

Scientific Life

Conference of the Institute of Economic Research of the Slovak Academy of Sciences and the Economics and Management Institute of the University of Economics in Bratislava

OBADI, Saleh Mothana (ed.) (2018): **The Development and Perspectives of the World Economy: Positive Economic Outlook and Impending Trade War**. Bratislava: EÚ SAV, 324 p. ISBN 978-80-7144-294-3

On November 29, 2018, the Institute of Economic Research at the Slovak Academy of Sciences (EÚ SAV) in cooperation with the Economics and Management Institute of the University of Economics in Bratislava (ÚEaM EUBA) organized a conference on presentation of the scientific monograph *The Development and Perspectives of the World Economy* with a subtitle *Positive Economic Outlook and Impending Trade War*. The conference took place in the meeting room of the University of Economics in Bratislava. In the beginning, the moderator of the conference, Jozef Hübel, welcomed representatives of state and public administration, embassies, trade unions, academia and the business community. The opening remarks belonged to Rudolf Sivák, the EUBA Vice-Rector for Development and Statutory Representative, and Juraj Sipko, the Director of EÚ SAV. As a representative of the university, R. Sivák welcomed the participants of the conference. He said that this scientific meeting emerges from the cooperation agreement between EUBA and EÚ SAV, and stressed that mutual cooperation in solving research projects, publications, the participation of the EÚ SAV staff in the pedagogical process, reciprocal membership in scientific councils and other activities bring synergy effects. The publications from the series *The Development and Perspectives of the World Economy* are also used by students and Ph.D. candidates, he said. In the end, he thanked the EÚ SAV for its cooperation and expressed the belief that the conference will bring new insights. The first speech was followed by J. Sipko, who also appreciated the long-term cooperation of both institutions in the education of Ph.D. students, many of whom have found their place on the ground of the institute. At the end of his opening speech, he invited those present to use a minute of silence to commemorate the memory of recently deceased Milan Šikula, the former director of the EÚ SAV and the stable co-author in the monograph series.

Introductory paper *Ten Years since the Collapse* was presented by J. Sipko. He put the attention on the analysis of ten questions: Is the growth of world GDP strong enough? Is the world economy stable? Is the world economy safe? Is the development of the world economy sustainable? What was the impact of the global financial crisis on monetary policy? Is the climate change an existential problem? Is restoring of confidence sufficient? How to achieve “multilateralism”? Will “Sintec blockchain” ensure financial

stability? How to ensure that the results of globalization will be for all people on the planet? While the first five questions focused on the impact of the crisis, in five other issues he pointed out new circumstances and risks, such as inequality in revenue distribution, international trade escalation, or climate change, which are at a faster pace than expected. Cyberwar is, according to him, the biggest threat today.

The lead coordinator of the monograph project, S. M. Obadi from the EÚ SAV and ÚEaM EUBA had the second presentation. In the beginning, he introduced the authors of the chapters of the monograph and thanked them for their quality work. In the paper *The Development of Global Output and Trade* he documented the growing trend of the global economy, while he analyzed the development in selected regions – developed economies, Europe, Asia and the Pacific, the Middle East and North Africa, Latin America and the Caribbean and Sub-Sahara Africa. He noted that global economic growth would be higher than in the previous year (2017) as a result of investment and consumption growth in all regions of the world, as well as commodity price recovery. At the same time, he pointed to the existence of both old and new risks that could threaten this favorable trend. These include, in particular, geopolitical tensions in various regions of the world and war conflicts, particularly in the Middle East and North Africa region. From the new risks, there is the forcing of protectionist measures by the US administration and the threat of trade war. In the second part of the speech, he dealt with the development of global trade, which shows recovery in almost all regions. In particular, commodity prices rose, their growth led to increased revenues in primary commodity-dependent economies and this motivated the economies to increase investment in the energy sector. Obadi documented the development of the index of primary commodity prices, including the development of oil prices on world markets, the development of natural gas prices, which are copying oil prices. In addition, he reflected the prospects of world trade. He expects to continue positive developments, but in one breath he highlighted the existing risks, such as political turmoil, the slowdown in the growth of the Chinese economy, the Brexit, and the refugee crisis that divides Europe. The new risks to global trade mainly include threatening uncontrolled business war and geopolitical risks.

