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TECTONIC SHIFTS IN THE GLOBAL ENVIRONMENT AND THE CHALLENGES FOR ACADEMICS

Abstract. *This article discusses the key issues and tectonic changes in the global environment (the shifting power balance towards Asia, globalisation and deglobalisation, technological changes, serious natural environment challenges, dire demographic trends, migrations and cancerous inequality), as well as in the corresponding global governance system. We posit the world is at a critical junction in terms of the newly emerging superpowers; China as the main contender. The article concludes we need more than a simple fine-tuning of the existing theories, rules, systems and structures – a fundamental ontological shift is called for. Scholars focusing on international issues related to myriad types of socio-economic and political phenomena should become more reflective and return to the fold of the social sciences, paying greater attention to ontology. It is only by doing this that, we as academics, will be able to ask the ‘big questions’ and help solve the ‘grand challenges’ of the present and future.*

Keywords: *tectonic changes, globalisation and deglobalisation, crisis, global governance, migration, technological changes, power shifts, environment, inequality, ageing*

Introduction

Every order tends to produce the naturalization of its own arbitrariness.
(Pierre Bourdieu, 1977: 164)

The birth of the ‘emerging markets’ (Luo and Tung, 2017) and renewed relevance of ‘post-transition markets’ (Jaklič, Raškovič and Schuh, 2018) forces us to question the assumptions made in the social sciences. Yet, just

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as the neoliberal global order was moving into high gear in the early 2000s, concerns were arising that our theories, including the international business (IB) discipline, may be running out of steam (Buckley, 2002) due to its failure to tackle the “big questions” and address the “grand challenges” of our time (Buckley, Doh and Benischke, 2017: 1045). Here, we are using IB as an example of a discipline which, by definition, is internationally anchored. Trying to avoid the peril of its gradual demise, given that everything has now become simply ‘global’ (Delios, 2016; Buckley, 2002), IB has sought to claim legitimacy within both the management discipline (Buckley, Doh and Benischke, 2017; Poulis and Poulis, 2018) and international economics. The discipline’s comparative advantage is its sensitivity to the ‘contextual richness’ of business, organisational, institutional and related social phenomena across various types and levels of environments (Teagarden, Von Glinow and Mellahi, 2018). This allows us to test the specific moderators and boundary conditions of the established theories, while helping to advance science by developing new ones (Buckley, Doh and Benischke, 2017). This character of being embedded in the context is strongly needed by all other social science disciplines addressing international issues. What is required is an “ontological shift” (Poulis and Poulis, 2018: 517), a renewed interest in scholars of economic sociology (Rašković, 2014; Rašković, 2015) and an appreciation for the Bourdieusian perspective and epistemological reflexivity characteristic of social sciences (Kenway and McLeod, 2004).

The purpose of this paper is to address the key shifts occurring in the global environment and highlight the challenges that then arise for academics within the broader area of social sciences. In this regard, our main aim is to contextualise the papers from several different authors that follow in this special issue by providing some sort of ‘big picture’ concerning what, from an institutional perspective, we believe is a ‘critical junction’ in the current global environment (Acemoglu and Robinson, 2013). While we hope our paper leaves the reader with more questions than answers, we also wish to offer some guidance for future research within social science scientific disciplines that have an international interest.

Historical backdrop

With the fall of the Berlin Wall and Fukuyama’s *End of History* (1992), many started to believe the end of the Cold War would bring ‘dividends of peace’ that would be channelled into development, the eradication of poverty and widespread socio-economic progress for all. Fukuyama saw the prevalence of the Western-type democracy and neoliberal capitalism as the final “enlightenment” stage of socio-economic development in the 20st century. Yet, he later started to revise his ideas and abandon some of

the neoconservative elements of his thesis. This view was accompanied by a laissez-faire economic approach, allegedly promoted by A. Smith, which celebrated 'the market' as the self-correcting natural mechanism for human activity. However, as Svetličič (2019) notes in his paper in this special issue, this view was not only one-sided, but A. Smith's work seems to have been fundamentally misunderstood by economists. Questions of morality and fairness disappeared from the economic discourse and a new 'invisible-hand narrative' emerged to suit a new type of globalisation ("GLO") momentum.

