

## Trends and contradictions of factor's development affecting formation of geo-economic multipolarity

Alexey Yurievich Arkhipov and Alexey Nikolayevich Yeletsky

Southern Federal University, Soborny lane, 26, Rostov-on-Don, 344002, Russian Federation

**Abstract.** The key factors of the interconnection of geo-economic and geopolitical processes are investigated. The changing role of geo-economic influence is analyzed. Special attention is paid to the issues, prospects and contradictions of the dynamics of the alignment of forces within the world economy. The most probable scenarios of the geo-economic leadership are revealed. The places of the Anglo-Saxon alliance as a specific transcontinental partnership as well as the Eurasian Economic Union within the reshaping world economy are emphasized.

[Arkhipov A.Y., Yeletsky A.N. **Trends and contradictions of factor's development affecting formation of geo-economic multipolarity.** *Life Sci J* 2014;11(11):388-393] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 65

**Keywords:** multipolarity, factors of globalization, geo-economic leadership, centers of economic influence, global contradictions, regional economic integration, the Eurasian Economic Space

### Introduction

Within the last decades the formation of a definitely new system of international economic and political relations occurred. Contradictory and ambiguous trends of geo-economic and geopolitical evolution gives the basis to characterize the modern era as a time of global uncertainty and reshaping of the "centrality" of the world economic system. At the same time, it is important to note the transitional character of the modern era in terms of reshaping of the global economic system towards a polycentric geo-economic world order and the formation of the mechanisms defining the global economic governance. Regarding the geo-economic interests of Russia, it's important to point out the role of Single Eurasian Space on the basis of Customs Union of Russia, Belarus and Kazakhstan which emerges as one of the poles of the modern global world.

A critical factor is that economic and political institutionalization of this process is closely associated with the dynamics of the interstate geopolitical relations that is largely stimulated not only by the basis but also by so-called superstructure which encompasses non-economic spheres. So, such important institutions as the United Nations, economic organizations within the UN, the IMF, the World Bank Group were formed under conditions of the geopolitical system based on the bipolar balance of superpowers. With regard to the issue of global governance and formation of a new geo-economic architecture of the world economy, it is necessary to pay attention to the influence of the leading geo-economic leaders on the processes associated with globalization and evolution of a modern structure of international economic relations. The close relationship of economic and political factors of this evolution was reflected profoundly and distinctly during the recent events connected with the crisis in Ukraine.

### 1. Multilevel geo-economic multipolarity

Obviously, nowadays there are several most probable variants of the formation of a new configuration defining the centrality of the geo-economic system. To date, a clearly revealed basic trend was outlined. According to this trend, there occurs a gradual formation of a polycentric world economic system, but with a few different degrees or levels of economic and political influence [1,2]. Thus, the United States as the leader of the Anglo-Saxon bloc and a global power retaining a serious degree of industrial, scientific-technical, financial, informational, social and political interactions with Great Britain and other English-speaking states of this alliance, - and China, progressively reducing the gap in living standards and the HDI due to higher growth rates and deep domestic reforms, - will take the leading role in the system of international economic relations and complex superstructural factors influencing the development of the world economy. The rest of the global poles of multipolarity will increase their economic and political influence, primarily due to the consolidation of the integration processes within their regions and their ascending economic power, but in the foreseeable future will not be able to induce a comprehensive geo-economic and geopolitical leadership, unlike the US and China. Such regional powerhouses including the EU, India, Brazil and Russia possess the global level of economic and political influence, but will be not likely to reach the same status of inclusiveness in the context of domination within international economic relations because of the relative weakness (in comparison with the US and China) in the number of key parameters, especially military-strategic one.

As for the US, the basis of geo-economic and geopolitical dominance of this global economic

centre in the foreseeable future will remain, first of all, due to the primacy of science-intensive industries, its leading position in the innovation sphere and high figures of its total expenditures on R & D (table 1).

