

## MODERN CHALLENGES IN DEVELOPMENT OF GLOBAL ECONOMIC SYSTEM

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***Abstract:** This paper discusses modern challenges of global economic system. The analysing of global risks may provide the approaches for minimising influence of global risks on countries and companies. Global economy has faced to such challenges as: ecological changes, involuntary migration, humanity health, food problem, poverty and inequality, national management crashes, productive capacity, industrial production, unemployment. We should took an opportunity to implement a more dynamic approach in understanding functioning of global systems. For the purpose of further sustainable development of global economy is important to intensify collaboration between international, state and private actors.*

***Key words:** global economic system, global risks, challenges, limits, climate change, involuntary migration, financial bubbles.*

The global economic system as a system of the highest evolutionary degree is a viable system of unstable type, which is characterized by a high degree of interdependence between its internal elements, the availability of cross-hierarchical relationships between them and the ability to self-organize.

The phenomenon of economic globalization is multifaceted: it has several aspects. First, it is globalization of productive forces (factors of production). Secondly, globalization of economic relations. Thirdly, it is globalization of socio-economic problems of further development of humanity, globalization of threats and challenges to society.

It should be noted that today those phenomena which are common to refer to as socio-economic problems, or in other words „challenges” of globalization, can be of twofold nature – generated directly and reinforced by globalization or substantially pointed by it.

The world economic forum (WEF) 2016 published a Report on global risks. This is the eleventh edition of the WEF on the subject, the study of which was initiated in 2006. The report is focused on highlighting

global risks and trends in global development aiming at understanding the problems the world is faced with, the relations between them, and the potential of their negative impact on the universe.

This WEF Report defines a „global risk” as an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years.

„Global trends” are defined as long-term patterns, which are currently taking place and that could contribute to amplifying global risks and/or altering the relationship between them.

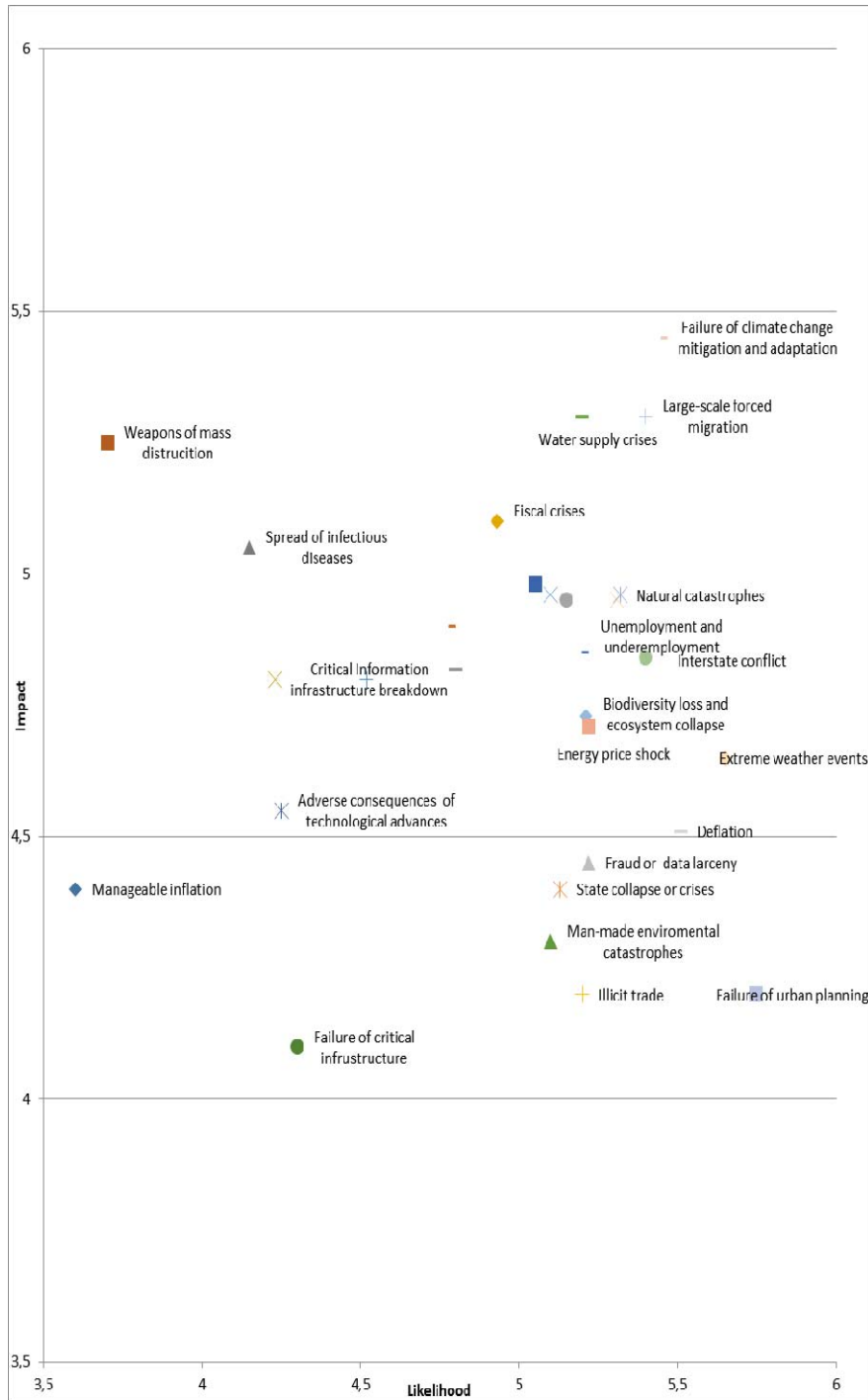
The Evolving Global Risks Landscape based on the WEF perception survey provides an opportunity to focus on differentiation of risks with respect to their probability and potential impact on the global society (Figure 1).

