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INTRODUCTION

The process of interconnection and interdependence among national economies, commonly referred to as globalization, has become a defining factor in economic development over recent decades. This multidimensional phenomenon encompasses the expansion of international trade, the intensification of financial flows, the diffusion of innovative technologies, and the accelerated movement of capital, labor, and information. However, globalization is not a uniform process - it unfolds unevenly across different regions of the world and depends on the degree of openness of individual economies and the specific nature of their integration into the global economic space.

A deeper examination of the mechanisms and patterns of globalization is of particular importance in light of the need to respond adequately to current challenges arising from changes in the global economy. Analyzing transformational processes affecting the sectoral and spatial structures of the world economy provides the foundation for shaping strategies of sustainable economic growth and ensuring the effective adaptation of national economies to new global realities.

At the present stage, globalization can no longer be viewed as an unequivocally positive phenomenon. Increasing geopolitical tensions, regional imbalances, and shifts in global value chains call for a reassessment of existing approaches to integration policy. Accordingly, the development of an effective economic model for Ukraine in the context of global transformations requires careful consideration of these factors and the formulation of strategies capable of securing its long-term competitiveness.

The contradictory nature of globalization processes has generated significant academic interest among both foreign and domestic researchers. Notable contributions to the theoretical and methodological foundations of globalization studies have been made by scholars such as A. Smith, D. Ricardo, I. Wallerstein, L. Antonyuk, T. Chernytska, D. Lukyanenko, A. Poruchnyk, Ya. Stolyarchuk, O. Shvydanenko.

Nevertheless, the dynamic and multifaceted nature of contemporary global transformations demands further scholarly investigation into their implications and the

search for effective approaches to the adaptation of national economies within the evolving global context.

The purpose of this work is a comprehensive study of the key determinants of global transformations in the world economy, with the purpose of identifying patterns of their impact on the structure of the global economy, determining the directions for adapting the national economy to the conditions of globalization, and developing appropriate strategic approaches for its effective development.

To achieve the stated goal, the following research objectives were defined:

- to determine the evolution of theoretical approaches to the development of the global economy;
- to reveal the essence and present the characteristics of economic globalization;
- to identify the global determinants of the transformation of the world economy;
- to characterize the scale of global transformations in the world economy;
- to examine the features of Ukraine's economic transformation under globalization;
- to define the prospects for the transformational processes of global economic development;
- to substantiate the directions for ensuring the effective transformation of the national economy under globalization.

The object of the research is the processes of transformation of the world economy under the influence of contemporary globalization factors.

The subject of the research is the conditions, factors, and mechanisms of global transformation of the world economy in the process of modernization of the global economic environment.

The methodological basis of the research includes the logical-structural and historical-evolutionary methods, system and comparative analysis, analysis of cause-and-effect relationships, observation, comparison and classification, as well as the use of inductive and deductive methods of scientific inquiry.

The theoretical, methodological, and practical significance of the obtained results lies in the comprehensive analysis of contemporary transformations of the global

economy under globalization, taking into account their impact on the Ukrainian economy. The practical value of the study consists in developing recommendations for adapting national economic policy to global challenges and opportunities arising from the process of integration into the world economy. Theoretical provisions and conclusions drawn from the research can be used in the formulation of strategic documents and development programs for the national economy, as well as in scientific studies related to global economic transformations.

The informational basis of the study includes statistical and analytical materials from international organizations such as the World Bank, the International Monetary Fund, the United Nations Conference on Trade and Development, the Organisation for Economic Co-operation and Development, as well as materials from the World Economic Forum. Publications from leading international economic media outlets such as Bloomberg, Financial Times, and The Economist, along with research findings from reputable analytical centers, were also used. In addition, the study draws on scientific works by Ukrainian and foreign scholars who analyze the current transformation processes in the global economy under globalization.

CHAPTER 1.

THEORETICAL FOUNDATIONS OF THE GLOBALIZATION OF THE WORLD ECONOMY

1.1. Evolution of theoretical approaches to the development of the global economy

The development of the world economy has been a subject of extensive theoretical analysis for over two centuries. From the classical notions of trade and national wealth to modern theories of globalization and innovation-driven growth, economic thought has continually evolved in response to structural changes in production, finance, and international cooperation. The world economy today is shaped by a complex interplay of institutions, technological advancements, and transnational interdependencies. This research aims to systematize the evolution of economic theories that explain these transformations and provide a comprehensive overview of how approaches to understanding the global economic system have developed.

The world economy is a historically formed system that encompasses national economies interconnected through international trade, capital flows, the movement of technology, labor, and knowledge, all functioning within a unified global economic space. It emerged as a result of a long process of economic evolution that includes various stages of integration, structural transformation, and the modernization of societies. Since the 19th century, national economies have increasingly interacted with one another due to advances in transportation, the reduction of trade barriers, and the impact of technological change, ultimately forming a single global economic system. The development of the world economy accelerated significantly after World War II under the influence of the scientific and technological revolution, international economic policies, and globalization. An important form of world economic development has been international economic integration, which manifests itself in the creation of such unions as the European Union, MERCOSUR, NAFTA, and others.

Integration enhances both the efficiency of economies and the economic interdependence between countries. Countries that are part of such unions gain the opportunity to improve their competitiveness in global markets and attract investment to develop new sectors of the economy. The world economy is not only a collection of economic processes but also a complex system of socio-political interactions that shape the current trends in global development.

The world economy is formed based on the deepening of international division of labor, which is a result of the internationalization of production, trade, and technologies. This process involves an increasing number of countries and regions, creating a complex global network of economic relations. Since the inception of the world economy, its main characteristic has been the use of various forms of production organization that allow countries to specialize efficiently in different types of activities.

The processes of internationalization, which laid the foundation for the development of the world economy, began during the era of the Great Geographical Discoveries, when the expansion of trade routes and new technologies made it possible to unite different economic regions of the world into a single economic system. During this process, international markets were formed, and connections between distant countries and continents were established.

The intellectual roots of global economic analysis can be traced back to the mercantilist school, which dominated European economic thought between the 16th and 18th centuries. Mercantilism emphasized the accumulation of wealth - particularly precious metals such as gold and silver - as the primary goal of national economic policy. Economic power was equated with political and military strength, leading states to pursue protectionist policies such as high tariffs, colonial exploitation, and trade monopolies. In this framework, international trade was viewed as a zero-sum game in which one country's gain was another's loss. The global economy was thus conceptualized as a competitive arena in which nations sought to maximize their trade surplus and minimize imports. Mercantilist policies helped shape the early structure of the global economy by fostering colonial expansion, establishing trade routes, and institutionalizing the link between economic and political dominance. The British

Navigation Acts and the rise of trading companies such as the Dutch East India Company are clear examples of mercantilist strategies in action. However, the theoretical limitations of mercantilism - chiefly its failure to recognize the mutual benefits of trade - eventually led to its decline. Nonetheless, its influence persisted, particularly in debates about economic nationalism and strategic trade policy in the modern era [1].

The classical school of economics emerged as a direct response to the restrictive doctrines of mercantilism. Pioneered by Adam Smith in *The Wealth of Nations* (1776), classical economics introduced a radically different conception of the world economy - one rooted in the principles of free markets, individual liberty, and minimal state intervention. Smith argued that individuals pursuing their own self-interest would, through the mechanism of the "invisible hand," promote the overall welfare of society. This idea provided a theoretical foundation for economic liberalism and globalization, as it framed trade as a mutually beneficial exchange rather than a zero-sum contest [2].

Building upon Smith's ideas, David Ricardo developed the theory of comparative advantage, which remains one of the most influential concepts in international trade theory. Ricardo demonstrated that even if a country is less efficient in producing all goods, it can still gain from trade by specializing in the production of goods it can produce relatively more efficiently and importing others [3].

In the early 20th century, economists such as Eli Heckscher and Bertil Ohlin expanded classical trade theory by introducing the factor endowment model. According to this view, nations export goods that intensively use their abundant resources, thus explaining trade patterns through capital and labor availability.

These early contributions laid the theoretical foundations of the world economy, establishing a framework that continues to underpin much of international trade theory. The tab. 1.1 below summarizes the core ideas of this foundational period.

Table 1.1 – Classical Foundations of the World Economy

Theory	Main Proponent	Key Concept
Mercantilism	Jean-Baptiste Colbert	Trade surplus and bullion accumulation

Absolute Advantage	Adam Smith	Productivity and efficiency of labor
Comparative Advantage	David Ricardo	Trade based on opportunity cost
Factor Endowment Theory	Heckscher & Ohlin	Export goods using abundant resources

Classical Foundations of the World Economy:

Mercantilism and the Birth of National Economic Interest

- The earliest systematic thought regarding the world economy emerged during the mercantilist era.
- Mercantilist thinkers viewed international trade as a zero-sum game where national wealth was determined by the accumulation of precious metals.
- This laid the foundation for early protectionist policies.

Classical Theories of Trade and Comparative Advantage

- Adam Smith introduced the theory of absolute advantage.
- David Ricardo developed the theory of comparative advantage, showing benefits from trade specialization.
- These classical views promoted liberal trade as beneficial for all nations.

Neoclassical and Factor-Based Theories

- Heckscher-Ohlin and others emphasized resource endowments as determinants of trade.
- Though influential, these theories neglected technological change and institutions.

The outbreak of the Great Depression in the 1930s exposed critical weaknesses in the classical liberal model, particularly its inability to prevent economic crises and mass unemployment. This prompted the emergence of Keynesian economics, developed by John Maynard Keynes, whose groundbreaking work *The General Theory of Employment, Interest and Money* (1936) fundamentally reshaped macroeconomic thought. Keynes argued that markets are not always self-correcting and that aggregate demand plays a crucial role in determining economic output and employment levels. He

advocated for active government intervention in the economy through fiscal and monetary policy to stabilize the business cycle. Keynes rejected the classical assumption of full employment, emphasizing instead the potential for prolonged economic stagnation due to insufficient private sector demand [4].

In the aftermath of World War II, Keynesian ideas influenced the establishment of the Bretton Woods system in 1944, which created institutions like the International Monetary Fund (IMF) and the World Bank. These institutions were designed to ensure monetary stability and provide support for postwar reconstruction and development [5]. However, the Keynesian model would eventually come under pressure due to rising inflation, fiscal deficits, and the oil shocks of the 1970s, which created the conditions for the rise of neoliberalism.

The decline of colonial empires, the rise of newly independent states in Africa, Asia, and Latin America, and the growing interdependence of global markets prompted the development of alternative economic theories to address the inequalities of the existing world order.

Emerging in the mid-20th century, dependency theory challenged the liberal notion that free trade leads to mutual gains. It argued that structural inequalities in the global economy ensured that developing countries remained economically dependent on developed nations. Scholars like Raúl Prebisch pointed out the deteriorating terms of trade for peripheral countries, which exported raw materials and imported industrial goods, leading to a systemic transfer of wealth to the industrialized “core” [6]. To combat this, dependency theorists advocated for industrialization policies focused on import-substitution, state-led development, and reduced reliance on international markets.

Building on dependency theory, Immanuel Wallerstein developed world-systems theory in the 1970s, which framed the global economy as a unified capitalist system divided into core, semi-periphery, and periphery regions. Unlike previous national development models, Wallerstein’s framework emphasized that global inequality is systemic, with the core benefiting from the structural exploitation of the periphery through unequal exchange and labor dynamics. Semi-peripheral countries

occupy an intermediate role, both exploiting and being exploited, allowing for some mobility but preserving overall hierarchy [7]. These frameworks challenged the idea that global integration inherently leads to convergence in development levels, instead highlighting persistent structural barriers and power imbalances.

While structural approaches stressed external constraints, evolutionary and innovation-based theories focused on endogenous drivers of development. Joseph Schumpeter introduced the idea of "creative destruction", highlighting how innovation transforms economies by displacing outdated industries. Later, Paul Romer's endogenous growth theory emphasized the role of technological change, education, and knowledge spillovers in fostering long-term development. These theories argue that innovation systems, human capital, and policy frameworks that support research and entrepreneurship are critical to national development and global competitiveness.

To summarize the main structural and innovation-based theoretical approaches to global economic development, the following tab.1.2 outlines key theories, their main proponents, and core concepts.

Table 1.2 – Structural and Systemic Approaches to Global Development

Theory	Main Proponent	Key Concept
Keynesian Economics	John Maynard Keynes	Aggregate demand determines output and employment; advocates active government intervention through fiscal and monetary policy to manage economic cycles.
Dependency Theory	Raúl Prebisch	Developing countries remain impoverished due to unequal global trade structures; promotes import-substitution industrialization and reduced reliance on core.
World-Systems Theory	Immanuel Wallerstein	Global capitalism structured into core, semi-periphery, and periphery; systemic inequality benefits core countries through labor exploitation and trade.
Creative Destruction	Joseph Schumpeter	Innovation disrupts and renews economic structures; economic progress occurs through cycles of innovation replacing obsolete industries.
Endogenous Growth Theory	Paul Romer	Long-term growth driven by internal factors like technological change, education, and knowledge; human capital and innovation are central to development.

Structural and Systemic Approaches to Global Development:

Keynesian Economics

- John Maynard Keynes argued that markets do not always self-correct and may experience prolonged unemployment.
- Advocated for active government intervention using fiscal and monetary policy to stabilize economic cycles and counteract recessions.

Dependency Theory and Core-Periphery Dynamics

- Dependency theory critiqued liberal trade theory, showing how developing countries remained impoverished due to their subordinate position in the global system.
- Raúl Prebisch and others advocated for industrialization policies.

World-Systems Theory

- Wallerstein proposed a global framework: core, periphery, and semi-periphery.
- Global inequality was seen as a systemic feature of capitalism, not a temporary imbalance.

Evolutionary and Innovation-Oriented Perspectives

- Joseph Schumpeter and later Paul Romer emphasized innovation and "creative destruction" as growth drivers.
- Innovation theory underscores technological capability and education as essential for development.

Neoliberal reforms were initially implemented in the United States and the United Kingdom under the leadership of Ronald Reagan and Margaret Thatcher, respectively. These reforms quickly spread globally through the policy prescriptions of international institutions like the IMF, World Bank, and World Trade Organization, which encouraged (and often required) developing countries to adopt structural adjustment programs that emphasized fiscal austerity, open markets, and liberalized capital flows [8]. These programs, often criticized for prioritizing fiscal austerity, trade liberalization, and the privatization of state-owned enterprises, resulted in significant social and economic upheaval in many countries in the Global South, exacerbating

poverty and inequality. Despite these challenges, neoliberalism shaped global economic policies through the 1990s and early 2000s, with a dramatic expansion of global trade, investment, and financial markets.

Simultaneously, structural-Keynesian perspectives emphasized that global imbalances reflected deeper institutional and structural asymmetries - such as suppressed wages and consumption in surplus countries and consumption-driven models in deficit economies. These views challenged the sufficiency of market-based explanations and stressed the role of inequality, deregulation, and labor market fragmentation as drivers of instability. Alongside these debates, development discourse shifted toward the prioritization of inclusive growth and human development, reflected in the launch of the Millennium Development Goals in 2000, which framed globalization not only in economic but also in social and humanitarian terms [11].

Theorists such as Anthony Giddens and Roland Robertson offered important sociological perspectives on how globalization reshapes the relationship between states and markets. Giddens conceptualized globalization as the intensification of worldwide social relations that link distant localities, stressing that economic globalization cannot be separated from political, technological, and cultural processes. He emphasized that state sovereignty is being redefined, not necessarily diminished, as states adapt to global networks and institutions rather than disappear within them. Robertson, on the other hand, introduced the concept of “glocalization”, arguing that globalization does not simply lead to homogenization but rather involves the complex interplay between global forces and local identities. His approach highlighted how global economic structures influence local institutions while simultaneously being reshaped by them. These insights contribute to a more nuanced understanding of globalization - not merely as a top-down economic phenomenon, but as a dynamic, multidimensional process that reconfigures power, governance, and identity in the global arena.

During this period, a complementary shift occurred in how competitiveness was conceptualized at the national level. Michael Porter’s diamond model, introduced in *The Competitive Advantage of Nations* (1990), reframed competitiveness beyond macroeconomic indicators by emphasizing the role of firm-level strategies, innovation

capacity, and national conditions such as factor endowments, demand sophistication, related and supporting industries, and firm rivalry. This approach underscored that sustainable economic performance stems not from low costs alone but from dynamic, innovation-driven ecosystems. Building on such ideas, institutional mechanisms like the Global Competitiveness Index (GCI), developed by the World Economic Forum, and the IMD World Competitiveness Ranking emerged to provide standardized assessments of countries' competitive potential.

Between 2000 and 2007, the global economy entered a phase commonly referred to as the era of hyper-globalization, characterized by rapid liberalization of trade, intensified financial integration, and accelerated economic growth, especially in emerging markets. This period was marked by significant deepening of global economic interdependence, expansion of global value chains, and the unprecedented scale of capital and information flows. The theoretical discourse of the time continued to uphold the classical and neoliberal emphasis on trade liberalization and market integration as vehicles for global welfare enhancement. However, the growing imbalances - such as persistent U.S. trade deficits and large surpluses in East Asia - stimulated a wave of theoretical responses aimed at explaining the contradictions within the global economy [9] [10].

Among the most influential of these was the Bretton Woods II framework, which posited a new global financial architecture whereby surplus economies like China maintained export-led growth by investing heavily in U.S. financial assets, thereby sustaining American consumption and global demand. Closely related was the global saving glut hypothesis, articulated by Ben Bernanke, which attributed excess capital flows to high saving rates in emerging economies and low domestic consumption, thereby channeling investment into developed markets and inflating asset bubbles. Further theoretical contributions during this era included the reserve currency hypothesis, which underscored the role of the U.S. dollar in enabling large and persistent trade deficits, as well as the asset shortage and dark matter hypotheses, which proposed that the U.S. provided unique, high-quality financial assets or unaccounted-for services that attracted continuous global investment.

Speculative ideas about the “decoupling” of emerging markets from advanced economies also gained prominence, as countries like China, India, and Brazil appeared to follow more autonomous growth paths. However, the global financial crisis that erupted shortly after would ultimately reveal the fragility of such assumptions and highlight the continued systemic interconnectedness of the world economy [10].

In the wake of the financial crisis (the 2008 global financial crisis), which revealed deep vulnerabilities in deregulated global markets, new economic paradigms began to emerge, challenging the premises of neoliberalism. One of the most notable movements has been the rise of post-neoliberalism, which emphasizes the need for economic policies that prioritize social welfare, sustainability, and social justice over unchecked market forces. Post-neoliberalism critiques the excesses of global capitalism, especially the concentration of wealth in the hands of multinational corporations and the super-rich. It calls for greater government intervention in markets to ensure equitable economic outcomes and social protection [5].

