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GLOBALISATION AND DEGLOBALISATION DEBATE: FROM THE PERSPECTIVE OF GLOBAL VALUE CHAINS AND THE EUROPEAN UNION POLICY PROPOSALS

BY

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"I hereby certify that this dissertation and the research to which it refers are entirely the product of my own work and that any ideas, quotations or sources I have applied are correctly identifiable in the text and have been fully acknowledged in accordance with standard referencing practices."

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ABSTRACT

Globalisation has brought about profound political, economic, cultural and environmental transformations in the world. However, it has been seen in the historical process that globalisation is not a constantly progressing model and has experienced significant breakdowns or slowdowns infrequently. In addition to the important economic and political developments in recent years, the negative effects of the COVID-19 epidemic and the Russia-Ukraine war on global value chains along with free foreign trade are seen as a new globalisation crisis. For this reason, the future of globalisation has been questioned thoroughly.

On the other hand, the union of European countries and their following neoliberal economic policies have made Europe an important part of globalisation. However, the recent geopolitical tensions, in addition to external shocks have led the EU to seek new industrial and trade strategies. The vision of the future which the EU will put forth, in this sense, is also of great importance for the future of globalisation.

In this respect, the aim of this study is to present an alternative perspective to the discussions on the future of globalisation within the framework of the policy proposals of the EU, which is one of the substantial actors of globalisation, and the current status of global value chains.

KEYWORDS: *Globalisation, deglobalisation, global value chains, the European Union, reshoring, reconfiguration, trade, trade war, geopolitical tensions, policy proposals*

FIGURE LIST

ABBREVIATION LIST

GVCs	Global Value Chains
The EU	The European Union
The US	The United States
IMF	The International Monetary Fund
GATT	General Agreement on Tariffs and Trade
WTO	The World Trade Organization
GATS	The General Agreement on Trade in Services
TRIPS	The Agreement on Trade-Related Aspects of Intellectual Property Rights
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
OAS	Open Strategic Autonomy
ERMA	The European Raw Materials Alliance
IPCEI	Important Projects of European Interest
NAFTA	The North American Free Trade Agreement
RCEP	The Regional Comprehensive Economic Partnership Agreement
AfCFTA	The African Continental Free Trade Area

1. INTRODUCTION

Over the years, globalisation has created intense interaction and integration among societies, cultures, governments and many other organisations around the world. The increase in international trade, the acceleration of capital movements, the internationalisation of the division of labour, the rise in the transfer of technologies between countries and even the fact that local crises can easily transition into a global matter are the critical developments which globalisation has brought into our lives. Notably, with technological advances and the Industrial Revolution in the 19th century, production became more accessible and faster. In this process, globalisation gained even more significant momentum as the transfer of goods in addition to services became more accessible and cheaper owing to the advancements in transportation (Baldwin, 2016). Subsequent Global Value Chains(GVCs) have also taken a vital position in international trade and have maintained this unique stance (Drelich-Skulska, Bobowski and Gola, 2021). The political and economic events following the Second World War paved the way for international integration. In economic terms, globalisation has turned into the engine of economic growth in the second half of the 20th century (Stanojević, 2020).

However, globalisation has not been an uninterrupted integration process throughout history. External shocks such as World Wars, global economic crises or natural disasters have caused breakdowns infrequently. The financial crisis experienced in 2008 is one of the events which put globalisation in a new slowdown trend. There has been a significant decline in global trade, and protectionist policies have risen (Constantinescu et al., 2019). Britain's exit from the European Union (EU) with the BREXIT decision and the tariff wars between the US along with China are the essential protectionist political developments of the last period (Li, Wang and Whalley, 2019). However, the globalisation trend underwent the most extraordinary shock with the COVID-19 epidemic. There were serious problems in the supply made with global value chains due to the epidemic surrounding the whole world, in addition to long-term quarantine practices. Also, serious problems in the supply of critical substances made the high dependence of countries on foreign trade visible. The low self-sufficiency level of countries caused the reshoring discourses to rise. The Russian invasion of Ukraine in February 2022 also had a negative impact on value chains leading to problems in the supply of some products. The fact that Russia, an important energy supplier, was at war also caused issues in the energy supply. These developments have made the future of globalisation questionable in the last period.

One of the critical actors in the globalisation process is the European Union. In line with neoliberal economic policies, the EU adopted the free market mechanism, trade liberalisation and strong competition. Especially from 1999 to 2019, the trade openness of the eurozone reached 93% (Gunnella *et al.*, 2021). In this context, the tendency of the European industry to participate in global value chains has been high. Nevertheless, the global problems which started with the 2008 financial crisis and peaked with the latest COVID-19 epidemic along with the Russia-Ukraine war had significant effects and consequences for the EU. As a result of these current developments, the EU had to reconsider its industrial and trade policies, including its position in value chains, foreign dependency and access to critical substances (Kolev and Obst, 2022). Moreover, the future-based policy proposals of the EU are considered important for the future of globalisation, as the EU has a high participation rate in value chains in addition to a high foreign trade volume.

In this framework, the main motivation of this study will be the effort to understand whether there will be a major paradigm shift in the future of globalisation. In this direction, global value chains, the most critical production model of globalisation, and the EU as one of the serious actors, will be the focus of the study. Thus, there will be an effort to understand the process of the globalisation trend through concrete evidence, including the GVCs and the policy proposals of the EU. Many studies in literature contain assumptions regarding the future of globalisation. However, not many studies cover the future-based strategy changes in industrial and trade policies of developed countries, especially the EU, and the main changes in GVCs. This study aims to eliminate this deficiency.

The research question of the study is: In which direction does globalisation evolve within the framework of the effects of current global/regional political economy advancements on Global Value Chains and policy proposals of the European Union?

Other sub-questions to be explored with this thesis are: What kind of effects have current political-economic events had on global value chains? How did these recent political economic developments affect the economic strategies of the EU? How did the changes in GVCs and the EU policy proposals influence globalisation due to these political-economic developments? How do the effects of current mainstream economic policies on foreign trade and GVCs affect globalisation?

One of the hypotheses of this research is that the international dependencies created by globalisation cause a new concern regarding access to critical goods in addition to services. A second hypothesis is that as a result of current developments, the tendency to reshoring is increasing in value chains. Yet this does not mean deglobalisation. Among the hypotheses, the strategy followed in the policy proposals of the EU aims to reconfigure globalisation rather than strengthen deglobalisation. Finally, another hypothesis of the study is that globalisation is in a process of reconfiguration rather than deglobalisation.

In this study, literature on the future of globalisation and the current conditions of global value chains is reviewed using the conceptual research method within the scope of deglobalisation as well as reconfiguration discussions. The course of the trade volume of the EU over the years is analysed within the scope of the case study approach. Additionally, the level of participation in value chains by the EU and motivations for participation are explored. Subsequently, the projects of the EU in various sectors and future-based policy proposals are examined, and its possible effects on globalisation are analysed. Research hypotheses are tested by examining the impact of global political economy developments on globalisation and the trade performance of GVCs. Also, following literature review, newspapers/magazines/scientific publications are scanned to identify current advancements impacting international trade volume. Data on the change in international trade and the trade performance of GVCs are collected using the World Trade Organization (WTO) data. Data on strategy changes in the various sectors of the EU operating in GVCs are collected, coded and analysed.

Following this methodology, the first part of the study begins with a literature review on globalisation, global value chains as well as the EU. Following this, in the second part, the brief history and main dynamics of globalisation are examined within the scope of our research question. The effects of the COVID-19 epidemic and current political economy developments on globalisation are evaluated by explaining the position of GVCs in world trade. The third part explores the brief globalisation process in the EU and its role in GVCs. Afterwards, the industrial and trade policy proposals of the EU are discussed, and the attitude towards the future of globalisation by the EU is interpreted. In the fourth chapter, the discussion of deglobalisation and reconfiguration is covered from a broader perspective. This discussion focuses on the effects of capitalism as well as neoliberal economic policies on the future of globalisation in light of the GVCs and the policy approaches of the EU.

1.1. Literature Review

Globalisation, rising since the 1980s, has rapidly heightened international integration. The most functional tool of globalisation in providing this high international integration is the global value chains, which have become very attractive with the advancements in technology and transportation over time. However, their dependency created by high integration based on global value chains has many advantages and negative features, such as increasing the global crisis spread rate. While examining the impacts of current global political and economic developments in addition to external shocks such as the COVID-19 epidemic on globalisation along with the possible political position of the European Union against these recent developments, the literature review will be divided into three parts in this context. First, literature on globalisation, followed by-current research on GVCs, and finally, research on the policy approach of the EU to the issue will be reviewed.

1.1.1. GLOBALISATION

Dicken (2007) s stated that value chains along with production networks have accelerated the globalisation course since the mid-1970s and accelerated the process. On the other hand, Yeung (2015) deals with the localisation of production activities observed recently in globalisation, which reached its peak until the 2008 financial crisis. Brakman et al. (2020) focused on the transition trends from the 'just-in-time' production model to the 'just-in-case' model, which has risen with the COVID-19 epidemic. With this study, it is observed that strengthening globalised production models in the face of external shocks has become necessary. Lund and Steen (2020) also suggested that production in some sectors shifted towards developed countries in relation to the changes in GVCs. In recent studies on globalisation, it has been observed that the future of globalisation is discussed. Williamson (2021), while focusing on the reconfiguration in the globalisation trend, found the claims of deglobalisation to be exaggerated. An ambitious argument regarding the future of globalisation was put forward by O’Sullivan (2019). O’Sullivan argues that globalisation is coming to an end as a result of the income inequality created by globalisation, the dominant role of multinational companies and the disintegration of GVCs.

However, Huang et al. (2018) show the negative effects of protectionist economic policies through the example of China, while Fajgelbaum et al. (2020) also investigated, statistically, the negative impact of protectionist policies through the US example. Scherrer (2022) stated in his study that competitive pressure still continues within the capitalist production model and that globalisation is in a reconfiguration process. Gereffi (2020), further, predicted that an international system will emerge based on multipolar and more regional cooperation.

1.1.2. GLOBAL VALUE CHAINS

In the aftermath of the COVID-19 outbreak, there has been much research on how global value chains will be affected. Gruszczynski (2020) focused on the length of the pandemic in his study. He stated that if the pandemic lasts for a long time, it will undoubtedly have significant effects on international trade, and these effects will become more pronounced. Javorcik (2020) suggested that after the pandemic experience, companies will focus on the resilience of their value chains and may choose to diversify their suppliers. Hayakawa and Mukunoki (2020) similarly argued that the idea of diversifying resources may be an effective solution to possible supply crises.

Barbieri et al. (2020) focused on reshoring applications and stated that reshoring has an important place in the reconfiguration of GVCs. Miroudot (2020), on the contrary, criticised that reshoring decisions may not be effective and focused on the operations to increase the resilience of value chains. Kano and Oh (2020) have no long-term change foresee in GVCs governance due to current events.

