

**STUDY**

# **THE RUSSIA- UKRAINE WAR AND THE FUTURE OF GLOBALIZATION**

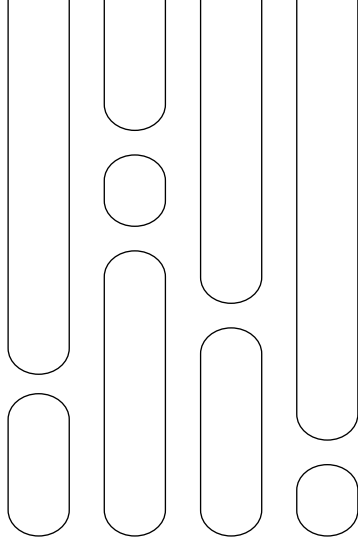
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Dr. Ahmed Daifullah Algarni

Vice President of the International Institute for  
Iranian Studies (Rasanah)



**RASANAH**  
المعهد الدولي للدراسات الإيرانية  
International Institute for Iranian Studies



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The concept of globalization refers to the international flow of trade and culture between civilizations and countries. This concept is unlikely to change given that common interests and benefits from mutual linkages have been a basic need for countries and regions of the world since the dawn of history. However, “liberal” globalization and its Western foundation that has been imposed on the world since the end of the Cold War needs to be challenged and reconsidered.

One factor for this reconsideration is the ramifications of the Russia-Ukraine war which have had a clear impact on the structure of globalization and traditional links between countries. Sanctioned and besieged Russia, for example, feels left out of globalization by the United States and its Western allies. The European Union (EU) is working to achieve independence from Russia in the field of energy. This stance was met by both concern and skepticism as many countries remained neutral in the standoff between the West and Russia. These countries resorted to the option of self-sufficiency and took refuge in national or regional bases in fear of the potential disintegration of the existing globalized system.

Therefore, it might not be unwise to say that the Russia-Ukraine war has ushered in the end of liberal globalization in its Western iteration.

### **The Liberal System’s Appeal Is Declining and an Alternative Is Needed**

Major wars often lead to revisions of political and economic systems and even national identities and cultures. The raging war in Ukraine can be described as a war between two liberal capitalist regimes led by the United States and its European allies and a Russian regime which is a blend of socialist bureaucracy and Western democracy. Until recently, due to the wealth of the United States and the power of the advanced European countries, the Western liberal system was largely taking the lead. The United States has been the sole dominant power for 70 years; its strong influence enabled it to establish international institutions such as the Bretton Woods institutions, the World Trade Organization the International Monetary Fund (IMF) and others. The United States also fashioned the existing global economic rules.

The United States surpassed the former Soviet Union, despite being a strong military force, preventing it from expanding its socialist economic model. The fall of the Berlin Wall in 1989 and the subsequent absence of the Soviet Union as a competitor allowed the United States to impose a unipolar hegemonic order under its economic and to a large extent cultural domination, implementing its liberal model. At that point, the world hoped that the end of the Cold War would initiate a phase of enforcement of international law, the guarantee of economic interests, mutual protection, self-determination of peoples, the peaceful resolution of disputes and the promotion of peace and coexistence. Moreover, the concept of idealism arose against the backdrop of a decline in violence and conflict.

However, the US occupation of Afghanistan commenced only 10 years after the end of the Cold War, followed by Iraq. The wars took place without a UN mandate which amplified the United States’ unqualified status as the global hegemon, not only economically and culturally, but also militarily. However, US efforts to affirm its global standing were in vain as Washington acknowledged its failure to build a modern state and consolidate the foundations of democracy in both Afghanistan and Iraq. This failure was costly for the United States as these protracted occupa-

tions exhausted it and led to a state of strategic fatigue, especially in the Middle East. It bore an even greater cost when Europe, in the face of the United States' ambivalent behavior, began to launch initiatives for "strategic independence." Another adverse consequence of the United States' foreign policy has been the rise of China and its economic success in narrowing the gap with itself. Yet another cost has been Russia's desire to seize the opportunity left by the US military retreats and expand its military influence in Georgia, Crimea and Syria to save its ally. Russia subsequently surprised the world by invading Ukraine in the largest conventional military attack since the beginning of the third millennium.