We will focus on those major challenges, issues and risks, that became impossible to be decided with countries and even continents singly, which are defined as global [1, 2, 3]:

1. *Environmental challenge, preservation of the humanity environment*, and therefore itself. More and more scientists of today consider the environmental challenge as the main in the 21<sup>st</sup> century. In the most scientific form the essence of this challenge is defined as follows: the economic capacity excess of the biosphere caused by our civilization. The natural science concept that is today set as a principle for the research about global environmental problems is the biotic regulation theory of the environment.

In terms of economy, it is related to the emergence of a fundamentally new challenge - limits to economic growth – the conception of the Club of Rome. Attention to the ecological component of economic growth involves the need to harmonize human activity with laws of nature, to include human activities in natural biochemical cycles, to ensure the equilibrium of the biosphere overall.

The problem non-renewable natural resources also plays a serious role in the context of environmental problems. Serious, but not crucial. Today, developed countries accept the main responsibility for the pollution of the environment and the state of non-renewable natural resources. According to the Intergovernmental Agency for Climate Change, 74% of the emissions of carbon dioxide in the atmosphere accounts for the developed countries and only 26% for the Third World countries. In terms of per capita this indicator in developed countries is by 10 times higher than in those that are developing.



**Fig. 1.** The Evolving Global Risks Landscape – 2016 [8].

According to the WEF Experts Survey [8] the global risk that is the most likely to occur within next 10 years was determined the risk of failure of measures to mitigate the effects of climate change and adaptation, which reflects a sense that the environmental risks associated with climate change has moved from hypothetical to very specific consequences.

Climate change and water risks are intricately linked to food security concerns. About 70% of the world's current freshwater withdrawals are used for agriculture, rising to over 90% in most of the world's least-developed countries.

Carbon dioxide also causes ocean acidification, which makes it harder for small shellfish to form the calcium carbonate shells they need to grow – with implications rising up the food chain, threatening the availability of food from the seas as well.

Challenges around water management are already immense. On the one hand, over a billion people lack access to improved water. Some 2.7 billion – or 40% of the world's population – suffer water shortages for at least a month each year.

The Organization for Economic Co-operation and Development (OECD) estimates that 4 billion people could be living in water scarce areas by 2050. According to the World Water Council, 80% to 90% of the scarce water in many of the world's arid and semi-arid river basins is already being used, and over 70% of the world's major rivers no longer reach the sea.

On the other hand, inadequate sanitation exposes 2.4 billion people to many diseases, such as diarrheal disease, which is the third leading cause of death among children under five.

Governance – at global, regional and national levels – lies at the heart of water management. In developing countries, the political challenges inherent in water infrastructure and conservation projects are exacerbated by greater financing challenges. In the developing countries, political problems often directly relate to the support of the development projects of water infrastructure and the relevant financial issues related to raising funds in these projects.)

In developed countries, a significant proportion of water resources is used for energy production - the United States allocates about 40% of its fresh water to provide energy, Europe over 30% -and the demand for water for energy and industry is forecast to increase by 70% by 2030. Globally, based on current trends, water demand is projected to exceed sustainable supply by 40% in 2030. Adding to the pressures, agricultural production will have to increase in the coming decades to feed a growing population and a rising demand for meat.

Unless current water management practices change significantly, many parts of the world will therefore face growing competition for water between agriculture, energy, industry, and cities. Tensions are likely to grow within countries, especially between rural and urban areas and between poorer and richer areas, and potentially between jurisdictions. More than 60% of the world's transboundary water basins lack any type of cooperative management framework. Even where such frameworks do exist, they often do not cover all states that use the basin. Interstate tensions over water access are already apparent in some parts of South Asia, and could affect the evolution of the international security landscape.

According to the forecasts and plans of the United Nations Framework Convention on climate change (UNFCCC), agreed at the Paris Climate Conference in December 2015, the warming is projected to reach 2.7 ° C by 2100. In view of these events the world cannot live without adaption to new conditions.

The solution to environmental problems is impossible in the local limits. However, the attention of big business to the environment increases, there is a growing understanding that environmental disasters do harm to it (fall of the stock price, reducing investment attractiveness, image loss, etc).