Bacchetta et al. (2021) predict that protectionist policies will increase following the pandemic and cited that this would lead to the diffusion of innovations along with the reduction of economies of scale. They also argued that the influence of the Fourth Industrial Revolution, rather than the pandemic, would have had a greater impact on GVCs. Lee and Gereffi (2021) similarly examined the relationship between the Fourth Industrial Revolution in addition to GVCs and suggested that GVCs may lead to changes in governance. Verbeke (2020), further, argued that strong economic relations are substantial for supporting the growth of global economies and suggested the agile GVC approach for this.

1.1.3. THE EUROPEAN UNION

Since joining or leaving value chains is a time-consuming process, there is not much literature yet which is able to evaluate the position of EU countries. However, in the last period, Solleder and Velasquez (2020) suggested that raw material imports of the EU will decrease gradually from 2020 onwards. Similarly, research has been published showing that there will be a decline in foreign direct investments in the EU. For instance, Reins (Reins, 2019) evaluates the screening of foreign direct investments in the EU as a new restrictive measure in his research. On the screening of foreign direct investments in the EU, Zwartkruis and de Jong (2020) also have a study in which they evaluate the restrictive measures of the EU on foreign direct investments within the scope of their legal dimensions. Kordalska and Olczyk (2019) examined the value chain links among several Central and Eastern European countries as well as Germany. With this study, it is evident that the value chains have already started to shorten in the EU. Petrović's (2019) research, on the other hand, discussed the protectionist policies of the EU from a political perspective through the difficulties experienced by the Western Balkan countries in the EU accession process. Abdal and Ferreira (2021) examined the influence of the globalisation and deglobalisation trend in the US, China and the EU after the 2008 financial crisis along with the COVID-19 epidemic, and especially focused on the policies of the US which disrupted the globalisation process. Gerhke (2020) discussed the post-epidemic EU policies through Asia relations. He determined that globalisation will not die, and dependencies are permanent, yet the important point is how to manage these dependencies. Stanojevic (2021) also contributed to literature on this subject by examining the degree of economic openness of Europe via international trade, production and investment practices.

2. GLOBALISATION AND THE ROLE OF GLOBAL VALUE CHAINS

2.1. A BRIEF HISTORY AND MAIN DYNAMICS OF GLOBALISATION

Globalisation has succeeded in influencing societies not only economically but also socially and culturally. Due to its multidimensionality, it has come into the interest of politicians as well as economists and scientists. However, it must be admitted that since the 1980s, with the popularization of neoliberal economic policies, its use and area of influence have developed, and it has managed to affect societies economically with increasing international trade.

It is seen that various definitions have been attempted to be given by various disciplines regarding the conceptualisation of the phenomenon of globalisation. It was discussed sociologically by Giddens (1990, p. 64) and defined as the intensification of social relations between distant localities, where local events are affected by events occurring many kilometres away. Globalisation is defined by OECD (2005, p. 11) as the interdependence on the production and markets of countries by means of trade in goods, services, capital and technology fluidity. Evidently, globalisation is described as an approach which leads to economic 'interdependencies' by developing international trade and product-specialisation, as in social relations.

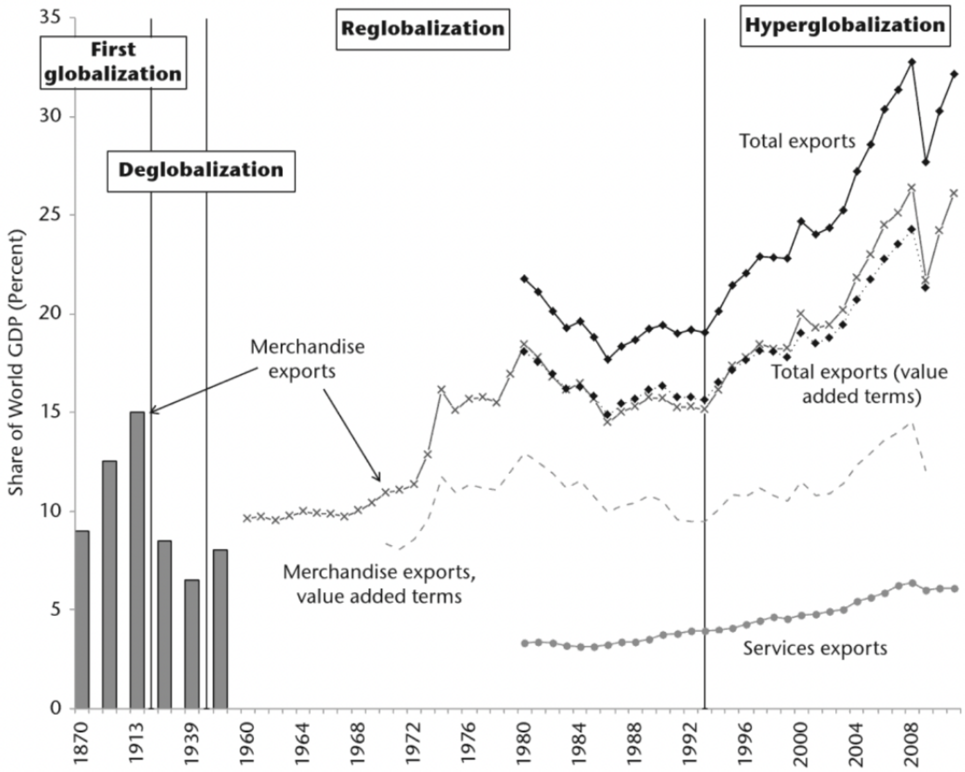
R. Cox approached to globalisation in terms of creating a new international workforce by internationalising production. In addition, Cox focused on the accelerating effects of the new competitive environment and the south-north migration. Cox also defined the state apparatus as mechanisms which become an agency in the globalising world (Cox, 1994, cited in Al-Rodhan and Stoudmann, 2006). This perspective has brought a broader view to the scope by including the position of labour and state, migration movements as well as the direction of these movements in the concept of globalisation.

Rodrik (1998), on the other hand, stated that in the international economic integration created by globalisation, the 'price' mechanism in free trade has a great impact on the management of international and national markets and the distribution of incomes. Therefore, Rodrik noted that international economic integration has been a politically controversial system since the very beginning. In this study, by adopting Rodrik's approach, the political dimension of globalisation will be evaluated as well as its economic dimension.

When we consider globalisation from a historical point of view, the broad research by Baldwin attracts interest. Baldwin (2016) divides the globalisation process into four different eras, which are; the humanisation of the world (200,000 to about 10,000 BC), localisation of the world (10,000 to 1820 BC), globalisation of local economies (1820 to about 1990), and globalisation of factories (1990 to present). However, since the focus of this study is international economic integration and geopolitical developments, it will be examined from the beginning years of the Industrial Revolution, which

Bladwin categorized as the third period. When analysed over the changes in World GDP and changes in exports in Figure 1, it is seen that the first globalisation period took place with the increase in merchandise exports at the end of the 1800s. Another significant rising period in the globalisation trend has been experienced with the increasing merchandise exports and service exports since the 1970s, in the process which started after 1990 and continued until the 2008 financial crisis; the rapid increase in total export rates is called the hyper globalisation period (Subramanian and Kessler, 2013, p. 39).

Figure 1: World Exports, in Current Dollars, 1870-2011



Sources: Authors, based on data from Klasing and Milionis forthcoming for historical estimates (1870-1950), World Trade Organization for 1951-2011, and Johnson and Noguera (2012) for value-added exports estimates cited in Subramanian and Kessler, 2013

In the acceleration of the globalisation process, political developments have played an economically significant role. As two critical developments, it can be said that the governments of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States came to power. These two political leaders have been important supporters of the free market economy. They ensured the liberalization of trade and the deregulation of the economy by reducing the role of the state, thus strengthening the market mechanism. Instead of increasing employment, they prioritised the fight against inflation and avoided social policy. These politicians have made significant contributions to globalisation with their support for the liberalisation of markets. Policies of opening up in China in the 1970s, joining the World Trade Organization in 2001, the transition to the "single market" program in the EU and starting its monetary union are also practical steps for regional and international globaliation (Wolf, 2014, p. 23).

From an economic standpoint, the promotion of foreign trade along with movements in capital for countries with weak market statuses has enabled globalisation to transition into a dominant paradigm alongside political advancements. In addition, despite the economic stagnation which started as a result of import substitution policies in Latin American countries, the rapid rise provided by the export promotion policies of Asian countries made open economy practices attractive (Madhok, 2021, p. 199-200). Development policies aimed at reducing government intervention in the markets and supporting the functioning of the free market mechanism, privatisation practices in addition to macro stability have also become widespread (Stiglitz, 2008). Global implementation of these policies has also been facilitated via institutions such as the World Bank, the International Monetary Fund (IMF), along with the US Department of the Treasury.

General Agreement on Tariffs and Trade (GATT), which regulates international trade with tariffs and which promotes the transportation of goods in addition to services, has also increased global trade volume. The establishment of multinational companies began, and the production processes of these companies were moved to places where raw materials and cheap labour were abundant. Additionally, countries have opted to increase their trade volumes by making trade agreements which aid in the free movement of capital, goods and services among themselves or in their immediate regions (Ebo, 2022, p. 88).

A further subject of debate which rose with the increase of globalisation in addition to free market processes, has impacted welfare state practices. Escalating capital mobility has had a restrictive effect on the fiscal policies of governments. It has been emphasised that the increase in taxes by governments will increase the production costs of domestic producers. There is no probability of adjusting the exchange rate, and budget deficits have an increasing effect on high inflation expectations along with high-interest rates. In this direction, incentive expenditure reductions implemented by governments may lead to high unemployment rates. Bringing the budget balance to the forefront has also suppressed social expenditures. Therefore, it can be concluded that globalisation policies are the main pressure factor restricting welfare state practices (Berger, 2000, p. 55).

However, we can also say that this new global order includes extreme inequalities (Blackwell, 2007, p. 125). In the 2000s, globalisation, which was in its heyday until the 2008 financial crisis, underwent an increase in global protectionism in addition to the large-scale decrease in international commerce along with the transition away from trade alliance (Baldwin & Evenett, 2009; Constantinescu et al., 2020, cited in Gopalakrishnan *et al.*, 2021). The significant factor behind the increase of protectionism at the global level is the incentives of countries to protect their domestic markets from the effects of the crisis.

As a result of the low-interest policy in the US, households have become over-indebted. Following the late rate hike by the Federal Reserve Board, the number of bad loans in the US exploded. The liquidity crisis created by this situation first showed its negative impacts in the US and subsequently all over the world, causing a global economic recession. The blow of this economic recession was observed in the form of a decrease in international foreign trade.

