

## **DOES PANDEMIC PERTURB THE GLOBALIZATION PROCESS?**

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**ABSTRACT:** *Globalization has become a keyword, frequently encountered in economic debates. There are a multitude of factors that give globalization a dynamic character, such as the intensification of services' trade, significant advances in technology, internationalization of production and distribution in the case of large transnational corporations, as well as the accelerated liberalization of trade. Globalization is a reality, probably an irreversible one, as any nation has to interfere with it in order to keep up with new trends. Failure to adapt to this new environment of globalization represents not only a missed opportunity, but there is a risk of losing economic positions and market segments already acquired.*

**KEY WORDS:** *commerce, globalization, trade, global, global markets.*

**JEL CLASSIFICATIONS:** *A10, F60, F65, F68.*

### **1. INTRODUCTION**

Globalization is a common concept about which a lot has been written over time, a controversial phenomenon to which many meanings can be attributed.

Globalization has obscure origins that were first encountered in the French and American documents of the 60s, this concept being identified in all languages of the world (Modelski, 1972), but without being explicitly defined. The approach of globalization, from economic and social perspective, was initiated by the Club from Rome, founded in 1968, which was an apolitical body for which world issues became an emblematic concern.

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"There is a tendency to see globalization as a consequence of the end of Cold War, in view of the geographical expansion of this phenomenon, but the most important effect of the Cold War end is the elimination of barriers that have stagnated globalization, keeping it away from the second world" (<https://www.e-antropolog.ro>).

Globalization reflects a reality, for humanity is rapidly transforming within a common social space, as result of economic and technological forces, thus changes in one region of the world can have a strong impact on communities on the other side of the world.

The reason lies in the fact that "globalization includes many complex processes, which have variable dynamics and are encountered in various areas of society; it can be perceived as a phenomenon, an ideology, a strategy, or even all these together. The main goal of global economy is for all countries to homogenize into a unitary whole" (Negrea, 2012).

"One definition we may give to this concept is that the globalization of economy consists in the integration of all economies by opening trade routes. In other words, it represents in fact a state of interdependence and economic cooperation between nations, a status quo achieved through the merging of markets and the subsequent formation of a single market" (<https://www.e-antropolog.ro>).

The global market implies the existence of significant levels of exchanges of goods or services, permanent and with certain regularity, at interregional level. With the intensification of transregional competition, the demand and supply of goods is functioning more and more globally, and the companies active on the market are obliged to supply goods all over the world and to face the foreign companies' competition.

The process of trade globalization requires the existence of global markets on which traded goods and services can be exhibited, which can transform national economies so that production cannot be conditioned by global competitive forces. Trade has encouraged the development of global markets, the economies have become more open and the impact of international conditions on national economies turned more and more accentuated.

As mentioned above, economic globalization is marked by the expansion of international trade worldwide, and in this regard, EU trade policy is a key mechanism for the process of globalization, as it can turn its potential into beneficial results.

## **2. DOES THE EUROPEAN UNION HOLD THE ANSWER TO SOLVING PROBLEMS?**

The main goal of the European Union's trade policy is to increase trade opportunities for all European companies by removing tariff barriers and ensuring fair competition between nations.

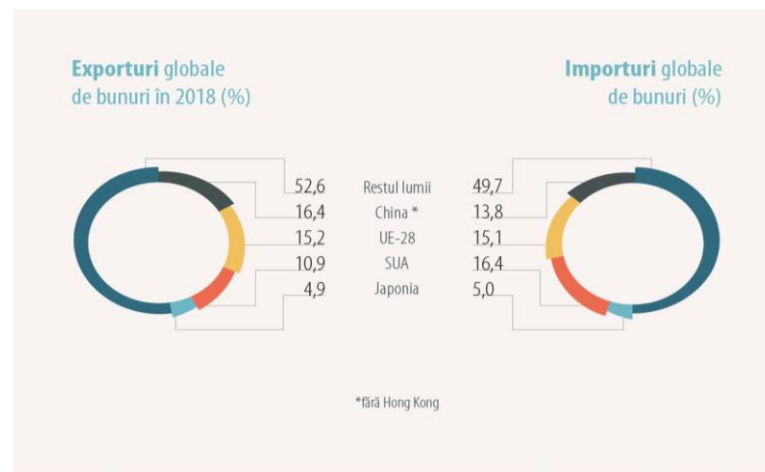
In addition to the benefits and opportunities of globalization, there are many challenges, which is why the EU intervenes to make the most of globalization and to mitigate its negative impact.