Somewhat contrary to Fukuyama, his teacher Samuel P. Huntington (1993) predicted a less utopian and bleaker picture of the pending "clash of civilisations" whereby an ideological clash would be replaced by a cultural clash accompanied by strong religious undertones. A quarter of a century later, none of the utopian predictions have come true. This is not only due to the alleged failings and limits of the 'scientific method' in social science research (Hofman, Sharma and Watts, 2017) but, in our opinion, primarily because of a mix of academic hubris (Taleb, 2010) and lack of epistemological reflexivity and critical perspectivism (Bourdieu and Wacquant, 1992). Given the contextual sensitivity of IB research, the latter issue is perhaps more important within IB scholarship than anywhere else within management science (Strange and Jackson, 2008).

While the developing power balance issues between the USA and China suggest the possibility of a Thucydides trap (Svetličič, 2019, Special Issue) - with the old powers of the Western world not being overly eager to accept their emerging market challengers as part of the current world order (Šabič and Pejič, 2019, Special Issue). On the contrary, there is a (too) strong fear about China's future role in the world and the course of US-China relations. The corresponding clash of civilisations seems to be strongly underpinned by questions of identity and ontological schemas, which have remained in the 'global West' largely the same since the Enlightenment (i.e. rationality, atomism etc.). It is these underlying forces that transcend the simple tug-of-war mechanisms behind the Thucydides trap and point to a fundamental shift from bipolar to multipolar world-order thinking (Krauthammer, 1990) at many levels of society, not simply countries or regions. Yet, somewhere in the process, firm- and industry-level competitive logic became infused into our thinking concerning countries in the global economy and their macroeconomic comparative advantage logic (Davies and Ellis, 2000).

While some believe the current US-China tensions are nothing new and echo similar tensions seen between the USA and Japan just a few decades ago, there appears to be a growing consensus that as a (Western) society we have indeed reached what Acemoglu and Robinson (2013) would call a 'critical junction' in institutional development, signalling tectonic changes

(Thurow, 1996) in how the global economic and political power balance is configured. Lying at the heart of these tectonic changes is Rodrik's (2011) 'trilemma of trade-offs' between sovereignty/autonomy, GLO and democracy.

While the re-emergence of (economic) nationalism, 'relativisation' of human rights and challenging of democratic institutions has become very worrying, particularly in the USA, these developments are symptoms, not root causes. We believe the root causes are found in issues of identity (both the West and the emerging/emerged East). They are promulgated by the speed of change as well as the depth, breadth and level of control over our shifting socio-economic and natural environment. For example, we are witnessing strong and irreversible tendencies for economic (and not just economic) GLO and regionalisation on one side and political disintegration on the other. These forces are not contradictory, but the flip side of the same coin (Lovec and Svetličič, 2019, Special Issue). Centrifugal (political) and centripetal (economic) tendencies go hand in hand in today's postmodern world, which has become filled with paradoxes and non-linear relationships. It is therefore crucial to evaluate, reflect and question our understanding of the world. For all internationally-interested/minded social scientists, this particularly involves an examination of the key trends and challenges which, in turn, can assist us in asking the right questions and addressing the biggest challenges of our time. The solutions we arrive at, however, must benefit *all* social actors, not just the elites, and restore the lost notions of morality and fairness into economic thought as a social science (Svetličič, 2019, Special Issue).

Making sense of what's going on

In this section, we contextualise the topics that are discussed in the following articles in this special issue and present our own views on the current trends and tectonic shifts in the global environment.

