each other's opposites). The combination of global integration and regional integration between a few states is *international integration.*

2. Is globalisation stagnating?

The steady rise of globalisation has clearly been disrupted in the past 15 years. The 2008–2009 financial and economic crisis resulted in a temporary contraction of global trade of over 10 per cent. While trade did almost return to earlier levels after 2010, its share relative to world GDP stopped increasing (*EC 2017*; see *Figure 1*).

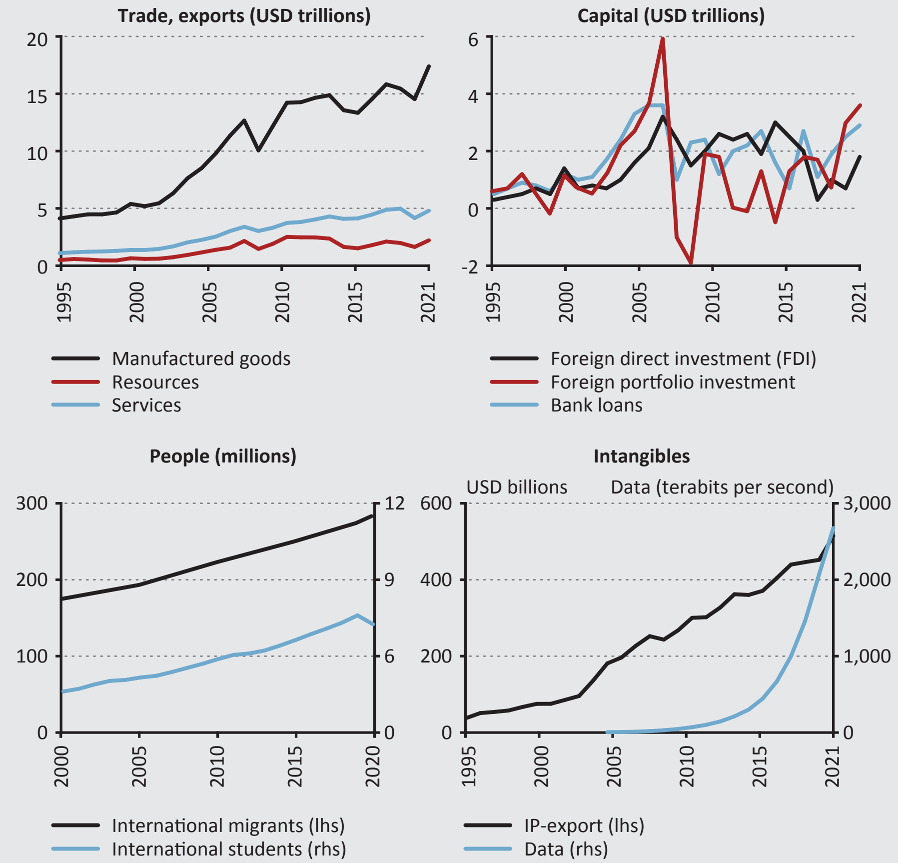
Figure 1
Share of global trade as a percentage of global GDP



Note: f – forecast.
Source: EC (2023)

International capital flows are much more muted than in the early 2000s (see *Figure 2*). While it has become a major political issue, international migration is also practically negligible: since 1990, the global share of the migrant population expanded by merely 0.5 percentage point, from 2.9 per cent to 3.4 per cent.

Figure 2
International flows of the main drivers of globalisation in the past 25 years

