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Navigating the Dynamics of Globalization: Opportunities, Challenges and Vulnerability

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Abstract
The research provides a comprehensive analysis of the historical evolution and contemporary trends of globalization, particularly focusing on its economic implications and the associated challenges.

Through an extensive analysis of global trade trends, economic policies, and geopolitical shifts, the paper highlights the multifaceted nature of globalization, characterized by periods of rapid integration and occasional reversals. Key findings include the significant impact of globalization on trade volumes, economic openness, and the interconnectedness of national economies. However, recent challenges such as the COVID-19 pandemic, geopolitical tensions, and structural vulnerabilities have exposed weaknesses in the global trading system, prompting concerns about its resilience and future trajectory. Moreover, the paper explores emerging trends such as "friendshoring" and "nearshoring," reflecting efforts by nations to enhance trade security amidst geopolitical uncertainties. Ultimately, the paper underscores the need for comprehensive, coordinated responses to address the vulnerabilities inherent in the globalized world, emphasizing the interconnected nature of global risks and their profound implications for global economic development and international relations.

Keywords: globalization, international trade, economic openness, vulnerability, WTO, supply chain disruptions, state interventions.

INTRODUCTION

In earlier times, when the movement of goods, people, and ideas wasn't as seamless as it is today, economic activities were mainly confined within local communities. For instance, farmers would harvest wheat and produce flour for a nearby bakery, which in turn served bread to local residents who frequented the shop daily. Economic self-sufficiency was achieved through close proximity between production and consumption points. Cross-border trade was minimal, primarily involving luxury goods like spices and silk, traded at high prices due to the risks and time involved in transportation.

The dawn of the 19th century marked the onset of international trade with significant advancements in steam-powered land and water transport, leading to expanded trade activities beyond local boundaries. Mass logistics further reduced transportation costs, enabling goods to reach distant markets. Interestingly, while economies became geographically decentralized in terms of production and consumption, production itself centralized in large-scale factories. This was driven by the increase in potential customers due to international trade, making mass production economically viable. Division of labor, exemplified by Adam Smith's pin-making analogy, boosted productivity, although it required meticulous coordination among various tasks, leading to the consolidation of production functions under one roof in factories.

However, the landscape changed dramatically with the advent of the information technology revolution in the 1980s. Technologies like telexes and the Internet facilitated cheaper and faster coordination among production units across different locations. This led to the relocation of some production segments across borders to capitalize on cost differentials of production factors in different countries, accelerating the technological decentralization of production activities.

For the past three decades, the most important force in global affairs has been the rapid and continuous expansion in the cross-border flow of products, money, ideas, and people. They have changed ties between states of all sizes and are increasingly influencing domestic politics. At the same time, recent commercial and geopolitical tensions and conflicts lead to instability and increased vulnerability of international trade.

METHODOLOGY

The research methods used are the systemic and comparative approach, scientific analysis and synthesis, and tabular representation. Official documents of international economic organizations, and international statistical data, publications of researchers from different countries were used as information support. As a practical manifestation of the methodology, the problem was stated and its relevance was justified, international publications on the subject were studied, existing views on certain issues were critically analyzed, and finally conclusions were drawn.

RESULTS AND DISCUSSIONS

Throughout history, there have been periods of both increased and decreased globalization. Today's period arose from USA's sponsorship of a new international order in 1945, allowing cross-border movements of commodities and capital to resume after years of war and upheaval. After 1990, this wave of globalization accelerated as China recovered, India and Russia abandoned autarky, and the European single market came into its own. Containerizing freight reduced transportation expenses. USA ratified NAFTA, helped establish the World Trade Organization, and advocated for worldwide tariff reductions. Financial deregulation enabled money to move throughout the world in pursuit of risk and profit.

Since the mid-nineteenth century, there have been at least two periods of globalization. The first episode began in the mid-nineteenth century and concluded with the outbreak of World War I. The second episode began after World War II and continues now. In all of these periods of globalization, fast trade and output growth coincided with significant adjustments in the relative size of the economies involved. One important lesson from history is that globalization has not been an easy process. It has frequently been defined by phases of rapid integration (as in the nineteenth century and the second half of the twentieth century) and periods of spectacular reversals (as in the interwar period), sometimes with severe implications. The two most recent phases of globalization were marked by growing integration in commerce, capital flows, and labor mobility.

