

To what extent will the war in Ukraine, and the overwhelming global support for debilitating economic sanctions against Russia, lead to, first, a further decline in globalization, and second, a sharp turn to the bifurcation of the industrialized world powers? On one side would be the United States, Europe, the United Kingdom, Japan and other Pacific allies, and others. On the other would be Russia, China, Iran, North Korea and (maybe) India. Bifurcation of the global system could, for example, entail a move to separate currency systems, trading systems, SWIFT-like communications systems, technological infrastructures, and separate rules for space technologies, ocean navigation, even for accepted rules for warfare.

Is this theory of a sharp turn toward bifurcation compelling? If so, where does India, with its large navy, fit in? In the United Nations vote on the Ukraine issue, India voted on the side of Russia and China.

To what extent has Vladimir Putin's handling of the war forced China in the direction of global bifurcation a lot sooner than Beijing would have preferred? Could this move lead to the potential return of Pax Americana with the West now seeming to believe in the American democratic ideal perhaps more than many Americans do? Or when the war is over, will the world simply return to the status quo? Or, as some are arguing, could China end up the long-term winner?

*More bifurcated? The status quo? China wins?*

*Or even a return to Pax Americana?*



# The World After Ukraine

**Over two dozen international policy strategists offer their views.**



*Global bifurcation  
is imminent.*

**SCOTT BESSENT**  
*Founder and CEO, Key Square Group*

The world is on the cusp of a Great Reordering. Nobel Prize laureate Daniel Kahneman’s extensive writings on the bias of individuals and nation states to maintain status quo systems reveal an overwhelming inclination to preserve the current state of affairs. Retaining the current global trading systems and economic supply chains are clearly no longer plausible. Global bifurcation is imminent. Initially, this ambitious rearrangement will be largely drawn along developed and emerging lines.

Western leaders achieved a bittersweet victory in a recent United Nations resolution calling for complete Russian withdrawal from internationally recognized Ukrainian borders: 141 out of 193 countries voted for the resolution. Countries voting against or abstaining represented more than 50 percent of the global population. Those countries abstaining were overwhelmingly emerging economies, including China and India. Heavily dependent on Russian oil, wheat, and vital commodities, they cannot survive immediate disconnection from Russian products.

The world population’s twenty-four-month strife with Covid and the Russian assault on Ukraine have roused officials and citizens in Western democracies from complacency to action. In what may be the most important speech in her distinguished career, U.S. Treasury Secretary Janet Yellen outlined in clear and bold terms the early framing of a new U.S. doctrine, calling for “friend-shoring.”

This crisis could not have come at a worse time in both the debt and inflation cycle for the global economy. Having substantially increased government debt levels to support households and businesses for the past two years, Western leaders must now come to terms with balancing rising inflation and debt service costs with additional defense and energy spending.

The fall of the Berlin Wall yielded what came to be known as the peace dividend: military spending was diverted back to domestic priorities. Should we not expect that heightened geopolitical tensions will have a

high price tag? Will governments transition from the increased Butter spending to combat Covid to increased Guns outlays to protect against the rising threats of autocracies? Given the current environment, should they attempt both?

As the U.S. and Western allies implement friend-shoring, they should apply a muscular form of trade and economic statecraft to other countries—making it clear that qualifying as a most-favored-nation provider in the new supply chain paradigm will require adherence to a code of Western democratic values, regardless of a nation’s internal governance system.

Naturally, as trade splinters along these lines, the role of the U.S. dollar in global payments and reserves will decline. However, no other currency alone will likely match the dollar’s central role. Rather, as new trading and security blocs coalesce, the invoicing currency of choice and the composition of foreign exchanges reserves will shift in kind.

In conclusion, these shifts are bound to carry short-term costs in the form of higher prices and less abundant product availability. However, the Covid-19 shock demonstrated the incredible resiliency and adaptability of free, democratic societies.

*The views presented in this article are purely the opinions of the author and are not intended to constitute investment, tax or legal advice of any nature and should not be relied on for any purpose.*



*The war in Ukraine  
has given new life,  
and new purpose, to  
the security system in  
East Asia that arose  
out of the destruction  
of the Korean war.*

**DANIEL SNEIDER**  
*Lecturer in East Asian Studies, Stanford University*

Outside of Europe, the impact of the war in Ukraine is most visible in northeast Asia. Naked Russian aggression, carried out with the strategic backing of China, has reinvigorated the Cold War architecture forged by a similarly brutal war fought on the Korean peninsula more than seventy years ago.

The Korean War offers a compelling historical precedent for the war now embroiling Europe. In the late

1940s, U.S. policymakers clearly grasped the strategic importance of Japan, both as an economic power and as a frontline for the American military presence in the region.

Korea, on other hand, was a matter of debate. With the formation of rival states in the north and south in 1948, the United States had moved to reduce its military presence in South Korea. While some American policymakers argued that South Korea was key to the defense of Japan, the U.S. military disagreed. They had their eyes on Europe and the Middle East, where the Soviet challenge was manifest.

The Communist victory in the Chinese civil war in 1949 bolstered the view that U.S. interests lay only in defending an offshore chain of islands that ran from Alaska through Japan, including the military bastion on Okinawa, and down to the Philippines, a view famously articulated by U.S. Secretary of State Dean Acheson in a January 1950 speech. The American defense line pointedly did not include the island of Taiwan, where the defeated Kuomintang had fled.

Soviet leader Joseph Stalin gave the green light to the North Korean invasion of the south in June 1950, convinced that the United States would not defend it and was preoccupied with Europe. Chinese Communist leader Mao Tse-tung, focused on gaining control of Taiwan, reluctantly agreed to support the invasion.

It was a profound strategic miscalculation. President Harry Truman, seeing the invasion as the start of a global challenge from Moscow, made the fateful decision to intervene in Korea. The West and its allies rallied to the defense of Korea. When General MacArthur's troops neared the Yalu river border with China, Mao took the equally portentous decision to send a massive army into battle. The United States put the 7th fleet in the Taiwan straits and Chinese plans to finish the civil war were shelved.

The result of these events was the creation of the Cold War security system in East Asia that remains remarkably intact to this day. Ukraine offers an eerie repeat of those events. The Russians have again miscalculated about American and Western will. China has again become a partner to this strategic disaster.

Doubts about American staying power, fueled by the rise of China, are fading. In Korea, the Ukraine crisis clearly aided the narrow victory of a conservative in the presidential election in March, one committed to a closer security alliance with the United States, improving relations with Japan, and confronting North Korea. Japan has responded even more intensely to the Ukraine war, seeing it as a global struggle with clear reverberations for northeast Asia in the need to defend Taiwan and significantly increase defense spending in response to the challenges from China and North Korea. The Japanese public has embraced the Ukrainian struggle with surprising emotionalism.

Ukraine has tightened the alliance system that stretches from Korea, Japan, and Taiwan down to Australia. The

Japanese, with an emphasis on careful diplomacy, are working to bring India and Southeast Asia out of their currently non-aligned status, though it may take time.

Whether China comes to regret its decision remains to be seen. Xi may be too locked into his bet on Putin to retreat. But what seems certain is that the war in Ukraine has given new life, and new purpose, to the security system in East Asia that arose out of the destruction of the Korean war.



*Not an end to globalization, but a temporary check.*

**JAMES A. LEWIS**

*Senior Vice President and Director, Strategic Technology Program, Center for Strategic and International Studies*

**G**lobalization ebbs and flows with the tides of conflict. The highwater mark for last round of globalization was a decade ago. It has been receding ever since, as Russia and China assert themselves, as countries extend sovereign control over technology and trade, and as nations rejected the U.S.-centric world created in the 1990s. This is not the Cold War with two camps glowering at each other across an Iron Curtain. There are too many interconnections and too many other countries involved for globalization to be easily unraveled.