2.2. THE IMPORTANCE OF GLOBAL VALUE CHAINS

It is crucial to comprehend the role which global value chains play in understanding the new patterns of international trade, production as well as employment and, therefore, the present conditions which globalisation faces. GVCs will be covered in the context of innovations and advancements in the political-economic and technological/transportation industries in relation to the historical development processes. Following this, there will be an effort to determine aspects of globalisation which may be a source of current debates.

Including a good or service in the value chain starts with its design, beginning from the first thought stage. These goods or services reach the final consumer through various production stages, and even after-sales support services are carried out within the scope of these value chains. In this respect, it can also be defined as a production model which explains how the added value in each stage emerges (Kaplinsky and Morris, 2001, p. 4). Through these value chains, worldwide economic actors have been articulated and mainly developing country firms and workers have been enabled to adapt to the global economy (Gereffi and Fernandez-Stark, 2016, p. 6-7).

Considering the 1950s, it is seen that the widely preferred economic development practice in Latin America, Eastern Europe and some parts of Asia was the import substitution development model (Gereffi, 2014, p. 436). However, the oil shock and debt crisis, especially in the late 1970s, marked the end of the import substitution model of development. In these periods, multinational companies started taking a position of growth in international trade. Significant changes were made in the structure of value chains, especially in the 70s and 80s, by these multinational companies. The system of GVCs has evolved from capital - and technology-intensive "producer-derived" structure to a "buyer-driven" structure which includes consumer products (Gereffi, 2014b). This intervention of multinational companies broke ground for the replacement of import substitution policies in developing countries with the export-oriented industrialisation model. The fact that they provide rapid economic progress with the export-oriented model is also an essential factor in the abandonment of the import substitution model by developing countries (World Bank, 1993, cited in Gereffi, 2014b).

There is also a political pillar of this model change. Neoliberal economic policies, which started to rise with the support of the USA and the United Kingdom in the 1980s, were also imposed on countries in debt crises through the International Monetary Fund (IMF) and the World Bank. Thus, the trade barriers were reduced. As a result, developing countries have intensively switched to the export-oriented industrialisation model and increased their commercial transactions with foreign markets.

In this integration process, developing opportunities in transportation and information communication technologies is of great significance. The fact that transportation services are fast, reliable and cost-effective has significantly impacted the increase in commercial activities. In addition, the development of information and communication technologies has also led to the integration of dispersed geographical locations by facilitating the coordination and transfer of ideas between companies (Sturgeon, 2008). Also, substantial differences in labour costs among countries may be considered as another critical factor in the increase of offshoring. Due to barriers to international migration, the considerable disparity in wage levels has remained high between developed and underdeveloped countries (Baldwin, 2011). Large companies which want to take advantage created by the differences in this wage level have started to move their production facilities to these countries. Even so, the decrease in trade costs has further increased the trade of intermediates (Bridgman, 2012, cited in Barišić, 2021). The facilitation of capital movements over time has also increased the volume of international trade.

In parallel with these developments, necessary legal arrangements have been made to ensure that these growing commercial transactions are carried out safely by connecting them to legal standards and promoting international trade. The most important are; the GATT, the General Agreement on Trade in Services- GATS and The Agreement on Trade-Related Aspects of Intellectual Property Rights- TRIPS. The establishment of the WTO is also considered an essential step for the institutionalisation of the management of global trade.

Participating in these value chains, being a part of international trade and boosting their competitive power have become an important economic policy, notably for developing countries. In this way, they aimed to bring up trade volumes, create new job opportunities, reduce unemployment and provide national development. Additionally, developed countries have opted to offshore their labour-intensive production processes to less developed countries. As a result, they have combined advanced production technologies with cheap labour from underdeveloped and developing countries (Baldwin, 2011, cited in Barišić, 2021). Over time, this process has covered a wide range of sectors, making global value chains one of the essential phenomena of globalisation.

GVCs, considered to evolve in parallel with the globalisation process, have developed into broader and increased interdependencies over time with international trade, capital flows and labour movements. By entering this relationship of interdependence, the countries covered by the GVCs experienced not only the benefits of international trade but also the risks of mutual harm created by global uncertainties. A sudden idiosyncratic shock which may occur at a certain supplier level within the supply chain creates the risk of deterioration in the performance of interconnected GVC suppliers.

These shocks can also come as strikes, shipment delays, fires in a factory, natural disasters, political conflicts, terrorism, etc. There is a high vulnerability to supply disruptions caused by interdependencies. The complexity of production and transportation processes can be cited as the reason why companies are so vulnerable. In addition, the fact that the companies involved in producing these products are specialised in very narrow production areas and that these production processes are devoid of very few specialised companies also causes this result. Finally, in addition to the complexity of production processes, the high interdependence of companies on their supplier chains makes their value chains vulnerable to shocks (Smorodinskaya, Katukov and Malygin, 2021, p. 86).

GVCs are an essential model to consider in current global debates, as they have a critical position in making globalisation a dominant paradigm. In this direction, our study will continue by examining the internal and external factors which affect GVCs and, thus, the globalisation trend.

2.3. Post-Covid-19 and Geopolitical Tensions

As mentioned partially in the previous part, in this section, the outcomes of other political advancements and the COVID-19 epidemic on globalisation will be examined by addressing the critical external shocks which value chains have faced in recent years, which were partially mentioned in the previous section.

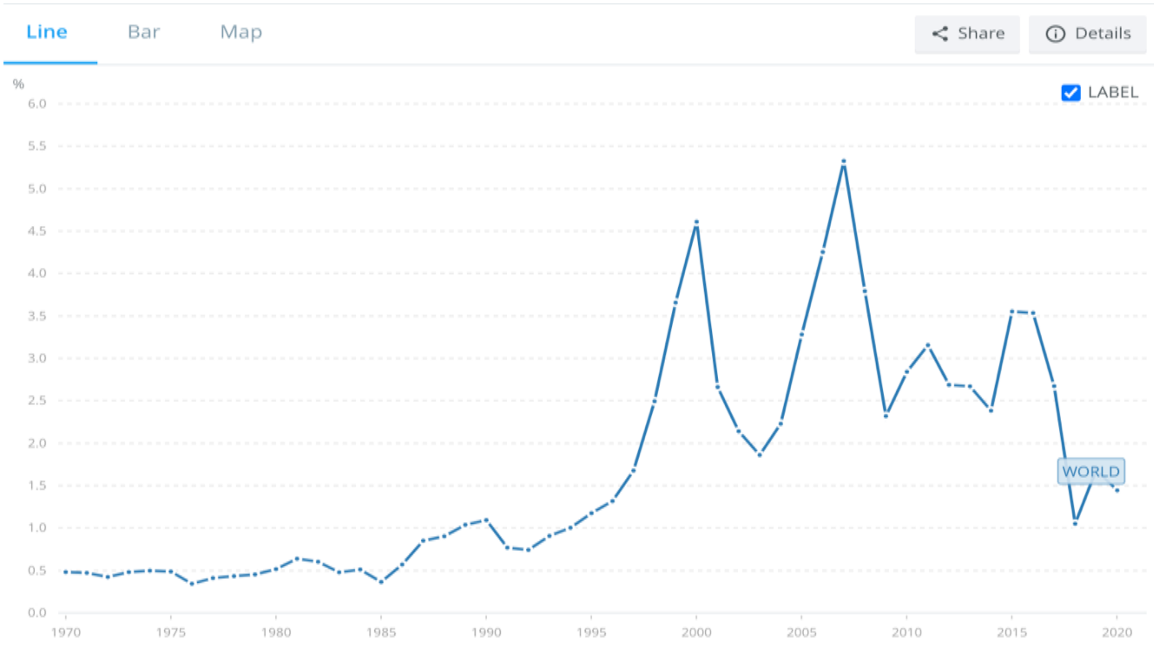
In the globalisation process, which started to recover rapidly, especially after the cold war period, a "hyper-globalization" process was experienced in the phase which began in the 90s and lasted until the 2008 financial crisis. This rapid increase in global trade is also observed in figure 2.

Figure 2: Trade (% of GDP)

Source: (The World Bank, n. d.)

As seen in the graph, while the ratio of global trade to Gross Domestic Product (GDP) was 34% in 1986, this ratio reached a peak of 61% as of 2008. However, since 2008, with the effect of the financial crises which was experienced, the contraction in the global trade volume, the changes in the politics as well as trade policies of countries, in addition to the external developments, including the COVID-19 epidemic, decreased to 52% as of 2020. This decline in world trade is also referred to as "slowbalization", which was first used by Adjiedj Bakas and frequently cited by The Economist to describe this decline (The Economist, 2019).

Figure 3: Foreign Direct Investment, net inflows (% of GDP)



Source: (The World Bank, no date a)

When we examine the flow of capital, which is one of the crucial elements of integration in goods, labour and capital markets within the scope of globalisation, over the years, we see a similar contraction since 2008. As seen in figure 3, foreign direct investment (FDI), which was 0.4% of GDP in 1985, reached its highest value in 2007, and its ratio to GDP was 5.3%. With the effect of the 2008 financial crisis, this upward trend came to an end. The tendency of the government to avoid high risk and follow prudent macroeconomic policies due to the 2008 financial crisis has played a significant role in this change. Together with this, the decline of this rate to 1.4% by 2020 had the potential to result in a move away from global financialisation (Antràs, 2020, p. 9).

In the hyper-globalisation era, the dominant strategy of companies was low-cost production, finding new markets, and increasing competitiveness. The USA and China have been the two most important actors in world trade and global value chains shaped within the scope of these strategies. However, the onset of the 2008 financial crisis in the USA and the reduction in the import demand in this country had a chain effect and global economic consequences. It was also emphasised that the commercial relations between China and the USA, which implemented an export-based development model before the 2008 crisis, increased and developed a complementary economic relationship (Wang and Sun, 2021, p. 75). However, after the 2008 crisis, export rates in China decreased significantly, becoming overly dependent on the USA market. In addition, there was a falling global import demand and, thus, the declining global export situation also reduced the need for oil and energy resources due to the contraction in production. In these crisis conditions, due to the excessive increase in oil prices and the decrease in oil demand, oil exporting countries also experienced a loss of income from the crisis.

Before the 2008 financial crisis, the extent of the trade relationship created by China's export-led growth model and the USA's overconsumption was called “Chimerica” (Ferguson and Schularick, 2007). This relationship also transitioned into the most essential commercial relationship, which added volume to the global economy during the period (Wang and Sun, 2021, p.75). With the acceleration of integration into the global economy by China and the accession of China to the WTO in 2001, the county's share in the US economy exceeded 40% (Steinbock, 2018, p. 518). Moreover, after the 2008 crisis, the orientation of the Chinese government towards capital and technology-intensive products rather than labour-intensive products has made economic relations more competitive. The “Made in China 2025” program, which is a policy of orientation to global high technology and innovation production, announced by the Chinese government, has also shown China's global leadership purpose (McBride and Andrew, 2019).