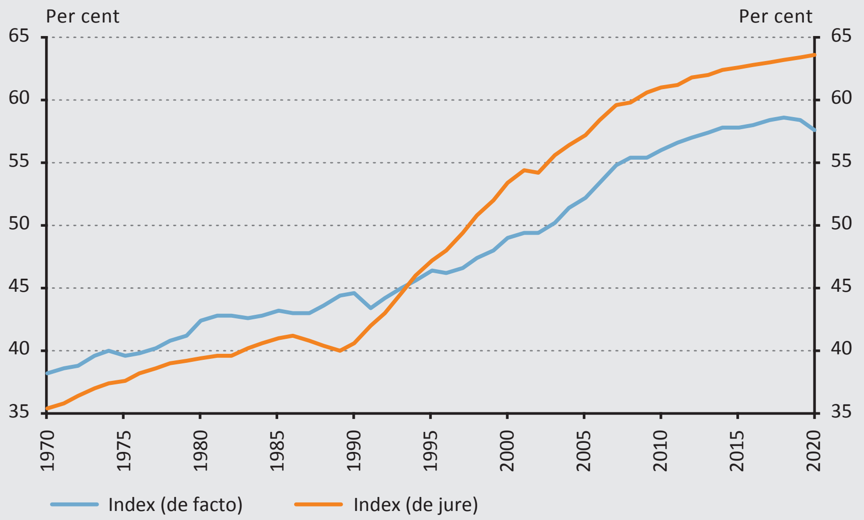


Notes: All growth rates are nominal, IP (intellectual property rights)

Source: Seong et al. (2022)

The *most widely used indicator of globalisation,* the (composite) index of economic globalisation produced by the Economic Institute of ETH Zurich, has barely increased since 2007 and essentially stagnated (*Figure 3*). The financial and economic crisis was preceded by forcibly extended international capital flows, which was partly responsible for the crisis itself. Over the past 15 years, however, cross-border financial speculation and international bank lending in Europe have diminished considerably. This is not necessarily a negative trend: the pre-2007 situation was unhealthy in several respects. Nowadays, finance is much more balanced and resilient to crises, even if it is less globalised.

Figure 3
Evolution of the Globalisation Index between 1970 and 2020



Source: https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html

Negotiations on the liberalisation of international trade are faltering. Some governments are resorting to traditional, or even less traditional, non-tariff, tools of protectionism. This jeopardises one fundamental dimension of globalisation, the integration of world trade. Another factor pointing towards this is that global trade has lost its earlier dynamism in the past decade, and it remains to be seen whether its growth can return to previous levels. Global trade as a percentage of GDP increased rapidly prior to the Great Recession, rising from 41 per cent in 1986 to over 61 per cent in 2008. Since then, this figure has basically stagnated (see *Figure 1*, *Wozniak – Galar 2018*). With respect to the more complex, and sometimes more hostile global environment of trade relations and the changing economic drivers, the expansion of global trade practically went hand in hand with output growth, or fell somewhat short of that (*WTO 2022*). In view of these developments, the factors supporting the slowdown in global trade should be reviewed.

3. Risks of fragmentation in global trade

To illustrate the above, it is worth reviewing the EU's approaches to international trade. Growth in the EU's external trade, in particular its services trade, has exceeded global trends since the Great Recession. In connection with the deepening integration, the share of the trade in goods in the EU relative to GDP increased by 10 percentage points between 2000 and 2021, from 57 to 67 per cent (supported by the trends in both intra- and extra-EU trade[2]). The proportion of the EU's services trade increased more than the trade in goods, rising from 14 per cent of GDP in 2000 to 26 per cent in 2021. Similarly, the participation of the EU's economy in global value chains rose steeply until 2008 and then remained relatively stable. Foreign value added in the EU's exports ("backward participation in value chains") increased from 12.7 per cent in 2000 to 17.3 per cent in 2012, before falling to 15.8 per cent in 2018. The EU's domestic value added in the exports of partner countries ("forward participation") grew from 14.9 per cent in 2000 to 16.5 per cent in 2008, before returning to 14.9 per cent in 2018.[3] (*EC 2023*)

