ASHUES - CALL FOR PAPERS 2020

“NEW CHALLENGES FOR
GLOBAL ECONOMIC DEVELOPMENT
AND LEADERSHIP IN THE AGE OF “SLOWBALISATION” AS THE
NEW GLOBALISATION

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ASHUES’ call for papers for 2020 refers to the trends in the world economy and the risks to which it may be subject. Climate change represents about half of the most likely global risks identified by the Global Risks Reports of the World Economic Forum (WEF) in Davos 2020. All five most likely risks facing the world economy in 2020 have to do with climate change, according to the 2020 edition of the Report. Of all, the risk of extreme natural phenomena has the highest probability of realization, according to the answers of WEF members to the survey on which the conclusions of the cited report were based. It is for the fourth consecutive year that this risk is considered most likely, as shown in the diagram below.
The second most likely risk is the failure of action against climate change, followed by natural disasters and biodiversity loss. The fifth most likely risk is man-made environmental disasters. The existence of the two major risks highlighted among the five most likely reveals the insufficient political capacity to control them.

The risks reveal not only that human society can easily fail to control climate change, but also amplify its effects – found most of the 800 leaders who were interviewed for the WEF report. The phenomenon is taking place in an increasingly volatile geopolitical environment, “in which states are pursuing certain opportunities and challenges” through unilateral lenses, more and more, in order to gain new positions of power, according to Børge Brende, WEF president.

“The picture of global risks is under the influence of geopolitical unrest to a significant extent, in a world where new centers of power and influence are being formed, and old alliances and global institutions are being tested,” the WEF president concluded in the introduction.

In this context, “strong economic, demographic and technological forces are seeking a new balance,” on which the fate of the world will depend.

And the political world is showing persistent inertia since climate change has been dealing with half of the most likely global risks identified by WEF reports for the last 10 years.

Moreover, the WEF report proposes a map of the interconnections between the 30 identified risks, which shows the complicated mechanisms in which the company’s forces are involved. The participants in the WEF survey were asked to name the six most important risk pairs that they consider to be the most strongly linked. And the risk of a possible failure to combat climate change is at the heart of the interdependencies between all global risks.

Social instability is one of the most prominent risks to the failure of human action, directly through involuntary migration and, indirectly, through food and water crises, but also through the risk of government failure.

Map of global risk interconnections in 2020
On the risk map, the power of the link between the risk of failure of action against climate change and that of failure of global governance (a kind of another definition of the absence of peace), on which interstate conflicts depend, is central. Social instability also depends on the failure of national governments, and there is an equally strong link between unemployment and adverse developments in technological development, as well as between cyber-attacks and the collapse of IT infrastructure. The structure of the world’s balances follows, in essence, the structure of the risks to which it is exposed. The conclusion of the World Economic Forum in Davos on Europe is that the crisis in Europe is far from over and has not even reached its peak. Barry Eichengreen, an American economist, said at WEF 2020: “Nothing has been solved in the euro area, where markets have gone from exaggerated pessimism to unfounded optimism.” Until then, however, one of the biggest risks for Europe is that leaders and politicians will get involved in the current situation. These are the conclusions that emerge from the discussions at the World Economic Forum in Davos, an annual meeting between the political elite and the business community.

“There is a clear difference between the financial markets, which I think have solved many problems, and the people in the real economy, especially governments. It is very dangerous to announce the end of the crisis, because that would compromise the image that companies, the population and the unions have to have about the crisis in order to get over it,” said Anders Borg, Swedish Minister of Finance. The statements were made after a closed-door meeting between the heads of some of the world’s largest banks, government officials, central bank governors and representatives. Thomson Reuters wrote immediately after the end of WEF 2020. Sweden is not a member of the Eurozone, the center of the European crisis, but Borg is one of the most outspoken critics of the way the monetary union leadership handled the crisis that erupted in 2009. The Swede’s warning is reinforced by that of Canada’s central bank governor, Mark Carney, who called for caution. The idea that is attracting more and more followers is that Europe has overcome the hardest part of the crisis. The wave of optimism that has begun to surround the Eurozone crisis is based on calm in the markets, which came after European Central Bank President Mario Draghi announced he would do anything to protect the Euro. Carney, who will take over as governor of the Bank of England this summer, has warned that central banks cannot remove all dangers on their own.
Also from the bankers’ camp, a director of a European bank also stressed that the optimism in the financial markets is exaggerated and the idea that the risk of the Euro area collapsing no longer exists is beyond the bounds of reality. “The crisis is not over and the idea that the dangers have passed is a dangerous one,” he said on condition of anonymity.