Various predictions made in light of this data were that by 2020, China would surpass the US, and by 2018, a “tariff war” was launched by the Trump administration to close the trade deficit. The process, which started with steel and aluminium, has been extended to intellectual property rights and technology (Steinbock, 2018, p. 518). This trade war, to which the Chinese administration responded similarly, had global consequences for the two countries.

There are opinions suggesting that the goal of reducing the trade deficit, which is the primary purpose of these protectionist policies, will be achieved from the point of view of the US and that yet there will be a contraction in the import volume as a result of China's retaliation. It is also expected that there may be an increase in the welfare of developing countries as a result of this trade war due to the increasing demand from China and the US (Carvalho, Azevedo and Massuquetti, 2019, p.17). From the point of view of GVCs, another modelling view suggests that the decrease in GDP will result in further spread of the negative results and a decrease in global GDP through GVCs (Itakura, 2020, p. 91-92).

Along with the trade war between the US-China, another protectionist policy application came from the United Kingdom, which decided to exit the European Union. The BREXIT decision has created an essential geopolitical agenda since 2016 and has pressured the future of supply chains significantly.

Studies show that some European companies have turned to some or all of their supplies from other countries due to BREXIT (Giles, 2018, cited in Gupta, Wang and Czinkota, 2021). Domestic companies have also reduced their foreign investments and improved their capacities in their countries (Godsell et al., 2017, cited in Gupta, Wang and Czinkota, 2021). Some models predict a rise in trade and production costs due to the rise in intermediate input prices resulting from the pressure on GVCs (Cappariello *et al.*, 2020, p. 37).

Globally, protectionist policies, a few examples mentioned above, are generally implemented in industrial subsidies and restrictions on migrant workers, direct capital investments and standards. Industrial subsidies are concentrated in the US and the EU automobile industry. National purchasing restrictions have also been heavily observed among the US-China governments. Restriction policies against migrant workers have been applied in developed and developing countries. Especially in the US, this precaution has been taken directly by switching to the H1B visa application. Even if there is no such visa application in the EU, migrant labour rates have decreased, and political discourses on providing employment to local workers have increased in England. Furthermore, Foreign Direct Investments have been applied mainly in energy-related sectors, and these restrictions have been on the rise, especially in China. Standard limitations applied to technical equipment and food products have been increased. China's restrictions on agricultural products from Europe, India's restrictions on technology products from China, and Indonesia's pre-shipment inspection practices can be given as examples (Erixon and Sally, 2010, p. 13-14).

Following the US-China trade war and the COVID-19 outbreak, which will be discussed in the next section, the invasion of Ukraine by Russia is another recent geopolitical development that puts pressure on global trade and GVCs. In the polarisation created by this war, closening China-Russia relations have also accelerated the processes of Western countries to supply energy, raw materials, and intermediate goods and to determine new shipping routes. The rise in oil and gas prices due to the war caused transportation costs to go up. Also, the decrease in the supply of products including corn, barley, wheat and fertiliser, which these two countries are suppliers, also brought up the prices of these products. Such political and economic factors which emerged due to the war led Western countries to seek more local and regional solutions by reducing their dependence on Russia (Simchi-Levi and Haren, 2022).

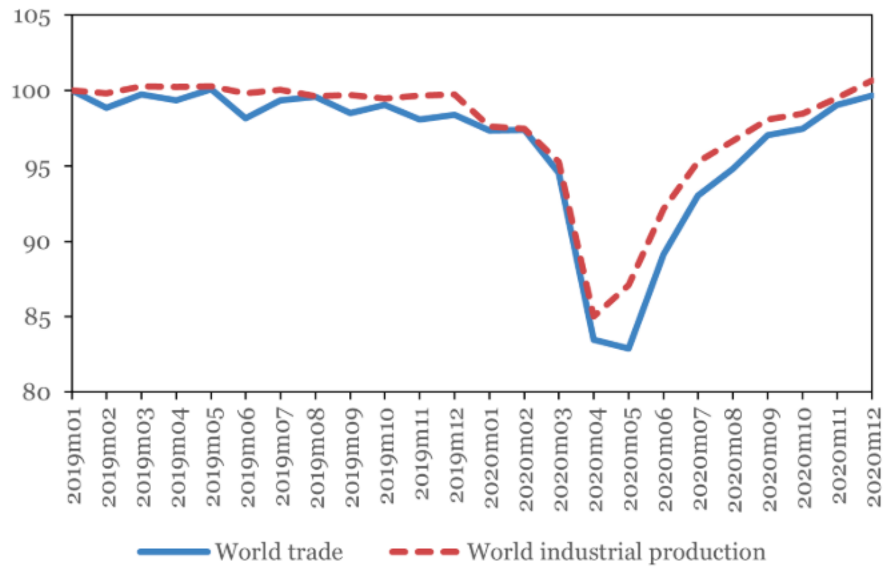
2.4. POST-COVID EFFECTS ON GLOBALISATION

In addition to some geopolitical developments mentioned in the previous section, the COVID-19 epidemic, which was experienced globally, also damaged the trust in globalisation. As a result of the disruptions in their supply chains due to the epidemic, countries have seen their inability to meet local customer needs and their increasing dependence on foreign countries. For example, the US recognised the fact that around 72% of drug ingredients came from foreign countries during the pandemic (Fontaine, 2020).

While the globalisation process is expected to contribute to the whole world economy positively, the protectionist economic policies which started to rise due to the recession and geopolitical developments which began after the 2008 financial crisis shook this expectation as a result of the epidemic followed. Excessive dependencies in international trade became more evident. The epidemic has both supply-side and demand-side effects.

Due to the widespread and long-term quarantine practices caused by the epidemic, production activities, access to intermediate goods and transportation processes have become problematic.

Figure 4: World trade and industrial production since 2019 (Jan. 2019 = 100)



Source: Giglioli et al. (2021) on CPB world trade Monitor data cited in Marvasi, 2022

As seen in figure 4, the epidemic lead to a decrease in production by 15% in world industrial production and world trade by almost 17% in two months from February 2020. On the other hand, both the lack of sufficient supply and the difficulty of transportation have put pressure on GVCs (Frohm et al., 2021, cited in Marvasi, 2022). The increase in insurance prices applied in the shipment of goods raised transportation costs by 80% (Lynch, 2021, cited in Bardt *et al.*, 2021). There has been an effort to mitigate the shock in labour demand through limited social policy measures by governments (Albanesi & Kim, 2021; Brinca et al., 2021, cited in Marvasi, 2022). Regarding capital owners, liquidity tightness and increasing bankruptcies were observed (Demmou et al., 2021; Guerini et al., 2020, cited in Marvasi, 2022).

In terms of demand, while the demand for several products and services has gone up due to the increase in the time individuals spend at home due to the quarantine process, the demand for others has declined

(Espitia *et al.*, 2022). There has been a great fall in the demand for tourism travel, especially in hotels and restaurants. On the contrary, the demand for e-commerce, courier services and durable household appliances has increased (Abay, Tafere and Woldemichael, 2020). Lower demand for automobiles, oil and dairy products has also caused storage issues (ILO, 2020). Due to the pressure on GVCs and the restrictive measures implemented by governments, the high need for medical supplies has not been adequately met (Park *et al.*, 2020).

In particular, China's ban on all mask exports during the epidemic, forcing even foreign and subsidiaries to produce only for China, led other countries, especially the US, to similar practices (Thangavel, Pathak and Chandra, 2022, p. 8). Chinese dominance and pressure on GVCs are now perceived as a threat. Moreover, such restrictions have shown the countries the necessity of domestic production for this type of product. With the shortening of GVCs in the European Union to reduce dependency on overseas suppliers, a focus on producing medical and technological products locally in France is in effect. The Japanese government is allocating a substantial budget to bring its companies back from China, and India is taking action to become a self-sufficient economy (Du *et al.*, 2020).

Due to geopolitical tensions and increasing pressures on GVCs during the COVID-19 epidemic, the contraction of international trade volume, and the decrease in the welfare of societies, government interventions tend to increase with such regulations.

3. THE EUROPEAN UNION AND GLOBALISATION

In this section, the globalisation policies of the European Union will be discussed from a historical perspective. As in the previous section, the current and future political approach of the European Union will be evaluated through the relations between globalisation, which has been the dominant paradigm for many years, and GVCs, its most critical production model. In this context, current economic and political developments will be examined from the perspective of the European Union. Hence, there will be an effort to understand the future-based globalisation approach which the European Union is trying to create within the framework of current deglobalisation or reshoring discussions.

3.1. BACKGROUND OF THE EUROPEAN UNION AND GLOBALISATION

The European Union, as a regional power, has become an important part of globalisation after its political and economic integration. The political position that developed after the Second World War played an important role in the development of the European Union. The collapse of the Soviet Union and the fall of the Berlin Wall accelerated European unification. The dominant neoliberal economic policies of the 1980s were also adopted. With the single market established, free movement of goods, services, labour, and capital has been ensured within the borders of Europe. The introduction of the Euro as a common currency in 2002 brought the Union to a supranational position in the field of economy.

The process, which started with the customs union and then continued with the single market along with the monetary union, reached the goal of economic integration. As a result of this integration, which was shaped in line with external factors, namely, globalisation and neoliberal policies, barriers to regional trade were removed, and the free movement of capital, labour, services as well as goods was ensured. The establishment of international economic organisations, the strengthening of multinational companies, the ineffectiveness of the state mechanism in line with neoliberal policies and the spread of privatisation practices have lowered the power of nation-states. This effect of globalisation has strengthened the idea of transitioning into a regional power by uniting politically and economically (Rosamond, 2002). The economic policies followed by the EU have also shown parallelism with the neoliberal globalisation policies. Monetary policy was prioritised, and low inflation targeting was preferred rather than low unemployment rates (Hermann, 2007).

According to some arguments conceptualised by Wade Jacoby and Sophie Meunier (2009, p. 358) with the phrase “globalisation minus” effect, European integration is a superstructure established to protect member countries from the adverse impacts of globalisation. For this reason, they consider the EU formation as a structure which slows down globalisation and alleviates its effects. On the other hand, according to some views called “globalisation plus effect” by Wade Jacoby and Sophie Meunier (2009), on the contrary, European integration contributed positively to the globalisation process. Owing to the EU formation, the spread of neoliberal European policies has been ensured.

