Slowbalization: Rising Trends for the Global Economy and Business

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Abstract. *This paper investigates and analyzes the paradigm of slowbalization and the new direction of globalization and how they can expose business to more challenges. The research methodology mainly focused on literature review with a focus on a descriptive data analysis in the content of the paper. The results showed that factors such as economic decoupling that may transform to a real difficult reality for companies, the economic consequences of the geopolitical conflicts, the pandemic caused by Covid-19 divergence in US-China relations globally, political economic instability, rising inflation rates and other risks such as cyber-attacks have always posed a threat to economies, companies, businesses and markets. Slowbalization as a word does not exist in literature or language roots but it illustrates the recoil of globalization due to some of the previous stated factors. In conclusion, the end of globalization seems to be impossible since it appeared in the fourth industrial revolution that witnessed the appearance of digitalization, computer and internet. It is possible that a new phase of globalization is being reshaped or a new road towards its sustainable aspects. On the contrary, the introduction of a new international order is always a potential probability.*

Keywords: Slowbalization, Globalization, business, Industrial revolution, global economy, trends

Introduction

As the world has been led by globalization and its global dimensions, economies and markets have been under the control of the outlines of globalization. The predicted and unpredicted risks that face the economies business from time to time appear to part of the impact of globalization on economies and business, there has been a notable retreat of globalization in the recent decade and even before that leading to Slowbalization due to various factor.

If the world is on the brink of a major shift in the global economic order, it is worth saying that there has been a system that the world has undergone globally. For most part of the current century the United States of America has been the world's economic leader and undisputed economic super power followed by other developed economies such as the European Union and the United Kingdom. After the 2nd World War, the world experienced enormous growth conducted and led by rampant consumerism and a growing hope in enterprises and business. The fall of communism in 1989 further solidified faith in the western led system. Economic barriers fell as countries rushed to fill demand in an even more connected global marketplace. The effect of the change has been dramatic according to the total value of global trade over time and its fluctuation after the third phase of globalization that started after the Cold War and the start of a new financial system characterized by a world currency conducted by the US that is dollar and Euro by the EU. Indeed, there has been a rising recoil in the parts of global economy and society. There has been a

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division about and against globalization with strong adverse reactions in the recent years after various economic recessions, geopolitical conflicts and the rise of differences and interests by world economic engines. Alliances do not always boost or guarantee harmony especially during globalization, there has been frequently a difference in GDP growth between economies and a retreat in the GDPs and development of developed countries. Moreover, geopolitical conflicts, economic recessions, the rise of unemployment especially during times of crises, the need and speed towards energy resources and reserves, the unbalanced migration and even the economic decoupling between the US and China have been main indicators of the slowdown of globalization and its advantages.

Globalization has gradually shaped the world for ages and it has undoubtedly been accompanied by various waves of industrialization. It moved the world and human society from simple energy resources such coal and wood to fossil fuels for industry as sources of energy and to sustainable energy and business, step by step it globalized the energy market, every step is accompanied by energy consumption, so the intensive use of energy has become fundamental in economy. (Benabed and Boeru, 2023). Globalization has, for instance, facilitated the dissemination of technology and information, thereby generating new opportunities for innovation and development, emphasizing that the 4th and 5th industrial revolutions are evidence of it. In addition, it has led to concerns regarding privacy and security, as well as the possibility of job displacement and inequality. (Benabed and Boeru, 2023).

The aim of this paper is to present a background and analysis the retreat of globalization and the paradigm of slowbalization by focusing on rising trends for the global economy and business

Literature review

Globalization for business and global economy

Globalization is the rise and increase of trade around the world, especially by large companies that produce and trade goods in many different countries. (Cambridge dictionary, 2023). Volle (2023) argues rises the point that globalization according to some important social scientists is the process of intensified worldwide social relations where local events are shaped by distant occurrences. (Volle, 2023).