The nature of crises: from why to how

We are living in a VUCA-type world, one that is ever more *volatile, uncertain, complex* and *ambiguous*. This creates both opportunities and dangers/traps for business (Bennett and Lemoine, 2014), as well as politics and people in general. The Western, mostly but not only, linear understanding of the world and of crises, which only comprehends crisis as negative and disruptive, illustrates how we do not truly understand the VUCA-type world and how to thrive within it. Our (economic) pursuit of opportunities has led to a preoccupation with opportunity-capitalising predictions, often based on a fundamental misunderstanding of the nature of the world, its phenomena

(i.e. distributional properties) and the nature of dynamic systems (i.e. ergodicity) (Taleb, 2010, 2018). Blinded by academic epistemology and hubris, we have become distracted by predictions, often fooled by randomness (Taleb, 2005) and ecological fallacy, instead of also thinking about ways to build robust systems and structures which can withstand unpredictable and devastating events (*'black swans'*). The Chinese characters for "crisis" (chin. *wēi jī*), on the other hand, denote a more appropriate non-linear, Yin-Yang-type of understanding of crises that refers to both "danger" and "opportunity". Such a balanced, complex view of the world is closer to the nature of today's prevailing dynamic systems.

In addition, one must understand the inherent systematic nature of economic crises imbedded in the very 'genome' of capitalism (Roubini and Mihm, 2010: 211). It is quite ironic that economics, as a science preoccupied with optimal solutions and maximisation, inherently promulgates sub-optimal solutions that deepen inequality – particularly neoliberal economics. The inability of neoliberal economics to address first-order problems like socio-economic inequality (Svetličič, 2019) is very much a recipe for disaster (Bower et al., 2011) and stems from a Hostile-Worlds divide between economics and the real 'social' world (Rašković, 2015).

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History points to the often-systemic components of economic crises caused, for example, by fluctuations in production and inventories (i.e. Kitchin cycles every 3–5 years), cycles in fixed investments (i.e. Juglar cycles every 7–11 years), infrastructure investment (i.e. Kuznets swings every 15–25 years) and technological waves (i.e. Kondratieff cycles every 45–60 years). Yet, these crises arise chiefly due to the rigid and inflexible systems that are in place, based on erroneous assumptions made while seeking to predict the unpredictable.

As our societies become increasingly resource-constrained and our economic systems hyper-leveraged, crises are not only becoming more frequent but also larger in magnitude. Black swan events seem to be getting bigger and more disruptive. Such a systems structure is creating an increasingly complex, uncertain, ambiguous and volatile environment (illustrated by the VUCA framework). Ironically, while the timing and exact type of black swan events cannot be predicted since they are unpredictable by nature, paradoxically, the speed and level of their occurrence will become ever more predictable, but not the precise timing, of course. We seem to be entering an era of quite predictable unpredictability. In this environment, flexibility and robustness may outweigh optimisation and perhaps even intrinsic learning.

This will require a fundamentally different set of assumptions (i.e. a networked social actor, instead of atomised individuals) and micro mechanisms (i.e. social learning). We believe this corresponds well with the ontological shift Poulis and Poulis (2018) refer to within the IB academic discipline

discourse. In the meantime, academic hubris and fascination with predictions should be curbed and greater effort paid to the robustness of systems and structures, as well as enhanced strategic flexibility. In this respect, future scholarly discourse should move from *why-type* questions concerning the occurrence of crisis (i.e. Why did no one see it coming?) to *how-type* questions of resilience and robustness (i.e. How to build resilient systems and structures to survive disruptive events?).

A global power shift and world-order politics

New York Times bestselling author Simon Winchester (2015) believes the future looks promising for societies and countries around the Pacific Ocean, including both China and the USA (yet somehow excluding India). His claim is based on his examination of the evolution of human civilisation through history. While ancient civilisations developed around the Mediterranean Sea and the Atlantic Ocean marked the industrial boom starting in the 18 century, the Pacific Ocean is expected to become the economic, socio-cultural, political, military and environmental playground of the future.