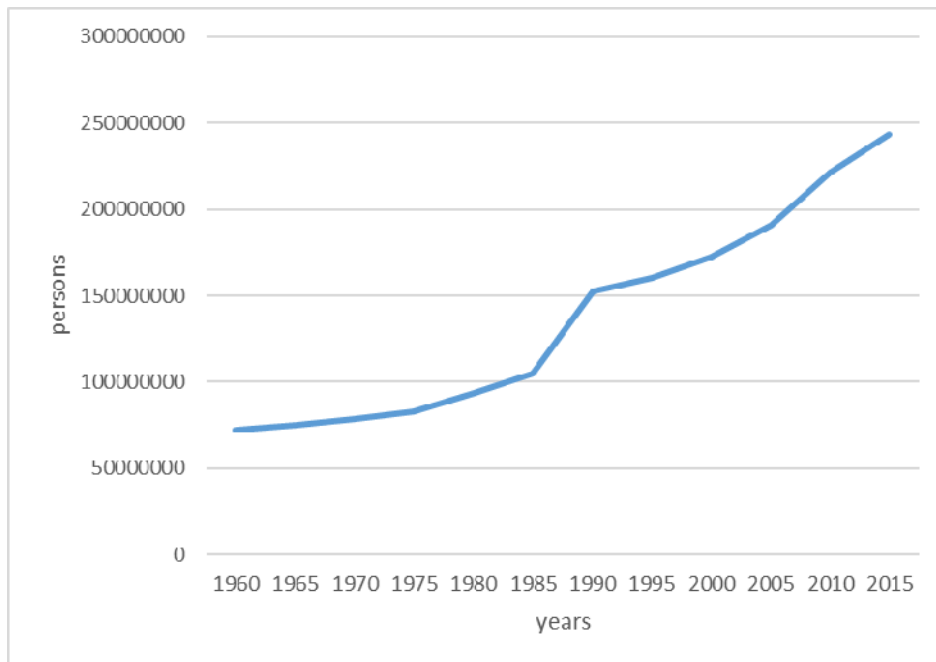
Failure to address climate change and water crises will cause „large-scale demographic response”. For example, forced displacement.

*2. Large-scale of involuntary migration.* The Global Problems and Risks Landscape sees a noticeable increase in both perceived likelihood and impact of the risk of large-scale involuntary migration. The definition of this risk includes forced migration caused not only by violence and conflicts, such as those driving the exodus from Syria and Iraq, but also for environmental or economic reasons. The risk is strongly interconnected with other risks that are considered highly worrisome in the longer term: not only interstate conflict and state collapse but also climate change and water crises, as discussed above.

A large-scale force migration is related to a number of risks of social and economic instability; with a vagueness round the consequences of Fourth industrial revolution. Global refugee flows have reached a level that is unprecedented in recent history. In 2014, 59.5 million people were forcibly displaced in the world, compared to 40 million at the time of World War II.

More than half of these recent refugees come from three conflict-ridden countries: Syria, Afghanistan and Somalia. Recently the trend is upwards: during 2014, the number of people displaced – 42,500 per day – was four times greater than in 2010. Although the recent crisis in Europe has dominated headlines, and is reflected in the risk being considered most likely in that region, the challenge is global with most regions affected.

The dynamics of international migration streams in the world in 1960-2015 is presented in Figure 2.



**Fig. 2.** The dynamics of international migration streams in the world in 1960-2015 [4]

Three factors increase the risks posed by involuntary migration. First, people stay in host countries longer than they used to. The average duration of displacement lengthened from nine years in the 1980s to 20 years by the mid-2000s. The longer people stay away from their home countries, the harder it is to return: often they have lost their livelihoods, family ties and physical property; furthermore, property rights issues for returning refugees can be complex. Protracted refugee situations become even more difficult when refugees are granted only limited socioeconomic rights and opportunities, limiting their scope to reclaim livelihoods and dignity.

The lack of effective integration policies in most countries can lead to the formation of ghettos or isolated communities on the margins of society, ripe for frustration and vulnerable to disenchantment and even radicalization. In Europe, the rapid inflow of migrants in 2015 challenged local financial and absorption capacities and exacerbated the trend towards polarization of societies and the political spectrum, which in turn undermined the efficiency of European governance structures.

Second, the global humanitarian architecture is not able to effectively respond to today's challenges. Many countries, including some of Syria's neighbors, have either not signed the Geneva Convention governing the status of refugees, or do not uphold it because there is no enforcement mechanism.

The institutional architecture for refugees focuses on providing a short-term response to people displaced by conflict and violence. It assumes refugees will settle in camps and primarily need humanitarian assistance, whereas most now settle in urban areas – where humanitarian organizations have not yet developed. Moreover, the Geneva Convention does not cover environmental migrants, whose numbers are expected to rise for reasons explored above.

Third, most forced migrants move to other developing countries, where social and governance systems may already be weak or likely to fail. In 2014, 86% of refugees lived in developing countries and about 12% in least-developed countries.

Although research on the economic effects of refugee inflows is limited, it suggests that refugees can make a positive contribution to the host country's economy through increased demand, inflows of remittances, promoting the use of technology and engaging in international trade. In advanced, ageing economies, incoming refugees can contribute to keeping aggregate demand high and the workforce stable.