**Table 1. The U.S. share in the leading global indicators of science and technology at the beginning of 2014, % of the world figures [3]**

Indicator	US share
Expenditure on R&D	31
Output of high-tech products	40
Exports of high-tech services	35
The Nobel Prizes in scientific spheres	45
Scientific publications	21
Participation in international scientific publications	44
Natural Sciences	46
ICT sphere	57
Aerospace and defense industry	48
Energy	33
Innovative chemistry	27

Certainly, in some industries the absolute dominance of the US is declining, but it happens due to the sharp increase of the cost of the second leading center of geo-economic multipolarity, assumed within the framework of this scenario - China, and also in some cases of other large emerging markets. For example, the U.S. share in the global spending on the biomedical research has declined over the period from 2007 to 2012 from 51% to 45%, whereas the increase in the volume of Chinese investments amounted to 6,1%. At the same time, the USA in the foreseeable future will remain a dominant force in this industry, since the vast majority of other centers significantly lag behind the leader. Thus, the total share of Europe in R&D expenditures in this sphere is only 21,7% (table 2).

Moreover, the reinforcement of American economic growth allows forecasting a modest increase in total R&D expenditures of the US in 2014 and subsequent years. So, in 2014 American R&D expenses will make 465 billion dollars (an increase of 3,2% compared with the corresponding level of the previous year) with the increase of its share in GDP to 2,8%. It is noteworthy that in 2011 US research and development expenditures totaled 405,3 billion or 2.7% of the national GDP. Undoubtedly, positive changes in the system of R&D expenditures induce macroeconomic multiplier effects [4]. As a result, except for 2.7 million jobs involved directly in the process of R&D, the current U.S. R&D expenditures

involved indirectly in economic processes 6 million out of the national labor force.

**Table 2. The share of the leading economic centers in the world R&D expenditures in 2014, % [3]**

Region	2014
USA	31,1
China	17,5
India	2,7
Europe as a whole	21,7
Germany	5,7
Rest of the world	5,3

Competitive advantage the U.S. continues to remain American superiority over the rest leading economic centers consists in the advanced system of involvement of the factors belonging to latest technological structures in the national processes of reproduction. That remains to be a major competitive advantage within the global economic rivalry of geo-economic powerhouses. The only global competitor to the US in the foreseeable perspective may become China experiencing the annual growth of R&D expenditures ranging from 12 to 20% over the past two decades. Moreover, according to many experts, China is able to overtake the US in the early years of the next decade reaching the level of 600 billion dollars by 2022.

Even basing on nominal data the rising of China as a global leader in industrial production is evidently defined. At the same time, despite the loss of the status of the first industrial power, the United States maintains rather significant growth of industrial output and substantial lead from the other leading economies. At the same time, it is not exact to speak about a clear American-Chinese duopoly in the system of industrial production. Some of the largest emerging markets demonstrate growth rates which are superior to American ones. Although the gap in the short and medium term will remain considerable (partly thanks to a strong rise of American industry), in the long term, according to a current data, there is probable reduction of the gap between the USA and the leading economies of the multipolar world. So, according to the current trends, the industrial production of Brazil at the beginning of 2017 is estimated at 155, 1% of the level of 2011, Russian one - 163,9 %. India also will demonstrate a serious growth during the analyzed period: 134,7 %. Due to serious internal crisis in Eurozone in the late 2000-s and the first half of 2010s industrial growth of Germany as geo-economic leader of the EU is expected to be rather moderate: 113,8%. As for Japan, its level of industrial production will make up only 87,3 % of the level of 2011, which is connected

with the serious decline of production in 2011 and at a very slow recovery in the following period. In general, despite the role of Japan as one of the three economic centres of traditional capitalism and the high technology and innovation production, this state is not regarded as a potential global centre in the framework of the global economic multipolarity due to 20 years stagnation, unfavourable demographic trends, limited geo-economic impact and subordination in the foreign policy's aspects.

On the whole, the serious probability of this scenario is confirmed by the forecasts demonstrating uneven economic growth in various categories of national economies as well as different rates of GDP growth of country groups in various analyzed time periods (table 3).

**Table 3. Short-, medium- and long-term economic growth in developed and developing countries, % [5]**

	2014-2020	2020-2040-s	2050-s
Developing economies	7	5	2,5
Developed economies	2,2	1,75-2,25	1,8

Thus, the model of multi-level multi-polarity implies an inevitable rise and global influence of the USA and China are already in the short-term period together with the steady increase in the economic, political, intra-regional and global importance of such poles of the multipolar world as India, Brazil, Russia and the EU (led by Germany). Namely, this configuration will allow considering the possible convergence of international geo-economic and geopolitical importance of these centers in the long term.

