

**THE GLOBALIZATION OF ECONOMIC TIES AND DEVELOPMENTS
IN MONGOLIA'S POSITION***Svetlana V. IVANOVA^a, Ochirmaa OCHIRBAT^{b,*}^a Plekhanov Russian University of Economics (PRUE), Moscow, Russian Federation
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25 December 2019**JEL classification:** F02, F36,
F53**Keywords:** globalization
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digital economy**Abstract****Subject** The article reviews the globalization of economic ties and respective issues. We also focus on Mongolia's position in globalization, and opportunities for the multilateral cooperation with Russia, China and Kazakhstan.**Objectives** The study examines theoretical aspects of optimistic and pessimistic views of globalization and reveals possible risks arising from economic development today.**Methods** We conduct the content analysis of the Russian and foreign sources, index analysis and comparative analysis, referring to statistical data.**Results** The article unfolds the substance and milestones of the globalization of economic ties and their specifics, focusing on the financial globalization and virtualization of economic ties, possible risks threatening to national sovereignty. We also delved into opposite concepts of the end and new wave of globalization and unveil the assumption on institutional conflicts in the effective international laws.**Conclusions and Relevance** The globalization of economic ties is an undeniable process, which all countries unavoidably face at the current phase of their development. Mongolia is involved in globalization, establishing the cooperation with the neighboring States, such as Russia, China and Kazakhstan. Mongolia's exports include a lot of mining products. The new industrialization of Mongolia, thriving IT and the servicing sector will help it leverage its participation in the global economy.

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<https://doi.org/10.24891/df.24.4.388>The scientific community opened its doors to the term *globalization* in the 1980s, however still lingering to agree what it exactly means. According to T. Levitt, a marketing expert, globalization is a new commercial reality that global corporations create [1]. R. Robertson emphasizes the increasing impact of variousglobal factors on the social situation in countries [2]. He also introduced the concept *glocalization*, defining it as the international marketing strategy for adapting a global product to local demand factors around the world. M. Wolf points out three forces of globalization. These are technologies, institutes and politics. Speaking about globalization, many researchers mention such terms as the openness of economic space, universal nature, mutual relationship of international economic actors. In our opinion,^{*} For the source article, please refer to: Иванова С.В., Очирбат О. Процесс глобализации мирохозяйственных связей и изменение позиций Монголии // Региональная экономика: теория и практика. 2019. Т. 17. № 11. С. 2086–2095. URL: <https://doi.org/10.24891/re.17.11.2086>

D. Bell captured the very gist of the idea, saying that the world economy is different from the global one as the sum relates to the integer [3]. This statement implies the departure from a set of mutually related national economies and conversion into a set of mutually related business units and individuals, i.e. citizens of the *cosmopolis* who drive the cross-border interaction without the State's involvement.

There are plenty of arguments concerning milestones of globalization. Some authors believe that the inception of globalization dates back to the time of Medieval empires or even earlier. For instance, R.E. Baldwin holds that the entire evolution of humankind can be contextualized with its movement toward globalization, which underwent four phases – human migration across the globe, localization of global economy (origination of ancient civilizations), globalization of local economies (1820 till the 1990s), globalization of corporations (from the 1990s till the present) [4].

If things are viewed in such a context, the Mongol Empire under the leadership of Genghis Chan, to an extent, can be likened to the medieval form of today's globalization. Medieval nomads united the economic space in a forced and coercive manner, meanwhile absorbing different cultures and types of production. Being the largest ground power that the human history had even seen since the early 18th century, the Mongol Empire gained control over the Great Silk Road for long 160 years. The historical period was called *the Pax Mongolica* [4].

As some researchers hold, the globalization processes sprang in the 16th–17th cc. Nowadays we see it assuming its third cycle [5]. Other authors believe that the globalization started in the 19th century. For instance, R. Findlay and K. O'Rourke mention *reglobalization* in their research. The upsurge of international financial and economic cooperation that happened at the end of the 20th century is now considered as the recovery of positions that had been taken in the beginning of the same century. According to many authors, globalization is a process arising from the Internet revolution at the end of

the 1980s. For example, as professor Ruslan I. Khasbulatov says, globalization is an absolutely new process (and a phenomenon) internationalizing all aspects of socio-economic life at the current phase of international division of labor. We can come across it in different situations, when using Information and Communication Technologies¹.