Alongside this, there has been growing interest in degrowth as an alternative to the pursuit of continuous economic growth. Degrowth advocates argue that the pursuit of perpetual economic growth, particularly in the developed world, leads to environmental degradation, overconsumption, and social inequality. Instead, they call for a sustainable reduction in production and consumption to promote a more equitable and environmentally responsible global economy.

Meanwhile, the sustainable development paradigm gained increasing prominence as a response to the limitations of traditional growth-oriented globalization models. This approach was institutionalized through the United Nations Sustainable Development Goals (SDGs), adopted in 2015, which outline a comprehensive agenda for global development encompassing poverty reduction, environmental sustainability, gender equality, and access to education and healthcare. Unlike earlier frameworks that prioritized economic growth and liberalization, the SDGs place a strong emphasis on equity, inclusion, and ecological balance, reflecting a more integrated vision of global development.

A related theoretical and practical evolution is seen in Klaus Schwab's concept of stakeholder capitalism, which critiques the shareholder-centric approach of neoliberal economics. Introduced through the platform of the World Economic Forum, stakeholder capitalism advocates for a model in which businesses prioritize the interests not only of investors but also of employees, customers, communities, and the environment. It represents a modern synthesis of profit and purpose, emphasizing long-term value creation and sustainable outcomes over short-term financial gains. Together, the SDGs and stakeholder capitalism signal a growing commitment to an inclusive global economy, where economic efficiency is balanced with social justice and environmental responsibility.

As we move into the 21st century, the global economy is increasingly shaped by the digital revolution. The rise of the digital economy, driven by innovations in information technology, automation, and artificial intelligence, is changing the way goods and services are produced and consumed. This has led to new forms of global economic integration, particularly in the areas of e-commerce, digital finance, and data flows. However, the digital economy has also raised new concerns about data privacy, cybersecurity, and the concentration of power in the hands of tech giants [12].

At the same time, recent global disruptions have challenged core assumptions of globalization theory. The COVID-19 pandemic, in particular, exposed the vulnerabilities of global supply chains and the risks of over-dependence on geographically dispersed production systems. As borders closed and trade flows were disrupted, governments around the world were forced to reassess the balance between global efficiency and national resilience. This led to a renewed emphasis on strategic autonomy, reshoring, and regionalization of production, signaling a possible shift away from hyper-globalization toward a more multipolar, resilient model of global economic organization. Moreover, the pandemic accelerated debates about the need for inclusive globalization that strengthens healthcare systems, digital infrastructure, and social safety nets - especially in the face of shared transnational risks such as pandemics, climate change, and geopolitical instability.

All this diversity of thought illustrates the evolving understanding of the global economy's dynamics, reflecting shifts from early mercantilist policies to modern concepts of sustainability and inclusivity. The following tab.1.3 summarizes the major theoretical approaches to the development of the world economy, highlighting their key proponents, historical periods, and core ideas.

Table 1.3 – Theoretical Approaches to the Development of the World Economy

Approach / Theory	Author / School	Period	Key Ideas and Concepts
Mercantilism	T. Mun, J.-B. Colbert	16th–18th c.	National wealth = accumulation of bullion. The state should regulate exports and maintain trade surpluses.
Classical Trade Theory	A. Smith, D. Ricardo	18th–19th c.	Absolute and comparative advantage; benefits from specialization and free trade.
Factor Endowment Model	E. Heckscher, B. Ohlin	Early 20th c.	Export is driven by abundance in production factors: labor, capital, land.
Neoclassical Approach	P. Samuelson, A. Lerner	Mid 20th c.	Integration of marginal productivity, consumer choice, and competition into international trade models.
Dependency Theory	R. Prebisch, A. Gunder Frank	1950s–1970s	Periphery is exploited by the core; unfair trade terms; critique of liberalism and free market trade.
World-Systems Analysis	I. Wallerstein	1970s–1980s	Global hierarchy: core, semi-periphery, periphery; systemic inequality in development.
Innovation & Evolutionary Economics	J. Schumpeter, P. Romer	20th–21st c.	Role of technology, entrepreneurship, and education in long-term growth; endogenous growth theories.
Globalization and Integration	A. Giddens, R. Robertson	Late 20th c.	Growing interdependence of nations; erasure of national borders in trade, finance, and information.
National Competitiveness	M. Porter	1990s	"Diamond model": domestic factors, innovation, firm strategy, and clusters as drivers of competitiveness.
Sustainable and Inclusive Development	United Nations (SDGs), K. Schwab	21st c.	Economic growth + social equity + environmental balance = sustainable development paradigm.

Today, the world economy is changing its functioning under the influence of globalization processes, which lead to a significant increase in the mobility of capital, labor, and information. Globalization promotes the development of international production and the expansion of international financial markets, which, in turn, increases the interdependence of national economies. This leads to the increased

interdependence of national economies, creating a need for cooperation and coordination of economic policies between countries to achieve stability and development on a global level.

The modern world economy is a collection of national economies united by the system of international division of labor, which contributes to the deepening of global economic connections. The deepening of these connections ensures the creation of global production chains, where individual countries and regions specialize in producing certain types of goods or performing specific economic functions.

Theoretical approaches to global economic development have evolved significantly, reflecting shifts in historical context, institutional frameworks, and socio-economic priorities. From classical liberalism and structuralist critiques to innovation-driven models and the sustainability paradigm, each perspective contributes to a more complex understanding of globalization's dynamics. The transition from growth-centered strategies to more inclusive and resilient models signals a rethinking of global development in response to emerging challenges. These theoretical foundations provide a critical basis for analyzing contemporary transformations in the world economy.

1.2. Essence and characteristics of economic globalization

According to scholars, the economy is undergoing a process of globalization that encompasses all sectors and levels of economic activity. This process is characterized by the growing interdependence of national economies, the deepening of transnational connections, and the intensification of exchanges in goods, services, capital, technologies, and labor resources. Today, various approaches to defining economic globalization exist, reflecting the multifaceted and complex nature of this phenomenon in the context of the modern development of the world economy.

Economic globalization is one of the most influential and complex processes shaping the modern world. It refers to the increasing interdependence and interconnectedness of national economies through the expansion of cross-border trade,

investment, and capital flows, as well as the diffusion of technology and ideas. This phenomenon has evolved over several centuries, becoming especially prominent in the late 20th and early 21st centuries due to advances in communication, transportation, and liberalization of markets.

At its core, economic globalization encompasses several key characteristics. First, it involves the expansion of international trade. The reduction of tariffs, the proliferation of free trade agreements, and the establishment of multilateral institutions such as the World Trade Organization have facilitated the rise of global trade networks. These developments are rooted in classical and neoclassical trade theories—particularly the works of Adam Smith, who advocated for absolute advantage, and David Ricardo, whose theory of comparative advantage demonstrated how nations could benefit mutually from specialization.

Second, economic globalization is marked by the movement of capital and investment. Foreign direct investment (FDI) has become a central feature of globalization, with multinational corporations (MNCs) playing a critical role in shaping production and consumption patterns across the globe. The emergence of global value chains (GVCs) reflects this trend, as firms distribute production processes across multiple countries to minimize costs and maximize efficiency. Theoretical frameworks such as Dunning's eclectic paradigm and Vernon's product life cycle theory help explain the strategic behaviors of MNCs in this context.

Third, globalization entails the liberalization of financial markets. Capital markets have become more integrated, allowing for rapid and large-scale flows of financial resources. Innovations in financial instruments and deregulation policies have enabled investors to allocate capital globally, but they have also increased vulnerability to financial contagion and crises, as seen in the 1997 Asian Financial Crisis and the 2008 Global Financial Crisis. These developments challenge the assumptions of perfect markets and rational behavior, leading to the rise of new institutional economics and behavioral finance theories that incorporate market imperfections and systemic risk.

A defining characteristic of economic globalization is technological diffusion. Advances in information and communication technology (ICT), particularly the rise of

the internet, have transformed how businesses operate and interact across borders. Technologies such as digital platforms, blockchain, and artificial intelligence are reshaping trade, labor markets, and industrial structures. Endogenous growth theories, particularly those developed by Paul Romer, emphasize the centrality of technological innovation and knowledge spillovers in sustaining long-term economic growth in a globalized economy.

Another important aspect is the mobility of labor, though more constrained than capital. Migration flows, both temporary and permanent, contribute to the transfer of skills and remittances, influencing labor markets in both sending and receiving countries. While classical economic models often assume labor mobility within domestic markets, modern globalization has exposed disparities in labor regulation, worker rights, and wage structures across countries.

The theoretical interpretation of globalization has evolved alongside these transformations. Liberal economic theory traditionally views globalization as a path to efficiency, wealth creation, and economic convergence. It assumes that open markets lead to optimal allocation of resources and benefit all participants. This optimistic view is challenged by structuralist and critical theories. Dependency theory, advanced by Raúl Prebisch and later by Andre Gunder Frank, contends that globalization reinforces existing inequalities by privileging developed economies at the expense of peripheral nations. Similarly, Immanuel Wallerstein's world-systems theory categorizes countries into core, semi-periphery, and periphery, asserting that global capitalism structurally reproduces inequality.

From a political economy perspective, globalization is not merely a neutral economic process but is deeply embedded in geopolitical power dynamics. The role of institutions - such as the IMF, World Bank, and WTO - is not just to facilitate markets but also to shape the rules of the global economic system. Critics argue that these institutions often reflect the interests of dominant states and corporations, thereby constraining policy space for developing countries.

Contemporary theories increasingly integrate sustainability and inclusiveness into globalization analysis. The concept of "sustainable globalization" addresses the

tension between economic integration and ecological limits. Scholars such as Dani Rodrik argue for a "smart globalization" that balances global integration with national sovereignty and democratic accountability. The COVID-19 pandemic and disruptions in global supply chains have renewed debates on the resilience of globalization, pushing scholars and policymakers to rethink dependencies and advocate for strategic autonomy in critical sectors.

Moreover, the globalization of digital economies introduces new dimensions. Digital globalization, as theorized by Richard Baldwin and others, differs from traditional trade in goods by emphasizing the movement of ideas and services. Platforms such as Amazon, Alibaba, and Google operate globally with minimal physical presence, disrupting traditional regulatory frameworks and raising questions about taxation, data sovereignty, and digital labor.

In sum, economic globalization is a multifaceted and evolving process. Its essence lies in the intensification of cross-border flows and integration of markets, while its characteristics span trade, capital, technology, labor, institutions, and policy regimes. The theoretical landscape has expanded from classical liberalism to include structural, institutional, and innovation-driven paradigms, each contributing insights into the promises and perils of globalization. As the global economy faces challenges such as climate change, digital transformation, and geopolitical conflict, understanding the theoretical underpinnings of globalization remains critical for shaping equitable and resilient global systems.

The process of globalization has not been linear, but rather has unfolded in distinct phases, each driven by technological advancements, economic imperatives, and geopolitical dynamics. These phases can be broadly categorized as Globalization 1.0, 2.0, and 3.0, reflecting different eras of economic integration and interdependence.

Globalization 1.0, spanning from the 15th to the 18th century, was shaped by the wave of European exploration and colonization. Countries like Spain, Portugal, and Britain began expanding their influence across the globe, establishing contact with distant territories in the Americas, Africa, and Asia. These interactions laid the groundwork for early international trade systems, though they were heavily influenced

by conquest and domination. The economic model of this era was rooted in mercantilism, where colonial territories were viewed primarily as sources of raw materials. These resources were shipped to Europe, where they were turned into manufactured goods and then exported back to the colonies or elsewhere. This system ensured that economic power and benefits remained concentrated in the hands of the European empires. At the same time, the period was marked by widespread exploitation. The transatlantic slave trade, forced labor, and intensive extraction of natural resources were central to the economic structure. These exploitative practices formed the basis of what later became global supply chains, centered firmly around the interests of European powers. Technological progress in navigation and maritime transport made it possible to maintain and expand these long-distance trade routes. Innovations in ship design and navigation tools allowed for more reliable and extensive overseas voyages, further linking distant markets. Despite these growing intercontinental connections, the global economy of the time remained highly segmented and unequal. True globalization had not yet emerged, as the system was driven by imperial ambitions and shaped by deeply entrenched inequalities. The consequences of this period, especially the legacy of colonial exploitation, continued to influence global relations and economic structures for centuries [19] [20].

The second wave of globalization 2.0 unfolded alongside the Industrial Revolution (19th - 20th century), dramatically reshaping global economic structures. Advances in manufacturing processes, transportation methods such as railways, and communication tools like the telegraph revolutionized the way goods were produced, transported, and exchanged across borders. During this time, global trade experienced unprecedented growth. The United Kingdom rose to prominence as the leading global trading power, particularly in the first half of the 19th century. Key export industries, such as textiles, played a vital role in expanding trade, with regions like Argentina and Chile (the Southern Cone) becoming important players in the supply of raw materials and agricultural products. At the same time, the flow of capital increased sharply. Industrialized countries began investing heavily in less developed areas, driven by the need for raw materials and new consumer markets. These financial movements laid the

groundwork for a more interconnected global economy. The period also saw a significant rise in urbanization, as populations migrated from rural areas to industrial cities in search of work. This shift led to profound changes in social organization and labor dynamics, giving rise to new urban cultures and working-class communities. Although this era brought about deeper economic integration and rapid technological advancement, the gains were not evenly shared. Wealth and industrial growth were concentrated in the hands of developed nations, while many other regions remained economically dependent or marginalized within the global system [21] [20] [22].

The third phase of globalization 3.0 (digital era), which began in the late 20th century and continues today, is characterized by technological breakthroughs that have radically transformed the global landscape. Advancements in information and communication technology (ICT), widespread internet access, the rise of blockchain, and the integration of artificial intelligence have all revolutionized how nations communicate, trade, and manage their financial systems. A key feature of this era is the development of Global Value Chains (GVCs), where multinational companies strategically organize production across various countries to optimize costs and improve efficiency. This allows businesses to tap into diverse global markets while managing their resources more effectively. Financial markets have also become increasingly interconnected, driven by the deregulation of capital flows and the emergence of innovative financial services. This has allowed for faster, more dynamic exchanges of capital across borders, further linking the global economy. Culturally, the rise of social media platforms and greater international mobility have sped up the process of cultural convergence. Ideas, trends, and lifestyles now spread quickly across the globe, creating shared cultural experiences but also intensifying the influence of dominant cultures. The digital era has resulted in deeper global interdependence, with countries increasingly reliant on one another for trade, technology, and resources. While this interconnectedness has driven economic growth and innovation, it has also brought challenges, including rising inequality, environmental issues, and heightened geopolitical tensions. These problems highlight the complexities of a more interconnected world [20] [23] [24].

The Emerging Era is Globalization 4.0. This phase is driven by advanced technologies such as artificial intelligence (AI), blockchain, and the Internet of Things (IoT). Unlike earlier waves of globalization, which primarily focused on trade expansion and industrial or digital transformation, Globalization 4.0 emphasizes building systems that are sustainable, inclusive, and resilient to future challenges. Artificial intelligence is playing a transformative role by optimizing global logistics and production systems. Through predictive analytics, AI enables more efficient and responsive decision-making across borders. At the same time, blockchain technology is strengthening trust in international economic transactions. By enhancing transparency and traceability, blockchain ensures greater security and reliability in global trade and finance. The integration of green technologies and environmentally conscious practices has become central to the global agenda, aiming to address climate change while supporting long-term economic development. Additionally, the Internet of Things is reshaping operational frameworks by decentralizing systems. With devices now connected globally, real-time data exchange is facilitating smarter, faster, and more adaptive global processes [25] [26]. Despite its promise, Globalization 4.0 also presents significant challenges. Ethical concerns surrounding the use of AI, particularly in relation to privacy and surveillance, remain unresolved. Moreover, ensuring equitable access to emerging technologies is vital, as unequal distribution could exacerbate existing global disparities rather than reduce them.

To better understand the complexities of globalization across its various phases, it is helpful to consider key theoretical perspectives that explain its diverse impacts and dynamics (tab.1.4). Globalization is not a monolith; rather, it is a dynamic and contested process shaped by power, capital, and technology, as noted by Saskia Sassen.

Table 1.4 – Theoretical Perspectives on Globalization

Theory	Key Proponent	View on Globalization
Classical Liberalism	Adam Smith, David Ricardo	Globalization increases efficiency and wealth via free trade
Dependency Theory	Raúl Prebisch, Andre Gunder Frank	Globalization perpetuates inequality between core and periphery

World-Systems Theory	Immanuel Wallerstein	Globalization sustains capitalist core dominance over periphery
Endogenous Growth	Paul Romer	Innovation and technology drive global growth and integration
Smart Globalization	Dani Rodrik	Advocates balanced globalization with national policy autonomy

This table highlights key theoretical frameworks that offer different lenses for understanding globalization's complex nature and effects. Each perspective emphasizes distinct aspects:

- Classical Liberalism views globalization primarily as a positive force promoting efficiency and wealth through free trade.
- Dependency Theory and World-Systems Theory critically assess globalization as a mechanism that maintains inequality and dominance of wealthy core nations over poorer peripheries.
- Endogenous Growth Theory focuses on the central role of innovation and technology in driving global economic integration.
- Smart Globalization advocates for a balanced approach that preserves national policy autonomy while embracing global interconnectedness.

Together, these perspectives underscore that globalization is neither uniformly beneficial nor detrimental; rather, it is a contested and multifaceted process shaped by economic interests, power relations, and technological change.

One of the primary advantages of globalization is its contribution to economic growth. By allowing nations to focus on industries where they hold a comparative edge, overall productivity and efficiency are improved. This not only helps developed economies expand but also provides developing countries with access to foreign capital, cutting-edge technology, and employment opportunities, which in turn raises income levels and living standards. Globalization also gives nations the ability to obtain goods and raw materials that are not available locally. For instance, it enables the production of complex items like smartphones or automobiles by bringing together components and resources from around the world. At the same time, companies can expand their

operations beyond their national borders, reduce costs through larger-scale production, and boost their profits. From a consumer perspective, global competition pushes prices down and improves product quality, making a wide variety of affordable goods accessible to more people. Furthermore, the increased interaction between cultures encourages creativity, cultural diversity, and mutual understanding. Technological progress is another key benefit. As innovation spreads more rapidly, even less developed nations can adopt modern solutions, such as digital financial services or e-commerce platforms, helping them catch up with more advanced economies [27] [28] [29] [20].