The abovementioned consequences as a result of past US policies pose major challenges to the liberal system that has governed international relations since the collapse of the Soviet Union, ominously presaging the return of nationalist orientations. The Russian invasion of Ukraine, for example, was partly driven by a desire to preserve Russian nationalism and to prevent Ukraine from falling into the West's orbit in cultural, economic and security terms.

While the United States is working to maintain its sole hegemony for as long as possible, China and Russia and other international blocs such as the Shanghai Cooperation Organization (SCO), the BRICS group and the Gulf Cooperation Council are seeking to establish a multipolar world order that allows for freedom of movement and national gains. Moreover, relations between Russia and China and Arab, African and Asian countries have been strengthened in recent years — an indication of a large-scale and upcoming long-term strategic cooperation to dent Western liberalism and challenge its exclusive status as the global compass.

So far, the United States has managed to maintain its leading position in the world. This is thanks to the fact that the United States easily shaped the world into a unipolar system after the end of the Cold War and this is the basis on which it succeeded, to a large extent, in implementing its projects and ideology. The United States' ability to remain the world's sole superpower is attributed to its monopoly over global interactions. Despite the setbacks it faced in the post-Cold War era, the United States admittedly remains the world's largest economy by nominal GDP, although some US rankings suggest that China is close to it or has already surpassed it.

Besides being the preeminent military power in the world, the United States espouses political and economic ideals with a wide global appeal thanks to the globalization system that was fashioned in the US corridors of power.<sup>(1)</sup> Americanization is disguised as globalization — the United States' dismantling of nationalist ideologies and orientations led to the consolidation of US hegemony. This has led to widespread scrutiny of the globalization model and doubts over whether liberal globalization is the only viable model for achieving national aspirations and economic prosperity.

It is a fact that liberal democracies are losing some of their influence and appeal today in light of as undemocratic countries have become increasingly successful economically. China is one example. The country, which has a political system that cannot be called democratic according to Western standards, has managed to strengthen its global role and exert diplomatic and economic influence, entering

into a contest with the United States which has rendered the latter unable to unilaterally impose its authority.

Beijing is deftly maneuvering within the existing international system — it does not aspire to dismantle it like Moscow but rather to penetrate and influence it from within in order to achieve its interests. This is illustrated by China's support for international institutions and pacts that correspond with its goals such as the World Bank (WB) and the Paris Agreement. However, when Beijing's interests contradict international norms, especially in terms of human rights or internet regulation, it works to tarnish those norms and advance alternatives that are in line with its interests. It is noteworthy that Chinese officials lead four of the 15 specialized agencies of the United Nations.<sup>(2)</sup> This means that China is globalized when it comes to its foreign trade, yet maintains its privacy, identity and domestic arrangements when it comes to its internal affairs.

China is pushing for a multipolar world order in which it is a dominant economic force and Russia is a military force. Hence, the recent US strategy lent a great focus on containing China by shifting to Asia. The United States has imposed commercial sanctions and protectionist measures on China and has reinforced its defense policies to protect Taiwan against any Chinese attempts to annex it by military force.

China stands out as one of the non-Western countries that has begun to present its “alternative model” of globalization through which it works to challenge and limit the global dominance of the West. Using its long history and culture, China is seeking to establish alternative values to Western liberalism and offer the world or large regions of it a number of alternative policies and practices to the Western ones in the field of economic development without interfering in the policies and internal affairs of sovereign states. Today, the acceptance of the Chinese model as an alternative to the Western model is on the rise, especially in Africa and some Asian countries, reflecting the power and influence of China in possibly supplanting the Western model.