Multistakeholder approaches that include local business communities can contribute both to mitigating risks that could emerge from large-scale involuntary migration and to building resilience in transit countries and countries of destination. Measures to consider include work permits and access to jobs, skills recognition and training, and access to schools and public health services. At the same time, at the global level, the development community could help by focusing more strongly on building resilience and helping refugees to transition into self-reliance. This politics can become an important step for the decision of problem of the slow and unsteady economy growing that experiences the world presently.

*3. The problem of maintenance of the humanity health, removal of mass epidemics, increase of life expectancy in the capable working state.*

Countries of Southeast Asia, Africa, Latin America, and Caribbean pool, those who are called today Periphery, are therein in an extremely unfavorable situation. The most anxious position in this sphere is on the African continent; Africa today is on the threshold of global demographic catastrophe and will not be able to solve the problem by its own efforts.

*4. Global exacerbation of food problem.* For the last 40-50 years, the total increase of population of the planet was the same as for previous

500 thousand years. According to the prognoses of experts of the UNO, by 2050, the world's population will have risen to 9 billion. The significance of this problem arises from based on modern technologies and resources impossibility to provide the whole humanity with the same consuming standards and life quality of industrially developed countries. However, this problem is not so much technological, but rather socio-economic. In addition, it has several sides.

From one side it is demographic. Rates of population upsurge and their unevenness in regions: population outbreak in developing countries (according to annual growth rates its peak was at the end of 60th, and according to the absolute value - at the turn of 80-90th) and ageing of population in the industrially developed countries and in a range of countries in transition.

Nowadays the increase of food resources most of all falls behind from the increase of birth in Africa. Therefore, the African continent was the first to face the threat of mass hunger. However, this threat remains actual for all other developing parts of the world.

4. *Globalization of poverty and inequality.* In the estimation of this phenomenon, there is a considerable variation of ideas in the world community: addressing globalization from negative and critical to more reasonable. Diversity of estimations arises out of variety of the real processes. The negative consequences of globalization appear rather obviously. Polarization of returns is observed both within separate countries and in a planetary scale: globalization of economy leads to polarization between highly dynamic systems (by groups of countries) and stagnant systems.

Globalization has not yet become the enough sufficient instrument of the convergence of returns, often its modern forms are not equalized, but with returns polarized. The same as within the framework of separate countries, after P. Rotland, the „minority of population gets access to a new Information Technology, and the greater part joins passive consumers or appears simply overboard” [5].

5. *Globalization of racial and religious fundamentalism, risk of the national management crash.* Racial and religious tensions always were the source of numerous conflicts and bloody wars – beginning from the epoch of barbarism to the end of the 20<sup>th</sup> century. However, at the turn of the 20<sup>th</sup> and 21<sup>st</sup> centuries contradictions quite often bear a planetary character. In the scientific and publicist literature, there is an idea about the threat of clash of civilizations namely Christianity and Islam as the biggest challenge to the world.

The most prominent representative of this idea S.Huntington writes in his well-known book „The Clash of Civilizations and Remarking The



World Order” (1996): „The Conflict of the 20<sup>th</sup> century between the ideologies of liberal democracy and Marxism-Leninism is not more than ephemeral and unnatural historical phenomenon in comparing to the permanent antagonism relations between an Islam and Christianity” [6]. His thesis was that, with the end of the Cold War ideological contest between communism and capitalism, a new form of geopolitical competition was beginning to emerge that would put states from one civilization against another. In this context, culture and religion, along with ethnic nationalism, would become the major axes of international political conflict. Only a short 20 years later, though, the state of world affairs gives reason to believe that Huntington was not so far off the mark. In Europe, the Middle East, Asia and Africa, rival faith groups, terrorist cells and other radical non-state actors are not only challenging the existing political systems, but also the territorial integrity of states.

After Stefanie Babst [9], today’s geopolitical landscape is increasingly characterized by religious and nationalistic radicalism that threatens global peace and stability. In addition to their genuinely radical beliefs, such actors have instrumentalized religious and nationalistic beliefs as pretexts to obfuscate deeper drivers of conflict, such as economic recession, resource scarcity, social change and political conflict. Responding to the threat posed by these trends in radicalization will require comprehensive solutions that aim towards both developing a deeper understanding of the root causes of the emergence of radicalized groups and their strategies and tactics, as well as putting a premium on the holistic engagement of all actors across society.

It is obvious that traditional law enforcement techniques are insufficient to deal with the origins of and evolving trends in religious and nationalistic radicalization. A broader approach is required to prevent and counter this trend. It should aim at developing a deeper understanding of the root causes of the emergence of radicalized groups in our societies and of their strategies and tactics. National governments, international organizations, public and private sector must participate in these problems decision. In addition, the worked out by them mechanisms must be global and all embracing.

The international security landscape of today is in flux, challenging the social, political and economic progress that characterized the first 25 years after the end of the Cold War. The faster technological innovations development, social fragmentation and demographic shifts, will have deep ramifications for the international security order.

The current geopolitical security landscape is characterized by two main phenomena: first is the vacuum created by frail or weakening states,

which open up space for the rise of armed non-state actors in the global security space. The rise of well-organized, armed non-state actors demonstrates a departure from the traditional Westphalian notion of the role of the state.