The main trend of world development from the end of the 20th century to the beginning of the XXI century is the phenomenon of globalization, which affects the life of all countries and regions of the planet. It appears as a qualitatively new stage in the internationalization of all aspects of production and social activities of peoples and states and leads to fundamental changes in the life of the entire world community. This process manifests itself in the formation of the world economic system, which includes markets and commercial, financial,

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informational flows, etc., determines economic and social development as a whole and is characterized, especially in today's period, by the aggravation of global problems [1].

The influence of world economic relationships determines the interaction between domestic and international relationships and structures, creating a qualitatively new global economic structure. The influence of external, global factors becomes stronger than the influence of internal, national factors. It is through open national economies that the interaction between regional and global economic systems takes place [2].

Analyzing the statistical data, we see that between 1970 and 2008, until the global economic crisis of 2008-2009, the volume of trade operations increased steadily. The intensity of trade between the countries of the world increased, which was facilitated by the course towards liberalization of the trade order. The volume of annual export transactions at current prices in 2008 exceeded the analogous indicator in 1970 by about 51 times, reaching more than $16 trillion, while annual exports in 1980 compared to 1970 increased by 6.4 times; in 1990 compared to 1980 - by 1.7 times; in 2000 compared to 1990 - by 1.85 times; and in 2008 compared to 2000 - by 2.5 times. From 2011 (in 2011 exports exceeded the value before the 2008 crisis) to 2021, the volume of export operations increased by 1.2 times, from $18336849 million to $22343840 million. [1,3].

Today, the volume of world trade is about 45 times higher than during the initial period of GATT operation (for statistical analysis, the year 1950 is used), i.e. an increase of 4.500% between 1950 and 2022. The value of world trade has increased and is now almost 347 times higher than in 1950. In 2022, we see that the volume and value of world trade has increased by 4% and 6% respectively, on average since 1995, the year in which the WTO was established [1,4].

By 2008, an increase in openness (the sum of exports and imports of goods relative to GDP) was observed for several countries. Thus, this indicator at the global level increased in the period 1970-2008 from 19.3% to 51.1%, reaching its peak. Subsequently, in 2009 it fell to 41.7% as a result of the economic crisis, followed by a chaotic period of rise and fall: from 49.9% in 2011 to 42.3% in 2016, from 45.7% in 2018 to 42% in 2020. In 2021 the global openness ratio was 46.8% [5]. Table 1 analyses the evolution of international trade and GDP for the period 1960-2021.

Table 1 Evolution of international trade and GDP, years 1960-2021, %

Period	1960-1970	1970-1980	1980-1990	1990 2000	2000-2010	2010-2021
Average trade growth	9.41	20.42	7.34	7.09	10.16	5.55
Average global GDP growth	7.98	13.84	7.88	4.89	6.82	4.06

Source: elaborated by the author based on the [1, 3, 5].

Table 1 shows that the growth of the world's merchandise trade has reached a record low in the recent past. It is also observed that, on average, the growth of global merchandise trade has outpaced the growth of world GDP in most times. The decline in the utilization of cheap labor in developing nations and the reorganization of production chains inside transnational companies have been two of the factors contributing to the slowdown in the development of global commerce after 2010. Even while practically every nation engages in international commerce these days, a very small number of the biggest exporting corporations account for more than half of all exports worldwide. Over the period 1960-2021, global merchandise trade grew by an average of 9.37%, while global GDP grew by an average of 7.35% [1, 4, 5].

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The degree to which a country's economy relies on foreign trade is often assessed by the ratio of foreign trade to GDP. The significance of foreign trade for a country and its economic openness can be measured by the share of foreign merchandise trade in GDP (Table 2), making it a key indicator [6].

Table 2 Degree of trade openness of a number of countries, years 1960-2021, %

Year	1960	1970	1980	1990	2000	2010	2021
China	8.74	4.95	19.90	31.99	39.15	48.86	34.13
France	21.13	25.08	35.78	35.54	48.81	42.90	43.91
Germany	-	29.73	40.08	43.84	53.85	68.06	71.65
India	9.82	6.65	12.59	12.94	20.05	34.41	30.49
Italy	20.78	24.85	37.47	29.82	41.80	43.74	55.41
Japan	19.29	17.97	24.58	16.69	17.28	25.42	30.87
Republic of Moldova	-	-	-	-	96.94	77.36	75.45
Russia	-	-	-	-	57.72	42.58	44.85
United Kingdom	32.28	31.61	39.95	37.34	37.38	40.64	37.11
USA	6.63	7.98	16.89	15.27	19.91	21.58	20.11

Source: elaborated by the author based on the [1, 5].