While recent public discussions on the upcoming 'Asian 21st century' might give the illusion that Asia's socio-economic transformation as led by China is a relatively new phenomenon, we must bear in mind that for millennia China has been the largest global economy, whereas the Asian economic miracle can be traced backed to Japan's Meiji period. At its height before the Opium wars in the 1840s, Chinese GDP in PPP represented one-third of world GDP. Today, its share is just half of that (Davies and Rašković, 2017).

Although China's growth has consolidated and (relatively speaking) stabilised at around 6%, it is still forecast to overtake the USA as the largest global economy in the coming decades. Its absolute growth (how much it adds to its economy per year) remains impressive, despite the 'new normal'! It is currently predicted that by 2050 China and India will be the biggest economies in the world, relocating the global centre of gravity to the Indo-Pacific region. However, China's increasing foreign and security policy assertiveness (both in the region and beyond) with its Belt and Road Initiative as a flag project is causing concerns in the region (India, Japan, Australia) and might add to its long-run instability. The rising share of output and accompanying economic growth in Asia is in many ways driven by simple, yet powerful forces. Favourable demographic trends (less so for China), rapid urbanisation, higher productivity and indigenous types of bottom-up innovation are just some elements of Asia's economic miracle. Yet, the Asian miracle is also embedded in specific cultural value patterns, most often seen with the 'Confucian Asian' culture in East Asia (Jenco, 2013). When looking

at Asia, it seems that Rodrik's GLO trilemma is not (yet) a trilemma, with western-style democracy taking the back seat; not only in countries like China, but also in South Korea and Japan.

The nature of the US-China conflict seems to transcend the economic aspects of trade balances, jobs and intellectual property issues. Tensions over these issues are much more deeply historically rooted and often promulgated by the growing issue of inequality. While China's increasing role in the global economy is a concern for the entrenched western elites, it pales in comparison to the contested nature of China's role in international organisations (Šabič and Pejič, 2019, Special Issue). This is occurring at both the global level in multilateral organisations like the Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative (BRI) and the regional level (e.g. in Africa, South-East Asia, Latin America and Central and Eastern Europe). For example, with regard to China's cooperation within the EU, the 16+1 platform with countries in Central and Eastern Europe (CEE) raises many questions and few answers. While it is clear the CEE markets are an important gateway into western EU markets, the EU remains lukewarm about this project, which some perceive more as a 'divide and conquer' strategy (Hellström, 2016). In many senses, Western EU members now fear the CEE markets may become stuck 'between a rock [China] and a hard place [Russia]', with not only implications for the political and security dimensions but also for energy security.

These and other structural changes in the global economy will hold important consequences for economic policies and strategies – not simply for states, but companies too. Countries will have to learn how to operate on 'two fronts', GLO and regional level in the region where they are situated. They may often have to juggle economic interests with political and security interests, especially smaller countries (i.e. South Korea, New Zealand, Slovenia etc.). Yet one thing is clear, the Asian middle class will become the principal driver of global economic growth in the 21st century (Davies and Rašković, 2017).

In addressing these issues, future work should focus on macro-level international trends. The search for the emerging markets to achieve a stronger voice with respect to the entrenched western elites of today's post-WWII world might somewhat echo the Non-aligned Movement's quest for a new international economic order to emerge within a bipolar world structure. The main question here will be: Can the new world order, substituting the Bretton Woods system, be fairer and more inclusive for all its participants? The present rule-based system obviously needs reforming, but not according to any 'my country first' logic that in fact produces chaos. Otherwise, emerging markets can attempt to create their own (parallel/alternative) type of world order, as is in a way already happening. Research focusing on

firms should consider questions like which particular dynamic capabilities will international firms (and organisations) need to develop to help address the inherent global paradoxes in the global/regional environments? Those focusing on citizens and consumers should, in contrast, explore the various identity bases that shape economic and social behaviour in international markets (i.e. cosmopolitanism, xenocentrism, nationalism, animosity etc.).