Several economic and political factors can explain the slowdown in the expansion of global trade in the past decade. First, the drivers of trade seem to have lost momentum. On the other hand, tariff barriers to international trade have been reduced. The world's weighted average tariff on traded manufactured goods contracted from 13.6 per cent in 1986 to 7.5 per cent in 2008 and then to 3.9 per cent in 2019, but the marginal benefits of advancements in communication technologies, which enabled the geographical dispersion of production processes, are yielding diminishing returns (*Antràs 2020*). The share of continued offshoring declined in high income nations as the division of labour in manufacturing stabilised. In the case of emerging countries, the share of intermediary goods in imports fell, as the latter increasingly rely on their own industrial base in acquiring inputs (*Baldwin 2022*). Finally, the structural changes in a few major emerging economies, most notably China, may also contribute to the diminishing openness in trade and the slowdown in global trade (e.g. reflected in more limited integration in global value chains). But services trade has retained its dynamism compared to the trade in goods (except for tourism during the Covid shock), and the digital developments in intermediate services boosted trade[4] (*Baldwin 2022*).

Geopolitical tensions and the Covid-19 pandemic weighed on cross-border trade and global value chains. The vulnerability of certain faraway supplier capacities on account of the lockdowns and other restrictive measures introduced during the Covid-19 crisis led to serious and sustained supply-side issues (*Javorcik et al.*

[2] The share of intra-EU trade in goods was about 60 per cent in the past two decades.
[3] Such detailed data are only available going back several years.
[4] This was particularly true for high income countries and regions, including the EU, as they usually experienced hardly any obstruction in such exports.

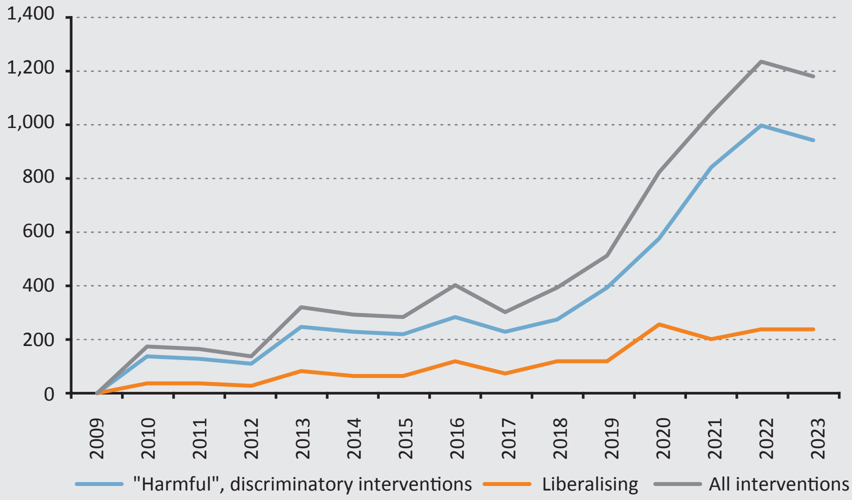
2020; *Meier – Pinto 2020*; *OECD 2020; Hausmann 2020; Halmai 2022a, 2022b*). The drop in the supply of certain intermediary goods (parts, components, materials), coupled with logistics hiccups (shortage of carrier capacities, growing transport costs), resulted in massive disruptions to supply chains. The shortage of chips led to involuntary restrictions, or even the suspension of production in several sectors (e.g. car manufacturing) in certain periods. Due to the contraction in production and the shutdowns, prices increased and unprecedented queuing was experienced, especially after the deepest point in the Covid crisis.

The growing animosity between the US and China led to restrictive measures and to industrial support policies in technology-driven sectors (e.g. semiconductors, green technologies). The lack of healthcare products at the beginning of the Covid-19 pandemic may have strengthened calls for "near-shoring" and the rationalisation of certain segments in the supply chain. The war in Ukraine further heightened geopolitical tensions and risks. Geopolitical considerations became more important in trade dynamics, and economic considerations were sometimes deprioritised. Overall, the efforts at increasing the reliability of the sources of supply, the improvement of demand response and the increasing importance of national security considerations can probably lead to the reorganisation or shortening of some supply chains (*IMF 2022*; *Capital Economics 2022*).

Trade relations may be significantly influenced by the disruptions in the status quo, such as the backtracking on the Trans-Pacific Partnership by the United States in 2017 or the dismantling of the WTO's dispute settlement system. In this context, multilateral institutions' ability to facilitate global trade flows has been weakening (*Dadush 2022*).