Table 2 displays the increase in economic openness for China, the USA, Japan, and India. The historically more open European nations outperform these countries on that index. It is also clear that the economy of the Republic of Moldova is incredibly open. This degree of openness implies great risk for a small and fragile economy like the Republic of Moldova's.

Table 3 analyses the share of global trade for the selected countries.

Table 3 Share of selected countries in global trade, years 1960-2021, %

Year	1960	1970	1980	1990	2000	2010	2021
China	0.89	0.73	0.89	1.78	3.86	10.31	15.07
France	4.97	5.71	5.70	6.21	5.08	3.42	2.62
Germany	3.21	10.80	9.47	12.07	8.55	8.23	7.31
India	1.85	0.64	0.42	0.51	0.66	1.48	1.77
Italy	1.94	4.17	3.84	4.88	3.73	2.92	2.73
Japan	1.33	6.10	6.41	8.24	7.43	5.03	3.39
Republic of Moldova	-	-	-	-	0.01	0.01	0.01
Russia	-	-	-	-	1.63	2.62	2.21
United Kingdom	10.20	6.13	5.41	5.31	4.39	2.75	2.10
USA	16.11	13.64	11.08	11.28	12.12	8.36	7.86

Source: elaborated by the author based on the [1, 3,].

Table 3 shows China's consistent, significant, and upward trend; in 2021, it accounted for 15.07% of world commerce, down from 10.31% in 2010, despite a decline in economic openness from 48.85% in 2010 to 34.12% in 2021. Meanwhile, the US's percentage of world commerce has dropped to its lowest point in five decades, despite steady increase in economic openness that has been essentially unchanged over the previous 20 years. Due to its small proportion of international commerce and the ease with which commercial partners might migrate, the Republic of Moldova is even more susceptible.

The COVID-19 epidemic dealt a temporary setback to economic openness and globalization. Goods trade decreased by 7.19% in 2020 compared to 2019 but increased by 26.51% in 2021. Similarly, economic openness increased to 46.8% in 2021 after declining to

42% in 2020 from 44% in 2019. A stress test for the whole global trading system, the health and economic catastrophe associated with the COVID-19 pandemic has raised trade tensions between nations and caused significant disruptions to global supply networks. Global commerce initially decreased as a result of the epidemic, but the trading system showed surprisingly strong resilience throughout the crisis. Supply chains adapted swiftly, allowing essential medical supplies to flow across international borders, and several economies gradually started their recovery [7].

The conflict in Ukraine has had significant ripple effects, notably driving up both food and energy prices while diminishing real incomes worldwide. The disruption in trade from key suppliers like Russia and Ukraine, who together provided a sizable portion of global wheat, barley, and sunflower product exports in 2019, has been a major contributor to this turbulence. Merchandise trade expansion slowed to 4.4% in comparison to the second quarter of 2022. Energy costs soared dramatically, with September 2022 witnessing a 47% spike from the previous year and a staggering 125% surge since January 2021. Natural gas prices, in particular, saw a staggering 118% increase in September 2022 compared to the previous year and a remarkable 433% surge since January 2021, which in turn drove overall energy costs higher. While crude oil prices experienced fluctuations, they remained elevated, marking a 64% increase since January 2021. Global grain prices followed suit, rising by 21% in September 2022 compared to the previous year, with wheat prices leading the charge with a 24% hike. Fertilizer prices saw a worrisome 75% jump year-on-year in September, posing a significant threat to food security as higher costs may dissuade farmers, particularly in developing nations, from using essential fertilizers, ultimately leading to reduced crop yields. In tandem, food prices surged by 12% in September 2022 compared to the same period the previous year and by 19% since January 2021 [8].

The structuring of global commerce has facilitated the movement of commodities and services between sectors and nations while increasing their interdependence. Recent shocks have raised awareness of nations' mutual interdependence and emphasized the sensitivity of trade flows to trade restrictions. Changes in a country's trade policy, as well as external shocks like COVID-19, cause disruptions across the supply chain.