There is a flourishing variety of globalization theories. For convenience, we split their advocates in two groups. Let them call them *optimists* and *pessimists*. The French politician and writer J. Attali, former head of the European Bank for Reconstruction and Development and an advocate of the World Polity Theory, can definitely join the group of optimists. Summing up optimistic stances, we perceive globalization as an undeniable and conceptually established process, which people definitely benefit from. The Western concepts proclaim universal values that should be adopted by the other countries. Non-governmental organizations (NGO) are main drivers and actors of the globalization process. There should be plenty of them. In theory, globalization is an ideology, that is, resonating with the global class which promotes it correspondingly. According to J. Attali, facing the hyperempire and hyperconflict, the world will forge the hyperdemocracy in the coming fifty years. The hyperdemocracy will be led by nomadic transhumans [6].

I. Wallerstein, a representative of the pessimist camp, notes that globalization and capitalism essentially serve as a pipeline of resources from the global periphery to the core. As he states, capitalism is systemically globalist. It gets non-viable without spreading again and again. Therefore, the emergence of capitalism is a cornerstone of globalization. What makes things more complicated are the disputable chronology and the system of social constructs that originated during this process. There is no room for the core to expand and spread extensively in the early 21st century. Following the socialist ideology, there should be a new type of the world order, which will be neither a redistributing global empire nor

¹ Khasbulatov R.I. *Mirovaya ekonomika* [World Economy]. Moscow, Yurait Publ., 2012, 884 p.

a capitalist global economy, but rather a socialist global government².

We see various and dissimilar theories of anti-globalization and alter-globalization [7–9]. They all recognize globalization as a phenomenon the countries of the core, first of all, the USA, force the world to adopt in order to proliferate the global power of capitalism as much as possible.

Crucially, financial globalization is a key factor strengthening the relationship of economies around the globe, since it is based on new means of data storage, processing and control, e-money, offshores, unlimited power of the U.S. Federal Reserve System, petrodollars, official and unofficial transnational financial institutions, including stock markets and international organizations, and the ideology of neo-liberalism [10–12]. Production enterprises operating in the real economy increment the percentage of intangible assets in their asset portfolios. Stock price movements diverge from the production process of enterprises. Consequently, transnational shell companies emerge³. As a result, the world sees transnational companies merging with transnational banks. According to the Fortune-500, sales of major TNC are comparable with the U.S. GDP.

Hence, volumes and the speed of private global capital flows skyrocket. Capital flows grow faster than the speculative part of capital, which is embodied in the increasing number of financial derivatives. It is the feature of global capitalism in the early 21st century that underlies some foreign concepts. For instance, E.N. Luttwak introduced the term *turbocapitalism* [13].

Poorly manageable cross-border flows of capital destabilize the global economy, causing financial *bubbles* and various crises, which easily propagate all over the globe, with vulnerable and globally integrated economies suffering the severest aftermath. While some companies and

people go bankrupt, the small number of people consolidate huge amounts of capital. In developed countries, systemically important companies, especially financial ones, are nationally supported with State funding, quantitative ease policy and refinance rates lowered by central banks as much as possible, often reaching zero.

National monetary policies of less advanced counties, whose currencies have no global status, are hindered by the currency board system, scarce budgetary funds and other factors hampering their stagnation management efforts⁴. Generally, the 2008–2009 crisis revealed that financial globalization became increasingly important, while being hard to manage. There new notions and concepts appear, such as *the new normality*, *risk society*, *period of uncertainty*.

Concurrently with the emergence of virtual economy, there rises a new eclectic class of the cross-border elite which manipulates public sentiments and goals, vision of the future, codes of behavior, flows of information and finance, geoeconomic constructs, rather than trade or industrial practices. The class deals with the intangible production, the so called production *aeris* [14]. Countries witness the origination of a complex network of coordinated and related national, regional and supra-national elites.