This is not an end to globalization, but a temporary check. The Ukraine crisis accelerates globalization's retreat as sanctions broke links in finance and trade and as countries like China quicken their efforts to become independent from the United States. Ukraine highlights decision points in a new competition. For China, its ambitions have received a temporary check. It, like Russia, assumed the West was in decline and could be challenged with impunity. The quick Western response and damaging sanctions on Russia were unexpected, since Xi, like Putin, is not presented with contrarian views and the Chinese, unfortunately, have a tendency to believe their own propaganda. China will not abandon its ultimate goals, but will soften its tactics—for now—in how it pursues them.

Europe needs to make fundamental decisions on where it will stand in the world. American protection

affords it the luxury of incomplete federalism. Some blame the United States for obstructing Europe's aspirations, but European nations avoided hard questions on the limits of their sovereignty. Europe thinks of itself as a regulatory superpower, but this power is illusory as it relies on the willingness of other countries to accept the extraterritorial application of EU rules and does not reverse a slow European decline. It remains to be seen if Ukraine spurs the difficult reexamination Europe needs in order to recover from its failures in the twentieth century.

Pax Americana ended years ago with the missteps in Iraq and Afghanistan. A nation can't lose two wars and have a mob storm its capital and expect not to be challenged. Recognition of this in policy circles would be helpful. The dilemma with the end of Pax Americana is that no one else is able to pick up the burden of defending democratic values, but other countries ask whether American political and social turmoil weaken it too much to lead. This doubt complicates rebuilding partnerships with other democracies, particularly the European Union, something that will be difficult given Europe's own indecision over its course.

What will globalization look like after Ukraine? Some bifurcation with China is unavoidable (if only because it is a Chinese policy goal), but globalization's next phase will be a competition over governance (who sets the rules and standards) that, unlike 1990, will not be based on shared assumptions on how the world should work. Ukraine did not produce a sharp break but it did accelerate an erosion of order and governance that we will struggle to repair.



*The United States is an island of security and stability. Over time that will shift investment and trade toward the United States.*

**MICHAEL C. KIMMAGE**

*Ordinary Professor and History Department Chair,  
Catholic University of America*

**T**he war in Ukraine is an event of such historical stature that there will be no return to the status quo *ante*. This is first and foremost true for Ukraine, which

has been devastated by the war. It is also true of Russia, which has fundamentally changed its relationship to Europe and to the United States and is constructing a newly militarized and repressive social contract between its government and its population. Though formally a conflict between two countries, the war in Ukraine has already had global repercussions. These will continue apace.

One foreseeable repercussion is not exactly the end of globalization. It is the fragmentation of a globalization already challenged by more than two years of pandemic. New patterns are emerging, dictated by a sanctions regime that thirty-plus countries have signed on to—for the sake of punishing Russia for its war and for degrading its capacity to wage war.

Russia will attempt to build a network of trading partners and will be shifting its sales of oil and gas to Asia and to countries elsewhere that are not sanctioning Russia. The United States and its partners could respond with secondary sanctions that might force China and other countries to choose between doing business with Russia and retaining access to the U.S. and Western economies.

Bifurcation is too simple a word for this dynamic. There will be overlapping zones of globalization, some of which interconnect and some of which do not. Neither trade nor capital will flow as freely and easily as they did before the war.

*Cui bono?* To a degree, both the United States and China will lose out in this situation. Despite the friction often on display between these two countries, they have both benefited greatly from globalization, which is underwritten by the U.S. military (especially its navy) and by the economic dynamism of China and the United States.

But it is China that stands to lose more. The United States is far from Ukraine and is an economic power with access to the Atlantic and Pacific Oceans. It has interests in Ukraine that stem from European security writ large; it has few economic interests. The United States is also partnered with many of the world's most advanced economies in sanctioning Russia.

For China, Ukraine falls within its Belt and Road Initiative. The war runs counter to major trading interests for China, and China is partnered with Russia, a country that has fallen into dictatorship and is locked in a criminal and destabilizing war. Russia is a burden to China.

As globalization becomes more fraught and as regional war threatens to slide into world war, the United States is an island of security and stability. Over time, that will shift investment and trade toward the United States. China will find ways of adjusting to this brave new world, but for Beijing, the road ahead is less certain and rockier than it is for Washington.



*A return of Pax Americana, China as the long-term winner, or a return to the status quo. My response? None of the above.*

**MARINA V.N. WHITMAN**

*Professor of Business Administration and Public Policy emerita, University of Michigan*

**T**IE’s query poses three possible scenarios: a return of Pax Americana, China as the long-term winner, or a return to the status quo. My response to this categorization of alternative future scenarios is “none of the above.”

The immediate effect of the Russian invasion has been a reduction in globalization and an increased bifurcation between Russia and its allies on the one side and the industrialized West on the other. Although Russia’s share of overall world trade is only 1–2 percent, it accounts for a significant share of exports of two critical commodities: energy and grain. Its recent attack on Ukraine has produced both official sanctions by Western powers, including freezing the assets of the country’s biggest banks, and the creation of additional sanctions by private firms through over-compliance. These actions have led to reductions in Russia’s exports and imports and the disruption of global supply chains. All of these developments run counter to the nature of Pax Americana, which was predicated on globalization of trade and investment and the maintenance of business relationships between countries despite geopolitical differences.

China as the long-term winner from Russia’s attack on Ukraine seems equally unlikely. China’s support for Russia’s actions has been half-hearted at best. It has abstained from a United Nations vote condemning the attack, but its support for Putin doesn’t appear to have gone much further than that. As one of the economic winners from globalization, China could hardly favor a bifurcation of the world’s industrialized countries into the United States and its allies on the one hand and Russia, Iran, and other opponents of this “Western” alliance on the other. At the moment, China is struggling to overcome the United States’ economic dominance, while at the same time continuing as a major exporter to the American market. From its point of view, a premature bifurcation of the global system would make its efforts to challenge the United States economically, as well as in a geopolitical struggle between the two systems of governance, even more challenging.

It is hard to imagine how a return to the status quo could occur. Ukraine and Russia together account for close to half of world grain exports, and the shortages and global price increases their war footing are creating cannot be quickly overcome by new supplies. Russia is also a major source of oil exports and of certain metals essential to automobile manufacturing; its focus on war-related activities is contributing to shortages and price increases in these commodities. This distortion of global supply chains will inevitably have a negative impact on global growth. And these are only the economic effects. In geopolitical terms, the effect has been to pressure countries into “taking sides,” with Russia and its allies on one side and the West and its Asian partners on the other. Germany, for example, has strong trade ties with Russia, but it is reassessing its permissive stance toward that country in the face of its recent behavior. None of these developments is likely to be reversed under current conditions.



*The Ukraine war helps China because it absorbs U.S. strategic energies in Europe.*

**JENNIFER LIND**

*Associate Professor, Dartmouth College, and Associate Fellow, Chatham House*

**T**he international system had already been shifting in ways that advantage China, and the Russian invasion of Ukraine will exacerbate this trend. China has emerged as a formidable economic player, with not only decades of “catch-up” growth but also a shift toward innovation: defying the predictions of many in the West who thought this impossible given China’s authoritarian institutions. Between its economic rise and military buildup, China has emerged as a rival great power, putting an end to the era of U.S.-led unipolarity, and challenging American military dominance in the Indo-Pacific. The Ukraine war helps China because it absorbs U.S. strategic energies in Europe—at a time when, after the Afghan withdrawal, it looked as if Washington actually seemed ready to focus on the Indo-Pacific. Putin’s war is likely to poison U.S.-Russian relations for a long time to come. This is all to Beijing’s gain; for example, Moscow’s enmity toward the

United States led it to interfere in U.S. elections, ushering in an era of domestic political instability and polarization. China, as ascendant power, thus faces a distracted and internally divided United States that, rather than trying to align with one of two hostile powers it faces (as Bismarck advised), is taking on both. Furthermore, Russia—isolated by the West—is ever more dependent on China. To Beijing, the tragedy in Ukraine is thus a geopolitical gift.