Trade concentration can be source of significant vulnerability, especially during a crisis, since the impact of crises might be exacerbated if manufacturing is restricted to a few regions. Trade protects individual economies against volatility and shocks by allowing for the diversity of supply and demand sources. However, when trade in some important items is concentrated on a global scale, this diversification route is weakened, and trade can worsen crises. These items can be described as having a small number of suppliers and few replacements, yet accounting for a significant part of world commerce.

Diavor (2022) has used the Hirschman Herfindahl Index to identify the sources of the vulnerability of the foreign trade of the Republic of Moldova that are caused by the structure of export and import, by analyzing products imported and exported at the HS6 level [9].

Korniyenko, Pinat and Dew (2017) investigate the vulnerabilities in global trade networks, particularly how localized supply shocks, like natural disasters, can disrupt supply chains. Utilizing a detailed international trade database, the authors analyze the ripple effects of such shocks on the import of specific goods. Their research identifies critical points of fragility and proposes policies to mitigate these risks. They introduce a novel approach using network analysis to assess the fragility of individual traded goods and construct a country-specific index reflecting vulnerability to supply shocks based on import profiles. This index helps pinpoint which products and countries are most at risk, highlighting the need for a deeper understanding of global trade interdependencies and the dangers of over-reliance on certain goods and trading partners. In their study, the authors used the following three dimensions to assess the fragility of world trade:

- Presence of central players: this dimension assesses the impact of key players within the trade network and how their position influences the overall system's stability.
- Tendency to cluster: this dimension looks at the formation of clusters within the trade network, which can indicate a higher risk of disruption if one node within the cluster is affected.
- International substitutability: this dimension evaluates the ease with which a product can be substituted internationally, which affects the resilience of the trade network to localized supply shocks.

These dimensions help in understanding the structural vulnerabilities of the global trade network and the potential for widespread impact from localized disruptions [10].

Reiter and Stehrer (2021) added two more components to developed a product riskiness index based on five components:

- outdegree centrality;
- clustering;
- international substitutability;
- the Hirschmann-Herfindahl index (HHI);
- nontariff measures.

This technique resulted in 435 of 4706 items being recognized as risky, of which 294 risky products are intermediate products and the remaining 141 goods are classified as final or consumption goods according, accounting for approximately 26% of global import values. The authors found that high-tech sectors (the manufacturing of computers, electrical equipment, machinery, motor vehicles, and so on are especially vulnerable because their imports contain a large share of risky products, they are relatively central in the global production network, and they have strong backward linkages [11].

A quantitative analysis based on external trade flows for over 5000 products reveals that the European Union (EU) depends significantly on imports from third countries for 137 products. These products are particularly sensitive and represent approximately 6% of the extra-EU import value of goods. The primary foreign sources for these dependent products are China (accounting for about half of the import value), Vietnam, and Brazil. These dependent products are primarily found in the energy-intensive industries ecosystem (including raw materials and chemicals) and the health ecosystem (including active pharmaceutical ingredients and related health products). Additionally, other inputs and products relevant to supporting green and digital transformation contribute to this dependency. Out of the 137 identified products, 34 (representing 0.6% of extra-EU import value) may be more vulnerable due to limited potential for diversification or substitution with EU production. Interestingly, the EU also serves as a source of dependency for important trading partners, including the United States. The analysis highlights both "reverse dependencies" (where the US relies on the EU) and "common dependencies" shared by the EU and the US concerning China and global trade [12].

According to Global Trade Alert (a trade-policy monitoring service at the University of St Gallen in Switzerland) in period 2010-2023 there have been 4525 state interventions that are harmful for trade in goods and 1589 state interventions that have been liberating trade in goods. Figure 1 analyses the number of state interventions for the period 2010-2023.