Underlying long-term trends

In this section, we briefly discuss and contextualise certain noteworthy long-term trends in the global environment relevant to international organisations, governments, citizens and academics.

Technological changes

2019 marks the 500 anniversary of Leonardo da Vinci's death. As a visionary innovator well ahead of his time, he envisioned many of the technological developments yet to be achieved by humanity in the 21st century (i.e. autonomous vehicles). If Kondratieff (1935) is correct, technological changes underpin the very cyclicity of the global economy. The so-called Fourth Industrial Revolution, industry 4.0, smart specialisation and manufacturing, automation, digitalisation and artificial intelligence (AI) are all transforming the global economy, making it a new cyber-physical marketplace in which the traditional economic principles of markets do not always apply. We believe the dire predictions that whole industries will be eradicated by technology are unrealistic, at least if one considers similar narratives concerning ground-breaking technological innovations in the past (e.g. the Internet, or TV). Instead of asking *what* will change and disappear, we need to start asking *how* will things change and for *whom*? It is here that the issue of *equality* also becomes particularly relevant because it is our moral duty to ensure that those on the fringes of society do not get left behind and can also enjoy equality of opportunity. Given the structural changes occurring in the global economy, sooner than later this might also apply to the EU which is challenged in the area of innovation policies.

In many ways, technology and data are becoming the key battlegrounds for citizens, firms, industries and governments and their diplomats. In this battle, the so-called middle class of moderately skilled workers seems to be losing, according to Autor et al. (2013), which also agrees with the message behind Milanovic's (2016) elephant curve. Such structural changes in trade also help explain why the role of trade agreements is different today and why corporate elites are becoming the biggest beneficiaries of such new agreements that talk more about services than about the diminishing role of manufacturing trade liberalisation (Nahtigal, 2019, Special Issue).

China's establishment of an AI-driven surveillance structure and its Leninist social scorecard raise questions as to the degree technology should be used to 'manage' the social order, enable stability and achieve welfare for all. The Cambridge Analytica scandal, WikiLeaks and the emergence of the new post-truth, fake-news world show some of the underlying forces at work also in the global West. When discussing these trends, the need to bring about an ontological shift in science seems all the more apparent. While IB and global trade are increasingly driven by e-commerce, new e-business platforms and digitalisation, old-school IB academics acting as gatekeepers continue to focus on the topics of yesterday (i.e. market entry modes, determinants and moderators of firm performance, and the rules-of-the-game nature of formal/informal institutions). Of all long-term trends, we believe none is a greater threat to the demise of the social sciences than the failure to address technological changes and their impact on the world.

The environment

The landmark report by the UN Intergovernmental Panel on Climate Change (IPCC) states that urgent and unprecedented changes are required to achieve the realistic global warming targets (keeping global temperature growth between 1.5 and 2 degrees Celsius). This report is a wake-up call for governments and businesses across the globe. There is no doubt that business leaders must make bold decisions today to transition to a low- or no-carbon economy able to sustain future generations as well as create social stability (IPCC report 2018). Yet, political short-termism and populism seem to be jeopardising this, especially in the USA which has announced its withdrawal from the Paris climate agreement.

Neoliberal economic thinking regards economic activity and policy as existing in some kind of environmental vacuum in which market forces lead to optimal outcomes and are based on atomistic actions. This is perhaps best illustrated by the theory of the firm, which reduces the question of public goods and the environment to simple 'corrections' in response to potential spillovers. Even the 'Resource-Based View' (RBV) of the firm, a core theoretical foundation for most IB theories, assumes that firms utilise the resources they need in a sort of limitless world. Since a systematic and appropriately deep discussion of the environmental issues and challenges lying before us as a society lies beyond the scope of this paper (despite its importance), we wish to make four important points for scientists within the scope of this special issue.