*My best guess is a world that is not bifurcated but trifurcated.*

**EDWIN M. TRUMAN**

*Senior Fellow, Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School, former Assistant Secretary for International Affairs, U.S. Treasury, and former Director, International Finance, Federal Reserve Board*

In the wake of the Russian invasion of Ukraine compounding the disruption of Covid-19, the world economy and financial system will not return to the status quo ante circa 2019. That world itself was unsteady and uncertain and those forces have intensified. My best guess is a world that is not bifurcated but trifurcated.

The collective actions in response to Russia’s aggression and the damage inflicted on the Russian economy and its place in the global system are likely to sideline that country for at least a decade regardless of the outcome on the battlefield, which could remain undetermined for at least another decade.

The principal components of the trifurcated world will be the United States and other advanced and broadly democratic countries, China and other authoritarian states, and the rest of the world. China and the United States will continue their competition. The United States will endeavor to maintain a coalition of the willing to resist China’s more aggressive economic and political activities and new initiatives. Other countries large, such as India, and small, such as the low-income countries slowing recovering from Covid-19, will try to thread the needle between the U.S.-led and the China-led visions of the global economic and financial system. The structure of that system will not change substantially from what it was like in 2019. The system may

evolve but will remain subject to substantial inertia despite being subjected to economic, financial, and political shocks.



*Not a world of bifurcation or of a return to “Pax Americana,” but rather a world of overlapping regional coalitions.*

**EWALD NOWOTNY**

*Former Governor, Oesterreichische Nationalbank*

A basic perspective on the world after Ukraine is one of diminishing globalization. This process of “deglobalization” began at the start of the millennium, intensified in the context of the coronavirus pandemic, and is now culminating in a sanctions regime, installed in reaction to the Russian aggression. The various economic sanctions will have strong short- and long-term effects on the Russian economy. But they will also trigger a wide range of supply and price effects on economies outside Russia.

While the United States provides the critical military umbrella for these sanctions, it is economically in a rather safe position. A number of European countries, however, face the core challenge of high dependency on Russian gas. Meanwhile, the Near East is highly dependent on deliveries of Russian and Ukrainian wheat. U.S. support will not be enough to overcome these problems. In both cases, the long-term solution is a diversification of supply sources and a general decrease of external dependencies. But this will take time. A number of European countries have therefore exempted pipeline-bound Russian gas deliveries from the sanctions, so as to keep gas flowing to Europe. The alternative would be serious disruption throughout major European economies, Germany first and foremost.

Fast and efficient sanctions have been imposed on the Russian central bank, especially the freezing of about 60 percent of its currency reserves. This, and in general the weaponization of the U.S. dollar, may, however, lead some central banks, especially the Chinese central bank, to reconsider the allocation of their—substantial—currency reserves. The U.S. dollar will remain the world’s leading reserve currency, but shrinking “dollar dominance” is already underway and may accelerate the trend towards an increasing multipolar international monetary system. This could make it more difficult for the United States to

finance its excessive current account deficits, and imperil its role as the “consumer of last resort” of the world economy—leading to further economic deglobalization—and will contribute to the tendency of a downward trend of economic globalization.

In general, war in Ukraine may lead to globalization being increasingly supplanted by more regional forms of economic cooperation. For the European Union, this means closer and more efficient cooperation within the European Single Market—a market with a population of 448 million and a nominal GDP (2020) of \$17.1 trillion. (For comparison, the United States’ nominal 2020 GDP was \$20.5 trillion, and China’s was \$14.9 trillion). This may also contribute to compensating for the loss of the “peace dividend,” which resulted from historically low military expenditures in Europe. The European Union—and especially Germany—will also have to undergo major adjustments with regard to their current business model, which is heavily oriented toward export surpluses. China has already started such a reorientation toward less dependency from international markets. This will come with economic costs in the form of lower growth rates. But it is in line with the worldwide trend of emphasizing resilience, even at the expense of lower short-term efficiency.

All in all, in my view the world after Ukraine will not be a world of bifurcation or of a return to Pax Americana, but rather a world of overlapping regional coalitions. Hopefully, in the long run such a world could also include a reformed, less nationalistic, and more democratic Russia and China.



*Putin has in fact already revitalized both the European Union and NATO, and will do the same for the principle of multilateralism.*

**HAROLD JAMES**

*Professor of History and International Affairs, Princeton University, and co-author of The Euro and the Battle of Ideas (2016)*

find the bifurcation or competing blocs or deglobalization or end of globalization thesis (there are many competing variants) less and less probable as time goes on. In part, this is because of a centuries-old pattern: supply shocks

have historically produced calls for more trade, more cooperation, and new institutional ways of managing recovery.

There is also the politics of this particular challenge to globalization. Russian President Vladimir Putin may well have thought that a quick, overwhelmingly powerful, and successful action to bring Ukraine in line and change its government would win plaudits in China and appear as a neat balancing to American pretenses of unilateralism. But instead of a brilliant but brutal surgical strike, Russia mounted a spectacularly brutal and mismanaged war. The appalling extent of civilian casualties in Ukraine, the degradation of the Russian army, the threat of widespread nuclear contamination from the dangerous mishandling of reactors, if not from nuclear warfare: these are all so appalling as to have turned Russia into an international pariah.

The consequence of the bungled war also presents a grave test of China’s continued commitment to a close relationship with Moscow. Putin and President Xi Jinping proclaimed themselves to be “best friends” in 2019, and earlier this year at the Winter Olympics in Beijing, they announced that that friendship had “no limits.” Well, now those limits are being severely tested.

What lessons may be drawn from the experience of an aging and probably sick man in complete control of the levers of power? A well-known problem of autocracy is that advisers are reluctant to give honest truths or opinions to the autocrat, and that as a result decisions are flawed. At a moment when China’s previously successful no-Covid policy is being strained by mass outbreaks of disease in Shanghai and now Beijing, and when Chinese growth is faltering, any hints of a Putin-Xi analogy would be a gift to critics of Xi.

The most likely result of the conflict then seems to me a return to a recognition that multilateralism brings substantial benefits, and that even autocrats need to be open to ideas and open to the world. Putin is the anti-globalist, the ideologue who sees only a zero-sum game behind globalization. He will go down in history—like the great dictators of the twentieth century—as an excoriated figure, whose doctrines are reviled, and whose leadership offers only a negative model, a pattern for how not to behave and how not to be successful. Putin has in fact already revitalized both the European Union and NATO, and will do the same for the principle of multilateralism.

But the new order cannot simply be a Pax Americana version of multilateralism. That is why U.S. Treasury Secretary Janet Yellen’s recent striking speech reflecting on China’s ambiguous response to Russian aggression, and then calling for “friend-shoring,” may have been a mistake. Trying to identify friends will always be a deeply problematical exercise. But it would be unwise, and costly, to let votes in the United Nations General Assembly influence the future direction of trade. Trading-with-the-enemy legislation makes sense in all-out conflict. In

dealing with common problems—diseases, for example, or carbon dioxide emissions that move across borders and between continents—there are no enemies, but necessary partners. The same is true for the global threat of hunger that has been the terrifying outcome of Russia’s actions. Friend-shoring won’t feed people: and it is likely to make many, many enemies.