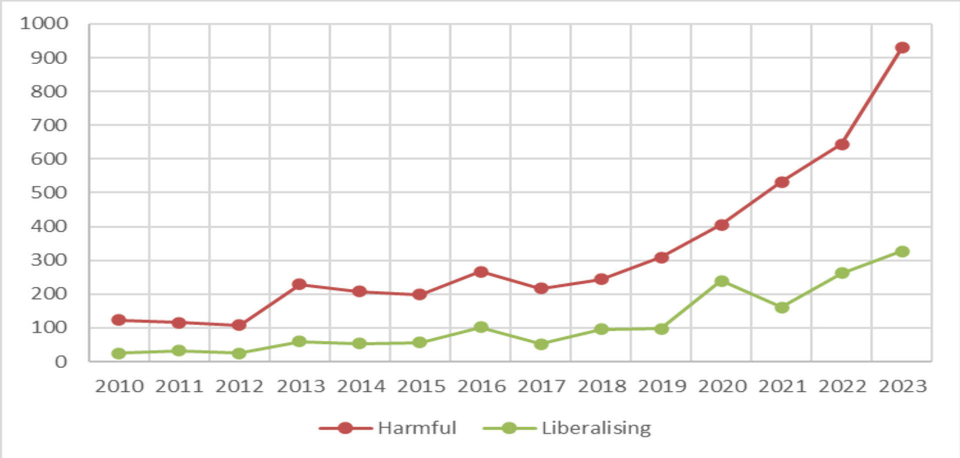

Figure 1. Number of state interventions per year (adjusted using 27 may as cutoff date)

Source: elaborated by the author based on the [13].

From figure 1 we can determine that the number of harmful state interventions have by far outpaced the number if liberalizing interventions, in particular during the pandemic. In 2023 the number of harmful interventions has grown by 44% compared to 2022.

Table 4 analyses the type of harmful policy instruments used in the period 2010-2023.

Table 4. Harmful policy instruments used in 2010-2023

Policy instrument	Number of interventions	share of total interventions
Subsidies (excl. export subsidies)	1379	30.47%
Contingent trade-protective measures	1177	26.01%
Export-related measures (incl. export subsidies)	789	17.43%
Tariff measures	577	12.75%
Non-automatic licensing, quotas etc.	242	5.35%
Government procurement restrictions	143	3.16%
Trade-related investment measures	99	2.19%
Instrument unclear	59	1.30%
Price-control measures, including additional taxes and charges	43	0.95%
G: Finance measures	10	0.22%
Pre-shipment inspection and other formalities	7	0.15%
Technical barriers to trade	1	0.02%
Total	4525	100.00%

Source: elaborated by the author based on the [13].

Analyzing table 4 we can determine that subsidies are the most often used instrument with 30.47% when excluding export subsidies and 47.9% when adding export subsidies. Tariff measures account for 12.75%. According to the UN-Library contingent trade-protective measures are defined as: “measures implemented to counteract adverse effects of imports in the market of the importing country, including measures aimed at unfair foreign trade practices, contingent upon the fulfilment of certain procedural and substantive requirements”. The steel and aluminum tariffs imposed by the US, as well as the tit-for-tat tariffs dispute between the

US and China are regarded as contingent trade-protective measures. Contingent trade-protective measures account for 26.01% of total harmful instruments used [14, 15].

The Inflation Reduction Act (IRA) was passed into law by President Biden in August 2022. The Act intends to promote investment in green technologies in the United States by dedicating approximatively $369bn in subsidies through grants, loans and tax credits to public and private businesses. The name "Inflation Reduction Act" is deceptive because it has nothing to do with reducing inflation, it in fact about subsidies domestic industries. The objective is to invest in American technology and manufacturing to boost the economy and minimize the United States' reliance on unstable single-source suppliers of certain commodities and materials, and it also involves reshoring supply networks. According to Martin Wolf "The US is undergoing a bipartisan shift, bringing into America industries in which China is or potentially will be dominant. Biden is doing it through subsidies. Trump did it through tariffs". Before the IRA the USA passed the Chips and Science Act. It is a significantly smaller industrial policy. It contains around $52 billion in incentives for semiconductor research and manufacture in the United States. According to Financial Times analysis, the IRA and the Chips Act combined to promote more than $220 billion in manufacturing, clean technology, and semiconductors, that will generate over 100000 employment. Martin Wolf considers that "It's pretty clearly a violation of the WTO. You could say by now, the WTO is moribund anyway. Who cares? But it's another nail in the coffin. The basic consensus was that the governments create the rules, the framework within which business operates. But governments aren't actually in the competitive arena with their money" [16, 17].

