Alterglobalization via the inclusive circular economy paradigm

Abstract. The article is devoted to a study of economic imperatives of alterglobalization from the point of view of various scientific schools. The indicators of global development are analysed and the idea of free market self-stabilization has been verified in the context of the implementation of the Washington Consensus. The research is focused on the basic critical remarks to the processes of globalization, in particular on the phenomena of capital outflow and non-competitiveness as factors of its divergence. It has been determined that the trend towards globalization of international markets leads to a fundamental contradiction in which inequality inherent in this market contributes to increasing inequality in the developing world. It has been proved that the current model of economic globalization has some negative aspects characterised by sharp conflicts between different actors of global international relations. Actualization of the new alternative model of the world economy as a new stage of the process of economic transformation is required. It is pointed out that a circular economy is a new economic model which emphasises the reuse of materials and creation of added value through services and smart solutions. In this context, it is shown that such an integrated approach can help to understand how to maximize potential benefits, prioritize and offer different welfare models that can be obtained in a healthy environment. Ultimately, an inclusive circular economy must provide not only jobs and income, but also health, the environment and the future.

Keywords: Alterglobalization; Capital Outflow; Circular Supply Chains; Decoupling; Global Competitiveness; Global Inclusive Circular Economy; Noncompetitiveness; Circular Supply Chains

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Globalization creates the countries threats and new opportunities, and the balance between positive and negative effects is constantly changing. The reality is that globalization is an objective and absolutely inevitable phenomenon of the present that can be slowed down by means of economic policies (which happens in some cases), but cannot be stopped or cancelled because it is an imperative requirement of scientific and technical progress and modern society. Countries must respond to globalization processes adequately, adapting to the new conditions and take advantage of the internationalisation of the world economy.

The neo-liberal model has created a differentiation of the world by countries that get benefits from globalization and those countries that lose as a result of globalization. There are difficulties in adapting to the challenges of globalization for developing countries and for transition economies due to the lack of funds and the imperfection of national legal, economic and regulatory systems, and market institutions. This forces the countries in transition and the developing countries to adopt the rules of the game offered by stronger players in the world economy. The crisis contributes to rethinking the modern model of globalization and encourages the development of new strategic decisions and models of both economic and world development. The crisis of changing the world order has revealed the shortcomings of the current economic system and the urgency of alternatives to the world development.

2. Brief Literature Review

G. Pleyers defines that alterglobalization provides a comprehensive account of critical global forces and attempts to solve one of the major challenges of our time — building of a fairer, sustainable and more democratic co-existence of human beings in a global world [1]. D. Held focuses on elucidating leading theoretical approaches to understanding and explaining globalization, in both its current form and potential future shapes [2]. D. Held and U. Beck examine competing explanatory theories of globalization in its contemporary form, and their implications for the future of globalization [3]. An argument in favor of F. Fukuyama’s thesis is the democratic peace theory, which argues that mature democracies rarely or never go to war with one another. This theory has faced criticism, with arguments largely resting on conflicting definitions of «war» and «mature democracy» [18]. K. Schwaub and X. Sala-i-Martin research how to build a more prosperous and inclusive world for everyone: as a flagship effort of the economic growth and social inclusion, they research the global competitiveness as a tool for public-private collaboration on long-term competitiveness agendas [8].

3. The purpose of this article is to define economic imperatives of alterglobalization from the point of view of various scientific schools, to verify the phenomenon of capital outflow, the idea of free market self-stabilization and the effect of noncompetitiveness as divergence factors of globalization and develop an alterglobal model of the world economy as a new stage of the process of economic transformation via the cumulative circular economy paradigm.

4. Results

Globalization of the economy intensifies stratification within developing countries, especially the poorest. The tendency to globalization of international markets leads to a fundamental contradiction: the inequality of these markets exacerbates inequality in developing countries. The unjust distribution of the benefits of globalization poses a threat of conflict at the regional, national and international levels. The world economy is increasingly polarized, economic activity and related profits are concentrated in thirty or so key countries [Pleyers, 2013]. Critics of globalization is based on non-recognition of its favorable effects because the forces of global economic transformations oppose the use of global regulatory instruments; this contributes to the creation of transnational entities whose actions reduce the stability of state social structures; are not relevant to public needs and uncontrollable [Stiglitz, 2003].