The multitude of trade agreements discussed by the EU with the European Trade Regime makes the EU one of the most profitable regions in the commercial area, as it is a capital trading partner for 80 countries, along with the US and China, with exports exceeding 15% of global exports.

EU has always been interested in promoting trade, both by removing the trade barriers existing between EU states and by encouraging countries to trade with it.

By analyzing the figure below, we notice that “in 2018, the European Union was one of the most important world commercial players, along with China and the USA, as follows:

- EU accounted for 15.2% of global exports and 15.1% of global imports,
- China accounted for 16.4% of global exports and 13.8% of global imports,
- USA accounted for 10.9% of global exports and 16.4% of global imports” (<https://www.europarl.europa.eu>).

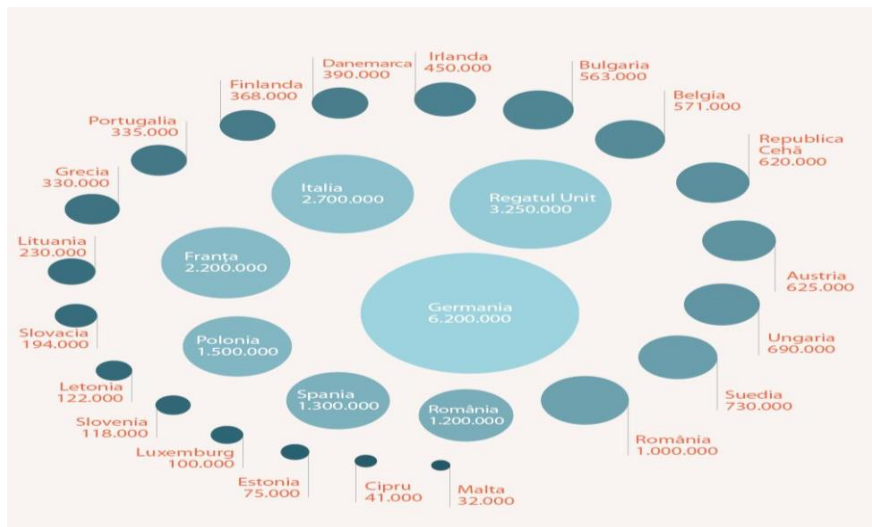


Source: <https://www.europarl.europa.eu>

**Figure 1. The importance of World Trade Promotion**

The importance of trade promotion policy lies in the fact that it influences economic growth and employment, since a large number of jobs in the EU, over 36 million, depend only on the exports from outside the EU.

From analysis of the figure below (see Figure 2), it is observed that approximately 13,000 jobs can be supported only due to the amounts resulting from exports, which are exceeding billions of Euros.



Source: European Commission, 2018

**Figure 2. Number of jobs related to trade with non-EU countries**

European Trade Regime and the numerous trade agreements negotiated by the EU make the Union one of the most advantageous regions in the field of trade because it represents the main trading partner for 80 countries.

The great single European Market is the largest economic area in the world that has no trade barriers and can serve 500 million citizens, with a GDP of about a thousand billion Euros.

“EU trade policy is made up of three main elements:

1. Trade agreements with non-EU countries, needed to open up new markets and increase trade opportunities for EU companies,
2. Trade regulation to protect EU producers from unfair competition,
3. EU accession to the World Trade Organization, which sets the rules for international trade” (<https://www.europarl.europa.eu/news>).