Secondly, strategic competition among the great powers is again on the rise that prevents from effective actions against global challenges or problems that are gradually aggravating. The fragmentation of states was the principal security concern in the period after the end of the Cold War.

Now we are witnessing the rise of hybrid conflicts – situations where both classical and asymmetric threats coexist and reinforce each other. The modern „battlefield” blurs the distinction between zones of war and zones of peace, as well as that between legitimate combatants, nontraditional adversaries and civilians. It is hard to measure the impact of war, but conservative estimates suggest that, in 2014, around 180,000 people were killed in 42 armed conflicts around the world. Indirect deaths and costs caused by war-related malnutrition, displacements, trauma, disease and preventable illnesses raise the toll even higher. Today more than 6 million people have been forcibly displaced by war and related distress, and the numbers keep growing. Deaths from terrorism are also on the rise; in 2014 alone more than 32,000 people were killed in terrorist attacks in 93 countries. The indirect costs of both trends, not only the human cost, are significant.

Today’s world is more multilayered than multipolar: states are under pressure not just from outside, challenged by their own citizens.

According to the WEF global risks research the third position after the level of influence and probability is occupied by the risk of failure of national governance which affects businesses in many ways.

Failure of national governance is perceived as the highest risk to doing business by executives in 14 economies. As discussed in the most recent edition of the Global Competitiveness Report, the consequences of failures of governance seriously undermine many countries’ competitiveness, aimed at economic development. Weak national governance creates space for organized criminals and terrorists. The cross-sector and transnational nature of these illegal activities means they pose a risk to all, creating economic, social, and environmental damage at regional and global levels.

6. *Globalization of productive forces / capacity.* It goes about formation of world satellite system and cable communication and telecommunications, creation of single world informative space, the top of which is a world network - Internet.

The role of information grows unceasingly in economic processes and recreation of welfare that allows concluding (and it is widespread

among most scientists - economists and sociologists) about informative revolution that is happening now, that presses space and time.

Businessmen of telecommunication sphere were the first to be called „the global players”, because exactly here management has to decide the tasks in a planetary scale, create technological and economic mechanism of information transfer for the whole world, overcoming a well-known isolation of local-national and international space in the past. Within the framework of the world market the strategy of networks must be at the same time global and local: namely such situation was called by Japanese managers a neologism „glokalization”. The meaning of the term (from the word „glok” - a ringing) is creation the check and management system able to connect their centralization with local economic interests (space interests where the bell ringing is heard).

The Internet directly signifies revolution in technique and technology, but will result in revolution of economy. The influence of the Internet in both financial and non-commodity trading market is already large. The Internet system performs the growing volume of intermediary operations with money and their representatives; there appeared specialized Internet-banks, Internet trading, fund market goes back to the Internet. Today it is still rather difficult to realize to a full degree the whole impact of the Internet system on economy in the global scale.

The American economist Daniel Bell brought forward the conception of postindustrial society („The coming of Postindustrial society”, 1973) and defined *information* as the major strategic resource, instrument of transformations [7]. Transformation of information into more meaningful factor of production appears in the growing role of modern information technologies in globalization of world economy. Swing of data flows in the shortest terms made the world economy not only more dynamic, but also dynamically interdependent. A breakdown at any large stock exchange in a matter of seconds can cause panic on the stock exchange that is on the opposite point of the earth.

Informatization of economy, including production, and especially finances, in the opinion of many economists and sociologists, means transition to a new informative method of production.

The level of informatization in a great deal determines technology of management and decision-making. The competitive benefits of both a separate firm and a country overall are related to it. The new role of information also requires the approach to the study of different problems of state and municipal governance. Search, mastering, study, data processing, or managing the information streams acquire in the management of crucial role that eventually influences peoples' behavior through their interests.

Information influences the economic choice of firms, households, cross-national corporations, international economic organizations, power of all levels.

Under the conditions of global economics, a perspective planning plays a greater role in the company's activity. In many respects, it depends on the volume of the information received. Information is expensive and yet distributed unevenly. However, expenses on information are paid through economy on other transactions, which add to competitiveness of the firm.

Globalization substantially influences the international division of production factors and territorial placement of productive forces:

Firstly, there appeared new phenomena in the placement of industrial branches between countries:

- some traditional basic industries like metallurgy, primary petro chemistry are „transferred” (including through capital flows) to industrial and developing countries;

- in the same countries, mass production of modern advanced technology products increases, inclusively on export, preserving development of new ideas and technologies after developed countries;

Secondly, international migration of labor force increases mass transition from the developed countries to the developing countries: cheap low-skill labor force; „brain drain”;

Thirdly, general expansion of limits of functioning of new factor of production takes place, namely of informative, forming of single informative space on the basis of the park of computers: herewith this factor today (as well as a capital) is distributed extremely unevenly - prevails in the industrially developed countries, new industrial countries and partly in the developing countries (in their industrial centers).

Globalization in the transport industry shows up in creation of the single world transport network. The process of merger of aviation, railway and motor-car companies into common transport conglomerates, within which the clear division of labor will appear.