#### 1. Homogeneous geo-economic multipolarity

The reshaping of the geoeconomic system's centrality, which involves the formation of a "homogeneous geo-economic multipolarity" seems to be quite possible, but less probable than above-mentioned global configuration. The concept of this variant provides for a gradual and more balanced growth of international economic and political influence of the major emerging markets (China, India, Brazil, Russia) and the EU under conditions of significant weakening of the US role, which will gradually be integrated into the emerging polycentric the world economy in the transformed self-positioning: as a global economic and political center that continues to have a major impact on a wide range of interactions, but not with absolute geo-economic and geopolitical dominance in the new global economic configuration.

The main quantitative characteristics, reflecting the transformation of the global system, is the extrapolation of GDP of the main global economic centres. a conclusion concerning a gradual shift in geo-economic leadership towards relatively more dispersed configuration may be made even analyzing the relatively short-term perspective, covering the current decade (table 4).

**Table 4. Dynamics of GDP (PPP) 2012-2018, bln. dollars. [6]**

	2012	2013	2014	2015	2016	2017	2018
USA	16245	16724	17438	18391	19425	20493	21556
China	12261	13374	14579	15924	17394	18990	20730
India	4716	4962	5302	5736	6249	6803	7409
Brazil	2330	2422	2523	2657	2802	2959	3124
Russia	2486	2558	2678	2828	2988	3156	3334
BRICS without China	10108	10537	11127	11892	12732	13650	14641
EU	15993	16214	16684	17298	17967	18673	19417

During the analyzed period, the ratio of American and European economies of is expected to change gradually in favour of the US, which can be explained by great dynamism of the economic situation in the USA, whereas the EU endures a long enough period of recession. At the same time, the EU also will return to the trajectory of rather confident economic growth, although the global economic crisis and the subsequent internal problems that have taken a slow nature, will determine not only the loss of the first position in the rating of the leading economies by GDP (PPP), but also the move to the third place. By the end of 2010-s China will come too close to the quantitative indicators defining the volume of the U.S. economy and, according to the short- and medium-term extrapolation, PRC will become the largest economy within the world economic system by GDP (PPP).

In general, despite the inevitable slowdown of emerging markets' economic growth, the growth rates of the leading economic centres related to this group of countries are likely to be rather sizeable (table 5).

**Table 5. Dynamics of GDP (PPP) growth of geo-economic centers belonging to emerging markets, % [5]**

State	until 2030	until 2060
China	6,6	2,3
India	6,7	4
Russia	3	1,3
Brazil	4,1	2

It can be noted that the probability of this scenario will depend on the scale and depth of the reforms in the largest emerging markets, as well as on structural reforms in the EU. In addition, the formation of some kind of parity regarding the geo-

economic influence of the leading countries will depend on two crucial factors. Firstly, it depends on the success of regional integration projects within which Germany, Russia, Brazil, China and India are natural cores of the integration attractiveness. Secondly, it's important to emphasize the ability to transform their growing economic influence towards the geopolitical dominance which has a paramount significance in the context of the forming military and political component of each integration alliance. Similarly, important will be the convergence and consolidation within the BRICS and the G20 concerning the elaboration of a firm common position on financial, monetary, economic and political issues (among emerging markets, and other forces opposed to the Anglo-Saxon domination). Considering the global economic centers belonging to emerging markets within the single, but simultaneously very multivector and heterogeneous block of BRICS, one can denote some kind of parity nowadays (table 6).

**Table 6. Place the consolidated group BRIC-4 in some important economic indicators, % of world total values [6,7,8]**

Leaders	World population	GDP (PPP)	International trade	Market capitalization	High-tech exports
USA	4,4	19,3	8,8	33,4	8,7
EU	7	18,7	12,2	16,8	34,4
BRIC-countries	41,3	26,9	18,5	14,1	25,75

Thus, the formation of a close alliance in the framework of the BRICS in the future can significantly reduce the superiority of Western countries (especially USA) in many sectors of economic relations. Otherwise, the inevitable quantitative convergence of economic growth in the longer term, the development of the upward phase of the Kondratieff cycle on the base of the 6th technological structure and a number of other factors will make impossible relative levelling of geo-economic impact's imbalances among the leaders of world economic interactions.