*Globalization’s future is more in doubt than at any time in the twenty-first century.*

**ATMAN TRIVEDI**

*Senior Vice President, Albright Stonebridge Group*

**F**or many world leaders, Russia’s brutal invasion of Ukraine harkens back to a dark and violent bygone era of international politics. Propelled by a reenergized transatlantic partnership that just recently had appeared adrift, the West has mounted a swift response to support Ukraine and also weaken Russia’s capacity to assault its neighbors. The war may be in its early stages, but American leadership and European resolve, together with the United Kingdom, Japan, and other Pacific allies have so far shown democracies can stand together to defend international order.

Ukraine’s future is uncertain and may well end in stalemate. Yet the war’s initial phases have injected confidence into the West’s diplomacy after an underwhelming response to Covid-19, a disorderly endgame in Afghanistan, and the tumult unleashed by Trumpism and Brexit. The swift, ongoing implementation of biting transatlantic sanctions and U.S. efforts to freeze Russia’s foreign reserves point to a broad recognition that “this time is different.” Putin’s aggression has also accelerated calls for more “friend-shoring” and/or “near-shoring” of supply chains among democratic allies. The war is likely to continue a trend in which global politics trumps economics, and national self-sufficiency is the coin of the realm.

While the West has been galvanized by Russian revanchism, the war has also brought China and its junior partner Russia closer together—an unwelcome trend that predated the invasion—and attracted autocracies like North Korea, Syria, and Venezuela. On frontier technologies with

potential strategic and military applications, the war is accelerating growing mistrust between the West and the Russia-China entente, producing further economic separation.

At the same time, a third international camp composed of swing states—most prominent among them India, but also including significant powers such as Brazil, Indonesia, and South Africa—has emerged. These democracies prefer to stay essentially neutral on the war and hedge their bets.

India’s calculus is unique among the non-aligned. China’s territorial ambitions in the high Himalayas have lent urgency to India’s tilt towards the United States on security matters. But it is that same preoccupation with its larger, more powerful neighbor that is driving New Delhi to undertake a delicate balancing act intended to keep Russia on side without fraying ties on either side of the Atlantic.

The machinations of this third grouping, China’s influence over international politics despite a stalling economy, and, most importantly, the continuing political polarization within the United States all suggest a return to Pax Americana isn’t likely. But at this moment, the West appears poised to come out in better shape, with Russia weakened and isolated, and China’s awkward embrace of Putin hardening U.S. and now European skepticism about Xi Jinping’s rule. Germany’s shock at Russia’s land grab has contributed to Berlin’s growing doubts about China. The ongoing technological and economic competition between the United States and China will only intensify—expect Brussels’ views to grow more aligned with Washington’s because of the war. Beijing has been orienting its economic policymaking in preparation for decoupling but may not have anticipated the war’s role as an accelerant.

Western sanctions and export controls have raised questions about a shift towards separate financial, trade, or currency systems by powers looking to insulate themselves from outside pressure. But the combined strength of the U.S., European/British, Japanese, and allied Pacific economies (about 60 percent of global GDP) make such tectonic shifts improbable over the near term. The dollar still represents the global reserve currency, followed by the euro—and things should remain that way for the foreseeable future.

The world after Ukraine will be marked by continuing uncertainty, in no small measure because the war’s duration, scope, and ultimate outcome are far from predetermined. Emerging economies face acute financial pressures in the near term as supply chains convulse and prices spiral; more of them will likely follow debt-ridden Sri Lanka’s lead. More broadly, conditions could be ripening for a global economic downturn or even crisis. The U.S., European, and Chinese economies are all exhibiting varying degrees of fragility.

Against this backdrop of intensifying major power competition and strong nationalist, populist, and economic



headwinds, globalization's future is more in doubt than at any time in the twenty-first century.



*Russia's likely defeat in Ukraine will probably lead to a reinforced Western military and a new Pax Americana.*

**ANDERS ÅSLUND**

*Senior Fellow, Stockholm Free World Forum, and author, Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy (2019)*

Russian President Vladimir Putin's war of aggression against Ukraine has been a wake-up call for the West. The collective West has come together as never before. In particular, this is true of the European Union, but also of countries such as Japan and South Korea. Suddenly, Europeans realized that Putin's Russia posed a real threat to their national security, compelling them to act together and enhance their defense expenditure. This occurs after Freedom House has recorded a steady decline in democracy since 2006. U.S. President Joe Biden has perceptively caught on to this important issue by calling for new democracy building through his democracy summits and scolding international corruption.

While the West is coming together, the developing world is split over a broad spectrum. It has been illuminated by the votes in the United Nations General Assembly on Russia's aggression against Ukraine and on Russia's ouster from the U.N. Human Rights Council. Some democratic developing countries side with the democratic West; a score of hard-core dictatorships side with Russia, while most are neutral. The developing countries are all over the map. China does not want to be captured by Putin's mad policies, while India does not want to be forced to turn against Russia.

Rather than a bifurcation of the world, the effect of Russia's aggression against Ukraine appears to be that the Western world comes together around common values and fears, while the developing countries are going in multiple directions and are becoming more split and disoriented. A decade ago, the not very democratic BRICS appeared to represent a leading light, but currently none of them inspires. China's growth has declined, and its repression and

state control have become worse. India is losing its democratic luster and has stayed very poor. South Africa and Brazil are stagnant economies with uninspiring politics, while Russia is a sheer disaster. While China was a leader of the developing world, it no longer appears to carry its laurels. Russia's likely defeat in Ukraine will probably lead to a reinforced Western military and a new Pax Americana.

Thus, the West is likely to gain power and influence. It should take the lead and reform the international organizations so that they promote democracy and the rule of law, while kicking out violators of all international law, such as Putin's Russia. Russia's vetoes and unlimited lying in the U.N. Security Council have exhausted its right to hold such a seat. Under the leadership of the United States, the democratic countries should set up a new Community of (real) Democracies, in line with late Secretary of State Madeleine Albright's excellent initiative. In parallel, a new international organization for the building of the rule of law should be set up. The democratic countries need to utilize their newly won consensus and initiative.



*We should put aside Biden's vision of an inexorable struggle between democracies and autocracies, and focus instead on pressing common challenges.*

**JEFFREY D. SACHS**

*University Professor and Director of the Center for Sustainable Development, Columbia University*

While we can't predict the future, we can state the future we'd like to see. For my part, I would greatly prefer a quick negotiated end to the conflict based on Ukrainian neutrality, an end to NATO enlargement, practical solutions for other outstanding issues (for example, implementation of the Minsk II terms for the Donbas), and Russia's complete military withdrawal from Ukraine. Russia would direct some of its frozen reserves into a Ukraine rebuilding fund, and the United States and Europe would recycle some of their new SDR holdings for this purpose. The sanctions on Russia would be rolled back on a timeline consistent with the implementation of the peace accords.

With the war ended, we would try to rebuild an international order based on the United Nations Charter, the

Universal Declaration of Human Rights, a reform of global finance to direct more flows to developing countries and towards the energy transition, and a real attempt to surmount the escalating geopolitical tensions. We would put aside Biden's vision of an inexorable struggle between democracies and autocracies, and focus instead on pressing common challenges facing all nations: the pandemic, climate change, global supply chains and regional security, nuclear disarmament, and many others. Our common interests can and should take priority over our differences. As President Kennedy famously said, "And if we cannot end now our differences, at least we can help make the world safe for diversity."



*Putin's attack should galvanize real foreign policy, defense policy, and industrial policy cooperation among democratic, allied nations.*

**ROBERT D. ATKINSON**

*President, Information Technology and Innovation Foundation*

**W**hen considering the impact of Putin's aggression on globalization and alliances, there is the *ought* issue of what should happen, and the *will be* issue of what is likely to happen. Unfortunately, I don't believe they are aligned.