An interesting probe into the US and Japanese economies is the paper of Boris Hošoff called *The US and Japan – Trade Wars and Structural Reforms*. According to Hošoff, economic development in the US was characterized by a relatively high rate of GDP growth. If the development is kept, in July 2019, the ongoing economic cycle expansion will become the longest in the history of measurement. Despite the fact that unemployment is low, the US has decided to implement a significant fiscal expansion in the form of higher spending and tax cuts, resulting in an increase in the federal budget deficit. Expansion of the boom has also risk in the increase of so-called double deficit, which means that the growth of the federal budget deficit corresponds to the deepening of the deficit of the current account of the balance of payments. He pointed out that there

are increasingly stronger protectionist tendencies in the foreign trade. Even retaliatory measures for US unilateral action may shake the foundations of the existing international trade system. An eventual trade war by the US would not concern only China, but also Europe, in which the US is considering the introduction of duties on car imports, and this would hit manufacturers in Slovakia too. According to Hošoff, Japan is able to meet the objectives of the “Three arrows” economic strategy, especially in the area of fiscal stimulus and monetary accommodation, while the objectives of the third area of structural reforms are more difficult to achieve. The labor market reform, which has to cope with the consequences of an aging population, remains a major challenge. The government wants to solve the labor shortage not only by greater involvement of women in the economically active population but also by releasing the tightly-tuned system for the admission of immigrants who come to Japan for work. Other challenges of Japanese economic policy are structural reforms to increase labor productivity and consolidation of public finances, including an increase in excise duty.

In the paper *Financial and Fiscal Risks in the Current Global Economy*, Rudolf Sivák (Faculty of National Economy of EUBA – NHF EUBA) stated that from the global point of view, in the last year, the intensity of the financial and fiscal risks slightly grew due to the increasing tensions in international trade relations. He analyzed financial risk indicators in the global economy, macroeconomic indicators in key economic entities (the US, Euro Area, Japan, emerging and developing economies, China), indicators of external position of selected countries, financial risks in the household and corporate sectors, as well as selected market indicators of financial risks. He concluded the presentation with the statement that the development of monitored market indicators over the past year and the current valuation of assets on the financial market do not indicate a greater concentration of financial risks. However, a certain anomaly is the simultaneous high valuation of both shares and bonds. Another carefully monitored parameter of the financial market will be the so-called yield curve of US federal government bonds, which is close to the inverse relationship. This is a significant warning signal since the inverse yield curve preceded all the recessions of the US economy since 1970.

In the paper *Migration and Refugee Crisis: Environmental Costs and the Crisis of Support for Immigration Expansion*, Paula Puškárová (ÚEaM EUBA) stated that the migration and refugee crisis in the EU was characterized in the last year mainly by the trend of the gradual decline of migrants’ arrival, with the exception of the Spanish front where economic migrants dominated. The beginning of the social and integration crisis was a key change too, while it was accompanied by a significant drop in the support of expansive EU asylum policy, worsening of the image of migrants in the media and the growth of the support for ultra-right and anti-immigration-led political parties in the EU countries. P. Puškárová also paid attention to the less-resolved problem of the environmental costs of migration to the EU and sought to identify the focus of environmental

and integration risks in the Union. She said that the integration of refugees, as well as the building of social capital, impedes the risks to the domestic population – economic, existential risk respectively (migrants “steal” domestic work), security concerns (migrants are criminals), but also environmental aspects are significant. According to her, limited access to the labor market prevents the integration of migrants into the local community and worsen the effects of social exclusion.