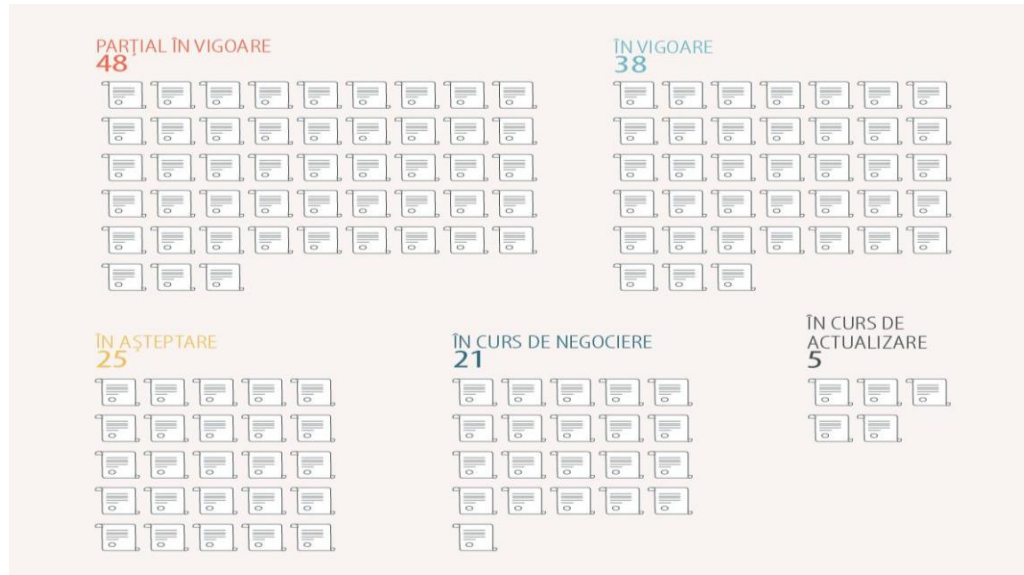
There are several types of trade agreements:

- “- Economic Partnership Agreements with developing countries in the Caribbean, Pacific and Africa,
- Free Trade Agreements with developed countries,
- Association Agreements that strengthen larger political agreements” (<https://www.europarl.europa.eu/news>).

Trade agreements are constantly negotiated with non-EU countries to ensure better trade opportunities. These could be lower taxes paid by importers and high competition leading to a decrease in the prices of goods and services.

The aim of all agreements is to eliminate tariff barriers and guarantee investments so that consumers benefit from a diverse range of goods and services to choose from in order to increase their level of personal well-being and comfort as well as a way to get partners to recognize the European Union's quality and safety standards

and to respect protected designations of origin, due to the fact that food products of European origin enjoy an international reputation for excellence and tradition.



Source: European Commission

**Figure 3. EU trade agreements (25 October 2019)**

In 2018, the EU had about 100 trade agreements in force, under negotiation or updated, as shown above in Figure no. 3.

The European Union supports WTO by fulfilling a special role in the development of the international trading system because it has implications in the organization's multilateral trade negotiations.

## 2. IMPACT OF THE PANDEMIC ON THE GLOBAL ECONOMY

The COVID-19 pandemic, which is virulent globally, has succeeded in changing the framework for addressing geopolitical risks, and, for this reason, the four forces that can change the global business framework must be taken into account, namely:

1. Globalization and, along with it, the production of a new type of regionalization;
2. Intensification of global competition in the field of technology, with global competition on the increase;
3. Demography, for the aging of population proves decisive in the global rebalancing;
4. Race against climate change.

It is imperative to monitor how the pandemic interacts with the four forces mentioned and the multidimensional impact it has on companies through the negative effects that affect their human resources, revenues, supply, reputation and degree of compliance.

### **3. WHAT DO ALL THESE MAJOR FORCES MEAN IN THE CURRENT SITUATION?**

When we approach the notion of globalization some concerns about biosecurity that has the ability to stimulate regionalization and localization become obvious, the large companies/corporations having to make changes to adapt their plans, to vary their supply chain, although many of the existing multinationals had already created a "China plus another source" strategy. The pandemic has managed to destabilize economic and social activity, by limiting travel to work, drastically reducing air travel and other common means of transport used so far. Both companies and the population will have to learn how to work, differently from what they have known so far, to support their teams, to keep their clientele and to live without flying by plane.

If we refer to technology, the global struggle for technological advance is intensifying; technology and innovation come first, becoming essential for the success of entrepreneurs.