The ought is a world in which democratic, rule-of-law nations, especially those in the European Union, finally accept the reality that the world is not moving to an "end of history," "no two countries with McDonald's restaurants will go to war" world, and that countries have to pick sides. This would mean no more countries wanting their cake and eating it too: relying on the United States to defend their national security interests but opposing U.S. efforts fight against China's rampant innovation mercantilism and, in the case of the European Union, enacting policies that discriminate against U.S. technology companies.

Rather, Putin's attack should galvanize real foreign policy, defense policy, and industrial policy cooperation among democratic, allied nations. This would mean U.S. allies ending their free riding on U.S. military capabilities and increasing their own defense spending, engaging in real cooperation on advanced technology development,

and most importantly, cooperating to limit the benefits China achieves from its innovation mercantilist policies.

The reality is that while this scenario should happen, the odds of it coming to fruition are challenging. It is not at all clear that nations/regions like Europe, South Korea, and India will view the world all that much differently, assuming that the Russian aggression ends with the pre-status quo being mostly restored and China does not invade Taiwan. While the current consensus around Russia is likely to hold, it's not at all clear that this consensus will extend to China.

The incentive for these nations to continue to free-ride on America, or at minimum, to not choose a side, is quite high. When EU policymakers continue to see American technology companies as the biggest threat to the EU economy, at a time when the European Union runs a massive trade surplus with the United States, suggests that the European Union is likely not to view Russian aggression in system-redefining terms. This is particularly true for Germany, which exports more than \$100 billion to China annually and sees the China market as key for a number of their important industries, including autos and chemicals. China's carrots and sticks will only increase, as will its willingness to use them to enforce either subservience or neutrality. So will leading democratic allied nations agree to cooperate and ban Chinese imports of goods based on intellectual property theft and/or massive subsidization? Will they agree to collectively impose appropriate export controls on technology? Will they stop penalizing U.S. companies and instead turn their focus on China? We can hope that the answers to these questions are in the affirmative, but I fear that is wishful thinking.



*It is time to chart a path to a new multilateralism.*

**MOHAMED A. EL-ERIAN**

*President, Queens' College, Cambridge University, and Professor, Wharton School, University of Pennsylvania*

**E**conomic and financial globalization is changing—away from ever-closer and more efficient cross border links supported by rule-based multilateralism and toward greater fragmentation and adhocery. The

result is an even more uncertain global economy and greater inequality.

There are several drivers for this ongoing regime shift. Most of them, including greater geopolitical tensions and growing economic protectionism, were present before Russia's invasion of Ukraine, and have now been turbocharged by it.

Cross-border supply chains have become more fragile, disrupted, and disruptive. The sanctioning by governments of trade and individuals has been accompanied by major restrictions on international payments and settlement.

The private sector is also playing a role in driving this regime change, from the greater emphasis on resilience (versus just-in-time efficiency) to the self-sanctioning commercial activities.

All this has exposed long-standing structural weaknesses in the multilateral system at a time when its ability to respond and to facilitate global policy coordination are undermined by profound disagreements and mistrust among country shareholders.

Left to its own devices, this combination of factors would solve to the least favorable common denominator. In addition to a stagflationary impetus, it would serve as yet another unequalizer, both within and across countries.

Rather than try to revert to a status quo *ante* that is no longer feasible, it is time to chart a path to a new multilateralism.



*Deglobalization may come too early for China's ambitions. This may force a rethinking of its growth strategy.*

**LORENZO BINI SMAGHI**

*Former Member of the Executive Board, European Central Bank*

**T**he war in Ukraine forces us to change the way we think about globalization, in particular its economic and political dimensions. The general assumption prior to the war was that the two aspects were complementary. Globalization was supposed to be an instrument to strengthen peaceful relations among countries. Unfortunately, this has proven not to be true, as countries have shown that national political goals were more important than economic

wellbeing. Some seem to be ready to experience economic hardship to achieve divergent political objectives. The concept of global public goods has been affected by international sanctions. This will inevitably lead to a restructuring of international relations, to be based not only on comparative advantages but also on long-term geopolitical interests. Such a restructuring will not be simple, as some global public goods, like the financial system, cannot be easily replicated or multiplied. Fragmentation is likely to increase, at the expense of economic efficiency.

Some countries, like India, may not be willing to take sides on all issues and may want to play a political role on different tables. This was the case prior to the fall of the Berlin Wall, for non-aligned nations. That may not be an easy strategy but may be attractive for developing countries.

The world will not return to the previous status quo. Political considerations will lead major powers and groups of countries to seek greater autonomy and self-dependence, which will reduce economic integration. Some countries are more advanced in achieving this status, in particular the United States, although this may require a stronger grip by the public authorities on American companies' quest for global expansion. It also requires continuity and consistency of U.S. foreign policy. China has not yet achieved technological and financial autonomy and needs to continue accessing global markets to strengthen its leadership position. Deglobalization may come too early for China's ambitions. This may force a rethinking of its growth strategy. Europe cannot rely only on its economic strengths and needs to adopt a common foreign and security policy to be able to achieve an independent position within the Western alliance. That will be the greatest challenge of this century.



*A war Putin launched to expand Moscow's imperial control risks making it subservient to Beijing's imperial designs.*

**DANIEL TWINING**

*President, International Republican Institute*

**T**he year 2022 heralds a new era in world affairs, marking a geopolitical turning point akin to 1989 and 2001. The trigger was the Russian invasion of

Ukraine, producing Europe's first major war in eighty years. But the turn was previewed only weeks earlier by the joint statement of Vladimir Putin and Xi Jinping at the Beijing Olympics. At their summit, the two leaders declared a joint vision of a world governed by authoritarian spheres of influence, might-makes-right over rules-based-order, and an alignment of Eurasia's totalitarian states in rolling back American leadership of a system of democratic alliances that has upheld international peace and powered globalization.

The implications for the global economy are profound. China was already decoupling, with Xi's "common prosperity" agenda of "self-reliance" focused on strengthening domestic consumption and reducing exposure from flawed Belt and Road investments around the world. Its economic slowdown follows not only the pandemic it unleashed on the world, but state meddling in what had been a thriving private sector. Russia is isolated from Western markets as a result of international sanctions, risking double-digit declines in GDP. Russia's isolation will make it more economically dependent on China. A war Putin launched to expand Moscow's imperial control risks making it subservient to Beijing's imperial designs.

For too long, Western democracies separated geopolitics from geoeconomics. An example is Germany, which outsourced its security to the United States, its energy supply to Russia, and its manufacturing growth to China. This division no longer works: economic and energy security cannot be separated from national security. Authoritarian powers wield trade and investment as weapons, as seen by Russia's weaponization of energy exports and Chinese economic coercion from Australia to Lithuania.

Democracies cannot easily decouple from self-inflicted interdependence on the China market. But they can decide that protecting their national security and sovereignty is worth paying a little more to diversify away from Chinese telecommunications, technology, and infrastructure investment. Sustaining prosperity means protecting supply chains, technology, and citizens' data from authoritarian competitors.

During the Cold War, the United States and allies in Europe and Asia built a free-world economy which produced such unprecedented prosperity that the Soviet Union ultimately could not compete. The United States and friendly democracies today comprise over two-thirds of global GDP. NATO in the west and the Quad powers of India, Australia, Japan, and America in the east possess greater combined economic, military, and technological power than either NATO rival Russia or Quad adversary China ever will.

Despite inevitable frictions, democracies must concert economically as well as cooperate in novel military and innovation alliances to prevail in the new age of authoritarian aggression. India has a unique role to

play. Its competition with China is even more acute than America's. New Delhi will need to wean itself off its legacy relationship with Russia, now China's principal ally, by moving closer to the United States and Asian nations determined to shape a balance of power that remains tilted toward freedom.