The economist Barry Eichengreen is also cautious, studying in detail the causes of the Great Depression of 1919-1939. He warned that the turmoil in the Eurozone could easily erupt again this year if European leaders do not act faster.

“Nothing has been resolved in the Eurozone, where markets have shifted from exaggerated pessimism to unfounded optimism,” Eichengreen said quoted by the AP.

Draghi predicted, at the same time, that the Eurozone economy would recover from the second half of this year and spoke of “positive contamination in the financial markets.” “None of the big problems have been solved. There is no economic growth in Europe. Even Germany is on the verge of recession. The banking union does not exist. There is as much agreement for its completion as it was last year and this is why the markets will lose their patience and the crisis will return,” Eichengreen said, noting that Europeans will soon be violently removed from their complacency and the markets will return to volatility. It has been accentuated since the first half of last year.

Eichengreen, a professor at the University of California, studied the possibility of the Eurozone collapsing long before the crisis broke out. His conclusion was that leaving the monetary union would be disastrously costly and would cause chaos for any state that goes through such an experience.

German Chancellor Angela Merkel has rejected a call by Spanish Prime Minister Mariano Rajoy for countries with strong financial power in the Eurozone to support the region’s economic growth, writes Bloomberg. Merkel, who was in Santiago, the capital of Chile, for a meeting of European and Latin American leaders, said Eurozone countries must focus on both fiscal consolidation and economic growth. Rajoy said, at the same time, that countries with funds should use them to stimulate economic growth in monetary union. “There is no such thing or another. Confidence can grow if you have solid finances, on the one hand, and on the other, a reform structure that will allow the economy to grow. We are trying to make a contribution,” Merkel said after a meeting with Chilean President Sebastian Pinera. For her, budget consolidation and growth are “two sides of the same coin.”

In addition to these risks to which the world economy is exposed, the spread of the COVID 19 coronavirus epidemic, which began in early 2020 and caused turmoil in the financial markets, has recently shaken the global system, with expected effects on the world economy as a result of measures taken to manage the medical crisis.

Many of the investors surveyed on COVID 19 reported supply problems, potential price increases and a worsening of the financial deadlock, according to a barometer conducted by the consulting firm Frames, quoted by Mediafax.

“The Covid-19 epidemic is a significant test for the world economy, one that, unlike the SARS episode, is now much more interconnected, with China as the main player in international trade chains. Growing supply problems, especially in China, the world’s largest exporter, significant fluctuations in resource tariffs, such as oil, gas, copper, etc., are likely to generate prospects for a potential crisis, exacerbated by significant declines in globally consumption, the main economic engine,” say the analysts quoted by the Frames barometer.

For the last ten years, world politics has been the scene of global developments. After September 11, 2001, the global system was forced to face a security crisis, and therefore with the emergence and spread of Daesh, the global security crisis deepened. In 2008, the whole world faced a global financial / monetary crisis. Despite a period of more than a decade since then, the global system, instead of improving, has had a negative trend, with economic
indicators starting to reverse again. And finally, while the US-China trade wars in recent years have threatened the global economic order, expectations of a new global crisis have risen. According to the blackest scenario analyzed by Bloomberg, the economic effects could include recessions in the United States, the Euro area or Japan, but also the lowest value of economic growth ever recorded in China. In total, about $2.7 trillion could be the loss in world production – the equivalent of Britain’s gross domestic product. However, if China manages to keep the epidemic under control and companies resume global activity at normal levels in the second quarter, the impact on the world economy may be limited.

Global political crises, the fact that international institutions have begun to fail and deep issues, such as the Syrian crisis, have called into question the future of the global system. However, no one has interpreted these issues, estimating a pessimistic and uncertain future for the global system. But the coronavirus epidemic suggests a much deeper crisis than expected and makes the future of the global system increasingly uncertain.