The failure to understand risks related to technology, primarily the systemic cascading effects of cyber risks or the breakdown of critical information infrastructure, could have far-reaching consequences for national economies, economic sectors and global enterprises. By one estimate, European countries that do not react appropriately to technological change could lose 600 billion euros in value added over the next 10 years. Businesses, policy-makers and civil society therefore need to find appropriate frameworks to address four high-level risks associated with the transformation towards a more digitized economy.

First: cyberattacks and related incidents have been entering the global risks landscape as among the most likely and most potentially impactful risks for the past years. In North America, cyberattacks ranks as the most likely risk by far. Cyberattacks-dependence is considered by WEF survey respondents as the third most important global trend that will increase, raising the odds of a cyberattack with potential cascading effects.

Although organizations aim to use the potential of cyber technologies to benefit their efficiency, they may not be fully internalizing cyber security risks and making the appropriate level of investment to enhance operational risk management and strengthen organizational resilience.

Second: the exchange of data between countries and stakeholders. Given the inherent international nature of data flows, in areas such as supply chains or 3D printing, national governance needs to be complemented by a functioning international legal framework. However, the current regulatory regime is underdeveloped and lacks the necessary legal certainty in areas such as privacy, transparency, and encryption control, the effect of intellectual property regimes on data that cross borders, and the impact of proprietary data on competition.

Moreover, the physical infrastructure for data exchange, such as undersea cables, could also become a target in international conflict or terrorism.

Third: changes to the work environment. The US Bureau of Labor Statistics estimates that, by 2022, 47% of US workers will have a high probability of their jobs becoming automated.

The entire employment system may have to be re-thought to facilitate transitions between different types of jobs. Skills in STEM (science, technology, engineering and mathematics) are expected to increase in importance in the medium term, with longer-term needs projected to focus on skills such as creativity, problem-solving and social intelligence.

Fourth: widening wealth, income and social inequalities. Access to technology is likely to exacerbate income differences within and across countries, with those who adapt gaining and those who do not losing income. Four billion of the planet's 7 billion people still do not have access to the internet and can not be able gain from technology-driven growth.

Currently the distribution of income is largely determined by employment: advancing technology could diminish returns to labour and lead to wealth accumulating in fewer hands.

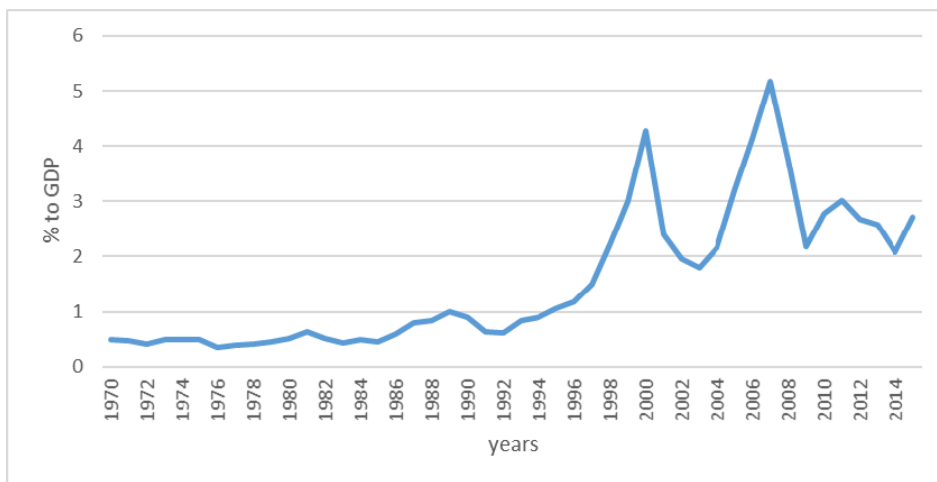
Excessive inequality lowers aggregate demand and threatens social stability, and can increase risks such as involuntary migration or terrorism caused by violent extremism that it was mentioned above.

7. *Globalization of industrial production.* This process reveals itself in the origin of „international production” within the framework of separate „corporations”. International expansion of TNC is built in the global economy based on the „optimal specialization” principle. Its essence lies in the placement of production taking into account national features (cost of resources, level of taxes and so on). The intermediary supplies between the links of corporation in different countries may not be profitable for these countries. What is essential is the activity impact of corporation in general and not of a separate firm.

Foreign direct investment (FDI) inflows have increased by 33 times from US\$54 billion to US\$1.76 trillion in 2016. Indeed, South-South investments (that is, investments from one developing economy to another) have intensified, growing by two thirds, from US\$1.7 trillion in 2009 to US\$2.9 trillion in 2013.

Information and communications technologies (ICTs) have internationalized supply chains, linking trade and investment ever more tightly.

The dynamics of the share of direct foreign investments in world GDP in 1970-2014 is presented in Figure 4.