As the global economy subsequent decades and grew through the 1980s towards a large degree by a combination of technological advances (mainly in information and communication technologies and transportation), economic restructuring in many countries and market liberalization, investment liberalization and international trade, the integration of global capital markets and financial deregulation, improved contract enforcement and the protection of intellectual property rights in many jurisdictions; such predictions seemed remarkably prescient (Buckley and Strange, 2015).

Globalization is the phenomenon of increasing importance due to multiple factors, such as the reduction of trade and investment barriers, competition from foreign companies, and the availability of raw materials (Knight, 2000). It represents one of the major challenges that SMEs have to face in the current economic context, in terms of production (Lee *et al*., 2013), innovation (Narula, 2004) and the development of new strategies (Singh *et al*., 2008).

One of the most complex aspects that SMEs have to face in order to reap the benefits of globalization and be able to be competitive is the definition of an adequate business model. (Benabed *et al*., 2022).

The economy bases as well on the degree of production, services, goods, consumer confidence and market trends, so the stability of companies and countries depend a lot on these things. Various economic recession could happen from time to time and several have happened throughout history affecting the financial levels of businesses and profits. (Benabed and Bulgaru, 2023). To avoid the economic downturn governments, managers and leaders try to take action, however recessions can provoke a crisis if they occur many times. Indeed, it is up to the term, if the economic growth is slow or slowed down to control inflation, oil prices may decline whereas, a high inflation may lead to higher oil prices. Growing economic strengths, geopolitical tensions and even tight supplies may be main factor in the rise of oil prices, besides, high oil prices may affect the costs of goods and services since oil is major necessary key in manufacturing, transportation and shipping products. (Benabed and Bulgaru, 2023). The global economy has been under the risk of recession since the start of the pandemic and the Russian-Ukrainian war that could impact the whole world economic stability and lead to other measures and transitions. The probability of a 2023 recession is increasing although it can be brief but inevitable since the true and most interesting economy is the international economy. (Benabed and Bulgaru, 2023).

Business, investments and trade beyond globalization

It is not so long ago that various influential commentators were heralding the “death of distance” and the benefits of globalization (Cairncross, 1997). Indeed, the production of many goods and services has been reconfigured geographically and organizationally in global value chains (Strange and Magnani, 2018) and a rise in levels of investments and cross-border trade, set against a backdrop of the successful 1995 conclusion of GATT negotiations followed by the establishment of the WTO with a proliferation and focus on bilateral and regional trading agreements. Nevertheless, there were still a few cautionary voices. Pankaj Ghemawat (2001) argued that argued considerably that investment flows and cross-border trade were constrained and influenced by the geographic, cultural, economic and administrative distances between countries that is why distance is important. Peter Buckley and Pervez Ghauri (2004) claimed that “national borders still matter. Borders continue to engender and to coincide with various essential discontinuities stemming from geography and societal differences, government policies…etc. Moreover, information discontinuities … coincide with national boundaries, therefore, they create deliberation problems and search for trading aspects and manufacturing firms”. (Buckley and Ghauri, 2004).

However, international investment in new manufacturing capacity remained weak after the pandemic, due to ongoing doubts about future prospects for global value chains. (Altman. S.A and Bastian.C.R, 2022). World trade in goods bounced back to above pre-pandemic levels before the end of 2020 after plummeting at the onset of the pandemic and that could be the main reason trade roared back so decisively. There was a surge in demand for traded goods despite disruptions to global supply chains. (Altman. S.A and Bastian.C.R, 2022).

Methodology and research questions

The research methodology focused first on a literature review by reviewing some previous relevant articles to the research topic and focusing on the relevant points. The viewed articles provided in the part of reference below were from data bases such as Science direct, Scopus and Web of

Science. This research paper needed to include an overview to the prior research that had been conducted on some of the main points of the specific research topic. The literature review was followed by a descriptive analysis that based on data interpretation and analysis according to the illustrations of the available data in the created figures that are showed in the part of analysis and results.