Some analysts perceive the IRA as a serious concern for the EU, worrying that its offerings might prompt a significant exodus of European businesses in clean hydrogen, carbon capture, and solar sectors to the United States. EU authorities are particularly alarmed about the automotive sector, as only electric vehicles (EVs) with a substantial portion of their parts originating and manufactured in North America will be eligible for the full $7500 subsidy for buyers. Tesla, in September 2022, opted to delay its intentions to produce battery cells in Germany to meet the criteria for US subsidies. Northvolt did not relocate its production plan from Germany to the United States. Despite considering a shift owing to incentives provided by the US Inflation Reduction Act, Northvolt opted to proceed with the construction of its EV battery factory in Germany. However, this decision was made only after Berlin, with the approval from the European Commission, had matched the offer from the US. This decision was supported when the European Union raised subsidies, allowing Northvolt to proceed with its gigafactory in Heide, Germany. The German state assistance package agreed for Northvolt is part of the EU's attempts to keep investments in Europe and promote green industrial projects [18, 19].

In October 2021, the global minimum tax agreement was first reached as part of the OECD/G20 inclusive framework on tax base erosion and profit shifting (BEPS), following extensive negotiations. This pact, supported by over 140 nations, mandates that multinational corporations pay a minimum 15% tax on their global profits, aiming to thwart profit shifting to low-tax jurisdictions. The objective is to create a fairer and more uniform taxation system for multinational enterprises worldwide, potentially yielding an extra $150 billion annually in global tax revenues. The regulations target multinational companies with yearly revenues surpassing €750 million and are anticipated to notably curtail profit shifting practices, as per the OECD. This reform aligns with broader endeavors to modernize the international tax structure and counteract tax avoidance tactics. Should the global minimum tax, which is being negotiated by 140 countries, be implemented the measures would boost tax competitiveness

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across jurisdictions not by lower tax rates, but via credits, grants, or subsidies, thus shifting from tax competition to subsidies and credits. Countries would collect more tax income and then use those incomes to subsidies companies [20,21].

A recent paper by Evenett, Jakubik, Martín and Ruta (2024) found that industrialized economies are driving the recent surge of new industrial policy action, with subsidies being the most often used instrument. Emerging and developing economies are more likely to apply trade restrictions on imports and exports. The authors also find from recent statistics from China, the European Union, and the United States that there is, on average, a 73.8% chance that if one major economy provides a subsidy for a certain product, another will grant a similar subsidy for that product within a year [22].

The growing number of subsidies and sanctions demonstrates the disintegration of what is commonly referred to as the "international rules-based order." Organizations like the WTO were formed to remove barriers to trade and money movement, so stimulating commerce and investment. However, this tendency is now reversing, with new barriers arising as the current regulations erode. This unpleasant retrograde move, which we may refer to as "deglobalization" for want of a better name, is beginning to show up in economic figures, as investors alter asset values and shift money in expectation of a less linked world.

The WTO's Appellate Body, though not widely known, is crucial and its absence will be felt. Established in 1995, it adjudicates trade disputes and authorizes proportionate countermeasures for violations. Its verdicts are adhered to by 164 members, averting major trade conflicts, such as the intense disagreement between the US and the EU regarding Boeing and Airbus subsidies. It has served as the ultimate authority in over 500 cases.

Countries generally favor impartial decision-makers until adversely affected by a decision. Discontent in the US is not new; previous administrations have attempted to sway decisions by hindering the reappointment of judges. The WTO is cumbersome; in an ideal scenario, rules would be revised periodically to allow for modernization and addressing of unfavorable decisions. However, the WTO's membership has grown since 1995, and unanimous consent required for changes has made it difficult to adapt the rules to new challenges, like those presented by China's state-driven economy since its accession in 2001. Consequently, dissatisfaction has grown [23].

The Appellate Body hast been inactive since 30 November 2020. In late April 2024, America vetoed a move at the World Trade Organization to fill vacancies on the panel. Two years ago, during one of the WTO's biannual summits, members agreed to restart the dispute-resolution mechanism, to this date they have failed to do so.

In exchange for providing much-needed loans to developing countries, the IMF and the World Bank require creditor nations to implement structural adjustment programs. These neoliberal policies, collectively known as the "Washington Consensus", were introduced in the 1990s. John Williamson, an IMF adviser in the 1970s, devised and codified the Washington Consensus. Although officially aimed at reforming the internal economic mechanisms of debtor countries to facilitate debt repayment, the WC terms effectively resulted in a new form of colonialism. The ten points of the WC included fiscal discipline, reduced public expenditure (especially in the military and public administration), tax reform, financial liberalization, competitive exchange rates, trade liberalization, promotion of foreign direct investment, privatization of state enterprises, deregulation of the economy, and protection of property rights.