**Fig. 4.** Dynamics of the share of direct foreign investments in world GDP, %, 1970-2014 years [4]

While offering companies the opportunity to lower production costs and countries the chance to develop economically by participating in global value chains, the internationalization of business increases exposure to global risks. From the point of view of economic and political risks companies tend to become more vulnerable, even if they are not situated directly

in the regions with the risk available. Firmness of any business in large part depends on private persons, firmness of suppliers and customers, whose chains of deliveries can embrace many countries.

Globalization of industrial production became the cartoonist of structural changes in an economy and beginning of becoming of the new technological mode on the border of XX and XXI of century.

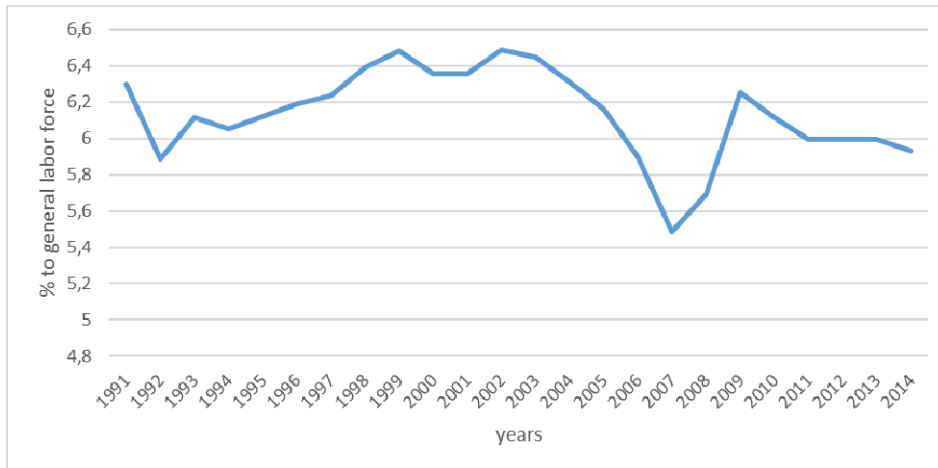
At the turn of centuries, the formation of the new technological mode began: biotechnology, environmentally friendly production, global informative networks, space technologies, production of construction materials with the in advance input properties. Such shift will be sustained by continuity of innovative process and continuous formation of working population. An informative economy and economy of knowledge comes to substitute industrial and post-industrial economies.

Mastering new techniques and technologies by business resulted in the marked increase of corporate science that became the major link of the world global scientific complex. The kernel of „new economy” is constituted by high-tech companies, namely by Apple, Intel, Microsoft and others.

*8. Global tendency of increase of unemployment and underemployment.* According to the WEF research data, two global economic risks – unemployment and underemployment and energy price shocks – are mentioned as the top risks of highest concern for doing business in half of the 140 economies seized by the research.

Dynamics of unemployment rate in the world in 1991 - 2014 is presented in Figure 3.5.

According to the research, unemployment or underemployment is among the highest concerns for doing business in 12 countries of Europe and is one of five major risks in 25 countries of this region. These concerns are not limited to the crisis-hit Southern European economies – such as Cyprus, Greece, Italy, Portugal and Spain. They are also strong in countries such as Austria, Finland and France, where unemployment rates are considerably lower although historically high; in Poland and Macedonia, where more than half of youth are unemployed; and in the Balkans, with unemployment skyrocketing in Serbia and Bosnia and Herzegovina. Along with challenges related to involuntary migration, high unemployment rates may help to explain why the risk of profound social instability also features prominently in Southern and Eastern Europe.



**Fig. 5.** Dynamics of unemployment rate in the world (% to general labour force, calculated after the ILO methodology), 1991-2014 years [4]

Unemployment affects business in multiple ways, from holding back economic growth to threatening social stability. With a growing mismatch between the skills demanded by a fast-changing jobs market and those possessed by unemployed workers, businesses are struggling to recruit workers with the capabilities they need.

Expected job growth is concentrated in occupations for which today's workers are inadequately prepared.

Structural unemployment has increased in all major economies since the 2008 crisis. Even where growth has picked up, labour productivity and job creation often have not. Layoffs disproportionately affected middle skilled jobs, while most job creation in the recovery has taken place in lower-wage jobs and in temporary and fixed-term employment. At the same time, technological disruptions and the move towards automation are accelerating change in the nature of work. Currently it is estimated that by the year 2020 nearly half of all current occupations could be affected by advances in robotics and machine learning.

According to the WEF recommendations, it is necessary to inculcate reforms at the market of labour and in the sphere of preparation of specialists in such three basic directions:

First, the education systems must be redesigned to focus on learning to learn and collaboration. As knowledge-based work will increasingly be handled by technology, we need to educate future generations in skills where humans can still be expected to outperform machines – collaboration-based attributes such as teamwork, interaction, relationships and cul-