*The war in Ukraine may weaken Russia, but that will only make Moscow more reliant on a reemerging China dedicated to making the world safe for autocracy.*

**PATRICK M. CRONIN**

*Asia-Pacific Security Chair, Hudson Institute, and former Director, Institute for National Strategic Studies, National Defense University*

Russia's invasion of Ukraine may transform the global order. However, how the Ukraine war will reshape the world depends on the course, duration, and political settlement of that conflict. I draw a few brief, preliminary conclusions here, but we should be careful not to overdraw lessons weeks into what may well be a protracted insurgency or more significant conflict.

First, the war's geostrategic impact is apt to increase bipolarity, although I would not expect this to lead to a sharp bifurcation at this point. Instead, an intensifying U.S.-China rivalry will encourage allies and partners to fall in line. While many nations will seek to preserve strategic autonomy and practice aggressive balancing and hedging—and Beijing will encourage such "independent" policies that stay away from a "Cold War" mindset, the gravitational pull of bipolarity will bend international relations toward two major opposing security camps.

China's unstinting support for Russia is visible in its state media parroting Kremlin propaganda and President Xi Jinping's proposal for a Global Security Initiative predicated on "indivisible security." Russia and China share a deep and abiding interest in revising the post-World War II order that propelled the United States into primacy. The war in Ukraine may weaken Russia, but that will only make Moscow more reliant on a reemerging China dedicated to making the world safe for autocracy and spheres of influence, along with international institutions more favorable to the interests of these great powers.

The war will also prey upon existing fissures driving up global military spending and spurring an incipient arms race in the Indo-Pacific. Bigger military powers will at least step-up planning for missiles, including nuclear, hypersonic, and conventional, layered defenses, and the array of information-related systems that provide command, control, communications, and targeting. Smaller powers that feel threatened will accelerate buying cheaper asymmetric weapons, including missiles to neutralize air forces, naval vessels, and armored vehicles. Using even a tactical nuclear weapon for demonstration purposes could further ignite arms racing.

Military mastery—or the avoidance of losing it—will hinge on high technologies capable of creating “intelligentized” warfare. This fact will spur greater U.S.-China rivalry in critical emerging technologies. The competition will force greater protectionism, decoupling, export controls, espionage, and new mechanisms for averting unintended great-power war. Economic growth, highly interwoven supply chains, and the need to grapple with complex global issues like climate change, will counteract and constrain these fissiparous tendencies.

The United States will need to forge a new national consensus on how to protect its interests and values. While major power wars can be averted, foreign threats are increasing and easily surpass the differences driving domestic political and cultural tensions.



*The best chance of avoiding this new bifurcated world is a policy of integrating Russia into the European economic system.*

**JOHN M. DEUTCH**

*Former Director of Central Intelligence, former Deputy Secretary of Defense, former Undersecretary, U.S. Department of Energy, and retired Institute Professor of Chemistry, Massachusetts Institute of Technology*

Extending NATO membership in 2004 to seven countries on Russia’s border that generally support U.S. foreign policy contributed to Russia’s perception of encirclement and the historic paranoia of its leaders. It was inevitable that NATO expansion would eventually cause conflict, although a few improbably might argue

that broader expansion and deeper security guarantees could effectively deter Russian aggression.

Although the outcome of the Russia-Ukraine war is not yet known, it is wise to speculate on the possible changes in the geopolitical landscape. The most ominous prospect is a new bifurcated world between a hostile alliance led by Russia and China, including Iran and possibly India, competing with the free world alliance led by the United States, Europe, and Japan. Conflict on this landscape is easy to imagine, such as Russian intervention in the Baltics, Georgia, and Moldavia, or far worse.

The best chance of avoiding this new bifurcated world is a policy of integrating Russia into the European economic system. The European Union’s tough stance on sanctions and trade, led by France, Germany, and the United Kingdom, reverses several decades of increasing, not always smooth, integration efforts. A reversal, if continued, inevitably will see Russia move closer economically and politically to China, sharply reducing prospects for the growth of individual freedoms and democratic values in Asia.

Initial inclusive steps toward integration should begin as soon as agreement is reached to end the war, including, importantly, resolution of war crimes and reparation matters. A paced reduction of sanctions and trade restrictions will encourage voices within Russia that understand and have profited from business relations between western firms operating in Russia and Russian firms operating in the west. Since Putin may remain as president until 2036, initial inclusive steps should not be conditional on a new president sitting in the Kremlin, so certainly an uncomfortable period is unavoidable.

The Ukraine war has disrupted global oil and gas markets that are seeing historically high prices. Germany has pledged to end all imports of natural gas from Russia by mid-2024 and rely on LNG imports, and it appears that Europe will be closed to Russian exports. The United States has pledged to increase production of oil and natural LNG exports “temporarily” to assist Europe in dampening the effects of prices of oil over \$100 per barrel and of natural gas over \$25 per thousand cubic feet. Investors will shy away because “temporarily” is undefined and it takes several years to bring online new LNG plants, increased oil production, and very large oil tankers. Meanwhile, the Russians will aggressively seek new markets for natural gas and oil displaced from European markets. There are reports that Russia has offered oil to India at sharp discounts and that discussions are underway with China on long-term oil and natural gas contracts. The future of the geopolitical “world after Ukraine” and the structure of future global oil and natural gas markets are linked.

There remains the question of whether the priority assigned to climate change initiatives in the United States

and elsewhere is sustainable in this period of geopolitical uncertainty. One would be ingenuous indeed to believe significant inflation in energy prices, and greater concern about energy security, will not slow the momentum for reducing greenhouse gas emissions.



*This affront to international morality and justice speaks volumes about the fraught state of the current international order.*

**MANSOOR DAILAMI**

*Senior Advisor, Rock Creek Group, and Former Manager, Emerging Trends Team, World Bank Group*

**O**n the morning of February 24, Russia informed the U.N. Secretary General of its intension to conduct a “special military operation” in Ukraine. Using the language of international law, including the principle of self-defense under Article 51 of the U.N. Charter, Russian President Vladimir Putin summoned World War II memories along with a host of grievances against the United States and its NATO allies for not recognizing Russia’s great-power status and sphere of interest. In the days and weeks following, Russian bombardment of Ukrainian cities has caused massive economic destruction and a humanitarian disaster not seen in Europe since World War II.

This affront to international morality and justice speaks volumes about the fraught state of the current international order. Born out of the political trauma and economic ruins of second world war, the current international order has delivered much in improving global economic welfare and development. It has supported global economic integration, encouraged international cooperation in trade, investment, and finance, and has accommodated the rise of China and India. But it has proven helpless to foster a new consensus to eliminate war as an instrument of collective security. True, the Kantian ideal of liberal peace has been partly realized: Democracies have not waged war against each other since World War II. Yet despite the moral opprobrium that the twentieth-century world wars had caused and all the promises of the United Nations, the global security architecture put in place has functioned, not to end war, but to depend on “deterrence” and balance of military power. While internal restraints

have served to tame American power to some extent, autocratic regimes with permanent membership in the United Nations Security Council and nuclear arsenals are given virtually a free rein. This puts the United States in a tight spot.

In framing the war between Russia and Ukraine as a new contest between democracy and autocracy, President Biden is sidestepping the more fundamental challenge facing the United States: the management of its great-power relationships with China and Russia, while seeking to hold the world economy together. Most immediately, America has the economic fallouts from the war in Ukraine to worry about. The shockwaves are being felt throughout the world with soaring energy and food prices and slowing economic recovery from the pandemic. Most hard hit are the warring sides, bearing the brunt of war’s brutality and, in the case of Russia, the strangling impact of economic and financial sanctions. In its latest update, the International Monetary Fund estimates economic activity to shrink this year by 8.5 percent in Russia and 35 percent in Ukraine. Over the longer term, much would depend on how the West comes to play its winning hand in crafting the terms of a peace settlement and in flexing global leadership muscle to address common global challenges, including climate change, pandemics, digitalization, and food and energy insecurity.