However, globalization has its downsides. One of the most pressing concerns is the growing gap between rich and poor. Economic gains are often concentrated in wealthier nations or large multinational firms, while many poorer countries are left struggling or are exploited for cheap labor and natural resources. Developed countries also face job losses, especially in industries that relocate production to regions with lower labor costs. For example, studies have shown that the U.S. lost millions of jobs between 2001 and 2018 due to its trade imbalance with China. Environmental degradation is another major issue. Increased industrial activity and global trade have contributed to deforestation, pollution, and climate change. Likewise, cultural diversity can suffer when dominant global brands overshadow local customs and traditions. Moreover, the interconnected nature of the global economy means that financial crises can spread quickly across borders. The 2008 global recession is a stark example of how economic shocks in one region can trigger worldwide economic disruptions. Lastly, labor exploitation remains a serious concern. In countries with weak worker protections, globalization can lead to abusive practices, such as underpaid or unsafe work conditions in factories that supply goods to wealthier markets [27] [20] [30].

Economic globalization can be understood through a set of characteristics that define how global interactions unfold in practice.

The following tab.1.5 presents a structured synthesis of the key characteristics that define economic globalization, as interpreted through both classical and contemporary academic perspectives. It aims to integrate theoretical insights with

empirical manifestations, highlighting how globalization materializes across diverse domains - from trade and capital flows to technology, labor, and governance.

Table 1.5 – Characteristics of Economic Globalization with Examples and Scholars

Characteristic	Description	Key Scholars / Thinkers	Examples from Practice
Trade liberalization	Progressive reduction of tariffs and trade barriers; growth of global trade.	Adam Smith, David Ricardo, Jagdish Bhagwati	Creation of the WTO (1995); NAFTA/USMCA; EU single market.
Capital mobility	Freedom of capital flows across borders; expansion of FDI and portfolio flows.	John Dunning, Dani Rodrik, Thomas Friedman	Massive Chinese FDI in Africa; relocation of production to Vietnam and Bangladesh.
Global value chains (GVCs)	Fragmentation of production processes across countries.	Gary Gereffi, Richard Baldwin	Apple's supply chain (design in USA, components from Korea/Japan, assembly in China).
Financial integration	Global integration of capital markets and deregulation of financial sectors.	Joseph Stiglitz, Barry Eichengreen	2008 Global Financial Crisis; spread of sovereign debt crises across Europe.
Technological diffusion	Spread of ICT, digital platforms, automation, and AI globally.	Paul Romer, Manuel Castells, Richard Baldwin	Global reach of Amazon, Facebook, Google; use of blockchain in trade logistics.
Labor migration and mobility	Movement of workers and skills across borders (more limited than capital).	Saskia Sassen, Giovanni Peri	Ukrainian workers in the EU; Indian IT professionals in Silicon Valley.
Institutional architecture	Role of global governance bodies (WTO, IMF, WB) in shaping the rules of trade.	Susan Strange, Robert Keohane, Joseph Nye	IMF structural adjustment programs in Latin America; WTO trade dispute resolutions.
Cultural and informational flows	Expansion of media, education, and consumer values beyond borders.	Roland Robertson, Arjun Appadurai	Global popularity of Netflix and K-pop; English as lingua franca in global business.
Geopolitical asymmetries	Unequal power relations in shaping the global order and market access.	Immanuel Wallerstein, Raúl Prebisch, Andre Gunder Frank	G7/G20 policy dominance; North-South trade imbalances; limited voice of developing countries in WTO negotiations.
Sustainability & resilience	Tensions between globalization and environmental/social limits.	Jeffrey Sachs, Klaus Schwab, Dani Rodrik	UN Sustainable Development Goals; debate on carbon border taxes and ESG standards in global trade.

Each characteristic in the table is accompanied by:

- a conceptual explanation that defines its role in the global economy,

- reference to influential scholars who have developed or analyzed the concept in depth,
- concrete real-world examples that illustrate how these phenomena operate in practice.

For instance, trade liberalization is linked to classical economic theory (Smith, Ricardo) and exemplified by institutions such as the WTO and trade blocs like NAFTA. Global value chains, analyzed by Gereffi and Baldwin, are demonstrated through production systems like Apple's multinational assembly structure. Likewise, the tension between capital mobility and financial instability is theorized by economists such as Stiglitz and Eichengreen, and seen in crises like the 2008 financial meltdown.

This framework allows for a multidimensional understanding of globalization - not just as an economic phenomenon, but as a complex and often asymmetrical system of global interaction shaped by technology, institutions, and power relations. The table also reflects how newer concerns, such as sustainability, digitalization, and geopolitical imbalance, are reshaping both academic discourse and policy agendas in the 21st century.

The first cluster of characteristics - trade liberalization, capital mobility, and financial integration - corresponds closely with the foundational ideas of classical liberalism and neoclassical economics. These perspectives emphasize the efficiency of free markets, the optimal allocation of resources, and the benefits of comparative advantage. As evidenced by the expansion of trade agreements (e.g., WTO, EU), the mobility of capital (e.g., FDI flows to emerging economies), and deepening financial markets, these processes are often presented as the structural pillars of economic globalization.

However, such liberal narratives have been critiqued by structuralist and dependency theorists, who argue that the same mechanisms often produce unequal outcomes between the Global North and South. The inclusion of geopolitical asymmetries and institutional architecture in the table reflects this criticism. Scholars like Immanuel Wallerstein and Susan Strange have shown how dominant institutions (e.g., IMF, World Bank) often embed the interests of core capitalist states, constraining

the policy autonomy of developing countries and reinforcing hierarchical global structures.

In contrast, the second cluster - technological diffusion, labor mobility, and cultural flows - signals the dynamic and disruptive nature of globalization in the late 20th and early 21st centuries. Innovations in digital technology, automation, and AI have radically altered production systems, reshaped labor markets, and expanded the reach of cultural content. The rise of digital platforms (e.g., Google, Amazon) illustrates how value creation is increasingly detached from physical borders, raising questions about taxation, sovereignty, and regulation.

Meanwhile, labor migration, although more restricted than capital, contributes to knowledge transfer and remittances but also highlights persistent global inequality. For example, migrant labor from Ukraine to the EU or from South Asia to the Gulf states underlines the uneven distribution of opportunity and protection in the global labor system. This dynamic challenges assumptions about globalization as a uniform process and invites hybrid theoretical models that incorporate both agency and constraint.

Finally, the inclusion of sustainability and resilience as defining elements of globalization marks a paradigmatic shift in the discourse. With mounting ecological crises, growing social inequality, and global shocks like the COVID-19 pandemic, the very viability of the current globalization model is under scrutiny. Scholars like Jeffrey Sachs and Dani Rodrik argue for a more adaptive, equitable, and environmentally conscious global order - a form of “smart globalization” that balances efficiency with sustainability and local needs.

Overall, economic globalization is a multifaceted and evolving process shaped by technological innovation, shifting power dynamics, and complex institutional frameworks. While it offers significant opportunities for growth, efficiency, and cultural exchange, it also poses critical challenges such as inequality, environmental degradation, and geopolitical tensions. Addressing these issues requires a balanced and adaptive approach that integrates sustainability and equity into global economic governance.

1.3. Global determinants of the transformation of the world economy

The transformation of the world economy over the past several decades has been a dynamic and multifaceted process, driven by a combination of structural, technological, political, and institutional factors. The integration of national economies, the liberalization of trade and finance, the diffusion of digital technologies, and the evolving geopolitical landscape have all contributed to reshaping the architecture and dynamics of global economic systems. In the context of this analysis, emphasis will be placed on identifying the core mechanisms that influence economic globalization and transformation, as well as evaluating the implications for national economic strategies and global governance.

Global Trade Liberalization and Economic Integration: One of the most significant global determinants of economic transformation has been the liberalization of trade and the expansion of international economic integration. Initiatives such as the General Agreement on Tariffs and Trade (GATT), and later the World Trade Organization (WTO), have systematically reduced barriers to trade, enabling a vast expansion in the exchange of goods and services. Regional trade blocs such as the European Union (EU), North American Free Trade Agreement (NAFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have also played crucial roles in reshaping economic landscapes. The theory of comparative advantage, pioneered by David Ricardo, underpins much of this transformation, highlighting how countries can mutually benefit by specializing in the production of goods in which they are relatively more efficient. Furthermore, global value chains (GVCs) have emerged as defining features of this new trade architecture, enabling multinational corporations to distribute production processes across various countries.

An illustrative example of trade liberalization is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which brought together 11 Asia-Pacific countries to form one of the world's largest free trade zones. By reducing tariffs on over 95% of goods, CPTPP has promoted regional trade flows,

particularly in manufacturing and agriculture. Countries like Vietnam have significantly boosted their exports to member states, attracting new foreign investment and integrating more deeply into global value chains.

Technological Advancements and the Digital Economy: The advent of digital technologies has dramatically transformed the world economy. From the spread of the internet and mobile technologies to artificial intelligence and big data, digital innovation has redefined how economic activity is organized and conducted. The 'Fourth Industrial Revolution', a term popularized by Klaus Schwab, encapsulates the fusion of technologies that blur the lines between the physical, digital, and biological spheres. The emergence of e-commerce platforms, fintech innovations, digital currencies, and smart manufacturing systems has reshaped business models and disrupted traditional industries. As countries digitize, those that invest in ICT infrastructure and human capital are better positioned to capture the benefits of this new economy. The theory of technological change, including the contributions of Joseph Schumpeter on innovation and creative destruction, offers important insights into how technological shifts drive economic transformation.

Technological innovation has played a transformative role in the logistics and manufacturing sectors. For instance, Amazon's deployment of artificial intelligence and robotics in its fulfillment centers has streamlined order processing and inventory management, significantly reducing operational costs. Similarly, Tesla has pioneered automation in electric vehicle production, leveraging machine learning to optimize energy efficiency and production scalability.

Digital Platforms & Data Economy: The rise of digital platforms such as Alibaba and TikTok demonstrates the power of data-driven business models. Alibaba's cross-border e-commerce ecosystem enables SMEs in China to reach global consumers, while TikTok has created a global digital culture and advertising market. These platforms generate significant economic value through user data monetization.

Foreign Direct Investment and Capital Mobility: Foreign Direct Investment (FDI) has emerged as a powerful channel through which global economic transformation is realized. It facilitates technology transfer, managerial know-how, job

creation, and access to global markets. According to UNCTAD, global FDI flows reached nearly \$1.3 trillion in 2023, with significant shares directed toward emerging markets. Theories such as the eclectic paradigm (OLI model) by John Dunning explain why firms choose to invest abroad, based on ownership advantages, location advantages, and internalization incentives. At the same time, capital mobility has enabled the expansion of global financial markets, allowing for more efficient allocation of resources but also creating vulnerabilities, as seen in the Asian Financial Crisis and the 2008 Global Financial Crisis. Countries must balance the benefits of FDI with policies that ensure economic sovereignty, environmental standards, and social inclusion.

A practical example of FDI's transformative potential is Siemens' investment in smart manufacturing facilities in China. Through knowledge transfer and technology deployment, Siemens has helped enhance local supply chain capabilities while accessing one of the largest consumer markets. Such investments contribute to industrial upgrading and integration into global innovation ecosystems.

Global Financial Integration: Global financial integration was vividly demonstrated during the rapid rise and fall of cryptocurrency markets between 2020 and 2022. The influx of capital into decentralized finance platforms such as Ethereum exposed both the potential and volatility of global digital asset flows. This phenomenon also highlighted regulatory challenges and the interconnectedness of financial systems in the absence of centralized oversight.

Geopolitical Dynamics: Geopolitical dynamics have reshaped global supply chains, particularly after the imposition of economic sanctions on Russia in 2022. Western countries restricted the export of high-tech goods, prompting companies to reconsider sourcing strategies and prompting a shift toward regionalization. This has underscored the geopolitical risks inherent in globally dispersed production networks.

Sustainability & Climate Change: The European Union's Carbon Border Adjustment Mechanism (CBAM) exemplifies how sustainability priorities are reshaping trade. CBAM imposes carbon tariffs on imported goods with high emissions, incentivizing producers worldwide to adopt greener practices. Such measures are

pushing emerging markets to align with global environmental standards to retain export competitiveness.

Pandemics and Global Crises: The COVID-19 pandemic exposed critical vulnerabilities in global supply chains. For example, the initial shortage of personal protective equipment (PPE) led many countries to reexamine their dependence on foreign suppliers. This triggered a wave of 'reshoring' policies, especially in the United States and Europe, focused on restoring domestic production of essential goods.

Demographic Shifts: Demographic shifts present both challenges and opportunities. Japan's aging population, for instance, has led to labor shortages and increased healthcare spending, prompting innovation in eldercare robotics and immigration reforms. Conversely, India's youthful demographic profile provides a vast labor pool, fueling its growing IT and service sectors.

Global Governance Institutions: Global governance institutions play a vital role in stabilizing the world economy. The IMF's Flexible Credit Line provided crucial liquidity to countries such as Colombia and Mexico during periods of capital outflows, helping to prevent balance of payments crises and maintain macroeconomic stability. Such instruments enhance resilience in emerging markets.

Energy Transitions: Energy transition efforts are exemplified by Morocco's Noor Solar Project, one of the world's largest concentrated solar power facilities. The project demonstrates how renewable energy investments can drive economic development, reduce dependence on fossil fuels, and position developing nations as clean energy exporters in the global market.

Table 1.6 presents a comprehensive overview of the principal global determinants driving the ongoing transformation of the world economy. This summary encapsulates a diverse range of factors - structural, technological, political, institutional, and environmental - that collectively influence the complex dynamics of economic globalization and systemic change. Each determinant is contextualized through its theoretical foundations and illustrated with relevant, real-world examples that demonstrate its practical impact.

Table 1.6 – Expanded Summary Table with Practical Examples

Determinant	Description	Theoretical Basis	Practical Example
Trade Liberalization	Reduction of tariffs and barriers through WTO, regional trade agreements, and globalization.	Comparative Advantage (Ricardo), Economic Liberalism	Vietnam's export growth under CPTPP, boosting FDI and trade integration.
Technological Innovation	Digitalization, AI, automation, and ICT advances transforming production and services.	Schumpeter's Innovation Theory, Fourth Industrial Revolution	Amazon's use of AI and robotics to optimize logistics and fulfillment.
Foreign Direct Investment (FDI)	Capital flows promoting technology transfer, integration into GVCs, and industrial upgrading.	Eclectic Paradigm (Dunning), Neoliberalism	Siemens' smart factory investment in China enhancing local capabilities.
Global Financial Integration	Cross-border capital mobility, financial market expansion, speculative flows.	Keynesian and Neoliberal Approaches	Volatility in global crypto markets (e.g., Ethereum) 2020–2022.
Geopolitical Dynamics	Changing global power centers, economic nationalism, regionalism, and conflict.	World-Systems Theory (Wallerstein), Realism	Sanctions on Russia led to global supply chain restructuring.
Sustainability & Climate Change	Green transformation, circular economy, carbon regulations, ESG investment trends.	Post-Neoliberalism, Degrowth Theory	EU's CBAM promotes greener production practices globally.
Pandemics and Global Crises	COVID-19, supply chain shocks, rethinking global resilience and autonomy.	Structuralism, Institutional Economics	Reshoring PPE production in the U.S. and EU after COVID-19 shortages.
Demographic Shifts	Aging populations in the North, youth bulges in the Global South, labor market adjustments, and migration flows.	Demographic Transition Theory, Human Capital Theory	Japan's aging society drives robotics; India's youth powers IT sector.
Global Governance Institutions	Role of IMF, World Bank, WTO, and G20 in standard-setting, crisis management, and development financing.	Institutionalism, Global Public Goods Theory	IMF credit lines supported macroeconomic stability in Colombia and Mexico.
Digital Platforms & Data Economy	Rise of digital monopolies (e.g., Google, Amazon), data commodification, and control over global information flows.	Platform Economy Theory, Network Externalities	Alibaba enables SME exports; TikTok monetizes global user data.
Energy Transitions	Global shift toward renewable energy, energy efficiency, decarbonization policies, and ESG investment.	Ecological Economics, Green Growth Theory	Morocco's Noor Solar Project illustrates green energy leadership.

Explanation:

- Trade Liberalization: For example, CPTPP and RCEP have opened up new regional markets for Asia-Pacific countries.
- Technological Innovation: Artificial intelligence in Amazon logistics or automation in Tesla have changed production models.
- FDI: Investments by Germany's Siemens in manufacturing in China are an example of technology transfer.
- Financial Integration: Large capital flows into crypto markets in 2020–2022 illustrate new financial dynamics.
- Geopolitical Dynamics: Western sanctions against Russia after 2022 have prompted a review of supply chains.
- Sustainability: The EU's Carbon Border Tax (CBAM) agreement is transforming international trade.
- Pandemics: COVID-19 has forced governments to reconsider their reliance on imported medical supplies.
- Demographics: Japan faces demographic aging, India has a young working population.
- Governance: IMF post-crisis financing programs for Latin American countries.
- Digital Platforms: Alibaba and TikTok are reshaping the structure of global digital trade.
- Energy: COP28 agreement stimulates investment in renewable energy in Africa.

These global determinants not only shape the current trajectory of world economic development but also define the parameters within which future transformations will unfold. As the boundaries between the digital and physical economies dissolve, as environmental and geopolitical uncertainties intensify, and as new centers of economic gravity emerge, the global economy is entering a period of profound reconfiguration. This creates both opportunities and systemic risks. It is increasingly evident that economic transformation can no longer be assessed purely through the lens of growth and efficiency - it must also be examined in terms of resilience, adaptability, and sustainability.

CHAPTER 2.

PATHWAYS OF TRANSFORMATION OF THE WORLD ECONOMY UNDER GLOBALIZATION

2.1. Characteristics of the Scale of Global Transformations of the World Economy

In recent decades, globalization has emerged not merely as a trend but as a structural transformation reshaping the foundations of the world economy. The interconnectedness of markets, the rapid movement of capital and labor, and the transnational nature of production and services have led to complex changes in global economic dynamics. These transformations affect all levels - from macroeconomic indicators and national development strategies to local production systems and individual livelihoods.

The Globalization Index is one of the ways to measure the extent of integration and interdependence of economies worldwide. It includes indicators of economic, social, and political globalization. Some indicators are ranked higher than others in this index [43]. Fig. 2.1 below presents the Top 13 countries in the Globalization Index for 2023, showcasing the nations with the highest levels of economic integration.

This graph highlights the leading nations in terms of globalization, which are typically characterized by their advanced trade networks, high levels of foreign direct investment, and significant international collaborations. These countries are not only major economic players but also shape global trends in finance, technology, and culture. Their strong position in the Globalization Index reflects their effective participation in and influence over the global economic system. Conversely, it also underscores the gap between these countries and others that may struggle with economic integration due to various political, geographical, or socio-economic factors.