This is partly a result of China's use of soft power — political, economic and cultural elements — as a foreign policy tool or expanding its footprint in the face of declining Western influence. A good example is its Belt and Road Initiative (BRI) — a project covering 68 countries including 65% of the world's population and 40% of global gross domestic product (GDP) as of 2017. As of March 2020, 138 countries had signed cooperation agreements for the BRI.<sup>(3)</sup> China also established the Asian Infrastructure Investment Bank (AIIB) as a new source of infrastructure financing in Asia as a competitor to the WB and IMF.

Russia is another fierce proponent of a multipolar world order. The country is ranked as the world's second most powerful military. Therefore, the US administration, concerned about Russia's rising military power, will not allow the Kremlin to continue developing and employing its military power to achieve its objectives. The Russian invasion of Ukraine provided the United States with a valuable strategic opportunity to contain Moscow's military power at a low cost and without entering the ongoing war as a direct party. The United States is aware that China is a rising power threatening its model of globalization in the medium and long term, but Russia is an urgent military threat that must be dealt with using all economic

and military tools. The United States aims to curb Russia's geopolitical expansion in Ukraine and end its ambitions to be an international pole in a multipolar world system that threatens the current unipolar system. For Washington, Moscow should remain as a regional force and prevented from being an active and integrated economic partner of the EU as this could harm the US unipolarity and weaken US geopolitical and economic interests in Europe in the future.

Nonetheless, it should not be forgotten that the Chinese and Russian model, although different from the Western liberal one, promotes the role of an oppressive central state and the strengthening of government control mechanisms in political, economic and social domains. This model presents globalization in a different way that allows authoritarian states to employ technology, communication sites, accumulated wealth, market openness and commodity exchange to impose their political style and finance projects to expand hegemony and influence.<sup>(4)</sup> When entering into partnerships with major countries like China, countries should be pay attention to this and focus on the cost-benefit analysis approach. They should also take state sovereignty and national interests into account and deal with Beijing or the like in accordance with their internal laws and regulations and not according to an international system that is being promoted.

### **Hoping for the Return of a Truly Multicultural World Order**

The multiplicity of civilizations has been a defining feature of the world. The Chinese, Japanese, Indian, Islamic, Western, African and Latin American civilizations have been instrumental in shaping today's world. Conflicts usually occurred when a civilization established dominion over other civilizations. This ancient desire for dominance remains enduring as per American political scientist Samuel P. Huntington's thesis "The Clash of Civilizations."

Dominance is primarily achieved through warfare with the victor establishing control over the vanquished. As domination does not imply the complete destruction of the defeated civilization, allowing for the possibility of revival, the clash of civilizations resumes. For example, as the Russia-Ukraine war continues unabated, on the sidelines, a Russian cultural discourse has emerged, denouncing liberal Western values as alien to Russian culture or Eastern cultures and postulating the plurality of civilizations, rather than the dominance of one civilization. This approach is promoted by Russian philosopher Aleksandr Dugin who put forward a number of theses supporting the return to the former global order and to "authentic values." According to Dugin, Western liberal values are at odds with Russian, Sino-Confucian and Islamic cultures. Dugin is a leading proponent of the multiplicity of civilizations and cultures that desire coexistence, contiguity and civilized exchange away from the dictates of the West and its liberal, globalized outlook which is facing increasing rejection as a monolithic ideology as the world moves toward embracing complete freedom and liberation from enslavement. Dugin argues that advocates of globalization and the end of history theory cannot determine the erasure of cultures that have deep historical roots. Russia, China and the Islamic world are opponents of unipolarity and must form some balance in the international arena, and aim to redraw the world according to pluralistic political, economic and cultural considerations.<sup>(5)</sup>