The fact that China’s growth figures have been reversed, that production in certain sectors in China has stopped, stopping the engines of the European economy such as Italy, France, Germany and Spain, due to the coronavirus epidemic, also mobilized players such as the US. Despite the huge $700 billion intervention by the US central bank, the markets did not respond positively to this intervention. Kennet Rogoff, a leading expert in the field who had previously been a senior adviser to global economic organizations such as the IMF, said the world economy would gradually shrink and enter a recession. The Oxford Economics Research Institute also noted that developing countries with external debt will have difficulty paying their debts.

On the other hand, the US central bank will implement a monetary expansion policy, a method that is not used very often. And France has announced that it intends to allocate a huge budget of 500 billion Euros to fight coronavirus.

Being a rapidly evolving and unpredictable situation, economists have not provided definite data on the exact effects that will be felt in the financial markets. According to data from the Organization for Economic Co-operation and Development (OECD), the world economy will record the lowest value of economic growth since 2009. OECD experts have revised the growth forecast for 2020 to only 2.4%, compared to 2.9% as shown data presented in November 2019, writes BBC.

However, economic data could be more worrying if the epidemic turns out to be a long-term one that could take a more aggressive turn. Under these conditions, experts show that 2020 will register an economic growth of only 1.5% against the decisions of companies to suspend the activity due to the isolation of employees at home.

The latest estimates from the International Monetary Fund (IMF) indicate a transitional impact of this epidemic on the evolution of the world economy in 2020 (declining annual growth rate of the economy by 0.1 percentage points to 3.2%). In fact, the confidence indicators in the main economic blocs of the world have evolved mixed in the recent period. In the first phase of the epidemic, there was a crisis of “demand” in certain areas such as transport or tourism, but also in consumption. Tourism and transport are two areas significantly affected by the coronavirus epidemic that has spread alarmingly globally at the beginning of 2020. Furthermore, depending on the evolution of the situation, there may be a crisis on the “supply” because the activity of many companies is disrupted. In fact, car or electronics manufacturers are already announcing that they will have problems due to the component crisis and due to the suspension of the activity of some factories, especially in China.

The measures taken do not slow down the recession in the economy, as real markets have stopped. If it continues like this, it is unlikely that the global economy will recover in the next two years. This situation can lead to a global economic crisis and cause the bankruptcy of
countries with fragile economies. Therefore, the coronavirus epidemic can induce the global economy into a historical depression instead of a crisis, causing a structural problem in the global economy.

The Coronavirus pandemic has shaken two fundamental systemic pillars, such as the global economy and global security. These two pillars can directly affect how the future of the global system will be shaped. It seems that what will follow will turn into a process of resistance for all actors. The first resistance will be at the individual level based on the economies of the countries. Strong economies will not have a shortage of money for precautions, but fluctuations in the global economy will ultimately affect large economies more. Weak economies will not have much to lose anyway. The second endurance test will be based on social and individual psychology and the third test will be based on state endurance. States that are institutionalized, have standard procedures and have a strong decision-making mechanism will overcome this period with less damage. Weak states will weaken even more and may turn into completely helpless states.

Most likely, when the epidemic stops, we will see the emergence of a foundation for a new global order.

Given the global economic problems facing humanity, discussed earlier, this year’s issues of our journal will be meant to discuss these difficulties in global economy and try to find solutions that are as useful as possible to provide them to governments, corporations, the world economy as a whole.

Subject Coverage

Here is how we see the global trends taking shape in 2020, like subject coverage for published issues, but not limited to: big focus on sustainability, the first neutral blockchain traceability platform, corporate-start-up collaboration to reduce pollution, batteries and sustainable energy transition, future of work, cybersecurity, the potential of quantum computing, the rise of digital currencies and the need for companies to move away from passwords to using new types of authentication.

Notes for Prospective Authors

Submitted papers should not have been previously published nor be currently under consideration for publication elsewhere. (N.B. The papers may only be submitted if the paper was not originally copyrighted and if it has been completely re-written).

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