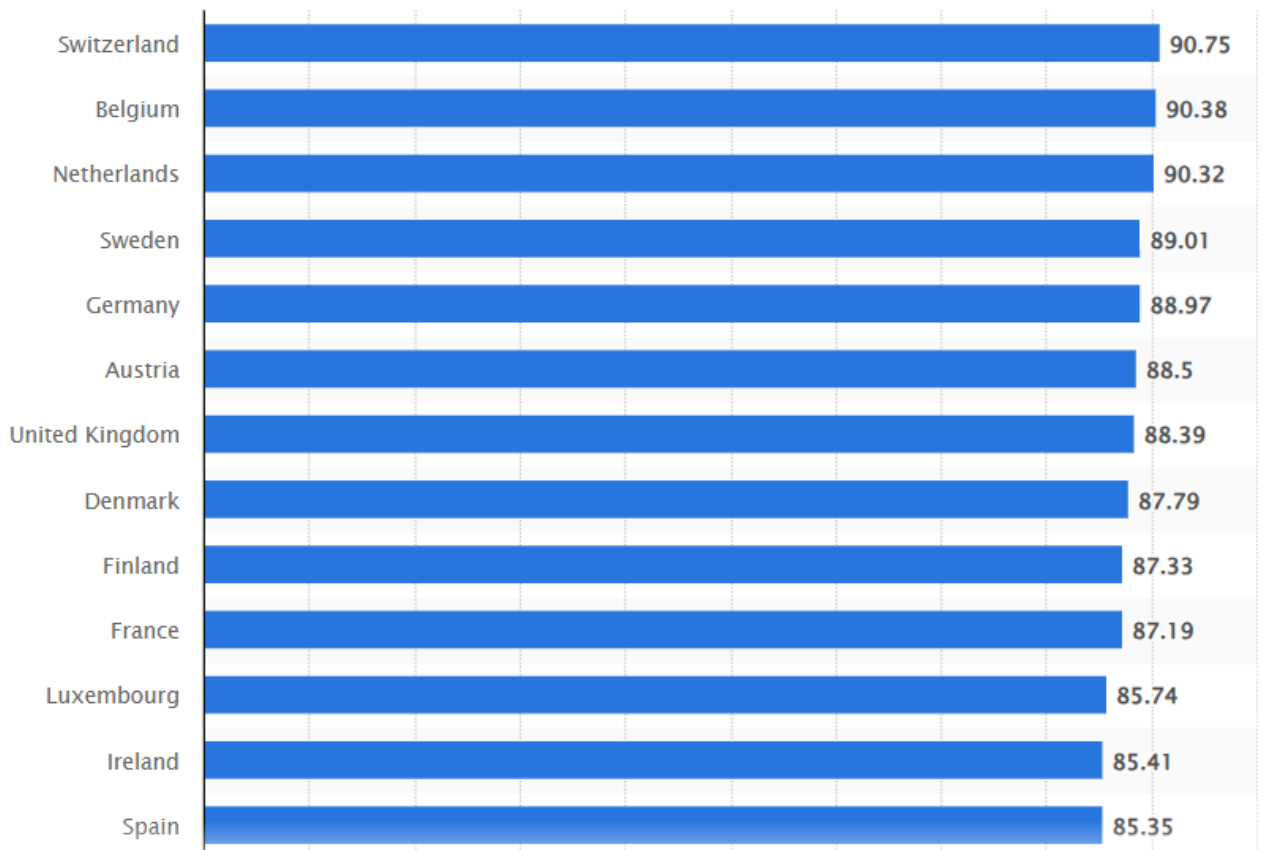


Figure 2.1 – Top 13 countries in the Globalization Index 2023, points

Source: [44]

Researchers generally trace the onset of the current wave¹ of economic globalization to the decades following the end of World War II. Between 1960 and 2019, global trade as a share of worldwide GDP rose significantly - from 25% to 60%. During this postwar era, international trade expanded at a pace that generally outstripped global GDP growth, although this pattern has weakened in recent times. Foreign direct investment (FDI) also surged, with the global FDI stock increasing from 6% of global GDP in 1980 to 42% in 2019. This deepening interconnection of the global economy has been made possible in large part by major technological progress in transportation and communication, which has helped diminish the distance between economies. Moreover, national governments and international institutions have gradually dismantled artificial trade barriers - such as tariffs, quotas, subsidies, migration limits, and capital flow restrictions - since the end of the war. While many economists contend that globalization has contributed to improved living standards

¹ In this framing, the “current wave” includes Globalization 2.0 and 3.0 as phases within one long wave.

across the globe, there is still ongoing discussion about whether the benefits have been shared equitably, whether certain groups have gained more than others, and whether globalization has intensified income inequality within countries [18].

These developments marked a significant deepening of global economic integration, resulting in the creation of complex global value chains and the increasing specialization of economies based on comparative advantage. The 2008 - 2009 global financial crisis exposed vulnerabilities in the international financial system and revealed structural weaknesses in global supply chains. This turning point initiated a phase of more cautious economic expansion, with a growing emphasis on resilience, regionalization, and strategic trade diversification.

Since 2010, global trade has maintained a stable share of over 25% of worldwide GDP, following a period of steady growth that came to a halt during the global financial crisis. Between 1990 and 2008, international trade expanded at an average annual rate of 6.6%, nearly doubling the global GDP growth rate of 3.2%. However, from 2009 to 2024, the pace of trade growth slowed significantly, averaging 3.1% per year - only slightly above the corresponding GDP growth rate of 2.7%, as illustrated in Fig. 2.2 [45].

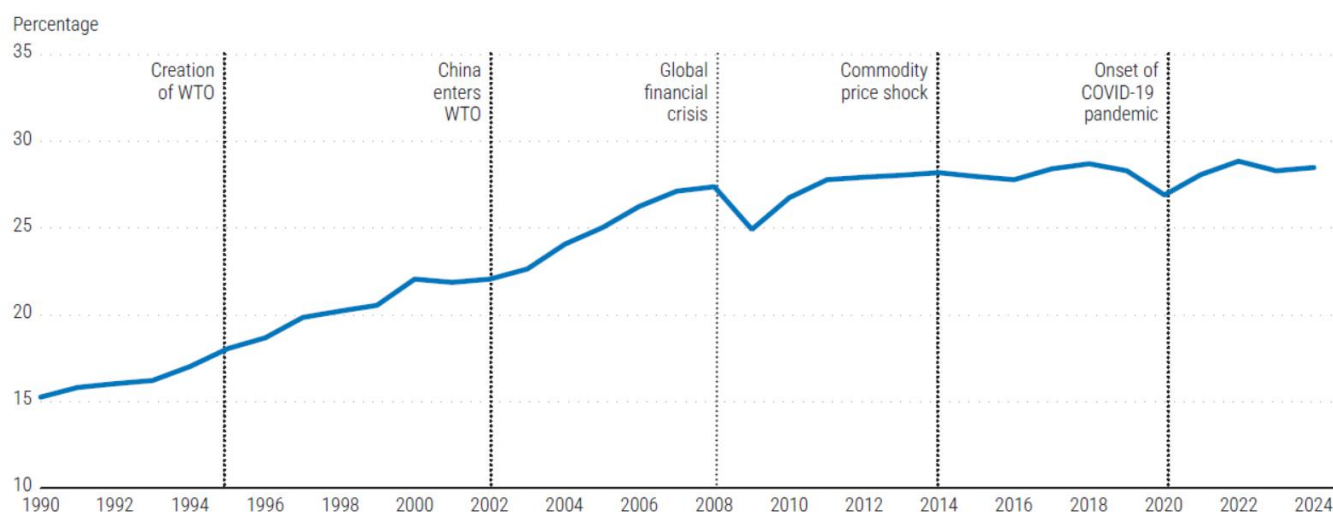


Figure 2.2 – Global trade of goods and services as share of GDP (%), 1990 - 2024

Source: [45]

The trade in services has emerged as one of the most dynamic and essential components of global commerce, fueled by ongoing digital transformation, technological innovation, and growing international demand for cross-border service delivery. Currently, services represent approximately 25% of total global trade, a notable increase from about 19% in 2006. The United States leads globally in service exports, having recorded over \$1.02 trillion in 2023 - roughly 13% of the global total. As illustrated in Fig. 2.3, the growth rate of trade in services has outpaced that of goods over the past decade, with this trend becoming even more pronounced in the aftermath of the COVID-19 pandemic [45].

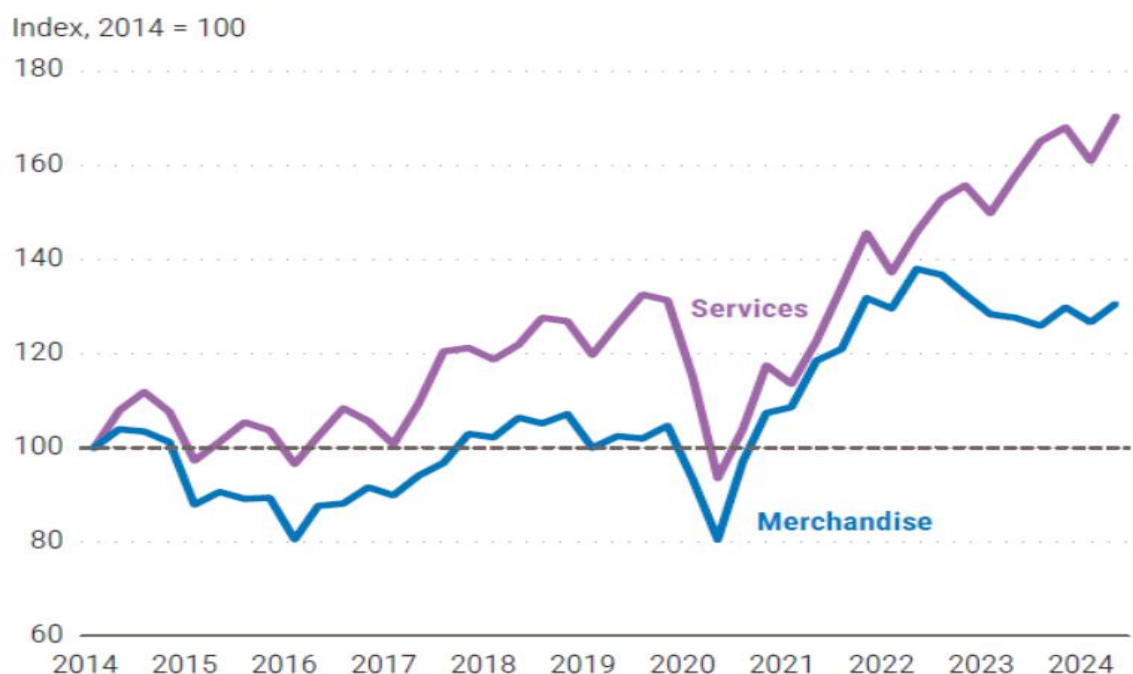


Figure 2.3 – Growth of merchandise and services trade (points), 2014 - 2024

Source: [45]

In 2024, global trade reached a record \$33 trillion, marking a 3.7% annual increase. This growth was primarily driven by the services sector, which expanded by 9%, contributing \$700 billion to the total trade volume. In contrast, trade in goods grew by 2%, adding \$500 billion, as shown in Fig. 2.4. However, both sectors saw a deceleration in the fourth quarter, with services growing by just 1% and goods by less than 0.5% [46].

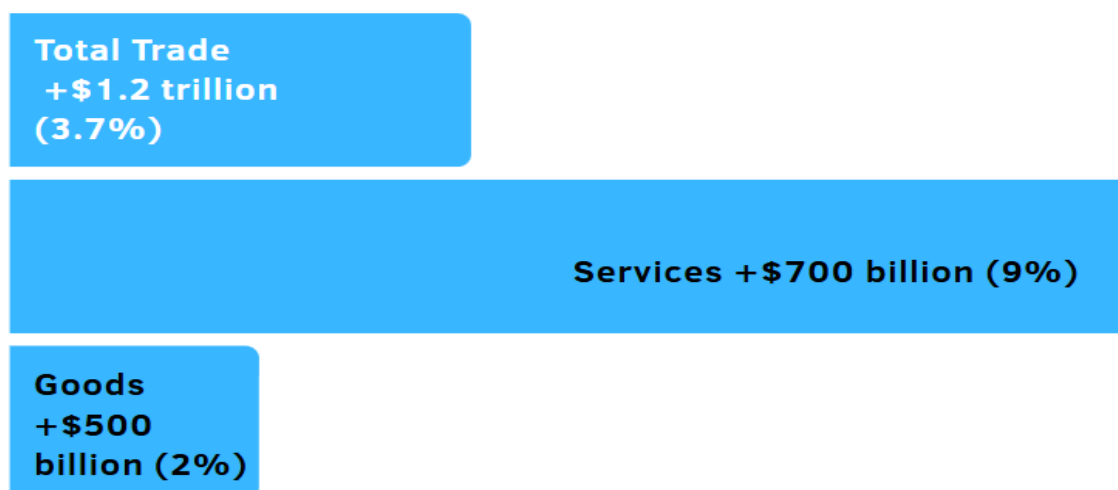


Figure 2.4 – Growth of Global Trade in 2024 (%)

Source: compiled by the author based on [46]

Developing economies, particularly in East and South Asia, led this growth, with their trade increasing by 4% over the year and 2% in the fourth quarter. Conversely, developed economies experienced stagnation, with a 2% decline in trade during the same period. Trade among developing countries continues to face high tariffs, averaging 15% between regions like Latin America and South Asia. This limits their ability to move up the value chain by exporting value-added goods [46]. Approximately two-thirds of international trade occurs without tariffs due to Most-Favored-Nation (MFN) treatment and regional trade agreements. However, high tariffs remain a barrier in sectors like agriculture and textiles, particularly for developing countries [46].

International trade has long been a key driver of global economic integration, acting as a central force in the process of economic globalization. Complementing this, shifts in global investment flows - particularly the rise of foreign direct investment (FDI) - highlight another crucial dimension of this evolving interconnectedness.

In 2024, global FDI increased by 11%, reaching \$1.4 trillion. However, this growth was largely concentrated in developed economies and heavily influenced by multinational transactions routed through European conduit economies². When

² These countries, known as 'conduit economies', are used to facilitate the diversion of financial flows for tax avoidance. Ireland, Luxembourg, the Netherlands, Switzerland and the United Kingdom (UK) are the major conduit economies as these countries allow diversion of income to other countries [48].

excluding these conduit-related flows, global FDI actually declined by 8%, as can be seen in Fig. 2.5, revealing a more subdued underlying trend. Developed economies saw a 43% rise due to such conduit flows, but without them, their FDI fell 15% [47].

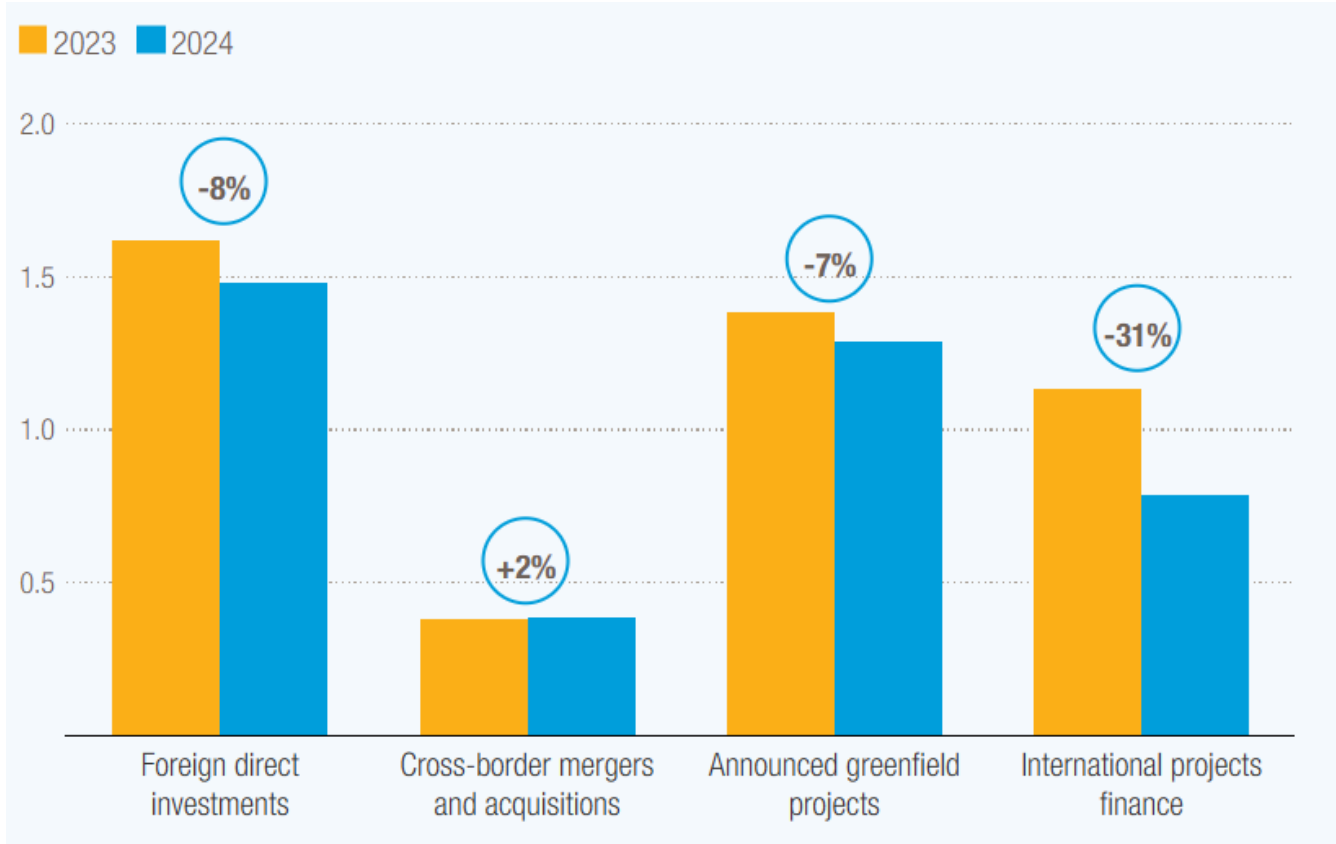


Figure 2.5 – Global investment trends, 2024 vs 2023, trillions of dollars

Source: [47]

FDI to developing countries declined by 2%, marking the second year of contraction. This trend poses risks to the achievement of the Sustainable Development Goals (SDGs)³, as investment in key sectors like infrastructure, agrifood, and water dropped 11% compared to 2015. Greenfield investment and international project finance also weakened significantly, with project finance deals falling by nearly one-third [47].

As shown in Fig. 2.6, global FDI net inflows have experienced significant fluctuations over the past decade, with a sharp decline observed in 2023.

³ also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity [50].



Figure 2.6 – Global FDI Net Inflows, 2011–2023 (USD trillions)

Source: [49]

Global economic integration has been significantly influenced by trade liberalization, the work of multilateral institutions, and the growth of cross-border investment. These factors have reduced trade restrictions, encouraged regulatory alignment, and allowed capital to move more freely across borders. As a result, national economies have become increasingly interdependent, and global production and market systems have been restructured.