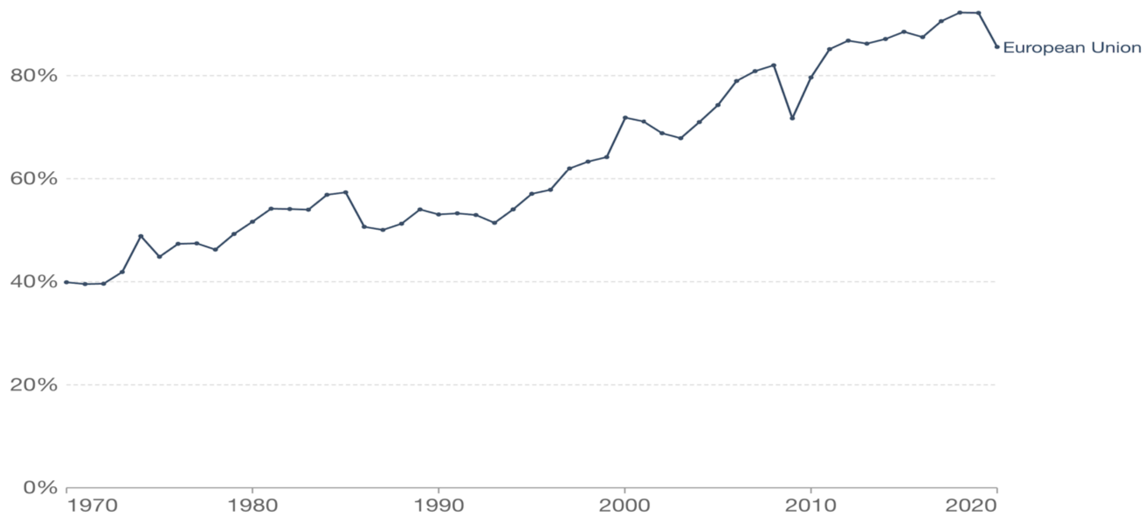
It has brought regulatory standards in many areas, such as food, finance, telecommunications, and industrial products, into the commercial transactions of the EU with non-union countries. Although it is claimed that its adaptation to international markets is low due to these standards, this situation can also be interpreted as the EU’s contribution to the regulation of globalisation (Jacoby and Meunier, 2013, p. 21). In addition, the EU has increased its integration into global markets with the numerous free trade agreements it has signed with other countries. The ideas of free trade, free market mechanism, and competitive conditions, which are the main elements of the neoliberal economic model, have also been adopted by the EU. During 1999-2019, trade openness for most developed and emerging economies have been relatively stable, while in the eurozone, this ratio has increased from 61% in 1999 to a high of 93% by 2019 (Gunnella *et al.*, 2021, p.10). In this context, it is thought that the relationship with globalisation in the EU is in the form of adoption and support rather than prevention.

However, in the face of current global geopolitical developments and external shocks such as the COVID-19 epidemic or the Russia-Ukraine war, governments have faced the reality of reshaping their strategies. In this direction, before evaluating the EU's possible strategic orientations, the position of the EU in GVCs will be examined to understand the cyclical change experienced more clearly.

3.2. THE EUROPEAN UNION AND GLOBAL VALUE CHAINS

The trend of globalisation has lead countries to transition into a part of global value chains with the basic motivation of increasing their welfare by integrating with international trade. Today, almost half of international trade is carried out within the scope of GVCs activities (Borin, Mancini and Taglioni, 2021). Accordingly, the position of the European Union in GVCs will be evaluated to discuss future-based policy approaches in line with the globalisation trend in the EU.

Figure 5: Trade as a share of GDP, 1970 to 2020 (trade openness index)

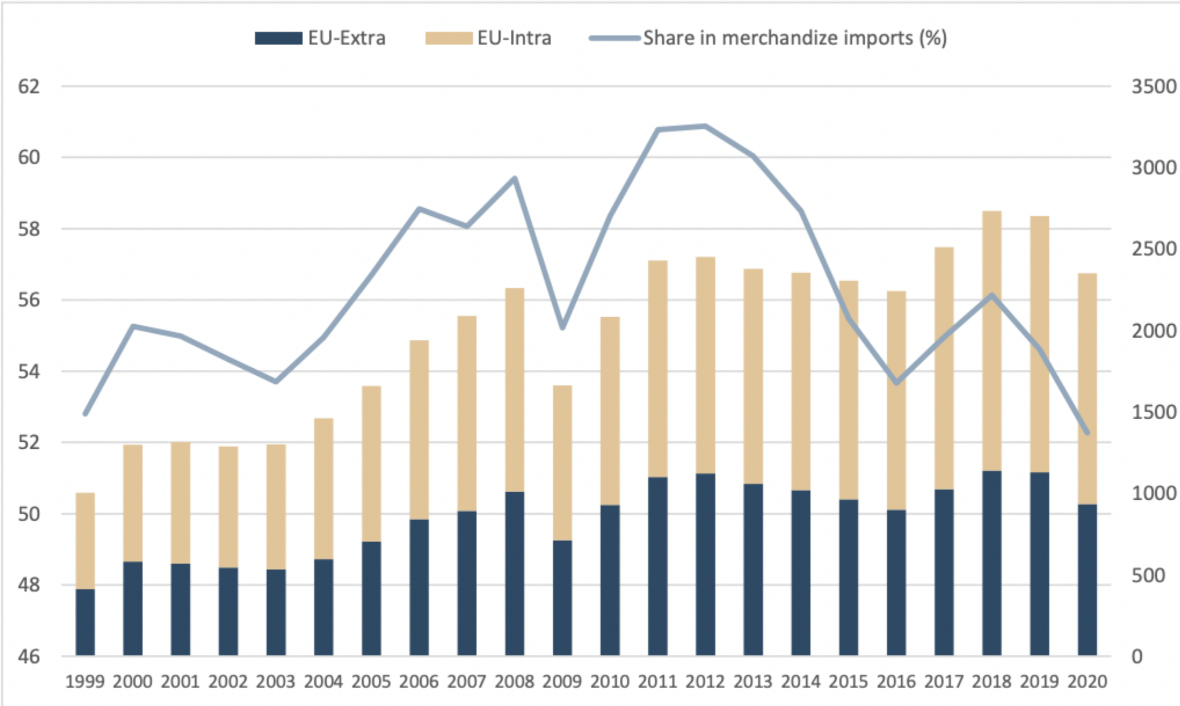


Source: World Bank and OECD cited in *Our World in Data*, n. d.

In this context, it is seen that production relocations have been implemented as a widely used cost reduction method in the European industry for many years. In addition to providing cost advantages, many European companies have used the offshoring method in production to enter new markets. When the example of the German manufacturing industry is examined, it has been observed that the offshoring tendency has increased despite the increasing competitive pressure during the economic hardship periods between 1995-2006 (Kinkel and Maloca, 2009).

In the period before the 2008 financial crisis, there was an increase in the foreign trade levels of European countries in parallel with the rising trend of globalisation. Figure 5 indicates that while the share of trade in GDP was 53% in 1990, this rate was 82% in 2008. Although it reached 92% in 2019, this rate decreased to 85% as of 2020 with the effect of the COVID-19 epidemic.

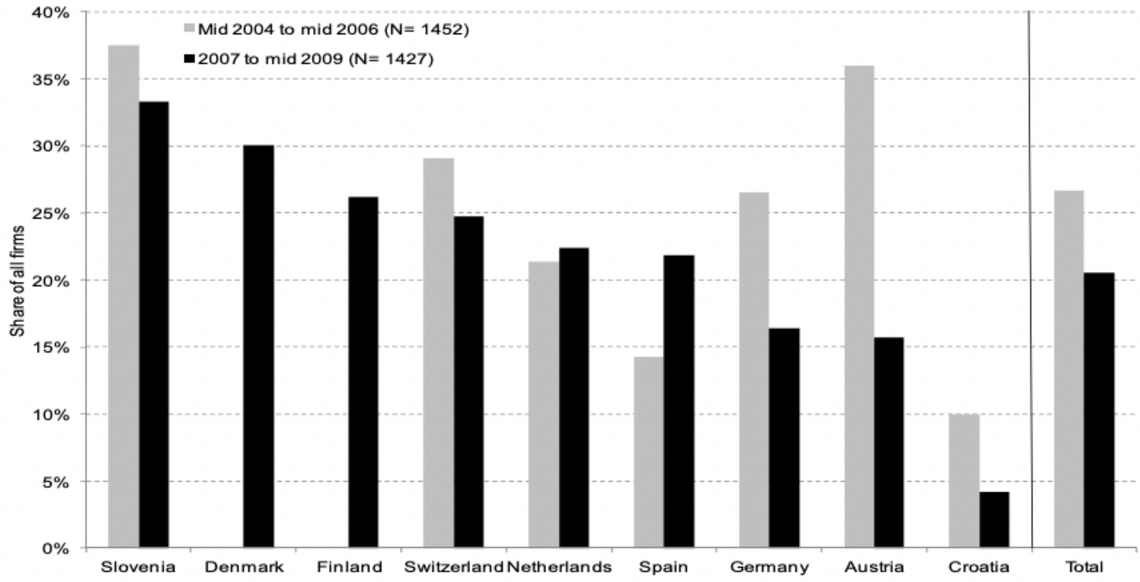
Figure 6: Imports of intermediate products value in billion euro (right axis) and share in merchandise imports in percent (left axis)



Source: Eurostat; German Economic Institute cited in (Kolev and Obst, 2022)

Another indicator showing the high level of globalisation in the EU is the intermediate goods trade data. As seen in figure 6, the value of imported intermediate products has more than doubled since 2000 due to the globalisation trend. While the share of intermediate goods trade in total goods imports was 52.8% in 1999, it increased to 59.4% in 2008. Although this rate recovered after the crisis and reached 60.9% in 2012, it decreased to 52.3% in 2020. This decline in intermediate goods trade also signals the increasing reshoring trend in the EU (De Backer et al., 2016, cited in Kolev and Obst, 2022).