The latest trade policy developments continue to signal a difficult environment for cross-border trade and the progression of global value chains. Although tariffs have remained at low levels overall, non-tariff barriers to trade have increased considerably since 2020. First because of the pandemic, and then on the back of the Russian war in Ukraine, and finally on account of the emerging food and energy crisis. Accordingly, the annual average of harmful trade restriction measures applied had risen to 530 by 2022, up from 71 in 2010–2019 (see *Figure 4*). Restrictions affected 9.3 per cent of global imports in 2021 (*WTO 2022*), which increased even more in 2022, due to the EU sanctions imposed after Russia's invasion of Ukraine.

Figure 4
Trade policy interventions



Note: number of new interventions per year.
Source: www.globaltradealert.org

4. Supply chains: deglobalisation versus restructuring

Several basic factors, such as the above geopolitical correlations, the pandemic or the necessity of managing climate goals may shift policy towards restructuring value chains. Several countries are introducing subsidies to foster "reshoring" in strategic sectors and reduce dependence on foreign technologies and inputs. For example, in semiconductor manufacturing, the USA, the EU, Japan and China all use measures and subsidies to build and strengthen domestic industrial capacities. In the USA, for instance, such subsidies could double in the decade ahead (*Economist 2023*). The latest example is the Inflation Reduction Act (IRA) in the USA. Several subsidies are dependent on meeting some condition on domestic output and source of supply, thereby distorting market competition. In green technologies, these measures could probably lead to reshoring of some supply chains (e.g. the manufacturing of electric cars and their components). While other economies are planning or implementing similar subsidy schemes, the recently adopted Green Deal Industrial Plan in the EU underlines the importance of an open rules-based trade regime and the role of trade in the green transition (*EC 2023*).

Companies are likely to adapt their strategies accordingly. According to a survey by the US–China Business Council from June 2022, 87 per cent of respondents (American multinationals operating in China) believe that US–China tensions have affected their operations and investment decisions; 26 per cent have moved away from China' industrial segments, 29 per cent use separate US- and China-specific value chains, and 24 per cent are disinvesting in China (*EC 2023*). A similar survey by the European Union Chamber of Commerce in China from April 2022 demonstrated the negative impact of geopolitical tensions on European investments in China. Of the companies under review, 7 per cent were considering ending their investments in China after the outbreak of the war in Ukraine and 39 per cent believed that geopolitical tensions reduced China's investment appeal.

Political pressure to relocate supply chains does not immediately produce significant changes in standard aggregate trade indicators. This is because the restructuring of supply chains requires time, and implementation is difficult due to high costs and technological challenges (*IMF 2022*). Nonetheless, political efforts could change trade patterns (in the case of automated jobs, the most advanced countries may even relocate certain stages back home).

The share of the USA declined in China's exports, while that of ASEAN countries increased. Meanwhile, India is a potential new engine in the development of global value chains (*Banga 2022*). Until now, political changes have diversified trade relations rather than destroying them. One important element of the new trade patterns is the restructuring of supply chains in Asia, in response to the deteriorating trade and geopolitical relations between the USA and China. A similar realignment can be expected in other regions, too. Central and Eastern Europe may increase its participation in value chains. At the same time, certain Latin American countries (e.g. Mexico) may step up their participation in American value chains (*AMRO 2021*).

The restructuring of value chains could raise the issue of *technological sovereignty,* which has become the means rather than the end in the 21st century. It refers to the ability of a state or integration (e.g. the EU) to develop or acquire the technologies that are considered crucial for social welfare, economic competitiveness and the state's ability to act without one-sided structural dependence on other economic areas (*Edler et al. 2023*). In other words, technological sovereignty based on economic welfare is the ability of a nation to enable its companies to compete in the global technological framework freely and successfully, and ensure the long-term adequate welfare of the population (*Inzelt 2023*).

At the same time, the restructuring of global value chains may lead one to wonder about deglobalisation. However, building shorter and less vulnerable value chains than before, in other words restructuring, can hardly be considered deglobalisation.