The liberalization of trade, supported by organizations such as the World Trade Organization (WTO), plays a central role in this process. The WTO promotes fairness in trade relations through principles like Most-Favored-Nation (MFN)⁴, which ensures that countries treat all their trading partners equally. Its dispute resolution system has handled hundreds of conflicts since the mid-1990s, helping stabilize the global trade environment. Moreover, its efforts to reduce tariffs have contributed to lower global trade barriers - average tariffs dropped from 26% in the late 1980s to just 9% by 2023. However, the benefits of this system are not equally shared. While major economies such as the US and China have significantly boosted trade through WTO membership, developing countries often find themselves at a disadvantage due to unequal negotiation power and structural vulnerabilities [51] [52] [53].

⁴ Treating other people equally under the WTO agreements, countries cannot normally discriminate between their trading partners [54].

Alongside global frameworks, regional trade agreements (RTAs) have emerged as powerful tools for advancing economic integration. These agreements go beyond tariff reductions, often including harmonized regulations, labor mobility, and coordinated business practices. For example, the European Union (EU) has created one of the most integrated economic areas by removing 90% of non-tariff barriers through unified product standards. NAFTA (now USMCA⁵) has deeply connected the North American manufacturing sector through tightly linked supply chains, now accounting for 40% of trilateral trade. While agreements like CETA⁶ gradually expand trade flows over a decade and more. The strength of these agreements lies in their capacity to deepen connections within regions and stimulate internal trade, although they sometimes result in complex overlapping rules when multiple RTAs are in play [52] [57]. The impact of the United States-Mexico-Canada Agreement (USMCA) on regional trade is evident in the rise of intra-regional exports (Fig. 2.7).

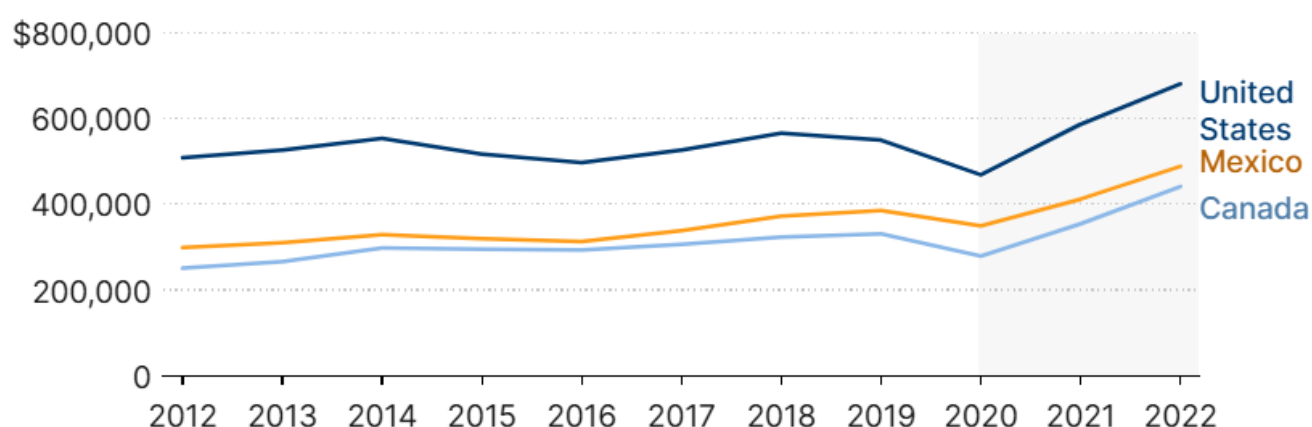


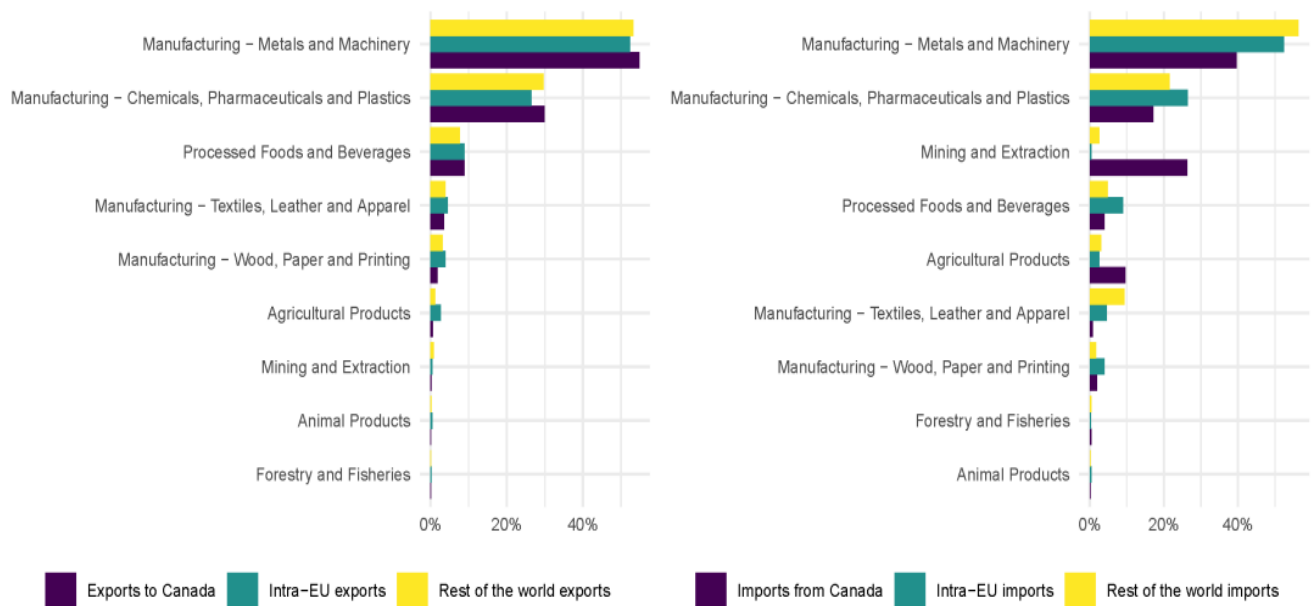
Figure 2.7 – USMCA-Driven Intra-Regional Export Growth, 2012–2022: Exports by Country (in Millions of US Dollars)

Source: [58]

The effectiveness of the EU as a trade bloc can also be illustrated through trade flow data, where the leading export and import sectors highlight the depth of economic integration within the region (Fig. 2.8).

⁵ The United States-Mexico-Canada Agreement (USMCA) entered into force on July 1, 2020. The USMCA, which substituted the North America Free Trade Agreement (NAFTA) is a mutually beneficial win for North American workers, farmers, ranchers, and businesses. The Agreement creates more balanced, reciprocal trade supporting high-paying jobs for Americans and grow the North American economy [55].

⁶ The Comprehensive Economic and Trade Agreement, or CETA, is a trade agreement between the EU and Canada. Canada is a large market for Europe's exports and a country rich in natural resources that Europe needs. [56].



(a) EU exports sectors

(b) EU imports sectors

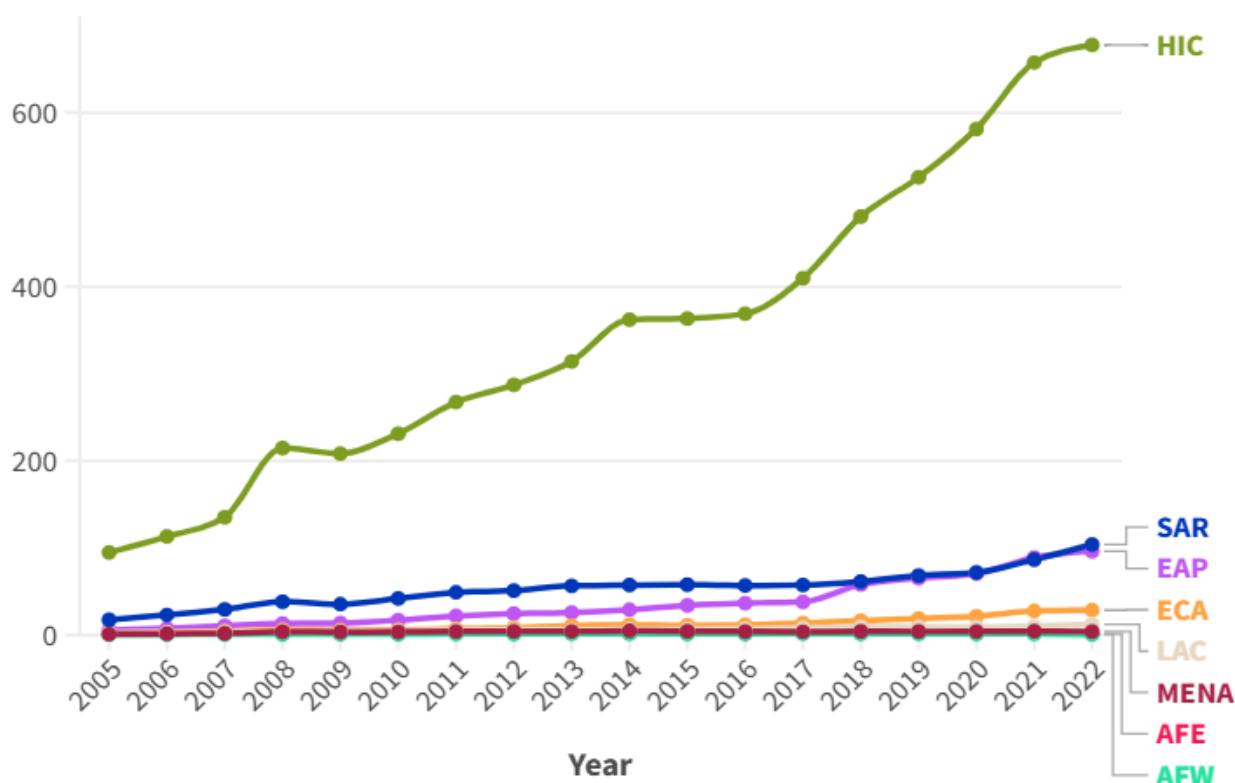
Figure 2.8 – Comparison of top EU export and import sectors (%), by partner

Source: [59]

Technological progress is a key force behind the transformation of the global economy. Technological innovation has historically fueled productivity gains, with digital tools like AI, cloud computing, and advanced analytics enabling businesses to operate more efficiently.

The export of IT services, encompassing software development, cloud computing, and data processing, has seen a nearly 7-fold increase since 2005, as shown in Fig. 2.9. Although high-income countries still dominate the sector, the East Asia and Pacific region, led by China, has experienced the fastest growth, with export values expanding by 17 times between 2005 and 2022. Notably, India is highly specialized in IT services exports, which account for one-third of its total services exports [60].

Supply chains have become more adaptive thanks to AI and automation. These technologies support real-time logistics management, predictive maintenance, and improved transparency through integration with IoT and blockchain. Automation also helps address labor shortages and enables workers to focus on higher-value tasks [61] [62] [63].



Code	Region	Code	Region
HIC	High Income Countries	LAC	Latin America and Caribbean
SAR	South Asia	MENA	Middle East and North Africa
EAP	East Asia and Pacific	AFE	Africa East
ECA	Europe and Central Asia	AFW	Africa West

Figure 2.9 – ICT services export by region, 2005-2022 (USD billion)

Source: [60]

Digitalization fuels globalization by removing barriers to market entry.

E-commerce platforms, remote collaboration tools, and digital payment systems allow businesses - especially small and medium-sized enterprises - to reach international markets and operate globally with ease [64]. The job market is evolving in response to technological change. While some traditional roles are automated, new opportunities emerge in tech-related fields. The gig economy is expanding, but it also raises concerns about job security and inequality. As a result, reskilling and lifelong learning have become essential [64] [62].

The transformation of the global economy is deeply intertwined with social and demographic shifts, which reshape labor markets, economic growth patterns, and policy priorities worldwide.

Low-income countries have 61% of their population under 25, creating potential for a “demographic dividend” if jobs and education are prioritized. This demographic composition is illustrated in Fig. 2.10. However, over 25% of youth in these regions are NEET (not in employment, education, or training), risking social instability. Sub-Saharan Africa and South Asia must create 18 million jobs annually to absorb young entrants, yet face challenges from conflict and underinvestment [65] [68].

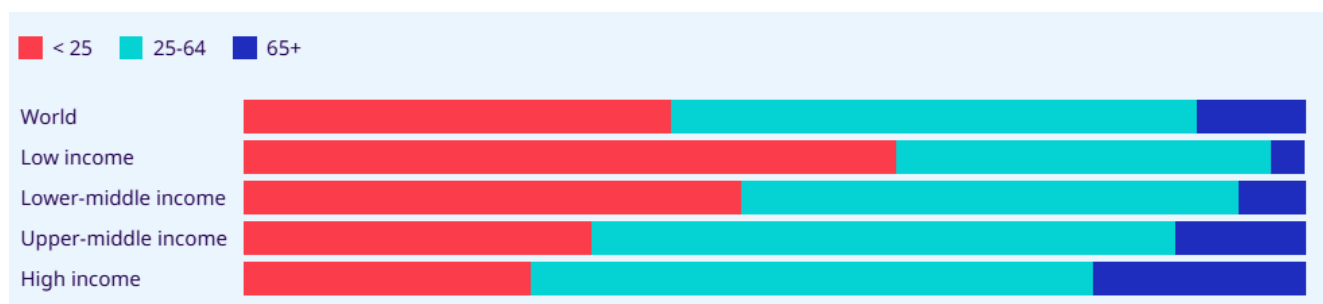


Figure 2.10 – Distribution of the population by age group (%), in 2024

Source: [65]

Cities generate 75% of global GDP, but growth is diverging. Developed regions see slowing urban population growth (1.0% annually in the U.S. and Canada), while emerging markets like India and Nigeria drive 86% of urban GDP growth. Aging economies increasingly rely on immigration to offset labor shortages. The World Bank urges policies to facilitate cross-border labor flows, trade, and capital mobility. Migration patterns often reflect unequal opportunities, with women in low-income countries facing lower labor participation rates and pension coverage [69] [68] [65].

Global migration patterns are increasingly shaped by demographic shifts, disparities in economic development, climate-related disruptions, and humanitarian crises. These factors collectively impact population structures and labor market dynamics across the globe. In 45 of the 148 countries with available statistics, foreign-born individuals or non-citizens make up at least 10% of the workforce. Many migrants relocate in search of improved employment prospects, greater personal safety, and enhanced living conditions (Fig. 2.11). As a result, high-income nations are home to more than two-thirds of the world’s 169 million international migrant workers [65].

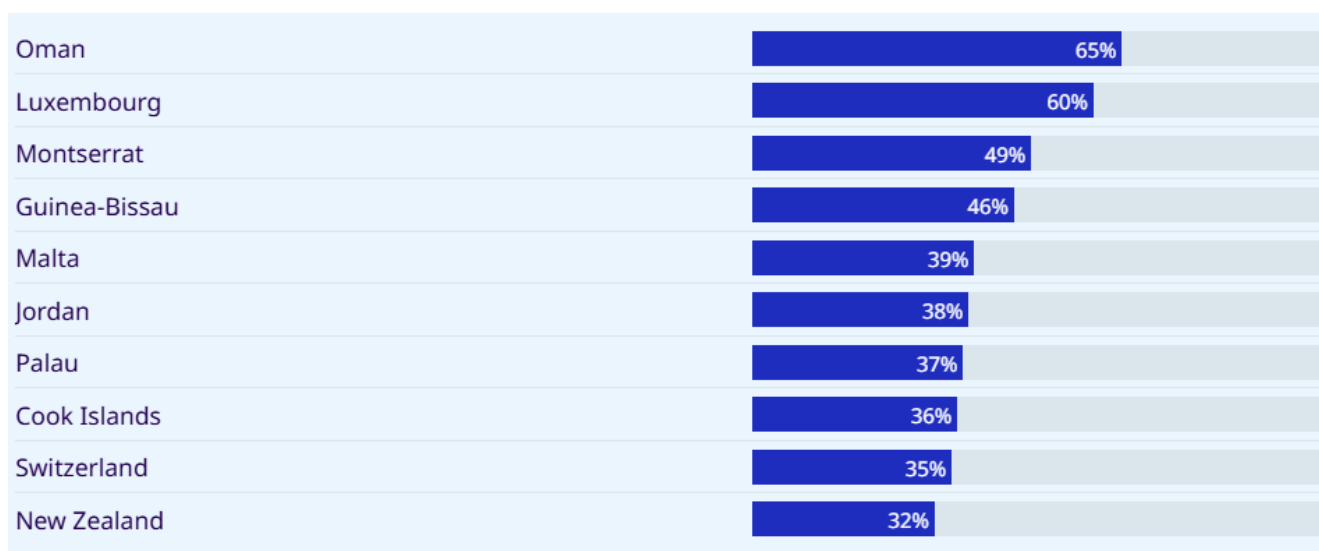


Figure 2.11 – Percentage of labour force who are international migrants

Source: [65]

It is important to say climate change is an economic disruptor, causing direct damage through extreme weather events, rising sea levels, and increased frequency of natural disasters. The economic toll has grown sharply, with nearly \$1.5 trillion in losses from extreme weather and climate-related disasters in the decade to 2019, compared to \$184 billion in the 1970s. These costs are unevenly distributed, with developing countries often suffering the most severe impacts, both in terms of human loss and economic damage [70]. Climate change also poses risks to macrofinancial stability, with sectors facing stranded assets (e.g., coal reserves rendered uneconomic by carbon pricing) and increased insurance and investment risks [71]. Economic globalization has intensified the exploitation of natural resources - such as water, fossil fuels, and arable land - leading to pollution, biodiversity loss, and the degradation of ecosystems. This dynamic challenges traditional approaches to environmental protection and requires international cooperation and governance [72].

The COVID-19 pandemic triggered one of the most severe global economic shocks in decades, disrupting supply chains, reducing labor force participation, and forcing governments to deploy unprecedented fiscal stimulus measures. These interventions provided emergency lifelines but also increased public debt (Fig. 2.12), and exposed vulnerabilities in global health and economic systems [71].