First, the environment needs to become a central component of our thinking, conceptualising and research. It must be approached much more dynamically than statically, or from the periphery. The (natural) environment should not simply be approached as a dimension of an environmental

PESTLE-type analysis or be incorporated in calculations of risk (i.e. environmental risk). Nor should it be reduced to various actions of corporate social sustainability and appreciation of consumer attitudes (i.e. green consumers). It should also be considered in terms of the relevant micro-mechanisms that influence firm behaviour and performance, and the social mechanisms that influence the behaviour of various social actors.

Second, as an ever more powerful and disruptive force, the natural environment should also be linked to the academic fascination with culture and distance. For example, many western firms and governments are opposed to the competitiveness of emerging market firms also because they do not understand that such competitiveness and underlying business models and practices emerge from a specific physical environment. China, for example, occupies less than 6% of the world's land mass, but it must feed 18% of the global population (Davies and Rašković, 2017). At the same time, the US economy uses up to 6 times its fair share of natural resources relative to other countries on the planet.

While geographical distance has to some extent become trivial in today's global world, the underlying environmental implications of a displaced world factory economic model or the increased hyper mobility of capital, technologies and people still need to be linked to the environmental consequences. One area that might reduce some of the pressure and also transform the very nature of IB and commerce is 3D printing, which could soon make the existing manufacturing models completely obsolete.

Third, the environmental challenges we face today must be addressed at the global and supra-national levels, above and beyond any simple bottom-up aggregation of individual country policies. It needs what is fundamentally a network-type approach which, by utilising the interconnected nature of the social development goals of developmental planning, could help accelerate sustainable development (Kunčič, 2019, Special Issue). Development cooperation also requires the strong support of commercial diplomacy to be effective, as shown in the case of Slovenia (Arbeiter, Bučar and Udovič, 2019, Special Issue).

Finally, the existing consumer-driven system, which has produced unsustainable inequalities, environmental problems and built-in crises, cannot survive as it is because it is not environmentally sustainable without seriously endangering the world population and the planet itself. The traditional exit recipes from the crisis that call for the acceleration of consumption are bearing the seeds of their own destruction (Svetličič, 2015: 229).

Inequality

While inequality was once considered a productive social force (according to the 'Kuznets curves'), it has become a major problem globally,

inhibiting growth and productivity while propelling much of the current GLO backlash (Svetličič, 2019). Although countless scholars have addressed inequality over the years (starting with Marxists and dependency theorists, or those criticising GLO), it really became an issue after Piketty's (2014) book on capital was published in English.

According to the OECD, inequality is one of the top three problems the world is to face over the next 50 years (together with sustaining growth and protecting the environment). With regard to GLO, the potential negative implications of the worsening inequality within countries are hugely underestimated. It has now become socially unbearable, for example, that the global top 1 percent captured twice as much growth as the bottom 50 percent from 1980 to 2016 (World Inequality Report, 2018). The underestimated negative effects of the exponentially rising inequality across the world have created a new kind of class struggle in which the western middle class has emerged as the relative loser, according to Milanovic's (2016) elephant curve.

Apart from technological reasons as the main driver of inequality/unemployment, GLO has emerged as the second main contributor to the rising global inequality, especially through the shrinking bargaining power of labour due to 'monopsonic exploitation'. Exploitative multinational corporations have gotten away with paying workers less than their real contributions, implying an income transfer away from workers (labour) to firms (capital). Yet, this might also be changing since China, India and other emerging markets, having lifted hundreds of millions of people out of poverty and have reached their Lewis turning points when it comes to labour supply (Davies and Rašković, 2017). Africa as a promising continent in the long run must also be included in the 'map'.

Leaving economists to tackle the issue of economic inequality and the link between inequality and GLO (i.e. Milanovic's ground-breaking work), scholars should focus on two relevant aspects related to inequality. First, they should not be afraid to address the non-economic dimensions of inequality such as changes to people's identity (sense of purpose, pride and dignity) and well-being (health and satisfaction). Second, the impact of inequality (as an environmental social force) is creating new bottom-of-the-pyramid business models (Mahajan and Banga, 2005) and increasingly leading to new types of innovation and 'reverse innovation', with the emerging markets redefining the very nature of innovation (Govindarajan and Ramamurti, 2011).