5. Risks of trade fragmentation

Changing trade patterns do not necessarily have a negative effect on aggregate trade indicators, but they can entail significant economic costs. The restructuring of supply chains requires time, and it entails huge costs and technological challenges (*IMF 2022*). The international barriers increasingly hampering international trade, the declining share of FDI and technological change can make resource allocation less efficient and may have a negative impact on productivity growth and productivity spillovers. Stronger barriers to trade and/or higher uncertainties regarding trade policy lead to increased global fragmentation. According to the analysis of the IMF, the relatively significant fragmentation of the global economy, depending on its extent, could lead to a permanent global output loss. Model estimates suggest that this would range from 0.2 per cent of GDP to 7 per cent of GDP. The scenarios combining trade fragmentation with a technological decoupling could lead to output losses between 8 and 12 per cent of GDP in some countries (*IMF 2023*).

Overall, several factors can hamper the global trade outlook, with risks weighing on economic growth. Some structural factors that hindered trade growth in the past decade, such as the limited impact of large technological breakthroughs in transportation and IT, are expected to remain broadly unchanged. Besides the above, the latest exogenous shocks and trade policy developments indicate that the effects negatively affecting global trade could strengthen at both the country level and the multilateral level. Taking all factors into account and identifying a causal link between trade and potential growth (*Singh 2010*), fragmentation entails significant potential economic costs and poses a downside risk to global trade for the global economy (*IMF 2023*).

6. Changing globalisation

The main driver of globalisation is the growth in connections between people, economies and cultures. The latest phase of globalisation focuses on the flow of digital services, information and knowledge. *The process of globalisation progresses in various forms.*

Global trade is currently experiencing a revolution in communication and technology. The adoption of new technological innovations (blockchain, 5G, electric cars) has had far-reaching effects. Nevertheless, the global middle class may grow in parallel with this. The standard of living is on the rise, especially in emerging markets. This could have a major impact on global trade in the decades to come. According to McKinsey's forecast (*Lund et al. 2019*), the volume of global consumption could double from its 2017 figure by 2030. Of this increase, 60 per cent could come from emerging economies, which will likely consume two thirds of the world's manufactured goods in 2030. In the context of rising consumption in the emerging economies, the share of cross-border trade in goods declined relative to total output in the past decade. Many countries are increasingly able to satisfy consumers' demands through domestic supply chains.

Globalisation is not dying, it has merely changed (*Wolf 2022*). In the past, globalisation was about the movement of goods, capital and people, but nowadays its more about the flow of services, information and data. Globalisation no longer requires that people or goods cross borders or that factories be built. People are working for global corporations while sitting at a computer. Most of the highest-valued companies on the globe do not produce physical products (Microsoft, Amazon, Alphabet, Facebook, Tencent, Alibaba).

Coupled with the increasing popularity of artificial intelligence (AI), robotisation and more and more automation, this creates much more complex social, political and economic challenges than globalisation based on physical products. This can affect both blue-collar workers and white-collar workers, all over the world, even though the latter have mostly benefitted from globalisation until now.

The process of globalisation is undergoing a fundamental transformation. The trade in goods and the offshoring of physical jobs (from advanced countries to emerging ones) may be blocked by politics, but the globalisation of services may replace them.

World trade has expanded in three waves since the Industrial Revolution (*Baldwin 2016*). The first wave was connected to industrialisation and the transportation of goods. Then, in recent decades, companies started to offshore production to regions offering cheap labour. The third wave is the trade in services, for example the "travelling" offices enabled by IT (e.g. the internet). White-collar workers can perform their duties from anywhere in the world.

The fundamental difference between the first two waves and the third one is that while in the first case objects had to move around, in the second case only information flows between the different regions and countries of the world. Constraining this is much more difficult and costly[5] than in the former case.

At the same time, the trade in services is characterised by dynamic growth. Amidst the changing conditions, the position of service-oriented countries (e.g. the USA, the UK, France, Sweden) may be strengthened. On the other hand, those concentrating on production could face new challenges. Looking for low labour costs is less and less crucial in itself. What is important, however, is research and development and the development of knowledge-driven industries.