The literature review set the stage for later reading about the conducted research. In other words, it provides a helpful background and context for further research. The literature review mainly focused on identifying and defining the suitable information and details, the review part served as a reference to perform and conduct the research further. Identifying the research questions could help out as a guide to focus on the topic, the research is neither overgeneralized nor stringent. In short, reviewing some papers and articles focused more on checking and viewing first if the abstracts were relevant then the contents by going through the methods, results and discussion.

The part of literature review helped structure thoughts and begin the analysis by ensuring the coverage of the main important points to this paper and research. The next step after collecting data was data analysis an interpretation. In general, it is not easy to draw the line between the analysis and Interpretation since both parts and processes are merged imperceptibly, the interpretation and analysis of data were inextricably intertwined.

The research questions are

RQ1: Is there a recoil in globalization and what direction is it taking? And is globalization losing its charm?

RQ2: What are the main reasons of the retreat and the move to Slowbalization and is Slowbalization a reality?"

Analysis and results

The expansion of globalization

With the process of globalization, the emergence of new organizational paradigms in the form of the market system and a new logic of commercial exchange have expanded to more and more spheres of human activity, after the fact that people and governments make choices in a political context. . Today, economies around the world are less governed by the choices of their political institutions and the rules of the economy, markets and financial capital flows. This truly radical transfer of power and decision-making took place in a few short decades with far-reaching implications. In other words, more and more societies around the world, and more aspects of those societies, are becoming open to being organized by the logical aspects of the market system. So, things became increasingly organized with global networks of economic exchange. By the middle of the 20th century, hierarchies were almost unanimously seen as the only effective method of organizing production with large mass societies, then a new ideology of the free market as a self-distributed coordination mechanism emerged. Then, with the work of Friedrich Hayek who recognized that the price produced by supply and demand alone could be an accurate and sufficient information signal to enable decentralized coordination to achieve the optimal allocation of resources with society. Although the state was seen as necessary to provide basic support.

Hayek saw the market as an optimal self-supporting system, and to enable it required converting as much as possible into private property and contracts that would allow those signals to order the economy spontaneously, the second half of the 20th century saw Hayek's achievement in the United States and other developed economies with the acceleration of the transfer process of socio-economic organizations from hierarchical social organizations to market structures, as promoted by a new ideology of neoliberalism in the 1970s, 1980s and 1990s. Public forecasts began to recede and private production through the market that began to expand in almost all areas. Although initially it would have been an economic theory, neoliberalism became much more than that, it came to encompass a set of ideas or paradigm about human nature, economic and social organization. Neoliberalism free market ideology based on individual freedom and limited government, formed neoliberalism created a conceptual rationale for moving economic organization from people and hierarchies to an impersonal logic of the market to achieve the power and capabilities of the nation state, it moved economic organizations to the market through privatization and deregulation of national economies. Moreover, by changing the power of national democracies and parliaments or their organization into executive and international bodies that were not controlled by democratic procedures such as the IMF or the WTO.

The deregulation of financial institutions in the late 1980s enabled the formation of a global financial structure to move investment around the world, foreign direct investment began to flow to emerging economies, as money became relatively freely available in capital markets, and this was the culmination of neoliberal economics. The globalization that occurred in the 1990s and 2000s, with the development of global supply chains and higher growth in economic and commodity cycles. Globalization has led to dramatic changes throughout the world. Globalization has interconnected and transformed different markets and economies into one global economy. Economic globalization refers to the global mobility of goods and services, people, technology and capital, it is about trading blocs and economies, countries and regions becoming interdependent. Because economies depend on each other for goods, food, services and various products.

As the world has experienced various transformations so far, it has gone through various industrial revolutions, starting from the first industrial revolution for Mechanization and steam engines, then from the late 1800s to the beginning of the world war, it went through the era of electrification as it was known to the second industrial revolution which focused on the production of steel, electricity and combustion engines. The emergence of globalization occurred around the 1980s in the third industrial revolution with the advent of computers, digitization and the Internet.