Dugin's perspective chimes with the remarks of senior Russian politicians and intellectuals that Russia is an Eastern civilization and not a Western one. This indicates that Russian hostility to the West's globalization paradigm did not arise as a consequence of the Russia-Ukraine war, but much before it. In 2019, in an exclusive interview with the Financial Times, Russian President Vladimir Putin said "the 'liberal idea' has outlived its purpose" and is "no longer tenable," adding that "the public turned against immigration, open borders and multiculturalism." Echoing nationalist populists such as Italy's Matteo Salvini, France's Marine Le Pen and Hungary's Viktor Orbán, Putin noted that liberal governments did not work to preserve the culture, traditions and traditional family values of millions of people making up the core population. "Instead, they had pursued a mindless multiculturalism embracing, among other things, sexual diversity."<sup>(6)</sup>

Amid this radical globalization and the dominance of Western liberalism, which at one point seemed to overshadow nation-states, strong national populist movements have gained momentum, including in Western countries like Germany and France, insisting on national sovereignty and restoring national pride, and criticizing globalization and the uniformity of Western values. We have also started to see global complaints about the way Westerners dictate their values to everyone, including regarding controversial issues such as homosexuality and gender identity. The prevailing Western liberalism does not consider the social values of other societies which have an affinity with their nation and history. However, over the past few decades, clarion calls were made against the marginalization of different cultures and traditional norms which negatively impacted national pride. Voices are rising against the declining identification with different cultural affiliations and unique social values which globalization has eaten away at.

It seems that the appeal of liberalism and Western values and culture among many societies is diminishing with increasing calls for a pluralistic world which recognizes cultural diversity rather than the dominance of a single culture.<sup>(7)</sup> This can also be seen in Europe where signs of the deterioration of the world order and distrust of the United States are evident. The term "multipolarity" is now explicitly mentioned in foreign policy discourse of diplomats and politicians in the old continent. In Europe, there is increasing scrutiny regarding the extent to which the United States can support the Europeans in the event of a real fateful crisis, or a fierce military confrontation with Russia. This scrutiny surfaced as a result of the current developments, starting with the economic repercussions of the Russia-Ukraine war and US economic sanctions on Russia as well as the domestic political situation in the United States which is threatening the country's national cohesion. In this regard, a controversial comment was made by French President Emmanuel Macron at a press conference in Amsterdam, "...being an ally of the United States does not mean being a vassal...It doesn't mean that we don't have the right to think for ourselves."<sup>(8)</sup> Former US Director of Policy Planning Richard Haass believes that the future of democracy, prosperity and peace in Europe has become uncertain amid the rise of the far right, nationalist and chauvinist tides.<sup>(9)</sup>

Criticism of Western liberalism is not limited to the Russians, Chinese and Europeans, but has also become evident in Arab and Islamic cultural and political discourse. During the Jeddah Security and Development Summit chaired by Saudi



Crown Prince Mohammed bin Salman on behalf of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, attended by leaders and heads of delegations of the Gulf Cooperation Council states, the United States, Jordan, Egypt and Iraq, the Saudi crown prince stated that “We deliver to the rest of the world our noble message and values, of which we are proud and will never abandon, and we hope the world respects them as we respect other values in a way that enhances our partnerships and serves our region and the world.”<sup>(10)</sup>

It is worth recalling here that Islamic civilizations presented their model of globalization at some point in history. This model was able to accommodate all other religions, sects and cultures, and engaged with them, both influencing and adjusting to them. Civilizational globalization is the dominant feature of Islam since its early inception. Although it originated in the Arabian Peninsula, the Arabs spread it eastwards to Persia, northwards to the Levant, and westwards to the Maghreb. Islam, in fact, transformed the Arabs into a rising historical power between the Persian and Roman empires. Islam spread from its place of origin and in its Arabic form across the Arabian Peninsula and beyond, transcending borders, land and language, thanks to the fundamental tenet of Islam; monotheism.