The current crisis, caused by the pandemic, has taught us an important lesson of survival, and has forced us to overcome our own limits, to learn to document ourselves in the field of digitization, telework and e-commerce.

There are short- and long-term solutions that will largely depend on technology, but there is a risk that social and professional activities in the online environment will become vulnerable to cyber attacks and misinformation rumors without any real basis, if they do not have the necessary and reliable information.

In other words, the national economic and security implications of these changes and challenges will accelerate and intensify the geopolitical nature of technological competition, with beneficial effects globally.

If we approach the sensitive subject of demography, we notice that the pandemic has intensified the economic, political and social consequences of the aging population, as follows:

- the high number of deaths caused by this pandemic, globally, will influence the recovery of the economy, which will occur much more slowly,
- the nations facing a more pronounced demographic aging process will face much greater economic problems,
- the nations in which the percentage of the young and fit for work population predominates is facing a high rate of unemployment, which is steadily rising,
- many economic changes will occur as result of the pandemic, which will cause some social disorders.

A topical and important issue is the environmental protection, which will be neglected due to economic uncertainties and difficulties, through which all mankind undergoes, but perhaps this crisis will determine the "great leaders of world" to pay more attention to energy and "green" investments.

European Union must consider adopting a set of measures in order to return to normal all activities, to have backup plans for situations that may arise when the pandemic is already over.

This pandemic situation has evolved differently, at global level, being quite virulent in some countries and this aspect has resulted in economic, political and social implications, therefore, the main task of the European Commission, in this unprecedented situation, it is the massive support for the reconstruction of Europe.

In this situation, a temporary instrument called NextGenerationEU was created, which, together with the EU's long-term budget, aims to stimulate the reconstruction of the entire global economy and strengthen the flexibility mechanisms so to ensure that it can cope with both the current reality humanity is facing, as well as future uncertainties.

This instrument is intended to be the lifeline for a green, digital and resilient Europe, the main elements of this agreement referring to:

1. Preparedness, recovery and resilience, with the help of the "Recovery and Resilience Mechanism" instrument, which is the main element of the "NextGenerationEU Instrument", which provides loans and grants totaling € 672.5 billion to support reforms and investments in EU countries.

2. "Recovery Assistance for Cohesion and the Territories of Europe" (REACT-EU) is an instrument having €47.5 billion available, meant to be used to modernize cohesion policy and agrarian policy throughout the European Union.

These funds set out by the EU Commission will be allocated to other auxiliary funds such as the ERDF "European Regional Development Fund", ESF "European Social Fund" and FEAD "European Aid Fund for the Most Deprived".

This initiative extends the measures to respond to the economic crisis and remedy its consequences: 1. A new health program "EU for Health", 2. Research and innovation, through Horizon Europe, 3. Climate transition, aimed at climate change, by using 30% of EU funds, 4. Digital transition through the Digital Europe Program.

**Next Generation EU Instrument** is intended for the recovery of economic and social damage caused by the COVID 19 virus and has a value of 750 billion EU, these amounts being allocated as shown in Table 1.

The "long-term EU budget", together with the "NextGenerationEU" instrument, is the most consistent package of financial incentives that is financed from the EU budget. It amounts to EUR 1 800 billion.

Next Generation EU will supplement the funding for other European programs or funds, such as: "Horizon 2020", "InvestEU", "Rural Development", "Just Transition Fund" (JTF), as shown in Tab 2.

These additional funds will be made available for the period 2021-2022 from "NextGenerationEU." and "EU budget", on the long-term, will continue to be supported by the same sources of revenue (<https://ec.europa.eu/info/strategy>): customs duties, contributions from Member States based on value added tax (VAT), contributions from Member States based on gross national income (GNI), national contributions based on non-recycled plastic packaging waste", which is going to be introduced in 2021.