Some authors emphasize that globalization even makes traditional forms of sovereignty transform. A.I. Neklessa, the Russian expert in political science and economist, notes the rise of understudied players of globalization, i.e. States as corporations and corporations as States. The changes stem from the privatization of governmental structures, new form of sovereignty, developments in the composition of political actors⁵.

M. Khaler and D.A. Lake believe that administrative functions of some national governments shrink after some countries get

² Wallerstein I. *Analiz mirovykh sistem i situatsiya vsobremennom mire* [Analyzing global systems and the current global situation]. St. Petersburg, Universitetskaya kniga Publ., 2001, 416 p.

³ Ivanova S.V. *Vsemirnaya torgovaya organizatsiya i transnatsional'nye kompanii v global'noi ekonomike* [The World Trade Organization and transnational companies in the global economy]. Moscow, PRUE Publ., 2014, 96 p.

⁴ Ivanova S.V. [Digitalization of the global economy: Social considerations]. *Sovremennaya ekonomika: kontseptsii i modeli innovatsionnogo razvitiya: materialy Mezhdunarodnoi nauchno-prakticheskoi konferentsii* [Proc. Int. Sci. Conf. Modern Economics: Concepts and Models of Innovative development]. Moscow, PRUE Publ., 2018, pp. 330–335.

⁵ Neklessa A.I. *Gosudarstvo i korporatsiya* [The State and corporation]. *Nezavisimaya gazeta*, 15.06.2007. URL: <http://gtmarket.ru/laboratory/expertize/2007/2675> (In Russ.)

economically integrated into international system [15]. Furthermore, the authority is transferred not only on the bottom-up basis, that is, to supra-national structures, but also in the opposite direction to sub-national political entities. The process engenders States acting as corporations, which get involved into the global network. The approach is described in various theories of agglomeration.

Causing national governments to delegate some functions and authority to supra-national structures, real processes of the regional integration (ranging from free trade zones to monetary and economic union) lay the basis for the concept *Region as the State* and its versions. According to K. Ohmae, a Nation-State will become a new economic unit of the world economy. Such Nation-States both emerge within boundaries of a national State and unite neighboring lands of different countries [16]. As Ph. Bobbitt classifies them, such market-States emerge solely for economic purposes and demonstrate a close relationship with similar entities acting in the global economy, rather than respective national governments. They serve as a kind of global space hubs that have their own market sovereignty. The same scenario looms if the Nation-State pursues the economic competitiveness of its business entities worldwide as the first and foremost priority, setting aside other functions, such as social and political ones.

Global control is growing into a popular and important matter to contemplate. On the one hand, there should be the rationale for establishing the world government, which is likely to be led by representatives of global elites, and, on the other hand, the end of globalization is more and more voiced by the global community of researchers [17–19]. This is primarily due to financial instability, more frequent global crises and the September 11 attacks. Undertaking anti-terrorist measures, the USA, *inter alia*, strengthens its control over global flows of financial resources, including those remitted to offshore jurisdictions. Furthermore, the USA revitalized its actions against pariah States, adhering to the strategy of controllable chaos and color revolutions, as well as humanitarian interventions and preventive war.

Globalization has a dual effect on traditional national entities. They start playing a less important role and transform, understanding that there is no institute, which currently could be more reliable and able to protect public interests and national businesses. They hope that national and international laws can be improved to change the situation.

In the mean time, different milestones are institutionalized in international laws, reflecting a different distribution of power held by global actors. They include some excerpts of the Westfalian system proclaiming that each State is sovereign (Nation-States). We should also mention some aspects of the post-war Yalta-Potsdam system, principles of the Bretton Woods proponents, such as the World Trade Organization (WTO), World Bank, International Monetary Fund, to which the USA is a key party. The global community observes a new legal pattern arising as countries unite into regional blocs, conclude multilateral and bilateral agreements, thus engendering constructs of a multipolar world.