Since the 21st century, the world of globalization has entered the era of digitalization in the fourth industrial revolution after the emergence of a global society based on the emergence of artificial intelligence AI, robotics, IoT, blockchain and crypto. The fifth industrial revolution that is slowly being introduced to the world for a future global economy and society aims to focus on the interaction between people and machines at work. (See figure 1).

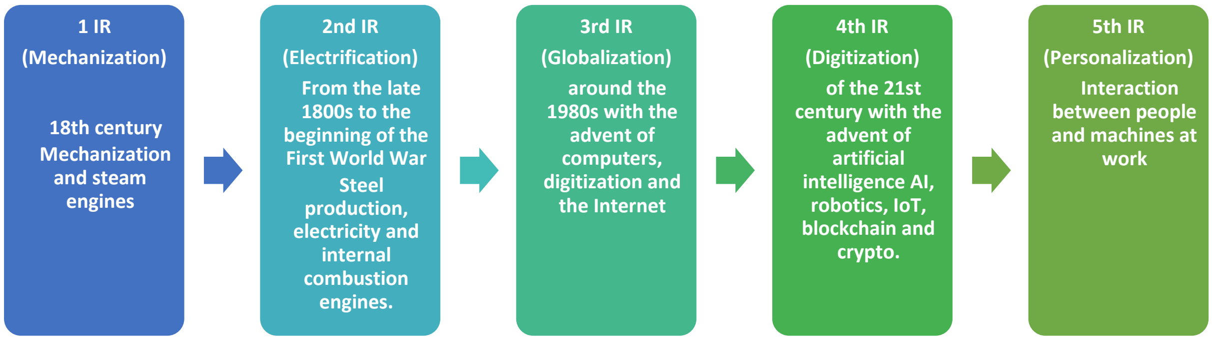

Figure 1. The line of industrial revolutions and the emergence of globalization

Source: Author's design and research, 2023.

Many sociologists have therefore identified new aspects of our contemporary Globalization: the rise of 'transmigrations'; the rise of value chains, logistics, and 'emerging' countries; the transnational financial flows in global cities; the threat to cultural diversity posed by a globalizing culture. (Lecler, 2019) A system of global governance will give way ,,to one in which a much wider group of countries will emerge as collective norm and rule makers''. For this reason, the centre of economic life gravity towards Asia (Dunfort and Qi, 2020). Sun & Liang conclude that social Globalization is more important than economic Globalization because first helps to reduce information asymmetry between borrowers and lenders by removing cultural barriers and also reducing the poor' s cost of borrowing (Sun and Liang, 2021).

Candelon consider that, high-income countries in a high-globalization regime face larger negative effects on growth from banking and stock market crises''. (Candelon *et al.*, 2020) The rationalist-scientific hypothesis predicts the evolution of Globalization through a process contradictory with achievements and failures, with winners and losers, with temporary financial crises and impasses.

The retreat of globalization and the economic and social transitions

Globalization is in a process of flux (Aguilera et al., 2018) or transition (Lund *et al*., 2019) which may simply involve (Economist, 2019a, Economist, 2019b) a slowing down of its advance ("slowbalization") or even its reversal ("deglobalization"). Perhaps this review essay should have been titled "wither globalization". (Economist, 2019a, Economist, 2019b).

In fact there has such an economic decoupling in the recent years and the idea of rethinking of globalization that involves a withdrawal of global economic integration in favor of the creation of rival economic blocs. Problems such as climate change, the frequent inflation that require multilateral solutions, recessions, geopolitical conflicts and rise in political difference, the speed to energy and its reserves; all these have led to rethinking globalization since its strengths and positive sides have been slowing down for years. Slowbalization can been witnessed as well in the high economic differences between developed and developing economies including the road to more poverty in low income countries after the fact that globalization came as a result of the increase in extreme poverty around the world, it has led to more poverty.