Islam diffused from the Arabian Peninsula to the Levant, Central Asia and the Maghreb. Then it spread across the oceans to Southeast Asia and through the Strait of Gibraltar to Europe and later to Africa south of the Sahara through the Nile Valley or the eastern, western and southern coasts. Monotheism is a central concept of Islam that gives universality to the religion — all human beings without exceptions are equal before one God, and they share the same human values. Therefore, globalization exists in the theoretical foundations of Islam and was undoubtedly demonstrated in its practical practice for centuries, when the West was plunged into the ages of darkness and decay in the Middle Ages. Islam can provide an alternative to liberal globalization, although in practice it could not find fertile ground to spread because of the Western war against it and against its legacy. As liberal globalization is below its peak, there is the possibility that Islam arises again and rebuilds an attractive globalization model as an alternative to the West's liberal model. The Islamic model of globalization may be parallel to the model of globalization that China also seeks to impose on the world through the BRI.

Therefore, we could see the Islamic and Chinese cultures in the future, in accordance with the core of Huntington's thesis, replacing the current liberal globalization model because people want a society that is as a whole happy and taken care of rather than merely the wealthy strata as is the case under the current model. People aspire for the development of more productive economies that have the capacity to offer social welfare, health, education and housing services, as well as justice and financial security for citizens. In addition, they want economies that provide equal opportunities and strengthen the role of state institutions so that they can further develop the national economy. These aspirations are yet another indication that the current model of globalization will face existential challenges in the coming years along with the decline in the cultural and political glamour of the West, the growth of national economies, the increase in loans and deepening debt crises, the spread of inequality, the dominance of international companies, the rise in the roles of central banks that have become stronger than governments and the



succession of global crises. All of these factors have given rise to right-wing and populist movements that support anti-globalization trends. Examples include the rise of major powers and new trade blocs, Brexiteers, xenophobic nationalists, populists, anti-globalization nationalists and the return of conservative principles that increasingly criticize liberalism for the immoral behaviors that are associated with it. There is no doubt that the Russian invasion of Ukraine shed light and opened the floor to the aforementioned trends and contributed to the academic and media debate about them.

### **The Retreat from Economic Globalization**

Globalization came as a basis for economic integration and interdependence between countries, respect for rules related to trade and the movement of goods and services, and non-politicization of economic relations. Under globalization, financial flows ran both ways, with many emerging market countries using their trade surpluses to accumulate rainy day funds and invest them in government bonds issued by the United States and other advanced economies. This way, if and when foreign investors turned their backs on an emerging market country that had been in their favor, that country would still be able to pay for its imports in hard currencies and protect the value of its own currency. A symbiotic relationship developed between advanced and emerging market countries, with both profiting from relatively unfettered trade and financial flows. Emerging market countries benefited from globalization in multiple ways. They were able to access international markets to sell their products and build strong manufacturing sectors and robust middleclasses.<sup>(11)</sup>

Another benefit of globalization is that trade relationships with advanced economies and their more sophisticated corporations facilitated transfers of technology as well as state-of-the-art production processes and managerial practices. As a result, many companies in emerging market countries increased their size and adopted sufficient modern practices to be able to compete toe-to-toe with their advanced counterparts, engendering more competition, innovation, and benefits for consumers worldwide. Domestic financial market development in fact came to be seen as a key “collateral benefit” of globalization, as it allowed emerging market countries to channel not just foreign funds but even domestic savings to more lucrative investments. For instance, Saudi Arabia, at the early stage of the launch of its Vision 2030, benefited from top-tier consulting firms like Boston Consulting Group (BCG) and McKinsey & Company, yet, afterwards, the country established its national consulting companies which became able to compete with foreign companies and replaced them in managing Vision 2030 programs.