### 1. Prospects of Anglo-Saxon unipolar domination

Specific mechanisms of evolution of the geo-economic system's centrality will inevitably be complicated by the formation of dynamically changing global alliances with different historical, functional and geographical peculiarities. So, special attention should be paid to the phenomenon of the "second edition" of the British Empire in the context of increasing consolidation of Anglo-Saxon countries [9]. With regard to the quantitative bases of the economic-political leadership of the Anglo-Saxon

countries, there is a range of projections of the evolution global economy's evolution. So, based on OECD estimates, it can be noted that long-term economic growth as well as per capita income of the Anglo-Saxon bloc are likely to be higher than not only the average level for developed countries, but also higher than in many developing countries (table 7).

**Table 7. Dynamics of average GDP (PPP) and GDP per capita in countries of the Anglo-Saxon bloc in the medium- and long-term period, % [5]**

State	Before 2030 years	2030-2060 years
USA	2,3	2
United Kingdom	1,9	2,2
Canada	2,1	2,3
Australia	3,1	2,2
Ireland	2,1	1,7
New Zealand	2,7	2,6
Developed countries	2,3	1,7
Developing countries	4,7	2,5
World economy in average	2,8	1,9

Prospects of the consolidation of the new Anglo-Saxon Empire and other options for the evolution of the geo-economic configurations will largely depend on the evolution of the most important trans-regional integration processes. Currently, under conditions of global uncertainty and geo-economic rivalry of a number of major leading forces of the global economic configuration the key tendencies of transcontinental geo-economic spaces' development will intensify. Clearly defined perspectives of formation of two transcontinental alliances: the Transatlantic Partnership (initially in the form of a free trade area linking the EU and NAFTA) and Trans-Pacific one. Nowadays each of them is characterized by the dominant role of the US. However, scenarios for the future evolution of each of these transcontinental alliances may be featured by significant uncertainties and by an alternative vectors of development, due to, on the one hand, the trends of consolidation of Anglo-Saxon bloc as a special sub-global structure of the modern world, and, on the other hand, owing to the high growth of the Chinese economy and current geo-economic role of China.

### 1. Russia as a geo-economic powerhouse within the multipolar world

The diversity of the economic world order' development is essential in the context of possible trajectories of Russia's evolution as a potential center of economic integration in the framework of CIS. Prospects of Russia as one of the poles of multipolar geo-economic configurations are associated primarily with the development of the Eurasian integration



process, which has entered a new phase after the creation of the Single economic space consisting of Belarus, Kazakhstan and Russia, enveloping 170 million people and covering 15% of global land [10].

Integration functions of Russia in many respects were caused by the significant strengthening of its geo-economic positions during the last decade. Thus, in 2012 the Russian Federation took the 8th place in the world by GDP, and 6-th place by GDP (PPP). For comparison, in 2000, Russia was ranked on these indicators on 18-th and 10-th place respectively. Russia also improved its positions in the ranking of economies by GDP per capita: from 88-th place in 2000 to 48-th one in 2012 [6]. It is important to note that, if the index of global competitiveness of Russia is still inferior to the other BRICS countries, in terms of doing business Russia was ahead of Brazil, China and India in 2013 [11, 12].

It is also clear that integration on the post-Soviet space can be successful only in case of realization of some conditions and factors related to, first of all, the modernization of the Russian economy and the adjustment of the strategic principles of economic management.

Firstly, it is necessary to change fundamentally the raw materials orientation of the Russian economy, including at the expense of intensive and effective development of the actual commodity sector of the economy and the preferential development of the processing industry, production of goods with high added value, introduction of achievements of science, technology transfer, use of available scientific and technical potential in order to achieve a gradual shift from the export of raw materials towards the production and exports of high-tech products. Only the harmonious and efficient development of the Russian economy can make Eurasian Association attractive not only for partners from the CIS, but also from other countries.

Secondly, the development of integration processes should promote measures for adaptation of Russian economy to the functioning in conditions of WTO, an official member of which Russia became in August, 2012. Accession of Russia to WTO was preceded by many years of elaboration of entering conditions into this international organization. It is important that Russian experience and concluded agreements should contribute to the improvement of the conditions for entry into WTO other participants of the Customs Union and the single economic space - Belarus and Kazakhstan. The crucially significant peculiarity of WTO membership of regional integration grouping is that there exists a priority of the country's commitments to WTO over country's obligations in the integration alliance (for example, like Customs Union). This situation is connected with

a wider range of legal matters covered by the rules and regulations of the WTO. However, possible disagreements between members of Customs Union due to Russia's accession to the WTO should not become an obstacle for Eurasian integration, as there are not only risks, but also new diverse opportunities for the members of this integration group.