According to Breuss (Breuss, 2022), in the recent years there has been a slowdown in the process of Globalization, which some authors have called "Slowbalization" or "Deglobalization". On the other hand, the COVID-19 pandemic has accelerated this trend even though Globalization had begun long before the Covid crisis to slowdown (Felbermayr and Görg, 2020).

The motion of globalization towards slowbalization

Slowbalization refers to the new patterns of world trade, which are characterized by a low growth rate, a reduction in the market for foreign direct investment, unresolved trade disputes, geopolitical tensions and declining bank lending. During globalization there was always the possibility of entering into a period of recession and depression. Fluctuations in the world economy are embodied in the business cycle which goes through four main phases such as peak, recession, depression and economic or business recovery. During globalization, there are often a lot of transmissions, if something happens in any part of the world, it is automatically transmitted to other parts of the world, and the best example is geopolitical conflicts and how they could affect the stability of access to food and surrounding trade the world. According to Breuss (Breuss, 2022), in the recent years there has been a slowdown in the process of Globalization, which some authors have called "Slowbalization" or "Deglobalization". On the other hand, the COVID-19 pandemic has accelerated this trend even though Globalization had begun long before the Covid crisis to slowdown (Felbermayr and Görg, 2020).

In times of globalization, the spread and expansion of the pandemic caused by Covid-19 together with the emergence of economic big data that mostly depended on China that is the economy that positioned itself as the production platform of the world have been clear factors for the slowdown of globalization due to the domination and the attraction of the world production to one platform. China has been the producer of all important products for the global economy such as masks, products from raw materials. So, for sure it reaches from time to time a great domestic satisfaction of production and the fact that it focuses on more exports than imports, it contributes to such an imbalance in trade profits globally.

There are many communities that have not been able to benefit from technological improvements or better investments that have been left out. In addition, the trend or fragmentation as it was in years of financial and health crises in 2008, 2020, 2021 for example and in recent manifestations such as barriers and restrictions in international trade, sanctions due to geopolitical tensions and conflicts of interest that have made many companies rethink where they can do better and how and where they can move investments abroad. This trend and fragmentation in globalization could have a negative impact on emerging countries and the fight against poverty, as opportunities for economic development could be reduced or limited especially in times of global geopolitical or even health crises, the access to food and other economic opportunities can be difficult due to the controlled transportation and shipping by advanced or powerful nations. Economic fragmentation or decoupling poses barriers to the movement of people and more problems for immigration, as well as for the movement of capital, which can reduce investments, there is often the possibility of a higher cost of imports, markets that are harder to access, less access to developed technology that is somehow more expensive for many countries, labor difficulties and rise in unemployment,… etc.

The International Monetary Fund (2023) Identifies in a report five main periods through which the global economic mechanism and the flow of exports and imports passed (Industrialization, protectionism of wars, fixed exchange rates, liberalization and Slowbalization). In figure 1 we notice that there is a fluctuation between the five periods, IFM (2023) defines that the period of industrialization from 1870 to 1914 witnessed an increase in the volume of trade and advances in transport dominated by Europe, the USA, Australia and Canada. (See figure 1). After that, during the interwar period from 1914 to 1945, the era witnessed a dramatic reversal of globalization due to the rise of protectionism and various international conflicts of influence, there were trade barriers and the breakdown of the gold standard into currency blocs. (Shekhar and Ilyina, 2023).

After that, the world until the era of fixed exchange rates from 1945 to 1980, as it was known as "Bretton Woods", the era saw the United States emergence as the dominant economic power, the dollar as a system with other exchange rates exchange linked to the greenback. Postwar recovery and trade liberalization spurred rapid expansion in Europe, Japan, and developing economies, and many countries relaxed capital controls. However, the United States ended dollar-gold convertibility in the early 1970s and many countries switched to floating exchange rates. (Shekhar and Ilyina, 2023).