Figure 7: Share of companies undertaking production relocation abroad by country

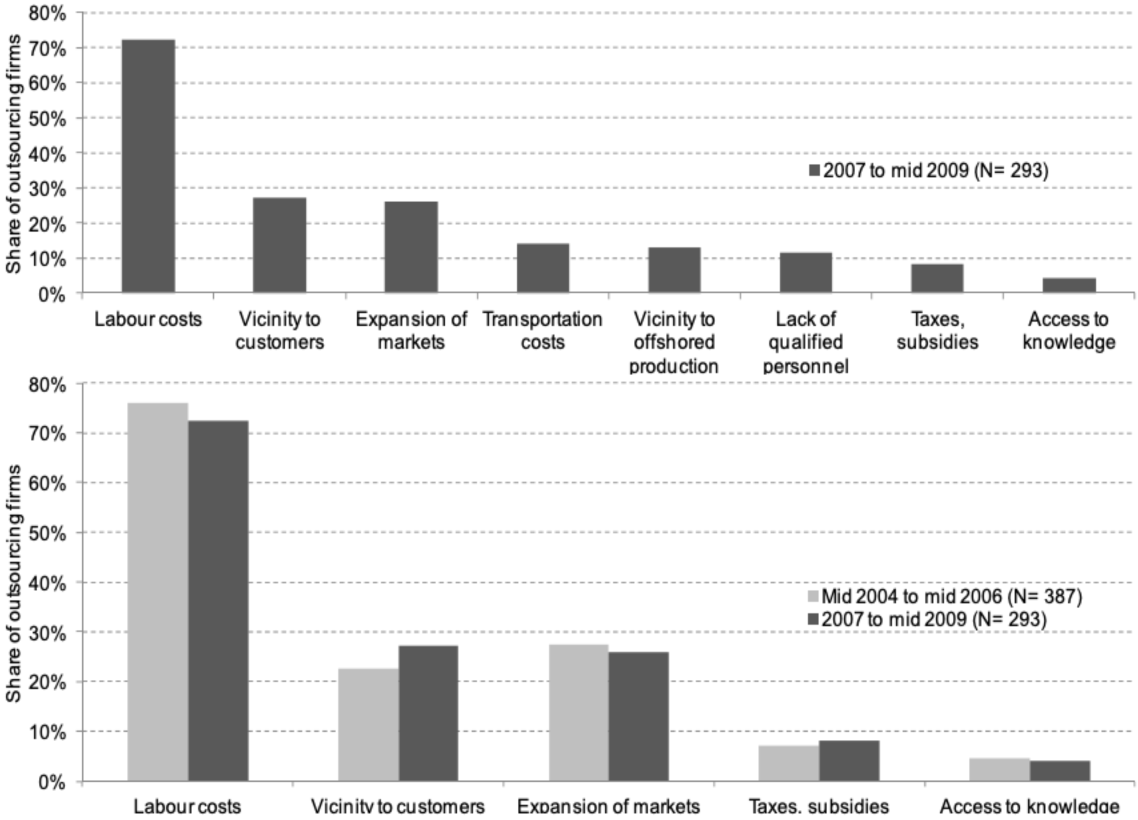


Source: European Manufacturing Survey 2006, 2009 cited in Schmall *et al.*, 2012

Although the goal of reducing labour costs in incorporating into GVCs is an essential factor, it is not considered to be important in the case of the European Union. While countries with high hourly labour costs, such as Denmark or Finland, are more involved in value chains, the same trend is observed in countries with lower hourly wages, such as Slovenia. As seen in figure 7, some countries, such as Germany and Austria, where high wage levels were applied, decreased their offshoring levels, especially during the 2008 financial crisis. Production offshoring intensity decreased from 27% in the period 2004 to 2006 to 21% in the period from 2007 to mid-2009. It can be argued that European countries turned to domestic production methods in the 2006-2009 period, which is important in terms of showing the impact of the 2008 financial crisis on the relocation of production. (Schmall *et al.*, 2012).

According to the study on the main reasons which lead European countries offshore in figure 8, it is seen that the most important cause in both periods is to reduce wage costs. It can also be stated that tax and subsidy advantages as well as access to information are not very attractive factors. In addition, it is seen that the most important motivation after the aim of obtaining wage costs is proximity to final consumers and expanding their markets. Although excluded from the sample survey, proximity to production facilities, transportation costs, and skilled labour are other essential reasons. Studies also show that offshoring in production areas is used as a strategy to modernise production methods (Schmall *et al.*, 2012).

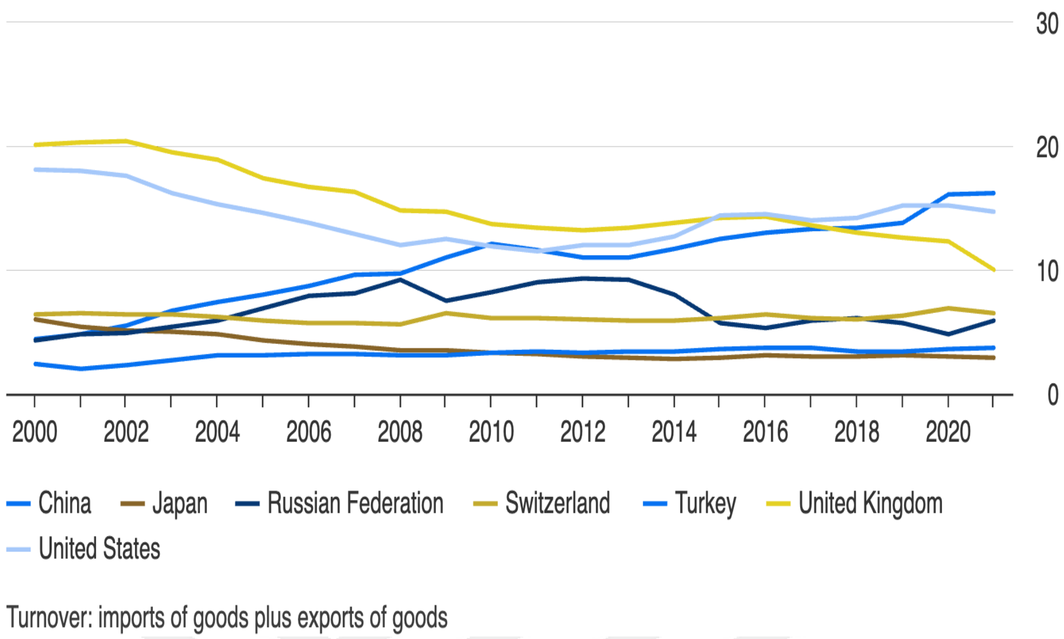
Figure 8: Main motives for production relocations



Source: European Manufacturing Survey 2006, 2009 cited in Schmall *et al.*, 2012

One of the substantial foreign trade partners of EU countries has been China. During the 2008 financial crisis, there was a great reduction in foreign trade volume. It has been observed that the decline in the production area is more than the fall in consumption. The trend toward outsourcing across Europe has shifted to using internal resources. However, even during this period, China extended its increase in its share of EU resources. The ongoing upward trend in the trade volume between the EU and China, seen in figure 9, indicates the dependency on China despite the 2008 financial crisis.

Figure 9: Top trading partners of the EU (in % of extra EU trade turnover)



Source: Eurostat (*Top Trading Partners of the EU*, 2022)

In recent years, significant developments such as the effects of the financial crisis, the deterioration of crucial commercial cooperation including the US and China, as well as the BREXIT decision have occurred. As a result of such developments, protectionism policies have increased, and GVCs began to be questioned even before the COVID-19 epidemic. The closure of borders and decreased production volumes during the COVID-19 epidemic further raised inquiries regarding GVCs. A natural consequence of this situation has been the slowdown of the globalisation trend. During the pandemic period, significant changes were also observed in supply and demand structures. Despite the decline in demand in traditional industries, the demand for electronic products has gone up. In terms of supply, such a recovery has not been observed, and the dependence on the import of strategic products has become more visible. This situation has led to questioning the industrial and commercial policies of the EU (Kolev and Obst, 2022).

3.3. The Future Perspective of the European Union regarding Globalisation

3.3.1. Major Impacts of Global Value Chains on the Future Perspective of the European Union

In this study, by examining the globalisation process of the European Union, there has firstly been an effort to understand the level of integration with globalisation within the scope of the industry and trade strategy followed by the union. Following this, the position of GVCs in the EU, the dominant production model of this concept, its main motivation sources, and trade relations are evaluated. Over the years, the EU has become highly integrated into the globalisation process and has an essential position within the GVCs.

As mentioned previously, GVCs are a model with positive contributions, namely, providing lower-priced import opportunities, increasing technological diffusion and developing productivity by taking advantage of the international division of labour (World Bank, 2020). However, this model also has serious negative aspects. In shocks and regional crises, the risk of spreading adverse effects is also very high due to its complexity and high interdependence among firms (Caselli *et al.*, 2015). Another crucial negative effect is that escalating commercial dependencies can disrupt the import of critical or strategic products during cyclical political or crisis periods.

As a result of the recent geopolitical tensions and shocks such as COVID-19, the ability of GVCs to transmit such detrimental effects has come to the fore even more. According to an analysis, GVCs played a major role in the international spread of the impact of developments such as the COVID-19 outbreak, the US-China trade war, and the United Kingdom's decision to leave the EU. According to the modelling, in the COVID-19 outbreak, the reduction in global trade increased by 25% with the spillover effect (Cigna, Gunnella and Quaglietti, 2022, p. 48). Despite the rapid rise in global demand following the epidemic, the inability of supply to respond quickly caused inflationary pressure on the prices of industrial goods. It is stated that this supply gap causes half of the increase in EU producer price inflation (Celasun, Hansen and Mineshima, 2022).

GVCs have also resulted in higher trade dependencies and lower production of various goods in a single country or firm. The EU has also been adversely impacted by this situation. It has been found that 34 products widely used in the EU are frequently exposed to supply chain disruptions due to low diversity as well as low substitution possibilities (European Commission, 2021c). The high dependence on Russia for the supply of cobalt and vanadium, which are essential inputs for 3D printing, robotics, and drone manufacturing, is an example of this situation. Similarly, Ukraine is a significant supplier of wiring harnesses, which is an essential input in automobile production (*Financial Times*, 2022). By 2020, more than half of global rare earth mining was controlled by China. The estimation that China also holds 85% of rare earth refining capacity also indicates how much production can be concentrated in a given country (The White House, 2021). When considering the energy issue, it is clear that the EU met about 60% of its energy need by importing as of 2020, and this dependency continues to increase (Eurostat, no date a). 70% of natural gas imports come from four countries, and more than 40% of it is supplied by Russia (Eurostat, no date b). As a result of a war that broke out between Russia and Ukraine, the severe supply problems created by such dependencies became more striking.

Such negative factors, created by globalisation strategies and the increasing role of GVCs, cause vulnerabilities and uncertainties in national economies. In the face of these adverse effects, which have become more evident with shocks such as the COVID-19 epidemic and the Russia-Ukraine war, governments, including the EU, are turning to new industrial and trade strategies.

3.3.2. MAIN POLICY PROPOSALS OF THE EUROPEAN UNION

The future of this concept is being discussed intensively as the problems experienced in globalisation and GVCs have begun to be evident in the recent period. These issues have also started to be addressed in the EU, and there is an effort to try to shape future-based globalisation and new trade strategies. In light of these discussions, the attitude of the EU towards the future of globalisation, its new industrial and trade policy, its choices in addition to its strategies regarding GVCs will be examined.

First, the focus will cover the Open Strategic Autonomy (OAS) plan, which serves as a compass for the economic transformation of the EU and new commerce policy in the era of geopolitical instability. Ensuring the promotion of multilateralism and open commerce in the field of trade with this strategy has been determined as a goal which will boost the capacity of the EU to act independently (European Commission, 2021b). As seen in the 2020 Trade Policy Review, strengthening the resilience and sustainability of supply chains is organised as one of the pillars of the OAS (European Commission, 2021a, p. 6). This reveals that the EU considers participation in supply chains and strengthening of this model as important policy proposals to enhance the autonomy of the EU.