However, although many emerging market countries benefited from access to foreign markets, they were ravaged by volatile capital flows and the fickleness of international investors. This was also coupled with a series of shockwaves, including the 2008-09 global financial crisis, the COVID-19 pandemic, and various geopolitical ructions, such as rising US-China tensions and the Russian invasion of Ukraine whose impact was not limited to the Ukrainian economy, but rather drew global economic consequences. Worldwide trade and financial flows fell well below their peaks. While economic factors account for much of this decline, industrial policies

in various guises are spurring the shift toward weaker global trade and financial integration. China's "dual circulation" policy and the "Make in India" initiative are two examples. As countries retreat from globalization and begin to look increasingly inward, there could be wide-ranging implications for both economic and geopolitical stability. Just as when globalization surged and peaked, the consequences of its retreat are also proving to be unevenly distributed, with low- and middle-income countries bearing the brunt.<sup>(12)</sup>

Yet, countries find themselves prompted to adapt to difficult new realities of trade tensions, geopolitical fractures and global economic shocks. Countries and corporations are taking a different tack, redirecting their trade and financial flows to align with geopolitical commitments. Such responses include trade measures (tariffs as well as import and export restrictions) but also industrial policies to promote domestic technologies and knowledge transfers — policies that effectively act as trade and investment barriers except in very limited areas. Private corporations are also causing a pullback from globalization, with reshoring and friendshoring having become their *mots du jour*.<sup>(13)</sup>

For emerging market economies not politically aligned with advanced economies, lower trade and financial flows will mean fewer technology and knowledge transfers, hindering their path to development. With countries pulling back from global integration, access to export markets could also become more constrained over time. This might matter less for countries such as China, India, and Brazil—which have grown large, more self-sufficient, and richer than many other emerging market economies — but could stifle those countries that are smaller and still at earlier stages of economic development.

Despite all attempt of the United States and its allies to keep liberal economic globalization at the center of the international system, it began to decline even prior to the Russia-Ukraine war due to several factors, including:

- The global financial crisis which diminished confidence in the US leadership of the global economy

According to British newspaper *The Economist*, between 2008 and 2019 world trade, relative to global GDP, fell by about five percentage points. Tariffs and other barriers to trade are piling up. Global flows of long-term investment fell by half between 2016 and 2019.<sup>(14)</sup> The effects of the 2008 financial crisis delegitimized global capitalism in the eyes of many countries. The world economy seems to be gradually decoupling into, for starters, a Western zone and a Chinese zone. Foreign direct investment flows between China and the United States are now just \$5bn a year, down from nearly \$30bn five years ago.<sup>(15)</sup>

- The Ukrainian crisis and the disruption of supply chains and the fueling of inflation

Russia's invasion of Ukraine resulted in the highest inflation rate in decades and triggered a massive shock to the global economy. The crisis raised the possibility of stagflation and an energy crisis. According to a recent study published by the German Economic Institute (IW), the ongoing Russia-Ukraine war cost the world economy a massive \$1.3 trillion in 2022. For 2023, the IW projects an additional global value-added loss of \$1 trillion. Western economies have been particularly affected,

with them losing two-thirds of their global production, according to the study. In Germany, Europe's largest economy, soaring energy prices pushed inflation temporarily above the 10 percent mark in 2022. The resulting rise in consumer prices eroded the purchasing power of households, which cut back their consumption.<sup>(16)</sup>

Another consequence of the Ukrainian war on the global economy has been the increasing financing costs, whether for humanitarian and military aid, defense spending or even providing help to refugees affected by the war. These costs would increase the national debt of the European countries whose finances are already stretched.<sup>(17)</sup> Thus, these economic consequences will no doubt create a new global reality.

■ The use of Western economic sanctions as a form of reprisal against political rivals

The hard-hitting economic sanctions imposed by the United States, the EU and their allies on Russia post the Ukrainian crisis dealt a major blow to economic globalization. Russian banks were sanctioned and their assets held in US financial institutions were frozen, in addition, they were cut off from the global financial system. European companies were asked to exit the Russian market, EU airspace for Russian-owned planes was shut down and the broadcasting activities of Russian traditional and social media were suspended. All these sanctions contributed to a further decline in globalization and the emergence of calls for new rules for the international economics system.<sup>(18)</sup>

## Conclusion

In view of the foregoing, it is clear that Western economic globalization is decreasing. Western sanctions have forced Russia to look toward China for investment opportunities in recent years, and Chinese state banks have helped Russia finance everything from infrastructure to oil and gas projects under China's BRI. Russia is by far Beijing's largest recipient of state sector financing, securing 107 loans and export credits worth US\$125 billion from Chinese state institutions between 2000 and 2017.