Ageing and migration

Population ageing, caused by the rapid socio-economic progress enjoyed in the last century, is creating new market opportunities and challenges for social systems and employment, but has also inherently become a key factor

in the economic growth of national economies. In the 2000s, as Western firms and governments were rushing to relocate their manufacturing to willing emerging markets, they deluded themselves into believing that products can be “designed in California” but “assembled in China”. This not only created systemic imbalances in global trade flows (trade deficits) and job loss but gave an opportunity for technological learning and catching-up by the recipient emerging markets using any means. However, technological innovation and creativity are properties of the young and the dynamic, not of the old and the static. The emerging markets became fertile grounds for new types of innovation, facilitating their catching up through GLO. Population ageing in the global West has also led to generational tensions, strained public finances and important social security challenges. Further, productivity and employment possibilities have declined, and new structural risks connected with population ageing have appeared (Svilan, 2019). As many western populations are ageing rapidly, their failure to engage in intergenerational dialogue and unwillingness to address the underlying socio-economic issues (i.e. deteriorating dependency ratio) is starting to create pockets of instability, possibly holding devastating consequences for the social order and stability of many western democracies. This is further aggravated by the exponential migration caused by war and environmental pressures, which is becoming a huge problem especially in an ageing Europe that is losing its competitive edge. The increasing flow of migrants across countries in the past few decades is perhaps the most controversial and up until lately underestimated aspect of GLO. According to the United Nations, the total number of immigrants around the world more than doubled in three decades, from 104 million in 1985 to 234 million in 2015 and, together with refugees, represents yet another big challenge. Finally, one also should not forget ‘internal migration’ occurring within large emerging markets, where hundreds of millions of people now lifted out of poverty are creating a new kind of middle class that will fuel global growth in the 21st century (Davies and Rašković, 2017).

From deglobalisation to slowbalisation?

One of the crucial economic dilemmas of today’s global economy is whether GLO is here to stay or whether a rebellion against it (the GLO backlash) will bring about deglobalisation as according to Rodrik’s trilemma and growing inequality (Milanovic, 2016). This is accompanied by a parallel paradox of falling productivity despite technological progress. The second challenge related to GLO concerns whether the present every-country-first protectionism could mean the end of the present rule-based global system, which is far from ideal and needs reforming in terms of both institutions and principles. However, for want of a fairer alternative, it is better than

escalating trade wars and zero-sum protectionist thinking, which usually lead to political conflict and wars.

Paradoxically, China and the other emerging markets have become the biggest supporters of GLO, which has established a complex network of highly interdependent global value chains (GVCs) in manufacturing, to a degree also in services (Stare, Jaklič, Knez, 2019, Special Issue).

Not surprisingly, on 8 May 2018, 41 members of the WTO, mostly from developing nations, signed a joint declaration expressing concern over the rising trade tension and risk of exaggerated protectionism. China, in particular, has been able to demonstrate that through sheer size, political stability and pragmatic reforms emerging markets can leverage the benefits of GLO to catch up with the developed world. Yet, the weakening of the western middle class compared to the emerging middle class in the east, or of western elites, seems to have underpinned much of the public discontent in the west. Political elites and populists have been able to tap into this public discontent in an attempt to divert attention from the fact they have been by far the biggest beneficiaries on the elephant curve (Milanovic, 2016). However, the drivers of populism are broader than just economic. Bojinovič-Fenko, Lovec, Požgan and Crnčec (2019, Special Issue) investigate the political stance of Euroscepticism as a driver of populism in Central and Eastern European states and the causes of success at national elections. A new phenomenon has also recently emerged: "slowbalisation" (The Economist, 26 January 2019). Coined by the popular Dutch writer Adjiedj Bakas in 2015, the term refers to a new type of sluggishness following recovery from a crisis and the already discussed GLO backlash. Slowbalisation refers to a general systemic slowdown of the global economic system that amounts to more than just lower economic growth. It is caused by the stabilisation of declining transport costs, stable oil prices, growing economic nationalism and increased trade protectionism, rising tensions over intellectual property and technology use, as well as retrenchment from environmental standards by the USA and certain other countries. Yet, slowbalisation seems to have created more questions than answers. It has made it difficult for emerging economies to continue catching up with the rest of the world. It has also established a mismatch between the international system's rigidity (based on the WTO, World Bank and the IMF) and the ever stronger role of new actors like China and the emerging economies generally not being appropriately represented in its governance. One of the responses is the trend towards regionalising their international economic activity and creating their own institutions. Finally, it does not alleviate any of the issues discussed above and associated with the GLO backlash (i.e. automatisisation and job losses, environmental challenges, migrations etc.) (The Economist, 26 January 2019). Despite all such negative effects, it is expected that GLO as