It is evident that the idea of diversifying trade opportunities is an important policy proposal focused on by the EU to reduce the adverse impacts of possible shocks and to help provide access to strategic goods. The strategic dependencies and capabilities report prepared by the Commission also focused on the issues related to supply chains and emphasised the necessity of strengthening the position of the EU in GVCs. For this purpose, it is recommended to enhance foreign trade and diversify trade options (European Commission, 2021c).

In this direction, the European Raw Materials Alliance (ERMA) project was launched in 2020. The ERMA action plan is designed to address current and potential future challenges. The main objectives are to improve the flexibility of value chains, reduce dependency on strategically critical raw materials, strengthen local raw material production and diversify sourcing from foreign countries (*The European Raw Materials Alliance*, no date). The March 2020 Industrial Strategy also shows content parallel to these purposes. It is aimed to increase stock and supply options in strategic sectors with a high risk of issues in supply chains (European Commission, 2020).

Another sectoral example is the Pharmaceutical Strategy for Europe 2020. With this strategy, the aim of strengthening the supply chains by diversifying and developing their security has been put forward (Commission, 2020). The Recovery and Resilience Facility provides the opportunity to raise funds for the development of local capacities and increase resilience (European Commission, no date b). The Horizon Europe funding program is aimed at researching supply chains which are likely to experience problems in raw material supply until 2027, accelerate the green and digital transition, and increase the resilience of the industry (European Commission, no date a).

The strategic dependencies report (2021c) also emphasises the importance of improving integration with global markets and supporting entry into new markets to increase resilience. In this context, it was stated that partnerships with countries with similar goals are to be developed, and stronger relations should be established. For this purpose, it has been argued that participation in organisations which increase cooperation and coordination, such as the Group of Twenties (G20) and the WTO, will make a positive contribution. It has been stated that these positive contributions will increase the monitoring and sustainability of the supply of critical products.

On the other hand, the EU also carries out legal studies to strengthen foreign trade. The main purpose of these studies is to strengthen competition with legal regulations. In this direction, it is focused on eliminating the distorting effects of foreign subsidies (Szczepański, 2022). Such regulatory studies aim to strengthen and increase foreign trade by regulating rather than reducing or abandoning foreign trade in the future by the EU.

Another critical target that the EU has focused on for the breaks in the high supply, which the EU has been exposed to in GVCs, is to develop the elasticity of supply. In order to increase supply flexibility, the focus is on increasing domestic production and expanding the storage capacity of critical goods. In line with these purposes, Important Projects of European Interest (IPCEIs) play a crucial role. A significant pillar of these projects has been to create crucial value chains for the EU to be able to strengthen its autonomy and boost competitiveness in serious issues such as technology and innovation. For instance, within the scope of IPECI, there are studies to identify and eliminate disruptions in the supply chains of batteries and microchips. Also, in March 2018, the IPCEI Strategic Forum was established to identify critical strategic value chains in the EU and to develop a common vision among industrial policies of member states (Szczepanski, 2020).

When the opinions of EU bodies on the subject are examined, clues can be discovered about the future vision of supply chains in 2020 The New Industrial Strategy for Europe decision of the EU Parliament. In this resolution, the EU parliament called for measures to strengthen supply chains in the New Industrial Strategy. Shortening supply chains is one such measure. This proposal shows the idea of structuring supply chains on a more regional scale. The aim of providing security in raw material supply and reducing dependency against possible crises by diversifying supply options has been put forward. The sustainability of supply chains and increasing their resilience were also evaluated within the scope of the decision (European Commission, 2020). In line with these objectives, the EU Parliament has called on the Commission to prepare a smart reshoring strategy for repositioning industrial production within the EU to increase production within the EU. The Parliament recommended that in the post-

COVID-19 era, incentive programs should be prepared to shorten supply chains as much as possible and to support EU companies with state aid (Szczepański, 2021).

The Commission also viewed public procurement as an essential tool to increase resilience. In addition to the demand-creating effect of public procurement, it is also required to support strategic sectors. Thus, it is planned to reduce dependence on external resources and strengthen supply chains. Also, the Commission will examine SMEs and support those in need to contribute to diversifying supply chains and increasing resilience. The Commission is working on a mandatory due diligence system for supply chains to prevent human rights violations and the environment. It is consider that this system will increase the resilience of value chains (Szczepański, 2021).

There have been efforts to discuss policy preferences of the EU regarding future-based globalisation and supply chains with the clues compiled from the plans of the EU, programs, and strategy studies. It is understood that while the EU continues to defend strong foreign trade by avoiding protectionism, it continues to take steps in the nature of security for possible problematic situations.

Concretely, the common theme of most strategy work has been to reduce dependencies by increasing diversity in supply chains. It is viewed that diversifying the supply resources is to strengthen the local production resources by supporting them and differentiating the external resources. However, as a more urgent solution proposal, it is aimed to increase the stocking possibilities of resources. With the diversification strategy, there will be an effort to reduce the adverse effects of supply shocks on the GDP of countries.

It is understood that another policy approach besides the diversification strategy is to develop security. The main goal is to establish the aim of improving security through rules-based multilateral trade relations which will contribute to global foreign trade. At this point, the idea of establishing strong alliances and contributing to regulating international trade with these alliances is supported. Further, it is understood that there will be an increase in reshoring measures to avoid difficulties in diversification, security strategies and the supply of critical products.

Finally, it is considered that regional cooperation will deepen to reduce the risks created by global trade. It is believed that the transition from global risk sharing to more local risk sharing will be safer. In addition, it is considered as an effective solution against the increase in energy prices along with transportation costs following the last Russia-Ukraine war.

In summary, the EU will continue to support solid foreign trade rather than protectionism. It has aimed to achieve this by establishing multilateral trade relations, in which safety is at the forefront rather than efficiency. The EU will continue to back solid foreign trade by diversifying its supply sources and by reducing its dependencies. The globalisation trend has been replaced by mostly reshoring and regionalisation strategies.

4. DISCUSSION

In this section, the debates on the future of globalisation will be discussed within the framework of the dominant economic models. In this direction, the impacts of capitalism and neoliberal policies on globalisation will determine the main axis of the discussion. The future-based effects and possible consequences of current geopolitical developments and the COVID-19 outbreak will be discussed in the previous sections on global value chains and thus globalisation.

4.1. Capitalism, Neoliberalism and Globalisation

In capitalism, a system based on private ownership of the means of production, the main goal is the profit maximisation of the capitalist. Private ownership of the means of production is believed to boost productivity by encouraging this maximisation drive. In the market mechanism where entrances and exits are free, there is an assumption that there are perfectly competitive market conditions between producers and consumers, where optimum price levels are determined (Siddiqui, 2022). With the increasing discoveries and colonialism under the influence of mercantilism, the influence of capitalism began to spread globally. However, one of the main changes was experienced during the Industrial Revolution, and a new production model based on steam power was introduced instead of the old-style production model. This new production model increased the factory and created a new division of labour. The facilitation of production opportunities and decreased production costs due to mechanisation increased production and created the need to find new markets to promote these products. Due to the highly competitive structure of the capitalist model, the capitalist must continue to accumulate to survive. This requirement has forced the limits of the market mechanism to expand from the local to the global level. Expanding the markets to the worldwide level has also been promoted by the stimulating effect of the competitive structure and the facilitating development of the free trade principle.

This liberal capitalist model, which became dominant in the world economy, experienced a break with the 1929 economic depression. Against economic stagnation and high unemployment conditions, Keynesian policies to increase aggregate demand were implemented. Contrary to liberal capitalism, the role of the state mechanism expanded, and policies to increase employment were applied. However, by the 1970s, welfare states entered a crisis, and Keynesian policies were unable to solve this issue. Thus, in the 1970s, capitalism and globalisation entered a new era. With the neoliberal capitalist policies finding an area of application, the role of the state was again limited. It has been argued that state investment and development models disrupt the functioning of the market and cause inflationary pressure, thus creating stagnation. The task of regulating global finance and trade has been given to international organisations such as the IMF, WTO and World Bank instead of the state mechanism. In place of this model, neoliberalism continued to apply the principles of private property, free trade, robust market mechanisms and high competition. Rapid advances in technology and transportation have gained a new dimension with privatisation practices, deregulation and monetary policies (Ritzer, 2011). Trade unions were also neutralised, creating a weak international division of labour.

In summary, globalisation policies gained momentum with neoliberal capitalism policies in the 70s and turned into a "turbo capitalism" in the 90s (Heywood, 2011, p. 102). Further, Rodrick defined this period of "hyper-globalization" as removing all obstacles to trade and capital movements and high economic integration since the 1980s, with the contribution of Washington Consensus policies (Rodrick, D., 2018, cited in Chung Lee, 2019).

Siddiqui (2022) states that the neoliberal capitalist model and hyper-globalization are moving towards a system in which multinational corporations increase their sphere of influence rather than increasing welfare for all. Although the system went into crisis in 2008 due to overconsumption, increasing financialisation, credit abundance and bubble formations in asset prices, it still maintains its goal of controlling the assets of developing countries. The primary source of this motive is more production pressure pushed by the competitive structure of the neoliberal capitalist model. The capitalist forced to accumulate is pressured to reach lower costs for more production and more profit. At this point, the race for access to advantages in different countries for raw materials and cheap labour is boosting globalisation with the support of technological innovations.

As can be seen, globalisation reached its peak with the transformation of capitalist liberalism into neoliberal capitalism with new dimensions. However, real-life markets which operate differently from the assumptions of perfectly competitive market theory and globalisation have recently faced external shocks such as the COVID-19 pandemic, previously detailed geopolitical developments, or various internal crises such as the 2008 financial crisis.

4.2. DEBATES ON THE FUTURE OF GLOBALISATION

In the debates on the evolution and future of globalisation, mainstream economic policies have as much influence as current developments. Following the previous section discussing the interaction between globalisation and capitalism, this section will link to current discussions.

Recently, discussions on the future of globalisation have gained momentum due to developments with global effects, such as the COVID-19 epidemic and Russia's invasion of Ukraine. As a result of these developments, will globalisation experience a new break as it did during the 1929 economic crisis or after the second world war? Or will these developments enable globalisation to see its flaws, reorganise itself, and move forward more strongly? The subject will be discussed by considering different arguments about these questions.

The possible effects of supply problems on globalisation, especially in the COVID-19 epidemic, have been discussed extensively due to issues in value chains. Whether this epidemic could really create a paradigm shift in globalisation policies is an essential topic of discussion. Noy (2020) has approached this issue from the perspective of previous epidemic experiences. He examined the experiences of the

1918 H1N1 pandemic (Spanish flu), the 1958 H2N2 pandemic (Asian flu), the 1968 H3N2 pandemic (Hong Kong flu), and the 2002–2004 SARS outbreak. He determined that after the quarantine processes were implemented due to these epidemics, the affected economies entered a rapid recovery process and emphasised that the process after the COVID-19 epidemic was similar. It was also stated that there was no radical change in the international economic order due to this recovery. However, there is a need for intensive cooperation between countries during this recovery phase. Currently, neoliberal globalisation is in turbulence, and some views emphasise the need to reform the model and establish solid partnerships (Ikenberry, 2020).