From 1980 to 2008, the era of liberalization witnessed the gradual removal of trade barriers in China and other large emerging market economies and unprecedented international economic cooperation, including the integration of the former Soviet bloc. Liberalization was characterized by such an increase in trade, and the establishment of the World Trade Organization in 1995, for a new multilateral platform based on negotiations and trade agreements followed by an interconnection of the global financial system. From 2008 to 2021 The Emergence of Slowbalization which is in other words the slowdown of globalization, a period characterized by increasing geopolitical and political tensions, a prolonged slowdown in trade reform with weak political support for open trade since the 2008 global financial crisis and the pandemic of Covid-19. (See figure 2).

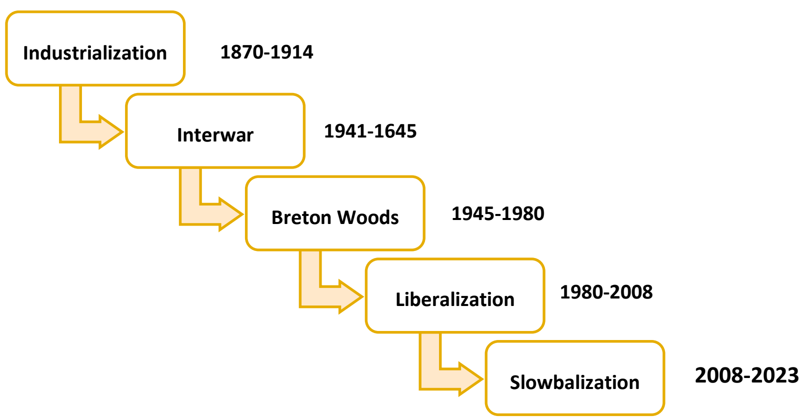

Figure 2. The moving global process from Industrialization to Slowbalization

Source: IMF data 2023, Authors' contribution, 2023.

Globalization has led to the creation of international political organizations such as the United Nations (UN), World Trade Organization (WTO), and International Monetary Fund (IMF). In these organizations, the current problems of various economies and regions are discussed and international agreements are drawn up to improve relations between member countries. In addition, globalization has contributed to the spread of democracy around the world and a greater awareness of human rights. On the other hand, from a cultural point of view, globalization has gradually led to a global culture with the possibility of cultural exchange between people from different parts of the world, which is not a recent phenomenon; however, the creation of new technologies and social networks has accelerated cultural exchange across the planet. Today, communication and connection between people and nations has transcended national borders, so that due to globalization, the world is currently faced with a significant mix of traditions. But globalization today is between the view that it is useful or useless. Globalization is between the defenders and others who are against it. On the one hand, globalization has helped to increase the size of markets by facilitating trade between the nations of the world, it has also civilized human rights. On the other hand, it could be criticized because some of its policies recommended or applied by the World Bank or the International Monetary Fund have not been successful. In addition, globalization has only caused other countries to borrow and remain in low-income or poverty situations, and even the gap between rich and poor countries has widened. In addition, globalization has increased competition but also overexploited the environment. It has made transnational corporations become too powerful, there is also more expansion of western culture, which has made other countries start abandoning their local traditions since they were replaced by foreign traditions.

Globalization has interconnected and transformed different markets and economies into one global economy. Economic globalization refers to the global mobility of goods and services, people, technology and capital, it is about trading blocs and economies, with globalization countries and regions have become interdependent. After roughly the fall of the Berlin Wall, countries around the world began in earnest to industrialize their economies, bringing country workers into urban centers to work in the production of low-skilled goods that could now be exported into global supply chains. Global trade agreements removed the limitations of the national economy as the world economy could see a much larger amount of production. With the incorporation of digitization, more products and information began to move faster between more nodes. The deregulation of financial institutions in the late 1980s enabled the formation of a global financial structure to move investment around the world, foreign direct investment began to flow to emerging economies, as money became relatively freely available in capital markets, and this was the culmination of neoliberal economics. The globalization that occurred in the 1990s and 2000s that drove the world and economies to commodity cycles.