The final presentation called *Geopolitics and the Development of the Global Economy* belonged to Peter Staněk, who in his paper touched on a wide range of poignant questions. He analyzed the relationship of geopolitics and national interests, the problem of indebtedness, the relationship of geopolitics and the impending trade war, geopolitics and power economic interests, geopolitics and energy interests, geopolitics and European integration. He stressed that it is no longer possible to divide geopolitics into economics, power interests, military interests, etc. Geopolitics has become an integrator of all the interests and objectives of the modern society. He critically opposes the use of statistically average economic indicators such as average wage, GDP in purchasing power parity, average inflation and average income, which, given the huge increase in polarization of society, is no longer an effectual indicator and does not reflect the immense complexity of internal architecture of the society. He urged the need to give EU member states the opportunity to reach the common objective in different ways.

In the following discussion, several participants gave their comments and questions regarding, in particular, the position of China in the world economy, the issues of the struggle for resources, of using electric cars and their ecological footprint, the restructuring of the energy sector, etc. Subsequently, speakers responded to these comments and questions.

The final word belonged to R. Sivák, EUBA’s Vice-Rector, who thanked both external and internal participants of the conference, and S. M. Obadi, who stated that the authors’ team of the monograph expects next year to explore new topical economic issues in the world as well.

For the sake of completeness, we provide brief information about the presented scientific monograph as well as other papers that were not presented during the conference – either for the absence of the authors, due to time limitations respectively – although they are part of the monograph.

Scientific monograph *The Development and Perspectives of the World Economy: Positive Economic Outlook and Impending Trade War* is prepared in cooperation with five VEGA projects. Thirteen authors, ten of them from the EÚ SAV and by one author from the Ministry of Foreign Affairs of the Slovak Republic (MZVaEZ SR), ÚEaM EUBA and NHF EUBA, participated in the preparation. The monograph is thematically structured into three blocks and eleven chapters. The first block, examining the development of the global economy, includes five chapters; analyzes the development of global

output and trade, the macroeconomic development of three key economic centres within developed countries (EU, US and Japan), as well as the influence of the G20 countries in the global economy. The second block of the monograph deals with the development of selected emerging countries; three chapters analyze developments in three countries of BRICS – China, Russia and India. In the final third block of the monograph, the authors in three chapters examined selected actual global and regional issues at the geopolitical and economic level, and their impact on the global economy.

In addition to the presentations of the papers of S. M. Obadi (second chapter *The Development of Global Output* was co-authored with Matej Korček) and B. Hošoff, the first block contains chapters devoted to the current developments in the EU and the G20 group.

The chapter *European Union – Continuing Expansion and Increasing Uncertainty* (third chapter) was prepared by Vanda Vašková. She noted that despite the slight slow-down, the economic recovery has continued. Strong growth promotes favorable labor market developments. Despite the improvement, however, public and private sector indebtedness and foreign indebtedness remain largely above the pre-crisis level in many member countries and reduce their resistance to potential adverse shocks. The author observes the European Central Bank's approach. As a major challenge for fiscal sustainability in the medium to long-term, she considers age-related costs. In this context, she points to the need for reforms in the area of pensions and health care. She discusses the issue of Brexit, the strengthening of the foundations of the Economic and Monetary Union (EMU), the modernization of EU public finances and the EU budget for the future. She stresses that further reforms at both national and EU levels are necessary to ensure the stability of the financial system and the resilience of the EMU. On the side of the risks of further growth, she refers mainly to negotiations of Brexit and the increase in global protectionism.

The title of the fifth chapter is *The Impact of G20 Countries on the Global Economy: Genesis and Group Perspectives*. In this chapter, Ingrid Brocková (MZVaEZ SR) informs about the informal G20 group, which is composed of nineteen economically developed countries, emerging countries and countries of the EU, and notes that the G20 played a key role in restoring and stabilizing the global market after the global financial and economic crisis. The author approaches the historical context and causes of the formation of the G20 group, its objectives, perspectives, management system as well as the sector orientation of its focus. She concludes the chapter by stating that, given the successful management of the global crisis and the continuing relevance, the G20 has the potential to remain the decisive forum for international economic cooperation in the future.