The war in Ukraine is certainly Europe’s most catastrophic concretization of geopolitical rivalry between Russia and Western powers since the end of the Cold War. Being played out against a backdrop of deepening U.S.-China rivalry, the likelihood of the two leading authoritarian regimes joining hands to challenge the U.S.-led liberal international order is very real. Yet this does not mean either a return to the bipolar structure of the Cold War era or a descent into a fragmented world economy. More sensible scenarios are in sight. For both China and Russia, a Western commitment to an open international system managed through multilateral institutions is a deal worth negotiating and worth compromising for. China’s deep integration into the international economy has made it a strong stakeholder of global growth and stability. The West sees its relative advantage *vis-à-vis* China and Russia in being the custodian of open-market ideology and practice that can be leveraged to rally the support of emerging middle countries such as Brazil, Mexico, Indonesia, South Korea, and Turkey.

For much of the rest of the world, the reality of evolving geopolitics is a new dilemma: they are caught between a rock and a hard place. Many of these countries, particularly in Asia, rely heavily on China for trade and investment needs, and on the United States for its security guarantee. The logic inherent in this trilateral relationship favors not balancing nor band-wagoning, but a hedging alignment strategy.



*Just as globalization made progress during 2005–2020, in the decade 2020–2030, continued progress seems likely.*

**GARY CLYDE HUFBAUER**

*Nonresident Senior Fellow, Peterson Institute for International Economics*

Larry Fink, among other notables, declares that the great deglobalization began with Russia's invasion of Ukraine. According to a favorite scenario, not only has Russia been blacklisted from world markets, but isolating China comes next. The world economy divides into two blocs: the Sino-Russia orbit versus the West. That scenario may be Florida Republican Senator Marco Rubio's dream path to the White House, but it is not a compelling forecast.

Russia is big in energy and certain metals, but a small player in world markets, accounting for about 2 percent of global goods exports and 1 percent of global inflow of foreign direct investment. Isolating Russia makes little difference to globalization writ large. China, by contrast, is a linchpin of globalization, accounting for nearly 15 percent of global trade and 15 percent of global foreign direct investment inflow. President Xi Jinping is too smart to play into Rubio's dream path. Many countries in Asia, Latin America, and Africa trade more with China than the United States, and many European countries keenly participate in China's growth.

Meanwhile, China is reaching out to world markets through the Regional Comprehensive Economic Partnership, its application to the Comprehensive and Progressive Trans-Pacific Partnership, bilateral trade agreements, and the Belt and Road Initiative. The United States and China may curtail their bilateral trade and investment, but the world economy is enormous, and much of the erstwhile bilateral commerce will be diverted to other sources and destinations. World Trade Organization rules may continue their loss of universal application in the decade ahead, as in the decade past. But just as globalization, measured by the Frankel index, made progress during the period 2005 to 2020—despite the global financial crisis, the death of the Doha Round, and Trump's trade war with China—in the decade 2020–2030, continued progress seems likely, despite Ukraine and despite the wide application of economic sanctions.



*The war reveals and speeds up tendencies that started to gain traction earlier.*

**GABRIEL J. FELBERMAYR**

*Director, Austrian Institute of Economic Research, and Professor of Economics, Vienna University of Economics and Business*

The Russian war in Ukraine is a turning point in history. For years to come, it will separate Russia from Western Europe by a new iron curtain. There cannot be any doubt that Europe and the world will be poorer and more insecure places because of this. In the face of Russian aggression, the European Union and the United States will intensify their cooperation in many areas, from military to trade and technology. However, this does not imply that the world is turning bipolar again, as it was during the Cold War, when the democratic and market-oriented West stood against an authoritarian and communist East. The reason simply is that the world has become much more complex since then.

China and India played only very minor roles in the old Cold War. Now their relative positions have much improved and they strive for strategic autonomy. The same, at smaller scale, is true for countries such as Indonesia, Brazil, and South Africa. The fact that they fail to condemn Russian aggression does not mean that they are about to form an anti-Western military or economic coalition with Russia.

Western sanctions will inexorably reduce the size of the Russian economy for many years. Intensified trade relations with China or India cannot compensate for that loss, since 90 percent of Russian GDP is produced west of the Urals. Russia, with a diminished economy, will be a less-attractive export market for other countries. If it does not win the war in Ukraine, Russia's only competitive manufacturing industry, military equipment, will lose appeal as a technology partner. And even Russia's rich endowment of fossil fuels loses relevance as extreme weather events in India and a more health-conscious population in China push those countries to burn less oil and gas, alienating them from Moscow.

In the short run, it is likely that China and India will opportunistically take advantage of the war in Ukraine and Western sanctions against Russia, whenever they can and to the extent that Washington and Brussels allow them to. But

they are unlikely to form a new, lasting, anti-Western coalition with Russia. Rather, we will see changing partnerships, and cooperation in some areas but conflict in others. Both the world's economic and security architecture will be more compartmentalized and fragmented, more chaotic, and harder to predict. In such a world, transatlantic cooperation will become more valuable, both to the European Union and the United States, as China and, with some delay, India, will outnumber both the United States and the European Union separately, demographically and in economic terms. The world was set on this course before the Russian invasion of Ukraine. The war reveals and speeds up tendencies that started to gain traction earlier.



*We will see a new normal—an interconnected world economically, but more fragmented politically.*

**WILLIAM A. REINSCH**

*Scholl Chair in International Business, Center for Strategic and International Studies, Senior Advisor, Kelley, Drye & Warren LLP, and former President, National Foreign Trade Council*

**W**e are heading for a more fragmented, compartmentalized world. It will not be a Soviet Union-style cold war—the world is, and will remain, too economically integrated for that. But we should expect countries to look out for themselves at the expense of the rules-based system and at the expense of poor countries, as seen in the scramble for vaccines. To the extent there is cooperation, it will be among democratic rule-of-law states on one side and among authoritarian states on the other, with some, like India, uncomfortably in between. But cooperation will not be seamless. The war produced consensus in the West on how to approach Russia, but as it drags on, differences will appear. Similarly, the Sino-Russian alliance is a marriage of convenience that will last only as long as the Chinese find it convenient. While they will not publicly support the West, they are sensitive to being on the wrong side of global outrage over an unprovoked invasion of a sovereign country featuring numerous atrocities and war crimes.

The economic trend toward regionalization is not new, but Trump's unilateralism, Covid-19, and the war

have been important accelerants. Localization of supply chains will grow. Companies are increasingly worried about volatile transportation costs and increased risks of doing business in non-rule-of-law locations like China. The Biden administration's interest in reshoring or near-shoring is reinforcing worries accelerated during the pandemic. Companies will do what makes economic sense for them, and this will be a lengthy and expensive transition, but world events push them in the direction of shorter and more resilient supply chains where redundancy and "just in case" inventory are as much a factor as price and quality.

The war is causing revised risk assessments, not only about Russia, but also about other authoritarian states, where foreigners have little recourse if things go wrong. The ubiquity of media today has made company behavior visible and makes them more sensitive to consumer reaction, particularly in consumer-facing sectors like retail. That same transparency has led to increased injection of social policy issues into business—such as forced labor prohibitions or pressures to go green.

Sanctions are accelerating this reevaluation. They are extraterritorial and impact countries beyond Russia. They have become the tool of choice because they are the main alternative short of war, which means their use will continue to grow. Companies are also increasingly engaging in self-sanctioning to avoid the reputational damage of being on the "wrong" side, fearful of trolls who monitor corporate behavior.

The weaponization of sanctions will also encourage the development of "work-arounds" in affected countries. That means an accelerated movement away from dollar-based transactions and away from SWIFT, and toward Russian- and Chinese-based alternatives, as well as toward unconventional currencies and central bank digital currencies. The dollar's status as a reserve currency will remain, but there will be a growing number of alternatives.