On a regional level, multilateral organizations and agreements have proliferated. Regional clubs like APEC and ASEAN have emerged globally, leading some to speculate that

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regional networks may eventually replace nation-states as the fundamental unit of governance. For instance, the European common market, initiated in 1950, has evolved into a close-knit community of twenty-eight EU member states, currently 27, with shared political institutions and binding security arrangements. Additionally, global organizations such as the UN, NATO, WTO, and OECD have been established by governments, but their decision-making authority lies with representatives from national governments. The rise of these transnational bodies reflects the challenges faced by nation-states in managing complex social interdependencies [24].

We emphasize that there have always been and will continue to be contradictions between the highly developed countries in the North and the developing countries in the South. The South's peripheral nations are progressively being ensnared in the globalization and international system, while the disparity in development between them and the North continues to grow. Developing nations said at UNCTAD as early as the mid-1970s that they wanted the international trading system changed to fully support development objectives. The New International Economic Order (NIEO) was presented as a UN political effort by the G77, a grouping of 134 nations from the Global South. The NIEO initiative aimed to undermine Northern protectionism, strengthen the South's position in international institutions, and promote stability and diversity in Southern economies through the development of new institutions [25].

The UN General Assembly adopted a resolution named "Towards a New International Economic Order" in December 2022, advocating for the revival of the 1970s New International Economic Order. The voting pattern on this resolution closely resembled the Brandt Line, dividing the Global North and South. Notably, the United States, Canada, Japan, South Korea, Israel, New Zealand, Australia, and Europe opposed the resolution, while the rest of the world, except for Turkey which abstained, supported it.

The increasing use of the term "Global South" reflects dissatisfaction with the current global system and underscores the need for disenfranchised nations to collaborate for change. Leaders from the Global South have shown a renewed willingness to oppose Western interests. Nonalignment has reemerged as a foreign policy doctrine in Latin America and Africa, hindering Western efforts to achieve global consensus on issues like the conflict in Ukraine.

The BRICS group, initially consisting of Brazil, Russia, India, China, and South Africa, expanded in 2024 to include Egypt, Ethiopia, Iran, and the United Arab Emirates, forming BRICS+. Their objective is to diminish U.S. dominance in the global financial system by diversifying away from the U.S. dollar and SWIFT payment system. They've also established new international financial institutions like the New Development Bank, positioning BRICS as a potential counterbalance to the G7 and other Western forums.

Countries in the Global South are increasingly seeking accountability from the Global North through international bodies, as seen in cases brought by South Africa and Nicaragua to the International Court of Justice concerning the Israel-Hamas conflict.

While many Global South countries share similar views on global structures, there are significant differences in their positions. Despite both being part of BRICS, India and China are engaged in a competitive rivalry for influence over the Global South. Some experts also refer to a “South within the Global South”, comprising smaller and less affluent nations dominated by larger powers like China and India, reflecting disparities similar to those between the North and South globally [26].

The International Monetary Fund has noted a shift in the patterns of foreign direct investment (FDI), with investments increasingly directed towards countries that share

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geopolitical alliances, rather than those in close geographical proximity. This trend is particularly evident in strategic industries, where geopolitical considerations are paramount. Emerging economies are particularly vulnerable to this shift, as they often depend on FDI from geopolitically distant nations. The potential fragmentation of FDI due to rising geopolitical tensions could lead to substantial economic losses globally, with emerging markets facing the brunt of the impact.

The IMF developed a scenario in which the world splinters into a US-centered bloc and a China-centered bloc, with both India and Indonesia, as well as Latin America and the Caribbean remaining nonaligned, and 50 percent decline in investment input flows between China and US blocs, resulting in global output being about 1% lower after five years. Global production losses grow as the impact of weaker investment input flows on capital stocks and productivity adds up, with long-term output falling by 2%. The losses for the US would be about 0.6%, for the US-EU bloc - about 1.8%, while for China the losses would be about 2.2% and for the China-Asia bloc - about 6.5 % [27].