a division of labour and as a manifestation of specialisation leading to efficiency could advance further provided it becomes more equitable in terms of the distribution of the costs and benefits and governed better globally. We will probably encounter parallel processes of enhanced GLO in services and the deglobalisation of manufacturing.

What's next?

We believe the fundamental big question at the core of the current issues is: Can the existing rules-based multilateral world governance structure be adjusted, and is it still able to 'do the job' or do we instead need new institutions and new rules? The present system is fraught with paradoxes since it is in many ways based on atomised principles and national interests echoing a unipolar-world-order era. Problems are increasingly becoming global, yet the global governance structure is incapable of addressing them because it still considerably rests on national governance mechanisms. The world governance system has proven to be quite inefficient in addressing, for instance, the big issues of inequality or the environment. Tectonic changes occurring in the balance of economic (and consequently political) power have not yet been reflected in the global governance system. It remains unclear what the outcome between global problems and national governance will be. But what is becoming increasingly obvious is that new institutions are required to address some of the new issues (protecting the environment and addressing climate changes for example) as well as new more inclusive rules to regulate them.

The world has obviously arrived at a critical junction. We seem to be entering an uncertain post-Anglo-Saxon world in which China and India will emerge as superpowers, while Russia and other emerging markets like Brazil, Nigeria, Indonesia, Mexico, Turkey and Vietnam will also play important roles. It seems that while discussing these power shifts in the global system the focus is mainly on China, while Russia's role tends to be underestimated. The EU's important role may, due to the unfavourable demographic trends and loss of comparative advantages and firm competitiveness in the absence of substantial changes, shrink to become a peripheral western market while the USA might fall downwards into a self-destructive spiral and search for identity. We thus believe it is imperative to adjust the world system/governance to this new reality based on the greater principles of humanity, equality and fairness, while avoiding the looming sluggishness in many western markets. The fundamental assumption of welfare based on growth might need to be reconsidered because one can grow not only through the process of adding, but also by subtracting (*less* might indeed be *more*). Employment may become the key aspect of economic policies,

while business models will increasingly need to buy into the concept of a global circular economy. While innovation will remain the crux of development, it will have to abandon its opportunity-capitalising and profit-maximising ulterior motives.

Conclusion

Some of the key issues and prevalent trends in the global environment and the corresponding global governance system make it increasingly clear that we have arrived at a 'critical junction', one that calls for more than just a simple fine-tuning of the existing rules, systems and structures. It requires an ontological shift and greater epistemological reflexivity of all actors involved. To address the issues related to the global tectonic shifts, technological changes, serious natural environment challenges, dire demographic trends and cancerous inequality, internationally-focused scholars should start by becoming more reflective and return to the fold of the social sciences. What has happened since the Great Recession; any return to the 'old normal', to 'business as usual', should be avoided. Namely, the key moment has been missed for any deeper, more systemic approaches. We believe that it is only by doing this that academics will regain their position as society's consciousness and be able to pose the 'big questions' to help address the 'grand challenges' of the present and future.

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