In the sixth chapter *The Stabilization of the Growth of the Chinese Economy*, Daneš Brzica and Jaroslav Vokoun says that the Chinese economy has long been characterized by high economic growth. The development has got two distinct and new characteristics

over the past years – the change of the constitution and changing US approach to this country, while it has begun to introduce trade sanctions against China since 2018. The authors focus on selected macroeconomic indicators of the Chinese economy, examine the economic development of China, its monetary policy, foreign trade relations and investment abroad, the role of state investment funds, foreign trade between Slovakia and China and social development. They point to the growth of urbanization and the construction of the network of the so-called green cities, education, science and technology, the environment, transport and energy, and in this context they draw attention to the fact that environmental pollution remains a problem and a challenge for the whole of society. They analyze the administration of the country, economic policy and regulation. They conclude that the stable development of the Chinese economy has a positive effect on the world economy and vice versa. The major challenges in the medium term include the problem related to the dilemma of gradual labor substitution by industrial robots due to rising wage levels and the rapid development of technologies. The risks of the development will include, according to them, the level of country's indebtedness (as a consequence of the previously liberated monetary policy), and especially the changes in the trade policy of the US and China and the trade war between them.

In the seventh chapter *Russia – the Recovery of Economic Growth against the Backdrop of Persisting Tensions in Relations with the West*, Veronika Hvozdíková and Adrián Ondrovič deal with the economic development of the Russian Federation. The authors note that, in 2017, Russia's economy continued to recover from the recession to which it fell in 2015-2016. From the external factors, mainly two aspects affected its return to the growing trajectory – a more favorable development of oil prices and the growth of the global economy. Internal factors included deepening macroeconomic stability, adequate stabilization actions within economic policy, continued liberalization of monetary policy and solid domestic demand. Significant expansion of the output was hindered by the effects of the increasing tensions between Russia and the US and some European countries. Therefore, the re-orientation to cooperation with closer markets in the Asia region continued. The authors analyze the selected steps of macroeconomic development, the political and economic context of tense relations with the West (continuing de-dollarization and deoffshorization) and outline the expected development of the Russian economy. They include impending rapid economic expansion and, in particular, the slow pace of diversification of the economy (persisting dependency on energy raw materials) to the group of internal risks. External factors are the continuing confrontation with the US and western states that have announced new and stricter sanctions, which, on the other hand, promotes deepening cooperation with China.

In the eight chapter *India: Problems with Achieving Inclusive Growth Persist*, Gabriela Doval'ová deals with the development of the Indian economy. She notes that India's economic development in 2017 was affected by the two most significant reforms

– demonetization and the introduction of a new tax known as a tax on goods and services which replaced a large number of existing indirect taxes. Based on the IMF forecast, India will be the fastest growing economy in South Asia in 2018, with economic growth driven mainly by growth in private consumption. G. Doval'ová points out that despite the strong economic growth, the labor market lags far behind economic outcomes. While in recent years there has been a decline in women's participation in the labor market in the country, the reduction in the share of child labor and the increase in the number of employees with regular wages and salaries can be positively evaluated. A major challenge for the future, according to the author, remains the ability of the service sector to create jobs, because, although this sector is key in terms of economic growth, it is not dominant in terms of job creation. Key macroeconomic challenges include long-term persistently high inflation expectations and problems with the deficit and public debt. Ensuring inclusive growth in the country will require, in particular, reforms in agriculture where productivity remains at a very low level.

In the end, we conclude that the presented scientific monograph is already the twelfth edition in the series of EÚ SAV publications on the development and perspectives of the world economy. The monograph is intended not only for the professional and entrepreneurial public but also for the students of the economics of the second and third grade of studies at the university.