[5] Although there are also examples for this in some countries, for example in China.

The share of tangible assets within corporate investments is declining. At the same time, expenditure on intangible assets[6] (software, brand building, planning) relative to GDP is increasing. The latter is often not reflected faithfully in trade statistics. According to the estimates of *McKinsey,* private sector firms have invested more in intangible assets than tangible assets since the early 2000s, and the gap between the two is constantly growing (*Lund et al. 2019*).

Companies' intangible asset purchases amount to USD 770 billion each year, most of which is attributable to the USA, in particular IT firms. The export of IT services can also be seen in other economies. For example, in South Korea almost all intangible asset exports come from IT companies. Another interesting phenomenon is the growth in international data traffic. For instance, between 2007 and 2019 the volume of annual international data traffic increased 148-fold, which means that on average it doubled every 18 months (*Lund et al. 2019*).

The internet/technological/communication revolution reduced transaction costs, changed production processes and may facilitate the market entry of new products (*Levinson 2021*). New technologies may bring further crucial results:

- Digital platforms (e.g. e-commerce) and new technologies open up new markets, improve logistics and reduce coordination costs.
- Artificial intelligence and 3D printing could change production processes, and the volume of the trade in parts may diminish.
- Due to digital innovations, services and data might replace physical products in certain areas (e.g. music, videos, games as physical media are on the backfoot and cloud services are on the rise).
- New services could appear in international trade (e.g. telemedicine, virtual reality, and other things related to 5G).
- The technologies reducing transaction costs (e-commerce, blockchain) lift the volume of the trade in goods, while the technologies that change production processes (AI, robotics) and logistics technologies (electric cars, renewables) could lower it.
- Developing the skills necessary for applying the new technologies is a crucial challenge. The countries that spearhead this and the development of service sectors could benefit handsomely from global value chains.

[6] For more details on the rise of "smart" investments, see *Baksay et al.* (*2022*): pp. 71–80.

The regulation of trade in services mostly pertains to final services rather than intermediary ones.[7] Examples for the latter include the accountants, analysts, administrators, online helpdesk agents, graphic designers, DTP specialists and those working in various IT areas. The trade in services has a bright future ahead of it, but it could also become disruptive: when professionals can work from anywhere in the world, a large number of middle class jobs could be in jeopardy in developed countries.

7. Disputes surrounding globalisation

During the disputes, one basic question is whether the assumed or the actual consequences of globalisation are in the focus. Universalisation ("global" cigarettes, drinks) and Westernisation (Hollywood movies, consumerism) are generally regarded in a negative light, as they are sometimes viewed as threats to local traditions and cultures. At the same time, outsourcing and the cost advantages achieved with international value chains have had a major disinflationary impact for decades. For a large part of the global population, standardised high-quality products have become available at a low price.

Criticism is levelled at the process of trade integration and liberalisation, along with the basic institutions. Less developed countries have called into question the necessity of using strict environmental and occupational safety standards, and they viewed those as an attempt by developed countries at reducing their competitiveness.

The distributional disputes related to globalisation deserve special mention. The widely used narrative goes like this: globalisation only benefitted the wealthy, and outsourcing meant that many Western workers lost their jobs. The decline in industrial employment and the general stagnation of Western real wages in the lower-middle class led to understandable discontent with globalisation. However, the reality is fundamentally different from this. Between the early 19th century and the second half of the 20th century, the share of the income of the largest economies (G7 countries) within total global income did grow dramatically. Innovation remained confined to small regions until the middle of the second half of the 20th century, thereby increasing income inequalities.