After the financial crisis of 2008, the pandemic caused by Covid-19 and the Russian-Ukrainian geopolitical conflict in 2022, all these risks and events continued to demonstrate that the economic and commercial relations of the participants in the global system of exchange of goods and capital are growing have known such a skepticism about the benefits of globalization.

A Fragmentation or an economic decoupling in times of globalization?

In fact, a rethinking of globalization involves a withdrawal of global economic integration in favor of the creation of rival economic blocs, problems such as climate change, the return of inflation that require multilateral solutions, this rethinking came as a result of the increase in extreme poverty around the world that has been achieved with globalization, there are many communities that have not been able to benefit from technological improvements or better investments that have been left out. In addition, the trend or fragmentation as it was in 2008 for example and in recent manifestations such as barriers and restrictions in international trade due to geopolitical tensions and conflicts of interest have made many companies rethink where they can do better and move investments abroad. . This trend and fragmentation in globalization can harm emerging countries and the fight against poverty, as opportunities for economic development will be reduced, economic fragmentation poses barriers to the movement of people and more problems for immigration, as well as for the movement of capital, which can reduce investment , there is often the possibility of a higher cost of imports, markets that are harder to access, less access to developed technology that is somehow more expensive for many countries, labor difficulties, etc.

All of these can reduce productivity and lower living standards, fragmentation can also lead to fragmented regulation, and making investments could be more expensive. Therefore, it is always necessary to rebuild international trust. Economic decoupling can become a difficult reality especially for firms, the economic consequences of the Russian-Ukrainian conflict and the Covid-19 pandemic could prove to be a warming experience and a path to a more global economic decoupling. Divergent relations between the US and China, globally, political economic instability, rising inflation rates and other risks such as cyber-attacks have posed a threat to economies, companies, businesses and markets.

The International Monetary Fund (2023) Identifies in a report five main periods through which the global economic mechanism and the flow of exports and imports passed (Industrialization, protectionism of wars, fixed exchange rates, liberalization and Slowbalization) In figure 2 we notice that there is a fluctuation between the five periods, IFM (2023) defines that the period of industrialization from 1870 to 1914 saw an increase in the volume of trade and advances in transport dominated by Europe, the USA, Australia and Canada.

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Markets and economies that once moved together can also be decoupled. The 2008 financial crisis that began in the US economy eventually spread to most of the world's markets, leading to a global recession. Because markets are "coupled" to US economic growth, any market that moves against the global trajectory is known as a decoupled market or economy. (Hayes, 2022).

Conclusions

Globalization so far brought economies and societies together for a global world under various aspect and dimensions. The economic, social and political aspects of globalization have been slowing down due various factors that could impact them such as geopolitical tensions, rise in conflicts of interests, the speed to energy resources and its reserves, the controversial prices of energy, shipping and transportation restrictions, inflation, recessions, social differences and fake news, the rise of digitalization and the integration of more artificial intelligence, the rising cost of technology, business internationalization and the various unpredicted risks, economic decoupling and the gap in global economy between the world economic engines and China. The speed to alliances and a new international order as it was introduced by BRICS. the end of Globalization seems somewhat impossible because everyone depends on it, unless another international order comes and changes everything, there should be a new resilient strategy to tackle its obstacles, more negotiations and a move towards more sustainability will be more important, even resilience would be necessary in times of risks and crises or before they happen and why not a move towards a sustainable globalization if it will help the whole world, with new goals that will help to reduce the wide gap between the rich and the poor and to get rid of all kinds of political differences.

According to this analysis and conducted research we confirm that there retreat in globalization and what direction is it taking and current globalization is losing its charm since there is a struggle in economies to tackles the difficulties and risks that face their economies from time to time, the main reasons of the retreat and the move to Slowbalization that is Slowbalization a reality are decoupling that may transform to a real difficult reality for companies, the economic consequences of the geopolitical conflicts, the pandemic caused by Covid-19 divergence in US-China relations globally, political economic instability, rising inflation rates and other risks such as cyber-attacks have always posed a threat to economies, companies, businesses and markets including the interior structures of economies.

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