Vladimír Gonda

*The University of Economics in Bratislava
The Faculty of National Economy*

Peter Adamovský

Slovak Innovation and Energy Agency

Výber publikácií Ekonomického ústavu SAV

List of Publications of the Institute of Economic Research of SAS

MORVAY, K. a kol. (2018): Economic Development of Slovakia in 2017 and Outlook up to 2019. 115 s. ISBN e-ISBN 978-80-7144-289-9.

MORVAY, K. a kol. (2018): Hospodársky vývoj Slovenska v roku 2017 a výhľad do roku 2019. 114 s. ISBN 978-80-7144-288-2.

HOŠOFF, B. a kol. (2018): Inštitucionálna pripravenosť na digitalizáciu a zmeny vonkajšieho prostredia. 238 s. ISBN 978-80-7144-292-9.

WORKIE TIRUNEH, M. (2018): Overshooting the Maastricht Criteria: External Imbalances and Income Convergence in the European Union. 221 s. ISBN 978-1-53613-585-5.

PAUHOFOVÁ, I. a kol. (2018): Súvislosti príjmovej polarizácie na Slovensku III. 158 s. ISBN 978-80-7144-291-2.

OBADI, S. M. a kol. (2018): Vývoj a perspektívy svetovej ekonomiky: Pozitívny výhľad a hroziaca obchodná vojna. 324 s. ISBN 978-80-7144-294-3.

MORVAY, K. a kol. (2017): Economic Development of Slovakia in 2016 and Outlook up to 2018. 160 s. ISBN 978-80-7144-278-3.

MORVAY, K. a kol. (2017): Hospodársky vývoj Slovenska v roku 2016 a výhľad do roku 2018. 156 s. ISBN 978-80-7144-276-9.

ONDROVIČ, A. (2017): Inštitucionálne príčiny globálnej economickej krízy. 112 s. ISBN 978-80-7144-286-8.

PAUHOFOVÁ, I. – STEHLÍKOVÁ, B. (2017): Kvalitatívna zmena v zamestnanosti Slovenskej republiky. 136 s. ISBN 978-80-7552-918-3.

PETRÍK, B. (2017): Lexikón slovenských ekonómov. 134 s. ISBN 978-80-7144-277-6.

BRZICA, D. – KAČÍRKOVÁ, M. – VOKOUN, J. (2017): Vytváranie a zhodnocovanie potenciálu znalostnej spoločnosti. 136 s. ISBN 978-80-7144-283-7.

OBADI, S. M. a kol. (2017): Vývoj a perspektívy svetovej ekonomiky: Krehký posun z oblasti rizika do rastovej trajektórie. 382 s. ISBN 978-80-7144-279-0.

PAUHOFOVÁ, I. (2017): Súvislosti príjmovej polarizácie na Slovensku II. 230 s. ISBN 978-80-7144-274-5.

PAUHOFOVÁ, I. (2016): Adaptačné procesy a pulzujúca ekonomika (v cykle Paradigmy zmien v 21. storočí). 165 s. ISBN 978-80-7144-267-7.

MORVAY, K. a kol. (2016): Economic Development of Slovakia in 2015 and Outlook up to 2017. 140 s. ISBN 978-80-7144-270-7.

MORVAY, K. a kol. (2016): Hospodársky vývoj Slovenska v roku 2015 a výhľad do roku 2017. 135 s. ISBN 978-80-7144-262-2.

RADVANSKÝ, M. (2016): Impact of Cohesion Policy on Regional Development of Slovakia. 113 s. ISBN 978-80-7144-258-5.

Publikácie, ako aj jednotlivé čísla *Ekonomického časopisu*, si možno objednať alebo kúpiť v kníhkupectvách ELITA, ACADEMIA a VEDA, vydavateľstvo SAV v Bratislave.

Publikácie *Hospodársky vývoj Slovenska* vychádzajú každoročne od roku 1993 v slovenskej aj anglickej verzii a v prípade záujmu sú dostupné v kníhkupectve ELITA.