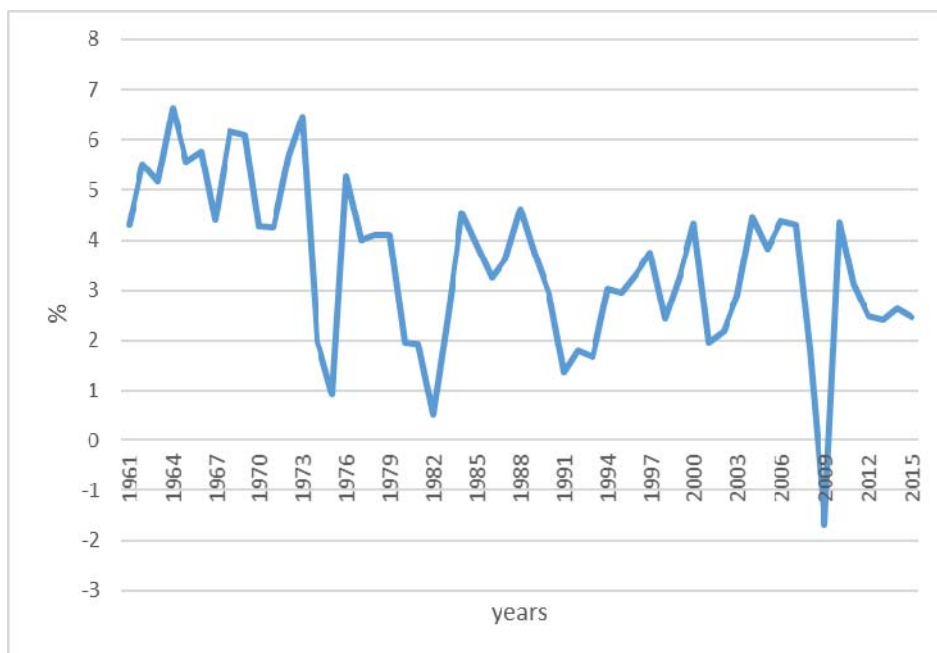


tural sensitivity. In a more automated future, value will come from emotional and contextual intelligence;

Second, while businesses must work with educators and governments to help education systems keep up with the needs of the labour market, companies must also fundamentally re-think their role as consumers of ready-made human capital, obtaining pre-trained talent from schools, universities and other companies;

Third, governments must look beyond the education system to redesign the broader enabling environment for talent.

9. *Increase of vulnerability of the global economic system in face of global financial risks.* Crash of financial mechanisms and institutions, fiscal crises and asset bubbles, are among economic risks rated by the WEF research as most impactful and credible. Taken together, these risks could result in another economic slowdown (Figure 3.6) with knock-on effects on employment and, ultimately, social stability.



**Fig. 6.** Dynamics of the world GDP growth, %, in 1961-2015 years [4]

The global regulation of economic concerns are currently centered on the corporate and public debts built up by emerging markets in the recent low-interest rate environment. The International Monetary Fund (IMF) estimates the extent of corporate over-borrowing at up to US\$3 trillion, and

the corporate debt to GDP ratio rose by 26 percentage points between 2004 and 2014 for this group of countries. Particular risks could emanate from China, where continued credit-based measures to address concerns about a slowing economy could further heighten vulnerability to a financial crisis.

Recent global economic changes increased probability and potential influence of financial „bubbles”. The risk of an asset bubble is the top concern in Iceland, Luxembourg, Norway, Sweden, the United Kingdom. A related economic risk is causing concern across the whole Europe.

Some studies suggest that the development of national financial markets – with increased integration, sophistication of trading techniques, and removal of frictions to arbitrage – may be increasing the financial instability and uncertainty. A fundamental rethink of regulation of financial markets is necessary to limit global financial risks.

Also plausible is an increase in risk premiums on investments in emerging markets, which could undermine the sustainability of high debt and lead to reversals in capital flows.

The result could be numerous corporate and potentially sovereign defaults in emerging markets, triggering a financial crisis and further slowing growth. In turn, slower growth in emerging economies could further reduce commodity prices, exacerbating exchange rate shifts. With declining liquidity in financial markets in emerging market economies, a crisis in an emerging market could spark volatility in global financial markets, leading to a global economic slowdown. This would accentuate risks associated with unemployment and the weak fiscal position of many key economies.

In developed countries, concerns remain about debt levels – mainly public – creating another vulnerability in the interconnected global economy. National economic crises can spark global slowdowns, but international governance does not have mechanisms in place to address the underlying risks, which are under the purview of national economic policies.

10. „*Energy Price shocks*” – the challenge and risk that ranks first in 29 out of the 140 economies represented in the 2016 Global Risks Report. From 2010 until June 2014 world oil prices were fairly stable, at around \$110 a barrel for Brent crude. Since then they have ranged between around US\$45 to US\$60.

Natural gas prices, often indexed to oil, have followed a similar trajectory. This has resulted in significant shifts of wealth from oil and gas producers to consumers. The outlook for oil prices remains uncertain.

In spite of the fact that the list is far from being finished, it gives an opportunity to analyze mechanisms by means of which global risks influ-

ence business on the national level, and also promote realizing the necessity of taking measures to level them.

The global risks are impossible to be solved by separate companies, countries or even international organizations.

Necessity of collaboration between international, state and private actors of global economy is obvious. The decision of global risks in many cases lies in the field of international private and public or state-private partnership. Such collaboration requires identifying the key risks of interested sides, and elaborating the plan of common relevant answers to modern global challenges that society is faced with.

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