The frequent occurrence of internal and external shocks, such as trade disputes, pandemics, and geopolitical wars, has prompted worries about trade stability and security. Several countries have implemented supply chain measures and policies in order to maintain the stability of their supply networks and reduce vulnerability. Such methods may include efforts to reshore or regionalize production. This is less of an option for developing countries, which are somewhat technologically disadvantaged and rely on importing high-tech goods to compete in the global market.

Western nations are increasingly embracing policies that encourage the relocation of key industries to more politically aligned countries, a concept known as “friendshoring.” This trend, along with related concepts such as “nearshoring,” “derisking,” and “decoupling” from China, is becoming popular among economic policymakers.

Friendshoring occurs when governments encourage companies to modify their supply chains, moving production from geopolitical adversaries to allies. An instance of this is the recent prohibition by the Biden administration on U.S. investments in Chinese tech firms. Friendshoring shares similarities with nearshoring, which involves bringing production geographically closer to the consumer market. Both strategies are designed to enhance trade security. However, they come with a trade-off: prioritizing political considerations over economic efficiency can lead to less efficient production. Nevertheless, proponents believe the trade-off is justified to lessen reliance on antagonistic nations. This viewpoint was reinforced when Russia halted its gas supplies to pressure the EU over its support for Ukraine following the 2022 war, and by the escalating tensions between the U.S. and China.

According to a European Central Bank poll, geopolitical concerns are prompting more multinational corporations to announce plans to relocate manufacturing to nations politically closer to their end markets. The ECB discovered that nearly four times as many European companies claimed they would relocate manufacturing to politically favorable nations — a pattern known as "friend-shoring" — as had done so in the previous five years. While 42% of the 65 businesses questioned by the ECB said they planned to increase production in politically friendlier regions, 60% said changes to their supply chains and manufacturing. Locations had driven up prices during the last five years [28].

We observe that there are an increasing number and variety of global concerns. The difficulties at hand have been referred to as "polycrisis". The World Economic Forum defines a "polycrisis" as a collection of connected global hazards with combined consequences greater than the sum of their individual parts. Present and future risks can interact with one another to

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generate a "polycrisis". A global polycrisis will have the four basic properties of systemic risks: extreme complexity, high non-linearity, cross-border causality, deep uncertainty, while exhibiting causal synchronization between risks [29, 30].

CONCLUSIONS

The extensive analysis of data underscores the significant influence of globalization on our world across various domains such as economies, politics, and societies worldwide. From the evolution of local economic activities to today's interconnected global trade networks, globalization has experienced phases of rapid integration and moments of pullback. Recent increases in cross-border flows of goods, capital, information, and people have presented both opportunities and challenges, showcasing the dynamic nature of globalization. However, this interconnectivity also exposes vulnerabilities, as seen in events like the COVID-19 pandemic and geopolitical tensions. Disruptions in global supply chains, trade disputes, and the rise of protectionism highlight the fragility of our interconnected world. Additionally, the rise of "deglobalization" poses risks to global stability and prosperity by erecting barriers to trade and investment.

The evolving landscape of global commerce, characterized by changing trade patterns, regional alliances, and geopolitical rivalries, has spurred calls for reforming international institutions and trade agreements. The effectiveness of bodies like the WTO's Appellate Body is hindered by challenges such as vacancies, procedural disputes, and criticisms of overreach. The research underscores the implications of the Appellate Body's paralysis on global trade stability and legitimacy, emphasizing the need for urgent reform. Subsidies have become a significant concern in contemporary global trade, with both developed and developing economies employing them to enhance competitiveness or support key industries. The stalled dispute-resolution mechanism and the resurgence of regional blocs like BRICS reflect a shifting global economic governance order. Initiatives like the BRICS+ alliance and efforts to revive the New International Economic Order signal developing nations' aspirations to challenge existing power dynamics.

Furthermore, the concept of "friendshoring" and the trend towards reshoring or regionalizing production underscore the growing influence of geopolitical factors on economic decisions. As nations confront a "polycrisis" of interconnected global risks, cooperation, resilience, and adaptability are essential in shaping the future of globalization and international trade. The numerous contradictions and conflicts in international relations highlight the need for new solutions to address vulnerability in international trade, especially for developing countries like the Republic of Moldova.

Navigating the complexities of globalization requires a concerted effort by the all the international actors to address its challenges while leveraging its opportunities. By embracing cooperation, resilience, and adaptability, nations can work towards a more inclusive and sustainable global economic system that benefits all stakeholders.

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