However, the information and communication revolution (internet, telephone, ICT) allowed firms to export knowledge to every corner of the world at low costs. Rich countries relocated some of their industrial production into poorer emerging

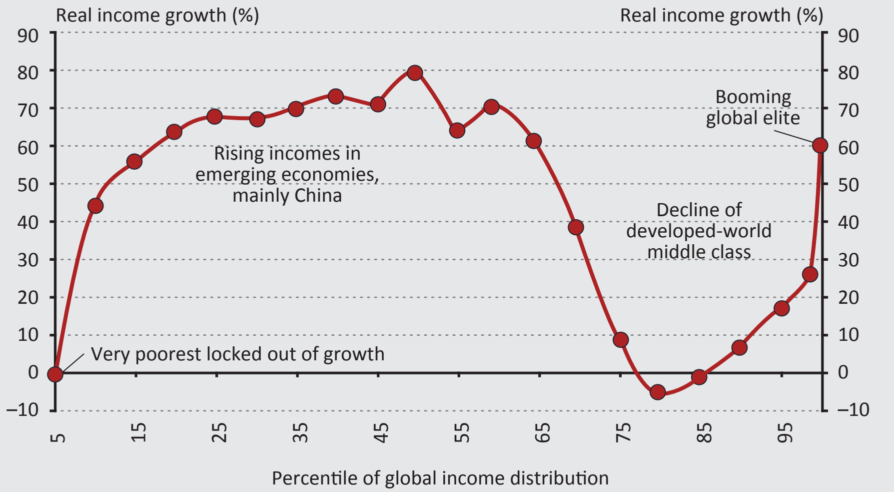
[7] The activities providing services to service providers.

countries. This resulted in an enormous boom in growth. Hundreds of millions of people were lifted out of extreme poverty.

The loss of Western industrial jobs was influenced much less by liberal economic policies alone than technology. Globalisation creates more jobs than it destroys. But the crux of the problem is that the new jobs require more skills.

The issue is illustrated by the so-called elephant figure created by *Branko Milanovic* (see *Figure 5;* originally published in *Lakner – Milanovic 2013*). It shows the income distribution processes from the past decades, and it can be clearly seen that in the period under review, disregarding the poorest citizens in third world countries, the income growth was the lowest in lower-middle class people from developed countries. In fact, in the 20-year period under review, certain groups experienced a reduction in their standard of living in real terms.

Figure 5
Change in real income in 1988–2008 in the different percentiles of global income distribution (in 2005 USD, PPP)



Note: The vertical axis shows the cumulative change in real income (%), measured in 2005 USD at purchasing power parity in 1988–2008. The horizontal axis shows the percentile positions in global income distribution. The percentile distribution runs from 5 to 95, in increments of 5 percentage points. The top 5 per cent are divided into two groups: the top 1 per cent, and those between the 95th and 99th percentiles.

Source: Corak (2016) based on Milanovic (2016)

According to OECD and World Bank data, inequality (the Gini coefficient measuring it) increased in most developed countries in the past 30 years. In certain countries, inequality indicators show as negative a picture as in the early 20th century. Nevertheless, in the world economy as a whole, when individual countries are compared, globalisation has definitely reduced inequalities.[8] Poorer countries have joined the global economic system, and they grew faster than developed countries.

These developments are influenced by crucial economic and social changes. The process of globalisation is undergoing a fundamental structural transformation. Knowledge-driven globalisation has technology at its heart. The less skilled lower-middle class workers living in developed countries will no longer compete with East Asian workers who are in a similar situation, but with robotisation instead. Rather than protecting jobs, the focus should be on protecting workers. The above-mentioned third phase of globalisation poses a tremendous challenge.

The anti-globalisation sentiment has produced a political response in many countries, entailing an anti-establishment rebellion and the politics of rage. Important milestones include the Brexit referendum, the election of Donald Trump as the president of the USA and the strengthening of certain anti-globalisation and populist parties. Opposing globalisation is not the only driver behind these trends, but it is definitely an important component. It must be underlined that the main reason for the backlash against globalisation is the growing inequality in developed countries.

Anti-globalisation has become a political tool because the benefits of international trade are difficult to capture. On the other hand, there are clear losers in this process, albeit there are few of them, and they make their voice heard loud and clear. The disruption in globalisation came 6–8 years earlier than the rise of populists. After it became part of the political agenda, it can be argued that "globalisation is under siege".