Rodrik (2022), in parallel with these positive views, emphasises that the crisis of globalisation may be an opportunity to create a more advanced globalisation model. Rodrik touched upon the negative effects of the slowdown in international capital flows and the cessation of the expansion of GVCs on globalisation, especially after the 2008 financial crisis. Various factors, such as the fact that nations begin to imitate developed countries instead of producing the products they specialise in, that hyper-globalisation deepens the distribution problem, and that geopolitical rivalries cause economic problems indicating the need for globalisation to be reorganised. In line with these determinations, it was stated that it would be in the interest of nations to transform the globalisation crisis into an opportunity for reconfiguring.

Although a rapid economic recovery is expected after the epidemic, it is debatable whether this economic recovery will occur at the same speed and level in every country. On the other hand, the main requirement here for liberal economies is international cooperation. At this point, it can be argued that David Ricardo's theory of comparative advantages not only increases the benefit of nations through international trade but also strengthens peaceful cooperation. However, it is also observed that the foreign trade system within the scope of the comparative advantage theory reduces the self-sufficiency of nations (Siddiqui, 2022). These dependencies, which come to the fore, especially in the current conjuncture, are a source of discomfort even for developed capitalist countries. As can be seen in the example of the European Union, capitalist countries aim to solve this dilemma by increasing protectionist policies and regulating foreign trade with solid rule-based contracts.

However, developed countries have not cooperated successfully after the COVID-19 epidemic. The G-7, G-20 and the UN Security Council, failed to act in line with a coordinated action plan (Patrick, 2020). Also, these countries assume that the economic recovery will not be as fast as expected following the COVID-19 epidemic, and structural problems may occur (World Bank Group, 2020, cited in Wang and Sun, 2021). Therefore, cooperation activities at the international level in the fight against the COVID-19 epidemic have not been very promising. Besides, approaches which support free trade and deepen regional cooperation are observed with a period of re-globalisation rather than the establishment of economic policies on de-globalisation by governments or multinational companies. In the examples of the USA and China, as well as the EU, it is observed that there is a transition to protectionist and more regional trade policies which do not reach isolation.

Although China was aiming for world leadership in the near future by opening up to the world with its dominant position on GVCs and its membership in the WTO, the US, which had already reacted sharply, took more local and protectionist steps in economic terms. The US administration revised the North American Free Trade Agreement (NAFTA) to liberalise trade with Canada and Mexico further. China similarly pursued counter-attack policies and joined the Regional Comprehensive Economic Partnership Agreement (RCEP) in 2021, liberalising trade with Pacific Rim countries. Even a similar trend is observed in Africa. Countries on the African continent have adopted the African Continental Free Trade Area (AfCFTA). Further, such agreements are aimed at liberalising trade at the regional level. On the other hand, it also raises the expectation that value chains will be reconfigured and regulated at a more regional level in post-COVID-19 economic activities.

At a more micro level, it was mentioned that due to the nature of capitalism, firms should keep their competitive power high to maintain their existence. For this competitive power, more savings, more profit and low-cost production are vital. Also, countries with a low level of competition may also apply preventive measures against a competitive struggle which may destroy them with measures including tariffs and taxes against more competitive firms or countries. This is a different explanation for why globalisation has not been a continuous process since the 16th century; it has been subject to fractures which is why the levels of economic dependency have constantly been changing. In addition, with this protection policy, countries such as China can also tend to increase their competitive power by developing their infrastructure, education and national markets. However, despite this, it is a fact that globalisation maintains its strong position with the advantages of foreign trade and the support of technological advances (Scherrer, 2022). In reality, although countries are incentivised to avoid a high competition and reduce their dependence on external resources, they must keep their competitive power high within the prevailing economic model. For this, the advantages of globalisation through value chains are still critical. Especially following the COVID-19 and Russia-Ukraine war experience, rather than giving up on globalisation completely, it is observed that planning such as restructuring value chains, turning to more regional cooperation, increasing supply stocks, focusing on local solutions in the supply of critical products and diversifying the supply of these products are on the rise. This situation gives the impression that it is not a complete abandonment of globalisation, which can be called de-globalisation, but a structuring process which aims to eliminate the flaws of globalisation within the framework of cyclical developments.

In summary, it is considered that globalisation will pass this stagnation period prior to the point of globalisation. Factors such as the belief in international free foreign trade, the absence of any change in the international division of labour and the support of technological developments still support the capitalist globalisation model. However, the effectiveness of the capitalist globalisation model was already being discussed with the supply crises, which started with the 2008 financial crisis, accelerated by the trade war between the US and China, and created as a result of external shocks (natural disasters, blockage of the Suez Canal, etc.). Current geopolitical tensions and increasing regional competition have made these issues more evident and forced governments to take action. As seen in the example of the European Union, although more conservative and protectionist policies are popular in China and the US, these policies seem far from reaching a point of economic isolation. Instead of economic isolation, we are entering a period in which the tendency towards deeper regional cooperation is increasing, and dependencies are reduced by increasing supply stocks or diversifying supply sources rather than by giving up on free foreign trade. In this respect, the assumption that globalisation is coming to an end is an ambitious approach. Rather than such an assumption, it is thought that the system is in a recession period, which can be expressed as a reconfiguring process aimed at eliminating its deficiencies.

5. CONCLUSION

Alongside increased globalisation and its transition to the dominant paradigm, there has also been a significant boost in production integration worldwide as well as in consumption and finance structures. Politics has also gained a global dimension with transnational institutions and new global governance models. New cultural patterns, migration movements, hierarchies and styles of living have emerged and become international. Through global value chains, worldwide economic actors have been integrated into international markets, and free foreign trade opportunities have been developed.

However, this multidimensional globalisation process has not progressed continuously throughout history. Slowdowns or regressions have occurred due to external shocks such as world wars, economic crises or natural disasters. Especially in the recent period, an environment of uncertainty has arisen due to the dramatic decrease in global import demand due to the 2008 financial crisis and the damage to confidence in financial systems. The chain effects created by this situation have also negatively affected globalisation.

Another development with significant global consequences is the trade war between the US and China. To protect its own domestic market, China has responded the same way as the U.S. who turned to regional cooperation against China trade sanctions which protect its own domestic market against China. A similar protectionist attitude came from the United Kingdom who decided to exit the EU with the BREXIT decision. The BREXIT decision has been on the agenda since 2016 and has put new pressure on the future of value chains.

In this period, when protectionist economic policies were on the rise, the future of globalisation began to face thorough questioning with the COVID-19 epidemic. Long-term quarantine practices applied during the epidemic period caused supply interruptions and the inability of countries to access critical raw materials and health products. The security vulnerabilities and governance issues of GVCs against shocks have become visible. As can be seen in the example of the European Union, excessive dependence on these foreign resources has been a significant source of discomfort for countries. In addition, the war between Russia and Ukraine in 2022 posed serious global political economic effects. Due to the war, serious supply issues occurred in energy and some food products. Due to the fact that Russia is one of the leading energy suppliers and as a result of the political tension due to the war with Western countries, serious problems in energy supply have occurred.

In summary, severe disruptions have taken place in the functioning of GVCs due to current geopolitical tensions and the COVID-19 pandemic. As a consequence of these disruptions, issues have been experienced in the supply of goods and services. In particular, the difficulties encountered in the supply of critical goods such as health products have made the dependence of countries on foreign goods visible. On the other hand, the governance matter and the vulnerability of GVCs to crises have made supply security debatable. As a result of these developments, discussions regarding the tendency towards protectionist industrial in addition to trade policies and reshoring have gained popularity. Even the future of globalisation has become controversial, and it has been thought provoking whether this course can create a deglobalisation process.

In this study, there has been an effort to approach the previously discussed topics by investigating the structural features of GVCs as well as the future-based strategies of the EU, which is an important supporter and implementer of globalisation policies. In this context, GVCs draw attention as a model with positive contributions including providing low-priced import opportunities, increasing technological diffusion as well as improving productivity through an international division of labour. However, on the other hand, complex value chain structures, governance gaps in addition to the global spread of crisis effects have caused high dependencies and vulnerability to shocks which are seen as negative features. Due to the recent epidemic and the Russia-Ukraine war, these negative features have become more visible, and countries have begun to reconsider their foreign trade strategies.

The attitude of the EU towards the future of globalisation is also examined through its new industrial and trade policy as well as future-based strategies for GVCs. First, the EU sees participation in supply chains and strengthening this model as important policy proposals to increase the autonomy of the EU. Rather than abandoning the idea of free foreign trade and globalisation, the EU is in favour of continuing this model by strengthening it. In this context, we see that the primary purpose of the policy proposals of the EU projects is to improve supply resilience. First of all, it is seen that the diversification of resources is planned by the EU. The aim is to reduce its dependence on a small number of countries by diversifying supply sources and ensuring supply security in case of possible crisis or external shock. There is also a plan to regulate free foreign trade with strong legal agreements to strengthen supply resistance. In this way, it is thought to increase the reliability of foreign trade, which is highly irregular, by lawful means and enhance competition.

Further, the development of stock facilities is another policy focused on in this context. The practices of shortening the distances of GVCs initiated earlier will continue and be used to subsidise and encourage the production of some critical goods within Europe. It is understood that more regional cooperation will be directed instead of global alliances. Also, possible risks will be shared on a more regional scale rather than on a global scale.

It is evident from the new strategies of the EU that by continuing to support free foreign trade, safety will be prioritised rather than efficiency, and dependencies will be reduced. Also, more regional value chains will be oriented.

Finally, the future of globalisation is discussed within the framework of the effects of capitalism, which is the dominant economic model. Within the context of current geopolitical events and external shocks, there are different views that globalisation is in a reconfiguration process or, on the contrary, that this course is a deglobalisation process. However, due to the nature of capitalism, firms need to keep their competitiveness high to survive. High savings, high profit and low-cost production are vital for this competitive power. For these reasons, countries in the capitalist system cannot give up the advantages such as access to new markets provided by foreign trade, cheap raw materials and labour in addition to obtaining new technologies. Hence, although it is accepted that globalisation is in a period of slowdown and recession as a result of current developments, the belief in international free foreign trade continues. For this reason, the assumption that globalisation has come to an end is considered to be a rather assertive approach. Rather than such a perspective, it is concluded that globalisation is in a recession, and reconfiguration strategies are gaining weight.

It is considered that this study can support academic studies on the future of globalisation on the future-based globalisation strategies of the EU. In addition, whether this stagnation period in which globalisation is going to cause damage to capitalism can be the subject of future research. With this kind of research, discussions regarding the future of globalisation can evolve into questioning the future of capitalism.

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