Stratification of the world community as an expression of globalization

Not all integration efforts lead to unifying outcome — powerful and developed counties support and protect their own economic potential, in spite of globalization. The information revolution did not provide equality between countries. The marginalisation of developing countries increases in the global economy - developed countries, in fact, leave the majority of mankind beyond economic progress [Held, 2007]. For last 1,000 years, the world population has risen by 22 times, income per capita increased by 13 times, world GDP - by 300 times. This is very different from the previous millennium, when the world population grew by a sixth, and there was no advance in income per capita. From the year 1,000 to 1820 most of the growth went to accommodate a fourfold increase in the population. Since 1820, world development has been much more dynamic. Over the long run, it has affected the increase in life expectation. In the year 1,000, the average infant could expect to live about 24 years, a third would die in the first year of life; hunger and epidemic
diseases would ravage the survivors. After 1820 the rise in life expectation and income has been most rapid in Western Europe, North America, Australasia and Japan (Figure 1). By 1820, this group had forged ahead to an income level twice that in the rest of the world. By 1998, the gap was 7:1. Between the USA (the world leader) and Africa (the poorest region) the gap is now 20:1, and it is still widening. Divergence is dominant. The world economic growth has slowed substantially since 1973, and the Asian advance has been offset by stagnation elsewhere (Maddison, 2001; Robertson, 2003).

The global phenomenon of noncompetitiveness and capital outflow

In the leading countries of the world, efficiency arises in rather large production zones which, resulting from the opening of borders, become noncompetitive for foreign exporters due to a low level of costs (Held, 2007). The Global Competitiveness Report 2017-2018 (Figure 3) shows that productivity
and growth are not picking up in advanced economies today, and the consequences of low and even negative productivity growth are now evident in many emerging economies. The great recession led many advanced economies to implement very loose monetary policies, which in turn fuelled a global commodities boom that masked many of the competitiveness challenges of commodity-exporting emerging markets. Vulnerability to commodity price fluctuations in emerging economies and the promises of the Fourth Industrial Revolution underscore the importance of innovation as a source of competitiveness and economic diversification to reignite growth. As a new wave of technological convergence and digitalization materializes in the Fourth Industrial Revolution, innovation and business sophistication, understood as the process of creating new products and services and finding new ways to produce things, are becoming increasingly important (Schwab & Sala-i-Martin, 2016; International Monetary Fund, 2017).

For the eighth consecutive year, Switzerland tops the GCI, achieving an even higher score than in previous years. The United States remains stable overall in the 2nd position, showing improvement in areas including macroeconomic stability, resulting from a declining budget deficit. The macroeconomic situation continues to undermine Japan’s competitiveness performance, although the situation has improved over the past year (16 places up) thanks to a lower, yet still very large, budget deficit. China retains its 27th rank for the third year in row, its overall score improves, thanks to progress in some of the more sophisticated areas of competitiveness that contribute to shaping the country’s innovation ecosystem. India’s competitiveness has improved across the board, in particular in goods market efficiency, business sophistication, and innovation. Considering the unstable geopolitical situation in neighbouring countries and the pressures from migration, Turkey accounts for 56 percent of all registered Syrian refugees - the country has proven economically resilient. Brazil is driven mainly by deteriorating goods, labour, and financial markets (Schwab & Sala-I-Martin, 2016).

The most rational is the formation of a free market for goods but not for capital, because capital is unstable in nature and requires state control - at least over exchange rates (Goldberg, Pavcnik, 2007). Eurozone’s current account surplus fell to EUR 28.1 billion in June 2017 from EUR 41.5 billion in the same month of the previous year, as the goods surplus narrowed to EUR 32.3 billion from EUR 39.5 billion in June 2016 and the services surplus declined to EUR 4.6 billion from EUR 7.2 billion. The current account surplus in the Euro Area averaged EUR 5.72 billion from 1999 until 2017, reaching an all-time high of EUR 44.72 billion in March 2017 and a record of EUR 28.51 billion in January 2008 (Figure 4) (Euro Area Current Account 1999-2018, 2018).

The United States has the world’s largest trade deficit. It’s been that way since 1975. The deficit in goods and services was USD 984 billion in 2018. The deficit occurs because the U.S. government spending of USD 4.407 trillion is higher than its revenue of USD 3.422 trillion. The second largest trade deficit is USD 61.98 billion with Japan in 2017. The world’s fifth largest economy needs the agricultural products, industrial supplies, aircraft and pharmaceutical products that the U.S. makes (Amadeo, 2018).