Actually, globalisation has not reversed. Its main drivers have simply slowed down. At the same time, new dimensions with hardly foreseeable consequences have come into focus.

The biggest threat is posed by anti-globalisation economic policies increasing fragmentation. The rise in protectionism, non-tariff barriers and discrimination in trade all hamper development. Global political measures would be needed to address the extreme offshoots of technology-driven globalisation. However, one of the main messages of the populists advocating the death of globalisation is actually the rejection of international political cooperation.

The establishment and strengthening of multilateral rules and institutions is a precondition for the continued deepening of global integration. Nation states and the regional integrations in which they cluster have several options to influence developments and mitigate risks. Economic policies should focus on increasing productivity and competitiveness. Far-reaching structural reforms facilitating this

[8] This is confirmed in the latest analysis by *Milanovic* (*2022*).

need to be developed and implemented. An important contribution would be increasing the room for fiscal manoeuvre, and ensuring the more targeted and efficient use of resources. Measures that facilitate market competition and freer trade and the reduction of red tape are vital. Labour market reforms, advanced training and active support for finding employment are needed, along with a wider social safety net. The latter could be used to prevent those losing their jobs from falling into a sort of poverty trap.

Potential solutions could include learning from the example of north European welfare states and actively supporting people in retraining, thriving on the labour market and finding housing. The development of education is also vital: students do not need to become one-track specialists but instead workers who can adapt to an increasingly rapidly changing world and consider lifelong learning a part of life. Jobs requiring creativity, interpersonal relationships and personal contact cannot be replaced with remote-controlled robots.

Sustainable and inclusive growth should be targeted, as it could allow wide swathes of society to enjoy the benefits of trade and investment reforms. An important caveat here: the advantages of globalisation should be better articulated to the public, and its obvious losers should be better compensated.

8. Some conclusions

The important features of globalisation include the flows and networks connecting the individual elements of the global economy. In the wake of the Great Recession, the dynamics of the trade in goods and international financial flows were reduced somewhat relative to earlier decades. Yet this stabilised at a high level, while the new driver of globalisation became the flow of *services and intangible assets* (including IP, data and information), *with stronger dynamics.*

Trade remains an important scene for globalisation. Stronger barriers to trade and/or greater uncertainties regarding trade policy could lead to growing *global fragmentation.* The relatively significant fragmentation of the global economy, depending on its extent, could lead to a permanent global output loss.

Several basic factors, such as geopolitical correlations, the pandemic or the necessity of managing climate goals may shift policy towards restructuring *value chains.* However, building shorter and less vulnerable value chains than before can hardly be considered deglobalisation. The restructuring of value chains could raise the issue of *technological sovereignty,* i.e. the ability of a nation to enable its companies to compete in the global technological framework freely and successfully, and ensure the long-term adequate welfare of the population. Amidst the changing conditions, the position of service-oriented countries focusing on research and development and knowledge-intensive industries could be improved. The economies concentrating on production could face new challenges. Low labour costs are less and less crucial in themselves.

The main driver of globalisation is the growth in connections between people, economies and cultures. The latest phase of globalisation focuses on the *flow of digital services, information and knowledge.* The process of globalisation is progressing in various forms. Actually, globalisation has not reversed. The dynamics of its former main drivers have slowed down, but new dimensions with hardly foreseeable consequences have come into focus.

The biggest threat is posed by anti-globalisation economic policies increasing fragmentation. Global political measures would be needed to address the extreme offshoots of technology-driven globalisation. The establishment and strengthening of multilateral rules and institutions is a precondition for the continued deepening of global integration. Nations states and the regional integrations in which they cluster have several options to influence developments and mitigate risks. Economic policies should focus on increasing productivity and competitiveness. Far-reaching structural reforms facilitating this need to be developed and implemented. Measures that facilitate market competition and freer trade and the reduction of red tape are vital. With sustainable and inclusive growth, wide swathes of society could enjoy the benefits of trade and investment reforms.

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