Nations do not demonstrate an equal involvement into the globalization process. The KOF Swiss Economic Institute and Swiss Federal Institute of Technology estimate the KOF Index of Globalization. They refer to 24 metrics to evaluate analyzable countries. The metrics are split into three groups reflecting the degree of economic, social and political integration. The index of economic globalization shows the volume of international trade and investment, international business activity, tariff policy, restrictions and taxes on international trade and other sub-indices.

Table 1 presents indices of globalization for Mongolia and neighboring countries, such as Russia, China and Kazakhstan.

According to *Table 1*, Mongolia has doubled its involvement into the global economy since 1992. The general level of globalization outperforms those of the neighboring countries (China and Kazakhstan). Mongolia's index of economic globalization is even higher, reaching 70.87 and exceeding the global average (*Fig. 1*).

The economic globalization of Mongolia mainly depends on its financial globalization (79.97).

Its social globalization is relatively low, being 52.77, resulting from, on the one hand, rather weak cultural integration and low migration levels, and, on the other hand, shows that the country preserves its own cultural identity. The globalization of information is noteworthy, reaching 74.86 and exceeding the global average, *de facto*. Mongolia has also increased the degree of its political globalization since 2001, attaining the index of 62.49.

As experts note, globalization will draw upon technologies of the digital economy. Some researchers give a detailed account of the existing situation [20]. It is worth mentioning that Mongolia has the high Networked Readiness Index 2016, being ranked

57th among 139 countries and outperforming China.

Summing up my research, we should note that the active involvement of Mongolia in global economic ties has not only positive, but also negative effects on the national sovereignty. For example, Mongolia exports a lot of mining products. That is, the country acts as supplier of resources in global value added chains, thereby losing income opportunities. Mongolia is ranked 99th in terms of the Global Competitiveness Index. The new industrialization of Mongolia will definitely help it leverage its involvement in the economic globalization, using available logistic and agricultural advantages, progress of information technologies and the servicing sector.

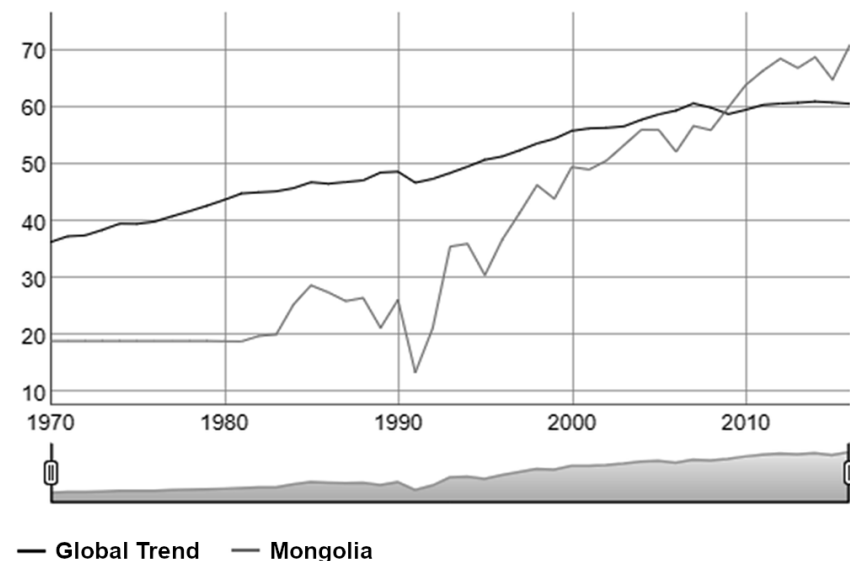
Table 1
KOF Total Globalization Index

Country	1992	2016
Russia	51.58	72.29
Mongolia	31.48	65.54
China	40.23	64.48
Kazakhstan	27.66	64.39

Source: KOF Globalisation Index.

URL: <https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

Figure 1
Mongolia's Economic Globalization Index and the worldwide average index value (*de facto*)



Source: KOF Globalisation Index.

URL: <https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

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Conflict-of-interest notification

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