**Table 1. Multiannual Financial Framework 2021-2027**

<b>Multiannual Financial Framework 2021-2027</b>			
<b>total allocations by headings *</b>			
<i>All amounts are expressed in billions of EUR, in constant prices since 2018. Source: European Commission</i>			
<i>* The amounts include an additional 15 billions EUR in funding for ten of the programs (compared to the Agreement of 21 July 2020). These are the programs: Horizon Europe, Erasmus +, "EU for Health", Integrated Border Management Fund, "Rights and Values", Creative Europe, InvestEU, European Border Police and Coast Guard Agency, "Humanitarian Aid".</i>			
	<b>MFF</b>	<b>NextGenerationEU</b>	<b>TOTAL</b>
1. Single Market, Innovation and Digital ctor	132,8 billions EUR	10,6 billions EUR	143,4 billions EUR
2. Cohesion, Resilience and Values	377,8 billions EUR	721,9 billions EUR	1 099,7 billions EUR
3. Natural Resources and Environment	356,4 billions EUR	17,5 billions EUR	373,9 billions EUR
4. Migration and Border Management	22,7 billions EUR	-	22,7 billions EUR
5. Security and Defense	13,2 billions EUR	-	13,2 billions EUR
6. Vicinity and Worldwide	98,4 billions EUR	-	98,4 billions EUR
7. European Public Administration	73,1 billions EUR	-	73,1 billions EUR
<b>TOTAL MFF</b>	<b>1 074,3 billions EUR</b>	<b>750 billions EUR</b>	<b>1 824,3 billions EUR</b>

Source: Conclusions of the European Council of 21 July 2020

**Table 2. Detailed Presentation of NextGenerationEU**

<b>Detailed Presentation of <u>NextGenerationEU</u></b>	
<i>Source: European Council Conclusions of 21 July 2020</i>	
<b>Recovery and Resilience Mechanism (RRF)</b>	672,5 <i>billions</i> EUR
<i>out of which Loans</i>	360 <i>billions</i> EUR
	312,5 <i>billions</i> EUR
<b><u>ReactEU</u></b>	47,5 <i>billions</i> EUR
<b>Horizon Europe</b>	5 <i>billions</i> EUR
<b><u>InvestEU</u> Program</b>	5,6 <i>billions</i> EUR
<b>Rural Development</b>	7,5 <i>billions</i> EUR
<b>Just Transition Fund (JTF)</b>	10 <i>billions</i> EUR
<b><u>RescEU</u></b>	1,9 <i>billions</i> EUR
<b>TOTAL</b>	<b>750 billions EUR</b>

Source: Conclusions of the European Council of 21 July 2020



#### 4. CONCLUSIONS

The COVID-19 pandemic caused a unique economic crisis due to its severity, since it was not limited to the EU zone and consequently the entire global economic activity turned into an unprecedented recession in the first half of 2020.

The shock felt throughout the Member States was further exacerbated by their strong integration into global value chains, so that countries with strong exposure to services sectors with high-consumption of contacts, such as tourism and transport, had registered a clear declining in their exports.

Extraordinary macroeconomic policy measures applied around the world have helped to mitigate the impact and, together with easing the isolation measures, have helped to stimulate cyclical growth, though uneven at global level. The pandemic has severely affected EU and Euro zone foreign trade in the first half of the year, as the sharp and synchronized decline in global demand has interacted with supply constraints due to blockages, border closures, travel bans and internal mobility restrictions.

The depth of the recession in 2020 and the speed of recovery in 2021 and 2022 are expected to vary greatly from one Member State to another, reflecting not only the severity of the pandemic and the stringency of public health measures taken by each country but also the differences between economic structures and internal policies' responses, undertaken by each government.

It is obvious the pandemic's evolution will play a key role in determining future measures for economic recovery, and it should be appreciated that Member States have provided their economies with unprecedented budget support and assistance in terms of liquidity, in order to avoid mass redundancies, to maintain revenues and to protect businesses. Unlike the previous crisis, the EU's economic policy response was swift and complemented by the activation of the "general waiver clause" in EU tax rules, which helped Member States deliver a strong fiscal response to the crisis.

Rapid agreements were also swiftly approved on a number of important EU support instruments, which were discussed in this material.

On the short term, the uncertainty looming over the entire world will remain at high level as long as the pandemic is not eradicated and it is particularly difficult to make predictions in these circumstances.

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