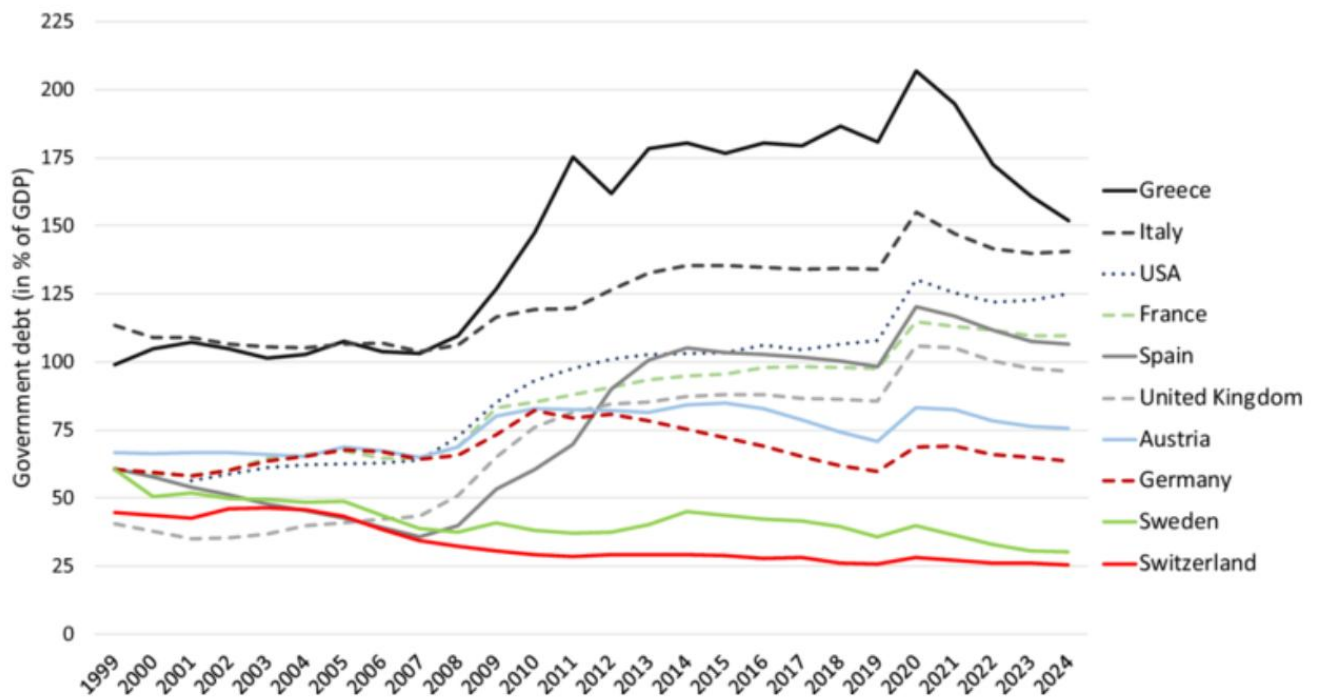


Figure 2.12 – Government debt (% of GDP) in selected countries, 1999-2024

Source: [73]

The war in Ukraine has profoundly affected global economic relations, particularly in energy and food markets. The conflict disrupted energy supplies, especially in Europe, leading to price spikes and shifts toward alternative energy sources. It also strained global food supply chains, contributing to inflation and food insecurity in vulnerable regions.

Beyond economic consequences, the war triggered one of the largest refugee crises in recent European history, with millions of Ukrainians displaced both internally and across borders. As shown in Fig. 2.13, the dynamics of border crossings to neighboring countries. This mass movement of people has placed additional social and economic pressures on host countries while reshaping labor markets and demographic structures in the regions.

Geopolitical tensions have accelerated trends toward economic fragmentation, with countries reassessing supply chains, trade dependencies, and security alliances. This has led to increased regionalization of trade and investment, as well as greater emphasis on economic resilience and self-sufficiency.

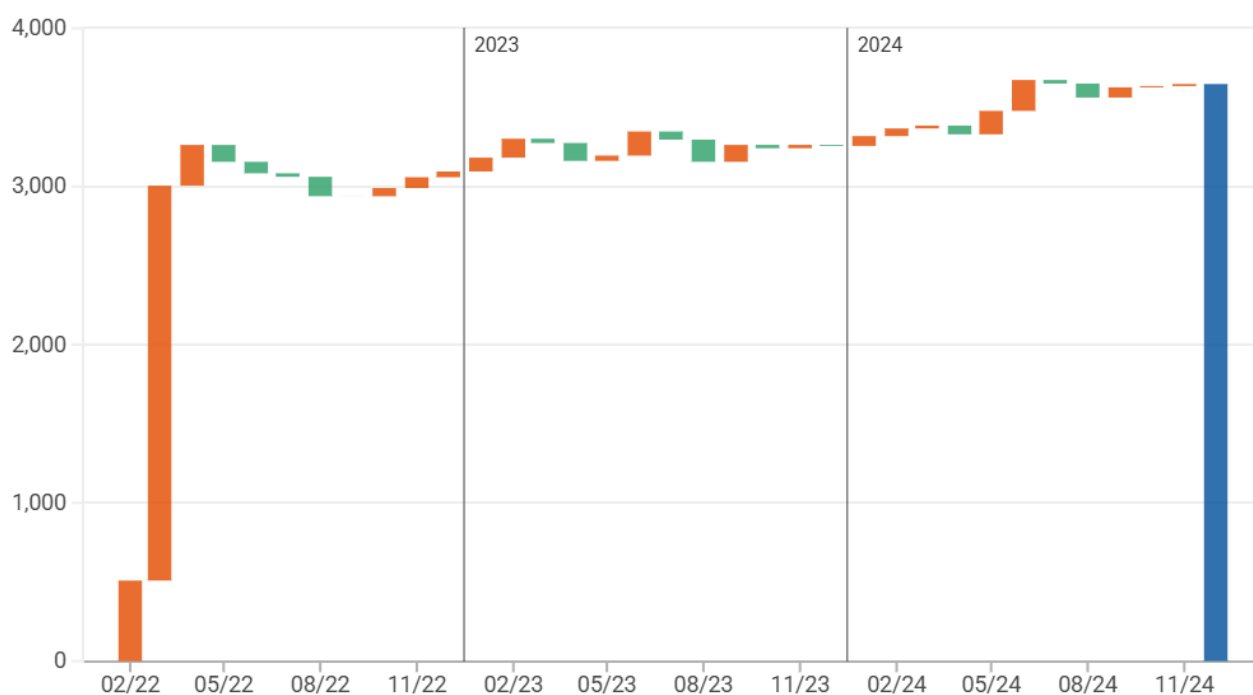


Figure 2.13 – Border crossing dynamics of Ukraine from February 2022 to November 2024, thousand people

Source: [74]

2.2. Specifics of Ukraine's Economic Transformation in the Context of Globalization

In modern conditions, the globalization of the world economy is a leading trend that defines the direction of the socio-economic development of states. One of the key characteristics of this process is its systemic nature. The transformation of the structure of the world economy is determined by the level of countries' participation in global changes, as well as the formation of new regional economic unions. Under the influence of globalization processes, the functioning of individual sectors of the global economy is being redefined, and new economic phenomena are emerging, contributing to the further structural transformation of the world economic system. Although a significant number of national economies today demonstrate a high degree of integration into global processes, limitations in openness in certain areas of economic development

indicate the need for further improvement of their interaction within the global economic space.

Ukraine's economic transformation has been deeply shaped by the processes of globalization, which have influenced its political orientation, trade relations, industrial structure, and integration into global value chains. Since gaining independence in 1991, Ukraine has transitioned from a centrally planned Soviet economy to a market-oriented system. This transformation has taken place in the context of shifting global economic paradigms, increased interdependence, and intensifying competition on international markets.

One of the most illustrative ways to assess the level of Ukraine's involvement in global transformational processes is to analyze its position in international indices and rankings.

First of all, it is important to consider such an informative indicator reflecting Ukraine's involvement in global processes as the KOF Globalization Index. The index measures economic, social, and political integration into the global system on a scale from 0 to 100.

The graph (Fig. 2.14) shows the dynamics of Ukraine's Globalization Index from 1991 to 2022.

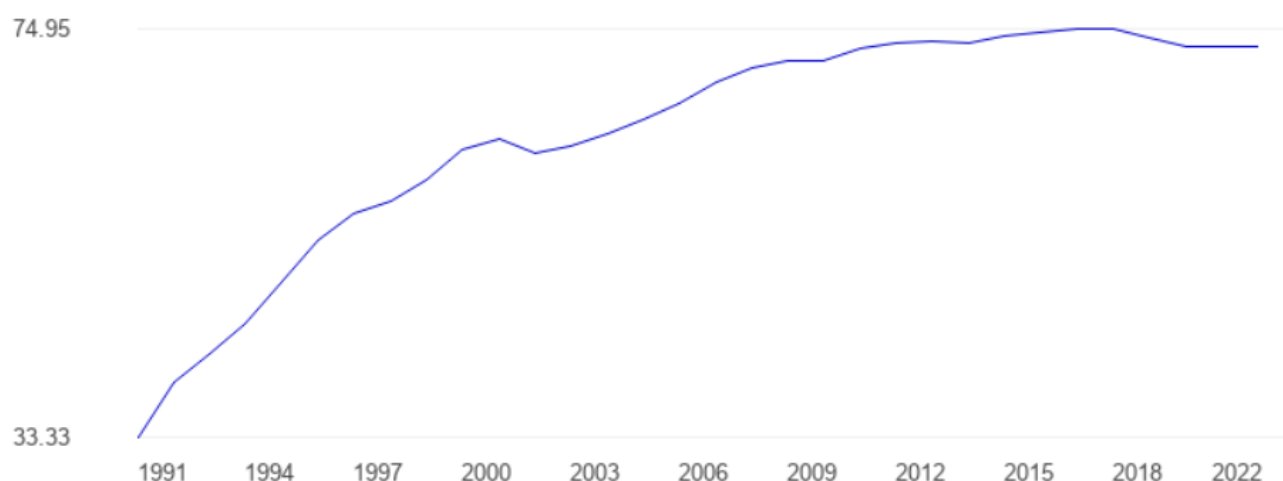


Figure 2.14 – Dynamics of Ukraine's Globalization Index (1991–2022), in points

Source: [13]

The minimum value of 33.33 points was recorded in 1991, reflecting the country's initial state following independence. From that point, the index shows a steady upward trend, reaching its peak of 74.95 points in 2018, indicating Ukraine's intensified integration into global political, economic, and social networks. The latest value from 2022 is 72.97 points, a decline from 73 points in 2021. In comparison, the world average is 61.23 points, based on data from 190 countries. Historically, the average for Ukraine from 1991 to 2022 is 64.1 points [13].

This long-term growth trend indicates a deepening of Ukraine's engagement in international trade, foreign investment, communication flows, and political cooperation. However, the recent slight decline may reflect geopolitical disruptions, military conflict, and constraints in cross-border interaction.

Another crucial indicator of Ukraine's economic transformation in the context of globalization is Gross Domestic Product (GDP), which reflects the scale and resilience of national economic development amid global integration and external shocks.

After 1991, Ukraine experienced a deep and prolonged economic crisis, GDP sharply declined throughout the early 1990s, with the largest drop of 22.9% recorded in 1994. Stabilization began at the end of the decade, and the early 2000s brought a period of recovery and integration into global markets. Growth peaked at 11.8% in 2004, supported by rising exports and investment. However, the 2008 - 2009 global financial crisis led to a sharp GDP decline of 15.1%, followed by moderate recovery. War in Eastern Ukraine triggered another downturn, with GDP falling by 6.6% in 2014 and 9.8% in 2015. Subsequent years saw modest growth, averaging 2 - 3% annually until the COVID-19 pandemic caused a 3.8% drop in 2020. A rebound occurred in 2021 with growth of 3.4%. In 2022, the full-scale invasion resulted in an unprecedented 28.8% GDP contraction. Despite this, the economy grew by 5.3% in 2023, reflecting business resilience, external support, and successful adaptation to wartime conditions. The annual dynamics of Ukraine's GDP growth from 1991 to 2023 are illustrated in Fig. 2.15, providing a clear overview of the cyclical nature of economic development in response to both global and domestic challenges.

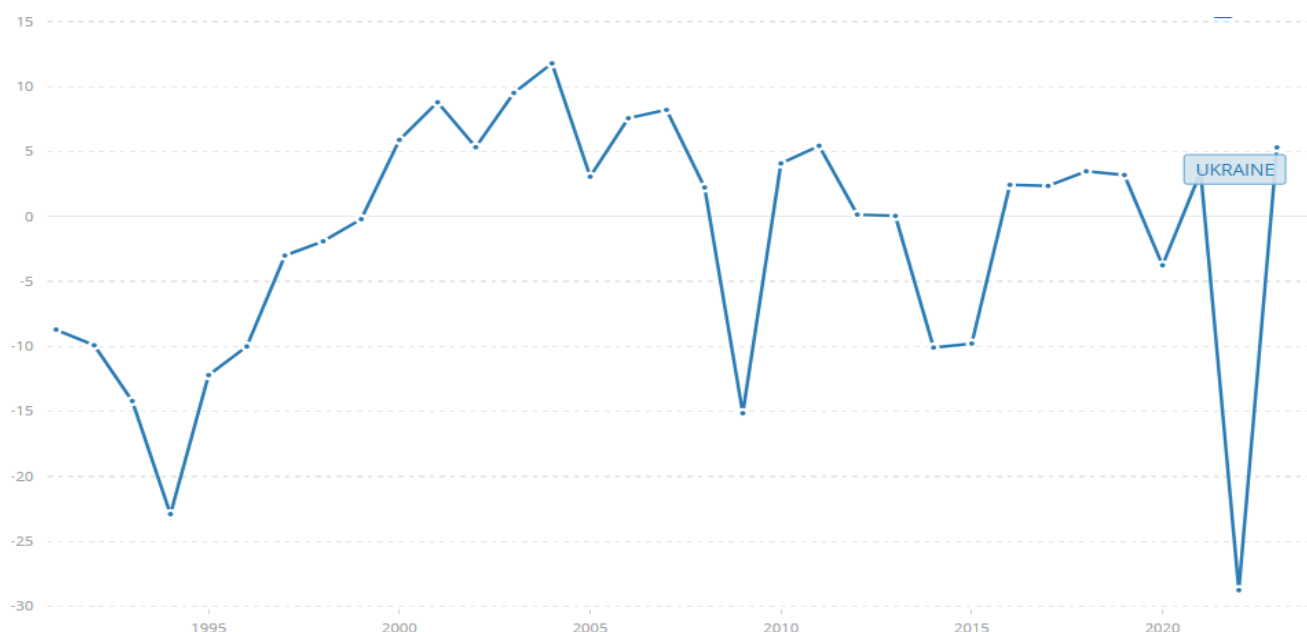


Figure 2.15 – GDP growth (annual %) in Ukraine, 1991–2023

Source: [32]

In addition to GDP performance, foreign trade indicators - particularly export and import trends - offer important insights into the structural shifts and external engagement of Ukraine's economy during its transformation.

Since gaining independence in 1991, Ukraine's export and import trends up to the present illustrate a complex trajectory influenced by internal structural changes, external economic shocks, and geopolitical factors.

Exports declined significantly during the 1990s, reaching a low point of \$16.96 billion in 1999. Between 2000 and 2008, Ukraine experienced a strong export recovery, with volumes climbing to \$81.38 billion by 2008, largely fueled by metals, agricultural goods, and chemical products. The global financial crisis caused a temporary dip, but exports rebounded, peaking at \$86.52 billion in 2012 and \$81.72 billion in 2013. From 2014, exports dropped sharply to \$64.87 billion, then settled between \$46 and \$60 billion during the late 2020s. 2021 saw a post-pandemic high of \$81.28 billion. With the outbreak of full-scale war, in 2022 - 29% drop (\$57.42 billion) and a further 11% drop in 2023 (\$51.10 billion). 2024 saw some recovery, with exports at \$48.74 billion, and \$41 - 42 billion for the full year. In early 2025, exports increased but remained far below pre-war levels (Fig. 2.16).

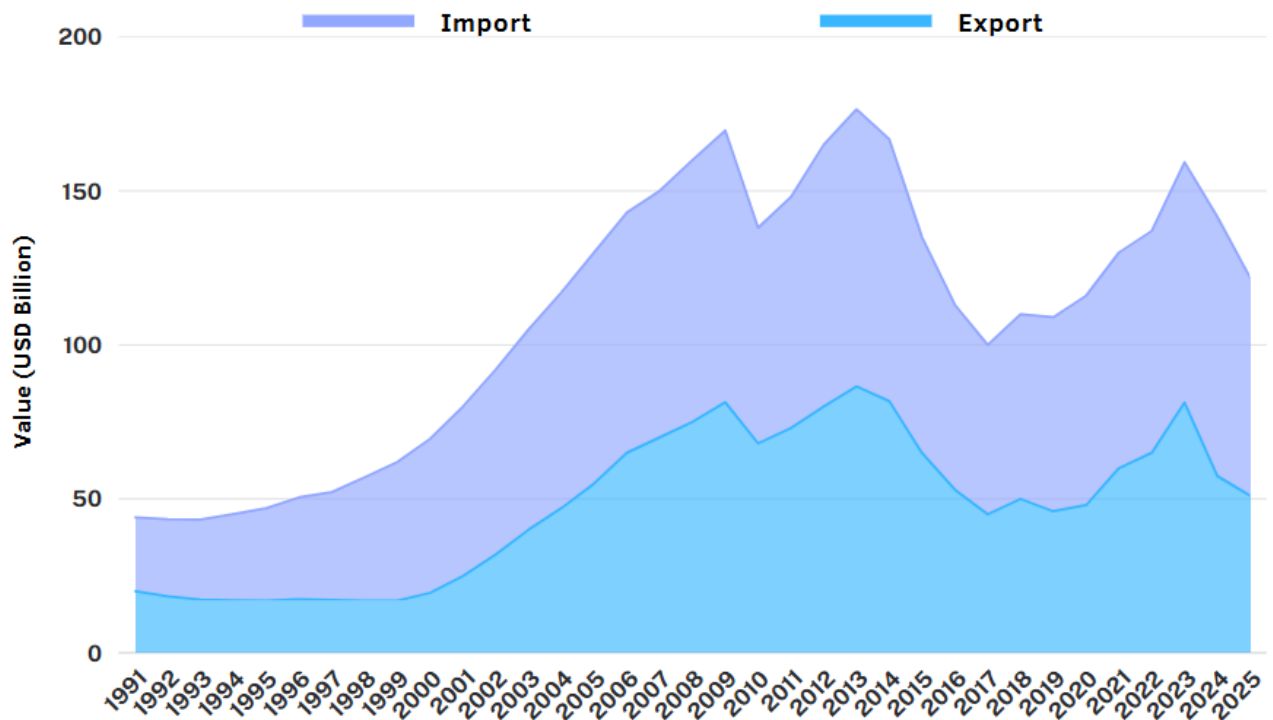


Figure 2.16 – Ukraine’s Export and Import Dynamics (1991 - 2025) in \$ billions

Source: compiled by the author based on [75, 76, 77, 78, 79, 80]

Recent exports are dominated by cereals (corn, wheat), sunflower oil, oilseeds (rapeseed, soybeans), iron ore, steel, and electrical equipment. The EU is Ukraine’s main export destination (nearly 60%), especially Poland, Spain, Germany, and Italy, along with Turkey, China, Egypt, and the U.S. Ukraine primarily imports fuels (oil, gas), cars, machinery, chemicals, and a significant share of defense-related goods (10% in 2024). The EU accounts for over 50% of imports, followed by China (20%), Poland, and Germany.