Globalization provides access to rich and fair markets for dumped goods from countries with low-cost labour that lead to outflow of free capital to developing countries and loosen the position of developed countries (Wallerstein, 2000). FDI is typically less volatile than foreign portfolio investment. FDI also contributes to the transfer (spill-over) of technology and improvement of labour and management skills. Sustained increases in FDI inflows are often a sign of an improved investment climate (Figure 5). The FDI in Ukraine fell abruptly after the onset of the conflict with Russia. Despite the macroeconomic stabilization and some improvements in the business environment in Ukraine, security issues are said to prevent the FDI from recovering. However, it is important to realize that most of the pre-war FDI probably originated in Ukraine and came through special purpose entities. While the uncertainty around the military conflict with Russia limits investment, the Ukrainian government will have to address the long-standing obstacles to the FDI if it hopes to increase the odds of attracting genuinely foreign capital into the country (Averchuk, 2017). Alterglobal transformation via the paradigm of the circular economy

The main problem is to find a relationship between globalization and westernization: a) globalization is a larger concept

![Fig. 4: Current account balance, USD billion](image)

Source: Compiled by the authors based on [12]

![Fig. 5: Foreign direct investment, net outflows (% of GDP)](image)

Source: Compiled by the authors based on The World Bank, 2018

Krysovatyy, A., Moki, A., Zvarych, R., & Zvarych, I. / Economic Annals-XXI (2018), 174(11-12), 4-9
than westernization and is almost equal to the modernization process; b) globalization as a global diffusion of western modernism and western institutions (Robertson, 2003). The main discussion focuses on the ability of the non-Western world to enter the phase of globalization, without affecting westernization and conservation of its own culture.

The paradigm of the circular economy is a production model aimed at the supporting sustainable economic development without harming the environment. Thus, it is increasing the overall efficiency rather than reducing inefficiencies. A circular economy is described as regenerative and holistic reality. In realisation of the sustainable development goals, a circular economy becomes inclusive and provides access to the benefits of such an alternative vector of global economy for everyone. Constancy, environmental and social opportunities are an incentive for implementing positive results of Industry 4.0.

The basic idea of an inclusive circular economy is the respectful use of both material and human resources. According to the preconditions of inclusive and circular economy, inclusive growth should base on human capital instead of the extraction of the natural resources (Wysokińska, 2018) (Figure 6).

The central point in Figure 6 is the necessity to use all types of natural resources in a much more effective way than before. Hence, we are talking about decoupling. We consider decoupling as a necessary condition in the transition to the global inclusive circular economy (Tong, Wang, Chen, 2018). Consequently, decoupling is an ability of the economy to grow without an appropriate increase in the use of energy and resources (Krysovatyy & Zvarych, 2018).

According to our point of view, the global inclusive circular economy is low carbon, effective and «clear» in production, which includes consumption and results based on exchange, circularity, cooperation, solidarity, sustainability, opportunities and interdependence, diversifying the choice for national economies, using targeted and appropriate fiscal and social policy, supporting strong institutions specially aimed at protecting social and environmental foundations, which, in fact, extends the ways of sustainable environmental development in conditions of circularity and inclusiveness (Figure 7).

An important point in a circular economy is the meso-level of such an activity. Thus, solutions that lead to a positive effect in circular supply chains are better than an individual actor. In this way, the global circular economy requires the implementation of the four main stages aimed at overcoming the gap (degree) of circularity: creation of a global circular coalition with a common philosophy; development of a global integrity and order of action; achievement global goals - local actions; creation of circular systems (Krysovatyy & Zvarych, 2018).

However, economic imperatives of alterglobalization outline that the global form of decision-making creates numerous specific problems. The disadvantages of globalization include social inequality, degradation of the environment, production fragmentation (elimination of jobs and unemployment in developed countries), lower competitiveness of industrial and agricultural enterprises in developed countries (poor life quality of workers in developed countries), impact on culture (culture also imported and exported along with the globalization of the economy) (Soskin & Matviychuk-Soskina, 2014). Alterglobalization gradually forms a new ideal as a challenge and idealize the convergence model, based on the articulation of differences instead of homogenization (Figure 8).

The modern alternative global movement is aimed at saving the process of globalization, yet it redirected the way of minimizing the radicalization of existing global problems (Zvarych, 2018). The alterglobal model should be based on new principles of functioning of the world system and be grounded on the principles of social partnership, social protection and institution of a social state.
6. Conclusions

Economic imperatives of alterglobalization require that the model of the world economy must absorb all the positive qualities inherent in globalization and, at the same time, offer solutions of current problems and gaps. Alterglobalization should be understood as a process of international integration in which democracy, economic justice, environmental protection and identity dominate the economic processes. Therefore, it is the process of economic integration and unification under conditions of preservation of ecological, political and cultural identity and originality. The inclusive circular economy must provide not only jobs and income, but also the environment and the future.

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