China and Russia started to use their own currencies to settle bilateral trade in 2010 and opened their first currency swap line in 2014, which they renewed in 2020 for 150 billion yuan over three years. RMB Yuan settlements accounted for 28% of Chinese exports to Russia in the first half of 2021, compared with just 2% in 2013, as both countries seek to ease reliance on the dollar while developing their own respective cross-border payment systems. Chinese currency accounted for 13.1% of the Russian central bank's foreign currency reserves in June 2021, compared with just 0.1% in June 2017, with Moscow's US dollar holdings dropping to 16.4% from 46.3% in the same period. Russia now carries no dollar reserves in its sovereign wealth fund – yet has the world's largest reserves of gold. It is becoming increasingly significant that the US dollar has lost 80% of its value against gold over the past 20 years; with China and Russia looking to further de-dollarize, the greenback could come under increasing pressure over the coming years.<sup>(19)</sup>

The agreement of China, Brazil, and Russia in April 2023 to conduct their massive trade and financial transactions in local currencies instead of the US dollar can be seen as yet another strong indication of diminished confidence in the liberal econom-

ic system. The agreement can also be interpreted as an indication of a desire for a quick shift from liberal globalization to a more comprehensive international economic and trade system in the future. This is supported by the fact that trade between Brazil and China reached \$150 billion in 2022 and the fact that the large emerging economies of China, Russia and Brazil together account for 24% of the world's GDP based on PPP (April 2023 – IMF). Moreover, they are fast-growing economies and together they constitute the most important economies of BRICS — a growing bloc that may pose a threat to the strength of the US dollar in international trade, despite the fact that 60% of countries in the world use the dollar as a reserve currency at the present time.

Another prominent indication of the decline of liberal globalization is the hike of commodity prices including grains and energy as a result of the Ukraine war. This has prompted countries to begin to prioritize energy and food independence in the coming years through increasing domestic production and alternative energy programs. For Europe, reducing gas imports from Russia has been a major challenge, with no quick plans to dispense with it, which makes economic stability very difficult. Despite the fact that the EU continues to increase its commitment to reducing energy consumption and increase its independence from Russian supplies through renewable energy sources, Europe will not be able to break its dependence completely before 2027. Moreover, the economic boycott of Russia by the United States and Europe will lead to the forging of new trade links. Isolating Russia from international organizations, such as the World Trade Organization, the Bank for International Settlements, or the global payments system, will only widen the already huge gap between major countries and major economic blocs, consequently weakening the globalization system that the world has known during the last period.<sup>(20)</sup>

In fact, the Ukrainian war has exacerbated fragilities in the global economy. A year of war has transformed Ukraine from a country with stable and promising financial indicators to one that is directing all resources to the struggle— about 50% of the state budget is allocated to national security and defense— while battling severe economic consequences: 30% economic decline, inflation around 28%, up to 8 million refugees, unemployment of about 30%, and hundreds of destroyed or damaged businesses and industries. In 2023 the state budget deficit of Ukraine will reach \$38 billion. The constant massive missile attacks across Ukraine mean the reconstruction bill and economic losses will keep growing in 2023.<sup>(21)</sup>

It is possible that the trade war and the increasingly polarized conflict between China and the United States will ultimately result in a crack in the international economic institutions, leading to a disintegration of the global trading system, a shift toward national economies in order to avoid the risks that the global economic system is going through and an increase in bilateral trade between countries away from the West. During the Ukrainian war, trade exchange between Russia on the one hand and China and India on the other hand increased to new records, while the exchange between these countries and Western countries, including the United States, declined. It is true that economic globalization is not dead yet, but it is facing a turn toward further fragmentation along geopolitical lines, which could lead to economic consequences for all countries.

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✉ [info@rasanahiiis.com](mailto:info@rasanahiiis.com)

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