Another critical aspect of Ukraine’s economic transformation in the context of globalization is the dynamics of foreign direct investment (FDI). From the early 1990s, inflows of FDI remained relatively modest. In 1996, net FDI inflows amounted to just over \$500 million. The situation gradually improved in the 2000s, as market reforms deepened and Ukraine began to attract more international investors. Inflows peaked in 2008 at over \$10.7 billion, driven by privatization efforts, financial sector development, and rising interest in Ukraine’s industrial and agricultural potential (Fig. 2.17).

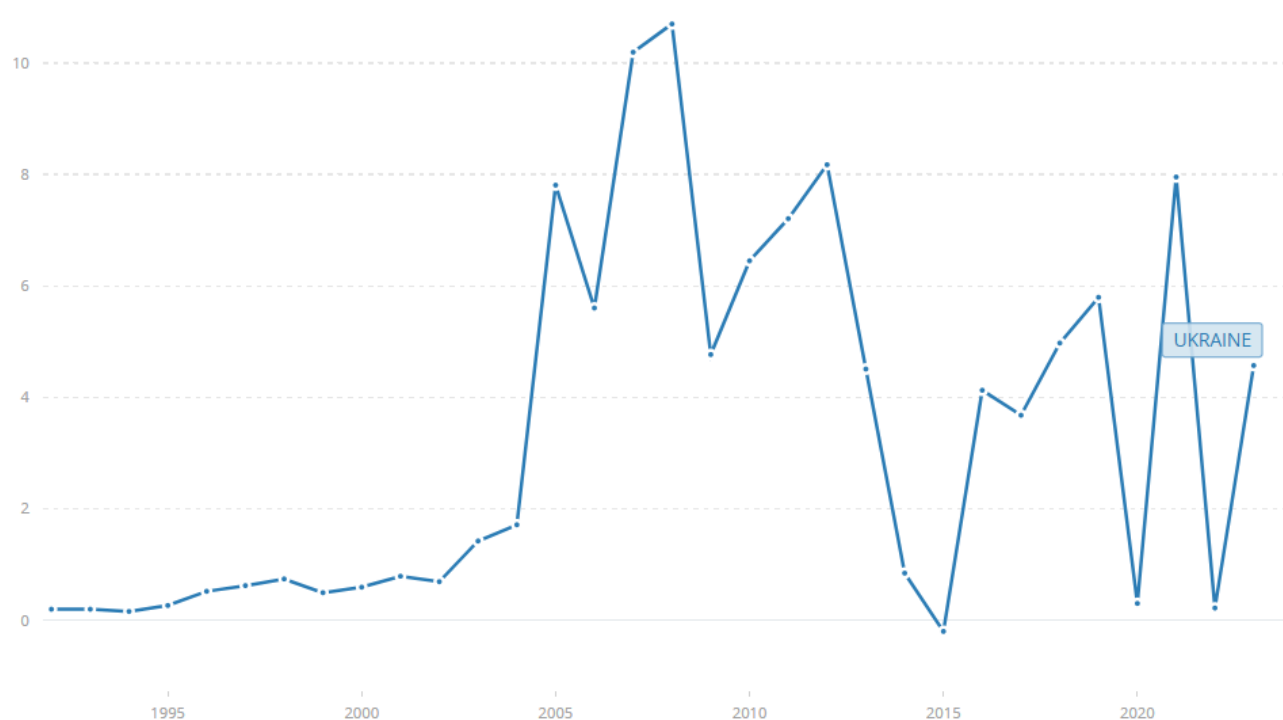


Figure 2.17 – Foreign direct investment, net inflows (BoP, current US\$) - Ukraine (1992 - 2023)

Source: [81]

However, the global financial crisis of 2008 - 2009 significantly reduced investor activity. FDI fell sharply in 2009 to \$4.7 billion. Recovery was short-lived, as the political crisis of 2013 - 2014, the annexation of Crimea, and the war in eastern Ukraine severely undermined investor sentiment. By 2015, net FDI had dropped to \$3.0 billion. Between 2016 and 2019, FDI flows remained relatively stable, averaging around \$3 - 4 billion annually, reflecting cautious optimism in response to economic stabilization and gradual reforms. In 2020, the COVID-19 pandemic led to a significant decline in FDI inflows to \$0.3 billion. In 2021, FDI improved to \$6.7 billion due to global recovery and better Ukrainian economic conditions. However, the full-scale war caused a sharp decline to \$0.5 billion in 2022. Preliminary 2023 data show a partial rebound to \$2.3 billion, reflecting growing international support and reconstruction interest, though still far below pre-crisis levels.

Another significant dimension of Ukraine's economic transformation in the context of globalization is its active participation in numerous international organizations. Ukraine is a member of key global institutions, including the United

Nations (UN) and its specialized agencies. Membership in the World Trade Organization (WTO) facilitates Ukraine's integration into the global trading system, promoting liberalization and regulatory reforms consistent with international standards. In the realm of security and human rights, Ukraine participates actively in the Organization for Security and Co-operation in Europe (OSCE) and the Council of Europe, which support conflict resolution, democratic governance, and the protection of fundamental freedoms. Financial and development cooperation is fostered through Ukraine's engagement with the International Monetary Fund (IMF) and the World Bank, which provide critical assistance for macroeconomic stabilization and structural reforms. Scientific and technological collaboration has also been prioritized, with Ukraine's membership in the Science and Technology Center in Ukraine (STCU) since 1994 and participation in the European innovation network EUREKA since 2006. These platforms enhance Ukraine's integration into global knowledge networks and innovation ecosystems, supporting modernization of its industrial and scientific base.

In summary, Ukraine's economic transformation in the context of globalization has been multifaceted, shaped by domestic reforms, geopolitical shifts, and dynamic global processes. The country's trajectory reflects a continuous effort to integrate into the global economic system, as evidenced by growing globalization index scores, evolving trade patterns, fluctuating GDP performance, and varying levels of foreign investment. Despite substantial progress in liberalizing markets, diversifying exports, and engaging with international institutions, Ukraine's economic development remains highly sensitive to external shocks and internal instability, particularly in time of conflict. The ongoing full-scale war has imposed unprecedented challenges, but it has also highlighted the resilience of Ukraine's economy and the strategic importance of global partnerships, foreign support, and continued reforms. As Ukraine advances, deepening its integration into international economic and institutional structures will be critical to ensuring long-term growth, stability, and successful post-war recovery in an increasingly interconnected world.

2.3. Prospects for the Transformational Processes of World Economic Development

The institutional framework of the 1950s, which was updated in the early 1980s and again after 2008, no longer meets today's standards of integration and accessibility. Moreover, it is not an adequate system capable of responding flexibly and swiftly to the global challenges facing the world economy. It is reasonable to agree with leading domestic and international scholars who assert that the global economic landscape has undergone profound changes since the outbreak of the COVID-19 pandemic. An increasing number of transformational processes are taking place, and it is essential to clearly recognize that the world economy has already entered a "new normal." The uncertainty that continuously accompanies the evolution of the global economic system provides only a broad analytical foundation for assessing potential future trajectories and exploring various scenarios for the transformational development of the world economy in the coming decades.

Contemporary studies of the development of the global economy indicate that further significant changes will occur in the global industrial landscape. The structure of industry will continue to evolve as new sectors based on technological innovations expand their share at the expense of more traditional industries. In this context, we are referring to the development of neo-industrialization processes. Neo-industrialization is an objective process of forming a modern industrial model based on high-tech structures.

Experts suggest that the implementation of this model is feasible through a robust and well-structured industrial policy initiated by the state. Such a policy should aim to support the most vital and forward-looking "growth drivers" across several strategic domains. These include the development and expansion of industries aligned with the sixth technological paradigm - such as biotechnology, nanoscience, cognitive systems, green technologies, robotics, and advanced medical innovations.

Equally important is the promotion of geo-industrial zones that integrate convergent technologies, particularly those combining nano-, bio-, information, and

cognitive capabilities. Other key elements include the accelerated integration of cutting-edge digital tools, the emergence of advanced manufacturing and technological infrastructures, the creation of innovation-led industrial clusters, and the establishment of a solid institutional foundation for a knowledge-driven economy.

In this regard, neo-industrialization is viewed as a modern economic configuration that relies heavily on intellectual capital, skilled labor, and interconnected networks. The new economic model is characterized by the dominance of computing technologies, digital communication systems, and global connectivity - where knowledge and human resources increasingly serve as the core assets for sustained growth and competitiveness.

According to recent analytical forecasts, the contribution of the digital economy to global GDP is expected to grow steadily, reflecting its expanding influence on global production and value creation (Fig. 2.18).

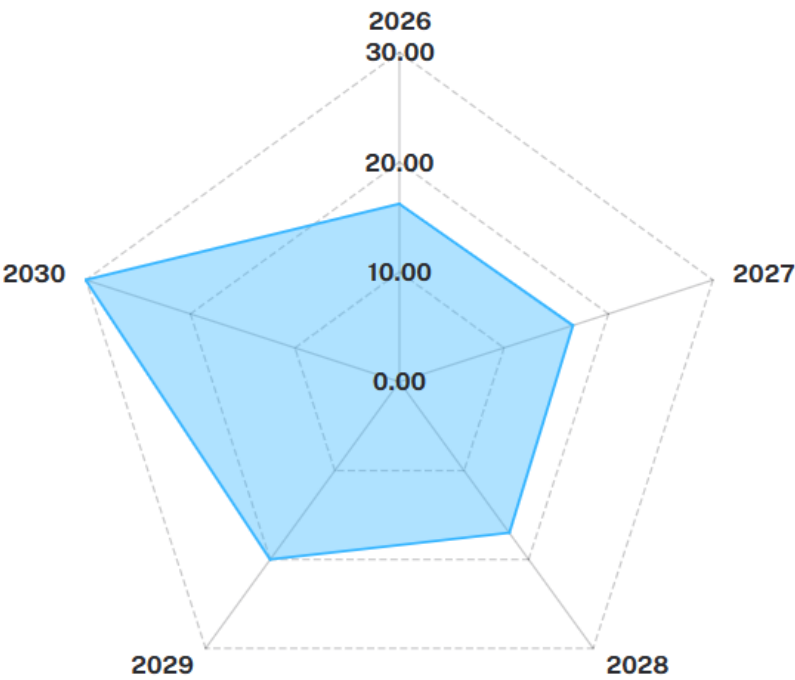


Figure 2.18 – Forecasted Contribution of the Digital Economy to Global GDP
(%), from 2026 to 2030

Source: compiled by the author based on [83, 84, 87]

In 2026, this sector is projected to account for 16.2% of global GDP, with incremental growth reaching 16.6% in 2027 and 17% in 2028. A more pronounced acceleration is anticipated in subsequent years, with the digital economy projected to reach as high as 30.0% by 2030.

At the same time, the long-term implications of digital transformation cannot be fully understood without considering its intersection with global demographic shifts.

Developed economies face unprecedented aging, with over 20% of their populations aged 65+. Older workers in high-income countries are staying employed longer, with labor participation rates for those aged 55–64 rising by 20 percentage points in 49 countries since 2000. Aging reduces the working-age share, threatening productivity and pension sustainability. For example, Japan’s median age will rise to 53 by 2050, straining its labor force [65] [66] [67]. Global demographic change is pronounced, the working-age share has peaked, and the overall population is growing much more slowly and is aging at record speed, as can be seen from Fig. 2.19, which highlights the global decline in the working-age share and the acceleration of population aging. [68].

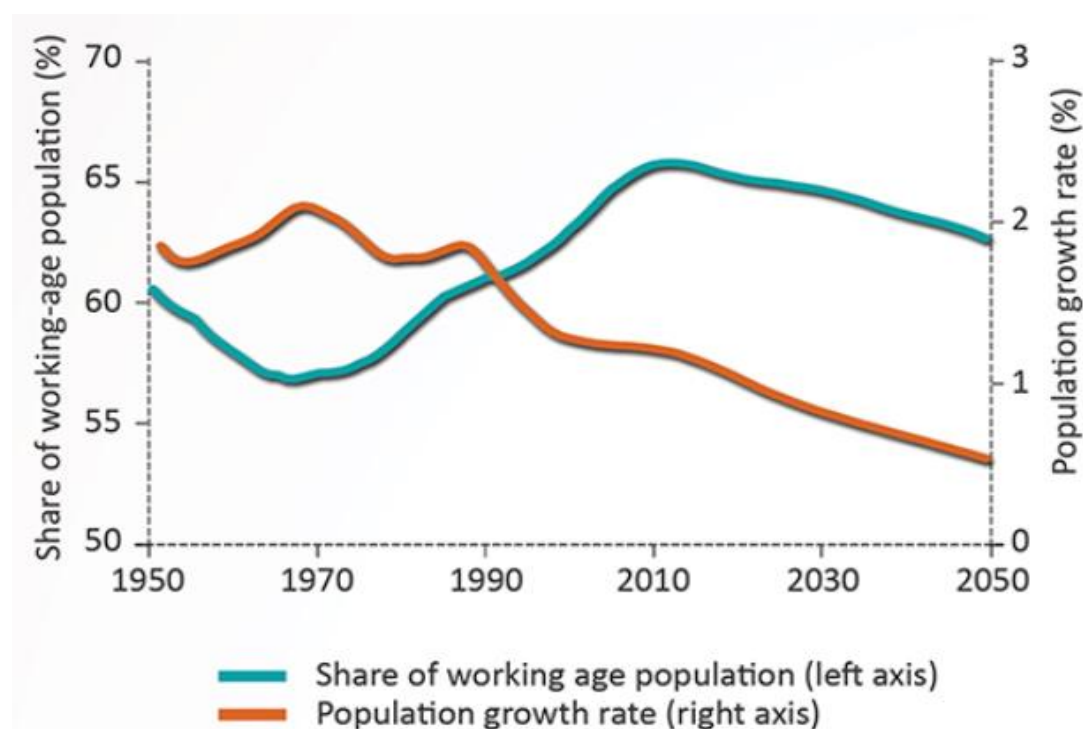


Figure 2.19 – Global Aging and Workforce Trends (%), 1950 - 2050

Source: [68]

These demographic shifts are creating profound structural challenges for the global economy. The aging population not only reduces the available labor pool but also increases demand for healthcare, social protection, and pension systems - exerting fiscal pressure on national budgets. Consequently, many economies may struggle to maintain their previous growth trajectories without leveraging technological advances.

At the global level, several influential studies have assessed how the advancement of digital technologies will reshape employment across countries and sectors. The McKinsey Global Institute, using data from 46 countries and over 2,000 types of work activities, found that while fewer than 5% of occupations can be fully automated, up to 30% of global working hours could be replaced by machines by 2030 - primarily affecting routine physical tasks. In a parallel analysis, Frey and Osborne highlighted that nearly 47% of employment in the U.S. alone was at high risk of computerisation, with significant implications for transport, logistics, administrative support, and manufacturing. These risks, though initially assessed at a national level, have broader implications when extrapolated to other industrialised and emerging economies undergoing similar structural changes. OECD research further emphasized that approximately 14% of jobs in member countries were highly automatable, raising concerns about mass displacement of low- and medium-skilled workers and an acceleration of global labour market inequality. Meanwhile, studies such as those by Acemoglu and Restrepo and Bruegel revealed that the increasing deployment of industrial robots, especially in the U.S. and core EU economies, could lead to a measurable reduction in employment and reinforce labour market polarization by age, education, and gender. Collectively, these findings underscore the transformative impact of digitalisation on global employment systems and the pressing need for adaptive institutional, educational, and social policies [37].

According to a global survey of over 800 ICT executives and experts, the pace of digital transformation is expected to accelerate rapidly in the coming years, with several key technological tipping points projected to emerge as early as 2026–2027. These include the widespread deployment of driverless cars, the integration of artificial intelligence in decision-making, and the implementation of smart city infrastructure—

all expected to reach significant adoption by 2026. By 2027, further momentum is anticipated in the realm of decentralized finance, with the growing adoption of Bitcoin and blockchain technologies playing a central role in reshaping financial and institutional systems. These tipping points highlight the urgency of preparing industries, governments, and labor markets for fast-approaching technological disruptions that will significantly influence productivity, urban development, governance, and economic structures [37].

Within the global production system, systemic changes are expected to occur primarily in value creation chains. According to UNCTAD studies, global trade and investment landscapes will be reshaped due to the restructuring of global production networks, the emergence of new regional value chains, and the rise of distributed manufacturing. This transformation is manifested in three main directions within international production: increased fragmentation and changes in the length of value-added chains (ranging from shorter to longer), the geographic dispersion of value added (shifting towards distributed production), and the adoption of new management models by multinational corporations. Overall, it can be asserted that global structural transformations in the world economy will lead to shorter, less fragmented production and supply chains, alongside a higher geographic concentration of value added. This trend is particularly relevant to high-tech industries that heavily rely on global value creation networks. The implications of this trajectory include increased disengagement and a reduced pool of foreign direct investments, which are primarily aimed at enhancing efficiency.

Although different trajectories suggest that the anticipated transformation of international production is not unidirectional, the overall trend points to several key developments: the formation of shorter and less fragmented production and supply chains; the advancement of value chain management systems based on digital platforms; a shift from global to regional and subregional production and supply networks; a transition in certain industries from large-scale investments to smaller, distributed manufacturing; growth and fragmentation of value chains in the service sector; and a movement away from investments in global value chains toward cross-

border investments in infrastructure, domestic services, and green economies—driven by the imperative of sustainable development.

There is increasing focus on using new technologies to climb the value chain in knowledge-intensive sectors, aiming to reduce competition from developing economies. At the same time, support for domestic industry, greater public sector involvement in industrial strategies, and higher investment in R&D and skills development are gaining importance. If successful, such policies may revive industry as a key growth driver, potentially reversing the dominance of services. Developing countries are also expected to see industrial growth, particularly as China shifts towards domestic consumption, reducing export dependency.

The developing world is projected to grow faster than advanced economies due to ongoing catch-up development. This will likely drive higher demand for consumer and investment goods, increasingly met by local production. As a result, the global rise in the share of services in GDP may slow or reverse, given the stronger industrial base in emerging markets.

However, national policy trends differ from corporate behavior. While states prioritize local employment and economic structures, firms will continue seeking cost-effective production locations, shifting operations to lower-cost regions in Asia, Latin America, and Africa. Despite the decline of large-scale offshoring seen during previous globalization waves, companies remain focused on optimizing production sites and global integration.