Thirdly, it is important to strengthen the financial component that ensures the development of integration processes on Eurasian space. This is, first of all, the project of creating an International Financial Center in Moscow. This institution aims to become the core of the Russian and Eurasian regional financial systems and integral part of the global process of interaction between investors and companies seeking to raise capital.

### Conclusions

The fulfillment of these conditions could potentially contribute to the successful establishment of the Eurasian Economic Union, strengthening its position in the system of international division of labor; optimization of business conditions; increase of investment attractiveness and reduction of risks. The strengthening of this geo-economic alliance, deepening its economic self-sufficiency and increasing of importance of the science-intensive industries and international trade will strengthen Russia's role as a global economic and political center of a Single Eurasian space which is united by community of the natural-geographical, infrastructural, socio-cultural, historical and other factors. Eurasian Economic Space may become one of the important world poles, focusing on mutually beneficial and sustainable development via effective collaboration with other centers of a multipolar world.

All in all, it can be noted that the projected global uncertainty of the world economy's development and alternative paths for the future evolution of dynamic interaction between the centers of the multipolar world are characterized by complex processes of formation of new geo-economic realities of the XXI century. And the most important aspect in this regard is the need for further strengthening economic positions of Russia and ensuring its interests in the conditions of further integration into the global economic system.

### Corresponding Author:

Dr. Arkhipov Alexey Yurievich  
Southern Federal University  
Soborny lane, 26, Rostov-on-Don, 344002, Russian Federation

**References**

1. Brzezinski Z., 2012. Strategic Vision: America and the Crisis of Global Power. M.: Astrel. p. 40-41.
2. Kennedy P., 1988. The rise and fall of the great powers. – London: Unwin Hyman. pp. 536-540.
3. 2014 Global R&D Funding Forecast. (2013). Battelle. The Business of Innovation. Date views 21.03.2014 [www.battelle.org/docs/tpp/2014\\_global\\_rd\\_funding\\_forecast.pdf](http://www.battelle.org/docs/tpp/2014_global_rd_funding_forecast.pdf)
4. Global R&D spending to grow 3,8 percent in 2014. Date views 29.03.2014 [www.burrillreport.com/article-global\\_rd\\_spending\\_to\\_grow\\_3\\_8\\_percent\\_in\\_2014.html](http://www.burrillreport.com/article-global_rd_spending_to_grow_3_8_percent_in_2014.html)
5. Johansson A., Guillemette Y., Murtin F. Looking to 2060: Long-term global growth prospects. OECD. November 2012. P. 7. Date views 27.03.2014 [www.oecd.org/eco/outlook/2060%20policy%20paper%20FINAL.pdf](http://www.oecd.org/eco/outlook/2060%20policy%20paper%20FINAL.pdf)
6. International Monetary Fund. World Economic Outlook Database. April 2014. Date views 29.04.2014 [www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx](http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx)
7. World Factbook. CIA. Country Comparisons: Exports. 2013. Date views 29.05.2014 [www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html](http://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html)
8. Rogov S., 2014. Obama's doctrine. The Lord of two rings. Date views 22.03.2014 [www.russiancouncil.ru/inner/?id\\_4=1783#top](http://www.russiancouncil.ru/inner/?id_4=1783#top)
9. Yeletsky A., 2014. Interaction of Geoeconomic and Geopolitical Processes in the Time of Transition Towards Multipolar World Order. Journal of Economic regulation. 1: 39-45.
10. The official website of the Eurasian Economic Community. Date views 01.06.2014 [www.eurasiancommission.org/ru/Pages/default.aspx](http://www.eurasiancommission.org/ru/Pages/default.aspx)
11. Doing Business 2014. Understanding Regulations for Small and Medium-Sized Enterprises. 11th Edition. Washington: The World Bank, 2013. Date views 07.05.2014 [www.doingbusiness.org](http://www.doingbusiness.org).
12. Global Competitiveness Report 2013-2014. Geneva: World Economic Forum, 2013. Date views 08.05.2014 [www.weforum.org](http://www.weforum.org).

7/2/2014