Industries such as aerospace and automotive demonstrate growing supply chain complexity and global interconnectivity. High-growth sectors include aerospace, pharmaceuticals, and automobiles—especially in developing countries—as well as retail, which is expanding with the rise of the middle class in emerging markets. Additional growth is expected in durable goods, healthcare technologies, electronics, and environmental solutions addressing issues like water scarcity and carbon emissions. If climate change becomes more urgent, it will further boost demand in related industries.

The global energy landscape is undergoing a profound transformation, signaling the end of the hydrocarbon era, a restructuring of energy balances, and the emergence of new energy trends. A growing body of evidence suggests that the global energy sector is on the brink of a revolution. Key aspects of this transformation include the rapid expansion of renewable energy sources—such as solar photovoltaics and wind power—the widespread adoption of energy-efficient technologies, and the shift toward compact, ultra-efficient energy systems.

This revolution also involves the deeper integration of energy into the technosphere, the decentralization of energy governance, and the development of “smart” grids, energy systems, energy-efficient buildings, and cities, as well as renewable energy solutions inspired by natural processes such as photosynthesis.

Starting in the early 2030s, it is anticipated that most developed nations will begin implementing highly efficient, compact, and biomimetic energy and innovation systems built on cutting-edge technologies, including smart power management. These advancements are expected to bring about fundamental technological shifts in the global energy sector, gradually reducing the influence of regulatory and geopolitical factors.

Global shifts driven by globalization have marked a transition from a resource-based economy to one centered on services and technology. It is now widely acknowledged that economies reliant primarily on raw materials as the main source of GDP cannot remain competitive in the long term. Such a model lacks sustainability and prospects for future growth.

In recent years, it has become increasingly clear that only the effective deployment of cutting-edge, breakthrough technologies can enable the creation of new development models. These models, in turn, support the advancement of countries toward higher technological tiers. As a result, investment in research and development has become a top priority like never before.

The global technology market continues to experience a steady rise in service-oriented sectors. From the late 20th to the early 21st century, several clear trends have emerged in the global services market. One such trend is the declining share of freight and other transport services, largely due to the decreasing proportion of raw materials in

international trade. Simultaneously, rising household incomes, improved transport systems, and expanded tourism infrastructure have contributed to the growth of tourism's share in global service exports.

In recent years, the most rapidly expanding segments have been financial, insurance, auditing, and consulting services. For a long time, many service sectors—excluding transport and telecommunications—evolved largely independently of technological progress, relying heavily on labor and basic, often rudimentary technologies. Today, however, the service sector has become a dynamic platform for applying the latest advancements in science and technology, particularly in electronics and ICT.

These innovations now allow services to be transmitted over vast distances, digitally encoded, stored, and even saved on physical media. As a result, the quality of services has improved significantly: consumers now enjoy access to extensive information, high-quality online offerings, and a far wider range of services.

The financial industry, too, is undergoing transformation due to technological innovation. Digital currencies are expected to gain broader acceptance over the next two decades, particularly with the growing adoption of central bank digital currencies (CBDCs).

It is paradoxical that as the world has become more interconnected through communication technologies, global trade, and increased human mobility, this very interconnection has also contributed to division and fragmentation among people and nations. The emergence of a hyper-connected information environment, rapid urbanization, and growing economic interdependence means that various aspects of daily life—such as finance, healthcare, and housing—are becoming increasingly interlinked.

Over the next two decades, the global trade system is likely to become increasingly fragmented. Since the establishment of the World Trade Organization in 1995, little progress has been made in reaching new multilateral trade agreements. In contrast, the number of regional and bilateral trade deals has grown, further dividing the global trading landscape.

The rising use of unilateral, often non-tariff, trade restrictions is expected to complicate international commerce for both governments and businesses. This trend may hinder trade-driven economic growth and dampen overall global expansion. Although the U.S.–China trade tensions remain prominent, recent years have seen a steady rise in protectionist policies worldwide—including export controls, industrial subsidies, and tightened investment screening—reflecting a broader shift toward economic nationalism and strategic competition among major economies.

In recent years, mounting efforts to shield domestic manufacturing jobs—intensified by disruptions from AI and automation—have reinforced a global tilt toward protectionist trade policies. Growing unease over the disproportionate gains from technological breakthroughs, where early adopters often dominate markets, has pushed governments to rethink their trade strategies. The COVID-19 pandemic and subsequent supply chain vulnerabilities heightened awareness of national dependence on critical inputs like pharmaceuticals and medical technology, leading to calls for reshoring and greater self-sufficiency. As manufacturing job displacement continues, especially in advanced and industrializing economies, governments are increasingly likely to implement defensive trade measures. Simultaneously, the geopolitical race for leadership in AI and other emerging technologies is prompting states to consider targeted restrictions and subsidies aimed at protecting national champions and securing long-term strategic advantages.

Amid evolving trade strategies, the growing demand for digital services and the enhanced ability to deliver them across borders—fueled by the rapid adoption of e-commerce platforms—are fundamentally reshaping global economic integration. This transformation is redefining global value chains and altering both the composition and geography of trade flows. Even as the global trade landscape becomes increasingly fragmented, the cross-border exchange of services—particularly in sectors like fintech, cloud computing, digital communications, tourism, and knowledge work—is expected to accelerate over the next two decades. Emerging technologies such as generative AI, real-time data analytics, and edge computing are lowering barriers to entry and empowering businesses of all sizes. Small and medium-sized enterprises, in particular,

now have unprecedented access to global markets, benefiting from cost-efficient digital infrastructure and platforms that reduce friction in international trade.

In conclusion, the number and relative economic weight of major emerging economies are expected to grow significantly over the next two decades. Led by China, these nations are likely to push for greater representation and influence within global economic institutions, seeking to reshape international standards and norms to better align with their own interests—interests that may at times diverge from those of advanced economies. Tensions may also arise from the dual status of these countries: collectively large and influential, yet still classified as developing based on per capita GDP, which grants them access to special treatment from organizations such as the IMF, World Bank, and WTO. These contradictions could affect the strategic direction and perceived legitimacy of these institutions, potentially accelerating the formation of parallel organizations and strengthening the role of emerging economies in defining the future global economic order.

2.4. Directions for Ensuring Effective Transformation of the National Economy under Globalization

The national economy's transformation under globalization is no longer an option but a strategic imperative for countries striving to maintain economic sovereignty and global competitiveness.

In today's globalized world, the transformation of the national economy has become a prerequisite for maintaining competitiveness. Globalization influences not only economic relations but also reshapes national production structures, technological foundations, employment patterns, and the institutional framework of market operations. Effective transformation demands a comprehensive strategy of economic modernization that accounts for both internal conditions and global trends. A strategic vision must integrate risk management, macroeconomic adaptability, and long-term development planning.

One of the key directions of transformation is the development of a national innovation ecosystem. Sustained economic growth depends on the advancement of research and development, integration of high technologies into industrial processes, and support for digitalization and start-up culture. It is essential to establish an institutional environment that promotes intellectual property rights protection, efficient innovation financing systems, and mechanisms for technology commercialization. Collaboration between universities, research institutions, and business sectors is also vital to create a dynamic innovation pipeline. Innovation development represents one of the core vectors of transformation, requiring targeted government support through industrial and innovation policy instruments, including tax incentives for R&D and public-private partnerships.

Another crucial direction is the improvement of the investment climate. In the context of global competition, attracting foreign direct investment (FDI) remains a vital source of capital, advanced technologies, and managerial expertise. Ensuring political and macroeconomic stability, transparency in regulatory frameworks, an independent judiciary, and minimizing corruption are foundational conditions. The experiences of countries such as Estonia, Poland, and Ireland show how systemic policy reforms and investment incentives can drive rapid economic modernization and global integration. Comprehensive policy tools such as investment promotion agencies, special economic zones, and strategic infrastructure development play a vital role in this process, as do mechanisms of international cooperation to facilitate access to global markets.

The Strategy for Transformation must begin with a detailed diagnosis of the current state of the national economy - identifying its strengths and weaknesses, internal resources, and external constraints. On this basis, strategic goals are formed, aimed at creating an innovative, competitive, and socially-oriented economy that is capable of adapting to global challenges. A multi-level approach to economic renewal is necessary, integrating various policy instruments and actors.

Structural transformation of the economy also plays a critical role. This involves shifting away from a raw material-based model toward one centered on manufacturing, high-tech industries, and export-oriented sectors. Development of value-added

industries strengthens external trade positions, supports job creation, and enhances energy independence and environmental performance. Targeted support for priority sectors, industrial clusters, and technological upgrading of traditional industries are necessary policy directions. Successful structural reforms require alignment of fiscal, industrial, and trade policies to avoid fragmentation and ensure long-term coherence.

The regional dimension of structural transformation is equally important. Economic modernization must address territorial disparities, engaging local authorities, businesses, and communities. Industrial parks and technopolises based on local advantages, smart specialization strategies, and the development of sectoral clusters (e.g., IT in Lviv, agribusiness in Vinnytsia) can stimulate localized growth. Infrastructure investments and support for rural development via cooperative movements and agrarian reform mechanisms are key to balanced regional development.

Human capital development is central to successful transformation. Education, vocational training, reskilling programs, and inclusive labor markets must become key policy priorities. Globalization demands new competencies - language proficiency, digital literacy, creative thinking, and lifelong learning capabilities. Investments in human capital, although long-term, yield the highest returns in terms of productivity and national development. Effective labor market policies also help mitigate the negative effects of structural changes. Instruments such as state-funded education initiatives, scholarships, and cooperation with foreign educational institutions should be part of a comprehensive strategy to develop a globally competitive workforce.

Social cohesion must complement human capital development. Transformation should ensure an inclusive growth model, with fair distribution of economic gains, support for vulnerable populations (especially during post-war recovery), and promotion of social entrepreneurship. Civic participation, education, and culture also contribute to the formation of social capital, which underpins long-term stability and economic resilience.

Institutional reform of public economic governance is equally essential. This encompasses tax and customs modernization, reduction of bureaucratic burdens, strengthening antitrust regulations, and ensuring transparent budgeting. Functional and

accountable institutions reduce transaction costs, build investor trust, and improve economic efficiency. Digital governance tools, e-government platforms, and open data initiatives can further enhance institutional performance. However, the reform process often encounters risks such as institutional inertia, lack of administrative capacity, and resistance from entrenched interest groups. These challenges require robust anti-corruption measures and leadership commitment.

Digital transformation should be a cross-cutting priority across all sectors. It accelerates modernization and opens new opportunities for competitiveness. Expanding broadband infrastructure, deploying 5G networks, supporting digital literacy, and promoting the digitalization of education, health, logistics, and e-commerce are key policy tasks. Integration of Ukrainian companies into global digital value chains and development of Industry 4.0 capabilities - including artificial intelligence, robotics, and blockchain - can serve as strategic multipliers. Platforms like Diia, ProZorro, and eHealth have proven to be effective tools of e-governance and should be expanded.

Integrating into global value chains (GVCs) represents another strategic direction. This requires building industrial clusters, improving transport and logistics infrastructure, and aligning with international technical standards. Cooperation with multinational corporations (MNCs) can foster knowledge spillovers, improve production capabilities, and open access to global markets. Policies should support both vertical and horizontal GVC integration tailored to national comparative advantages. At the same time, over-dependence on external production chains poses risks in times of geopolitical tensions and supply chain disruptions, highlighting the need for diversification strategies.

Financial policy must also focus on deepening domestic capital markets, expanding access to finance for small and medium-sized enterprises (SMEs), and encouraging long-term investment. Reforming the banking sector, diversifying financial instruments, and developing venture capital and insurance markets are essential for economic resilience. A robust financial system supports sustainable growth and mitigates systemic vulnerabilities. Targeted fiscal instruments, guarantees, and credit support programs can help de-risk private investment, especially in innovative and

green sectors. Creation of a National Transformation Investment Fund can serve as a key instrument in channeling public and private capital into strategic areas of modernization.

Another important aspect is the implementation of sustainable development principles. Globalization brings environmental challenges - climate change, resource depletion, and pollution. Therefore, it is vital to support green technologies, promote energy-efficient practices, and transition to low-carbon production systems. The green economy not only addresses environmental risks but also creates new business opportunities and jobs in clean industries. Environmental sustainability must be mainstreamed into all transformation strategies, supported by green finance mechanisms, carbon pricing, and alignment with international environmental agreements. Ukraine should adopt ESG standards and develop green bonds, supported by cooperation with the EBRD and international financial institutions.

Lastly, effective transformation of Ukraine's economy cannot be achieved without active participation in global economic governance. Ukraine must engage in shaping new trade rules, advocate its national interests within platforms such as the WTO and EU, and participate in international development initiatives. Synergies between internal reforms and external integration strategies will allow Ukraine to assert its position in the global economy and maximize benefits from globalization.

To ensure implementation, it is advisable to create a National Agency for Economic Transformation to coordinate reform agendas, attract investment, and track performance. Progress should be evaluated annually based on KPIs such as labor productivity, innovative exports, positions in global competitiveness rankings, and corruption perception indicators.

At the same time, economic transformation is accompanied by serious risks - from domestic resistance to reform, to external economic shocks and geopolitical instability. Identifying these risks early and incorporating adaptive policy mechanisms - such as fiscal buffers, flexible exchange rates, and social protection programs - is essential.

International experience offers valuable lessons. Countries such as Singapore, South Korea, and Estonia have demonstrated how consistent policy implementation, investment in education, and technology upgrading can lead to rapid transformation. These cases underscore the importance of coherent vision, institutional accountability, and international alignment.

The following tab. 2.1 structures the main directions of economic transformation, emphasizing the strategic objectives of each of them.

Table 2.1 – Key Pillars of Economic Transformation

Transformation Pillar	Key Objective	Examples of Implementation
Innovation Ecosystem	Promote R&D and high-tech sectors	Creation of innovation parks (e.g., UNIT.City in Ukraine); government grants for startups; tax incentives for R&D
Investment Climate	Attract FDI and ensure regulatory transparency	Implementation of digital business registration (Diia.Business); bilateral investment agreements; participation in international investment forums
Human Capital	Improve education and training systems	Dual education programs; IT and engineering bootcamps; vocational retraining for displaced workers
Institutional Reform	Strengthen public governance and anti-corruption	Launch of e-government portals; ProZorro public procurement system; decentralization reform
Sustainability	Adopt green technologies and practices	Development of renewable energy projects (e.g., wind and solar parks); introduction of green bonds; national strategies on energy efficiency
Global Integration	Integrate into global value chains	Participation in EU GVCs (e.g., automotive components); support for export-oriented SMEs; adoption of ISO/CE certification standards

In conclusion, the effective transformation of the national economy under globalization requires a multi-dimensional strategy built on innovation, human capital, institutional reform, sustainability, and global cooperation. For Ukraine, a balanced policy mix - combining domestic reforms with proactive international engagement - is key to achieving long-term economic resilience and competitiveness.

CONCLUSIONS

Over the past fifty years, the global economy has experienced rapid development, making the study of its evolution particularly relevant. This period has highlighted the complex relationship between the profit-driven forces of globalization and the objectives pursued through international cooperation for development. Economic globalization, as a multifaceted and evolving phenomenon, continues to attract growing attention from scholars seeking a deeper understanding of its nature. While most researchers acknowledge the significant benefits globalization has brought and anticipate its positive continuation, there is also a consensus that national development strategies must be carefully designed to harness its opportunities and address the challenges, especially those linked to deeper integration into the global economic system.

The study conducted presents a thorough analysis of the theoretical foundations, dynamics, and pathways of transformation of the world economy under the influence of globalization. By combining classical, structural, and contemporary perspectives, the research highlights that globalization is not a static or linear phenomenon, but a historically contingent and multi-dimensional process shaped by evolving economic paradigms, technological innovations, and shifting geopolitical landscapes.

The evolution of theoretical approaches to global economic development revealed that the global economy has undergone significant transformations – from early liberal and neoclassical doctrines to structuralist, dependency, and world-systems theories that emphasize asymmetrical development and global inequalities. These intellectual frameworks laid the foundation for understanding globalization as a process deeply rooted in power relations, economic integration, and institutional arrangements. In recent decades, attention has increasingly shifted toward innovation-driven growth models, post-neoliberal strategies, and sustainability-focused paradigms. These modern approaches reflect the complex realities of the 21st-century global economy, where technological progress, environmental concerns, and social inclusion have become central to economic discourse and policymaking.

Economic globalization is propelled by multiple forces – technological change, trade liberalization, capital mobility, and digital transformation. It has led to greater economic interdependence, expanded global value chains, and intensified cross-border flows of goods, services, finance, and information. However, this integration has produced uneven outcomes, amplifying disparities between and within nations, straining ecological systems, and triggering political and economic vulnerabilities. Hence, globalization emerges as a double-edged phenomenon: while it fosters innovation, efficiency, and growth, it also presents serious risks related to instability, exclusion, and systemic fragility.

Global determinants driving economic transformation include demographic shifts, foreign direct investment, automation, and the reconfiguration of global institutions. These forces collectively contribute to reshaping the architecture of the global economy and compel both developed and developing nations to adapt through structural reforms, technological upgrading, and institutional modernization. Furthermore, global challenges such as climate change, health crises, and energy transitions underscore the need for sustainability and resilience to become core principles of economic transformation strategies.

The world is witnessing a transition toward a digitally integrated and knowledge-intensive economic model. This phase is characterized by the proliferation of artificial intelligence, smart infrastructure, and green technologies, as well as shifts in labor markets and demographic structures.

Ukraine's case, explored in depth, reflects both the opportunities and challenges posed by globalization. The country's transformation trajectory involves integrating into global value chains, implementing ESG principles, enhancing institutional capacity, and developing human capital. However, the ongoing war in Ukraine has significantly disrupted economic development, damaged infrastructure, and increased the urgency of building a resilient and adaptive national economy. Ukraine's strategic orientation toward green finance, innovation, and international partnerships highlights the importance of aligning national economic reforms with global sustainability and development goals. Nevertheless, persistent geopolitical risks, and the need for

institutional strengthening remain critical issues that must be addressed to ensure long-term stability and competitiveness.

The effective transformation of national economy in the context of globalization requires the formulation of comprehensive and adaptive strategies. These strategies must integrate innovation ecosystems, foster entrepreneurship, enhance governance, and support sustainable practices. In particular, the development of human capital, investment in digital infrastructure, and environmental responsibility should become pillars of economic policy. Moreover, international cooperation, diversification of economic ties, and resilience-building measures are essential to mitigate external shocks and foster inclusive growth.

In conclusion, the global economy is entering a new phase marked by technological disruption, geopolitical shifts, and mounting sustainability challenges. Navigating this complex landscape requires strategies that blend domestic reforms with constructive participation in global processes. For Ukraine, the way forward involves seizing the benefits of globalization while mitigating its risks. Emphasizing innovation, sustainability, and institutional renewal will not only fortify Ukraine's economy but also contribute to a more just and resilient global economic order.

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