Finally, technology bifurcation/regionalization will grow. Access to technology is now viewed as both a competitive advantage and strategic necessity. That means more industrial policy (for the European Union and United States especially), the conflation of trade policy with security policy, and more controls on exports and investment, both inbound and outbound. The most obvious result will be internet fragmentation—"splinternet"—led by the European Union, China, and the United States, all of which have different, incompatible approaches.

Historians a hundred years from now may be able to say who "won," but in the midst of change, the result is rarely clear. Ultimately, we will see a new normal, which will still be an interconnected world economically, but a more fragmented one politically with more emphasis on sovereignty and less on institutional cooperation.





*Germany and Europe become collateral damage to this historic dispute if their decision makers do not develop options for action to defend their interests.*

**JOSEF BRAML**  
*Secretary General of the German Group, Trilateral Commission, and author, The Transatlantic Illusion (C.H. Beck, 2022)*

The “end of history” celebrated by the Western community after the downfall of the system rival Soviet Union—the global victory of liberal-democratic rule and the free market economy—was ironically refuted by history, long before Vladimir Putin’s invasion into Ukraine.

Donald Trump’s authoritarian challenge to U.S. democracy and nationalist economic policies was a clear sign of a new systemic competition between the battered world power, the United States, and the increasingly assertive China. The “Washington Consensus” is now not only hotly contested in the United States itself, but is also being challenged internationally by the “Beijing Consensus.”

In view of the Russian invasion of Ukraine, the “West” seems more united than it has been for a long time. From a geostrategic view, however, Russia commands escalation dominance in its neighborhood. While Ukraine is in Russia’s “vital interest” because of its geographical location on its immediate border, Ukraine’s (and Europe’s) fate affects the security interests of the United States only peripherally.

U.S. vital economic and security interests are mainly focused on the confrontation with China. Therefore, over a dispute in the Old World, Washington will not alienate its new ally India who has strong economic and military ties with Moscow, but whom it needs against its main rival China in the economic region of the future.

In fact, even Washington’s strategic thinkers will, sooner rather than later, realize that in today’s world, a firm strategic alliance between Russia and China would overstretch the United States’ capabilities.

In the twenty-first century, the United States and China compete for economic, political, and military dominance. Germany and Europe are increasingly in a quandary and become collateral damage to this historic dispute if their decision makers do not develop options for action to

defend their interests in the increasingly fierce economic and geopolitical competition.

The economy is used as a weapon in this geo-economic rivalry. Russia’s war in Ukraine will reinforce this deglobalization, since it demonstrated again how interdependence can be weaponized. Western decision makers, already challenged by the supply chain disruptions caused by Putin’s war, need to increase their efforts to prepare for a possible future when China may be more aggressive, for example toward Taiwan. Resilience is key—at the expense of efficiency, such as the previously internationally networked “just-in-time” production. This “nearshoring,” “reshoring,” or “localization” means Western companies are moving their supply chains back home, not only from Russia but mainly from China.

But the return of nationalist power politics and the associated deglobalization surprises the leaders of the Berlin Republic and Europe. Despite obvious warning signals, political and economic decision makers of the so-called free world have for too long remained in the liberal *zeitgeist* of German reunification and held on to the self-image of their noble value orientation.



*Never before has the world’s eleventh-largest economy, a major exporter of oil, gas, wheat, metals, and fertilizer, been unplugged.*

**ROBERT A. MANNING**  
*Senior Fellow, Scowcroft Center for Strategy and Security, Atlantic Council*

The war in Ukraine is a world-historical event, a final ending to the post-Cold War period, plunging the world deeper into uncharted waters in ways still unfathomed. The only certainty is a previously unknown depth of uncertainty.

Never before has the world’s eleventh-largest economy, a major exporter of oil, gas, wheat, metals, and fertilizer, been unplugged. The financial sanctions, making the Russian central bank’s assets disappear overnight, undoubtedly made China think twice about the \$3 trillion it has in dollar and euro assets. Its decoupling efforts and promotion of the digital RMB will likely accelerate, and it may be rethinking plans for Taiwan.

That is just one prominent disruption. Much of Ukraine's economy is being destroyed, with reconstruction costs estimated in the \$400 billion range. Russia has been canceled, joining the ranks of pariahs like North Korea, at least as long as Putin rules. It has become a Stalinesque terror state, breaking the social contract under which Putin's kleptocracy was tolerated and social, cultural, and personal freedoms were permitted, if limited, for those steering clear of politics.

Tens of thousands of science, technology, and engineering professionals, particularly those in information technology, have voted with their feet. Putin has mortgaged Russia's future—that loss of intellectual capital and sanctions cutting off chips, spare parts, industrial equipment, and investment will stifle its economy in the next six to eighteen months.

With regard to the world order (or lack thereof), the Ukraine war and the Western-led response to it is accelerating fragmentation of trade, finance, tech, and, more broadly, reshaping a diminished, reconfigured globalization, already pushed along by Covid-19. Whether it is a bifurcated (United States/European Union/Japan/South Korea/Australia versus a Sino-Russian bloc) or trifurcated world (the European Union carving out a quasi-independent posture along with a loosely non-aligned bloc (India, South Africa, Brazil, Mexico, Turkey, Indonesia, and much of Africa) is unclear. Policies will be situational.

Moscow's spoiler role in global institutions may be on steroids. How does diplomacy work—North Korean nukes, the Iran deal, climate change, proliferation—absent a Permanent Five member of the United Nations Security Council that is also a major nuclear weapon state, energy exporter, and polluter?

There is a tendency to mistake Western consensus on Ukraine for global consensus. The neutral stance of India and much of The Rest surprised many in Washington, but shouldn't have. It's not just Delhi's long dependence on Russian weaponry, but like many in the global South, a lingering non-aligned mindset, degrees of post-colonial resentment from being on the receiving end of the Western-dominated order.

Already, the most dramatic fallout from the current malaise is hitting much of the developing world and may push some fragile states into the failing category. A strong dollar and rising U.S. interest rates are exacerbating a debt crisis that a dysfunctional Congress is making it difficult for the International Monetary Fund to manage. Inflation and rising fuel and food prices have already sparked bread riots from Tunisia to Sri Lanka, as those countries also are coping with Covid-19.

No wonder many are considering buying Russian oil at discount prices.

All told, the trends defy neat categories beyond the broad contours of major power competition. U.S.-China

relations remain on a downward path, and how the war ends will tip them one way or another.

Even there, the three big powers—the United States, Russia, and China—are facing generational economic, social, and political predicaments that will shape their global policies and cloud over their respective futures. Picking up the pieces from this fluid, transformative hinge of history will be a difficult and lengthy process.



*The sanctions imposed on Russia by Western governments have uncovered a much larger global fault line.*

**THOMAS OATLEY**  
*Corasaniti-Zondorak Chair of International Politics,*  
*Tulane University*

Russian President Vladimir Putin's invasion of Ukraine and the West's response have fractured global order. Western governments will not be able to piece the system back together. The invasion, as well as the broader foreign policy that produced it, indicate that Putin's Russia is unwilling to continue as a subordinate member of a Western-led international order.

Debate over the West's supposed responsibility for triggering the invasion has focused narrowly on the developing relationship between Ukraine and NATO and the extent to which this threatens Russian security. This focus has led analysts to neglect the broader question of how Putin views Russia's place in the contemporary world order, as well as the extent to which the invasion constitutes an attempt to change this system.

Yet these broader concerns appear to play an important role in the regime's calculations. Russian Foreign Minister Sergey Lavrov has commented that Russia's invasion is "rooted in the U.S. and West's desire to rule the world," and reflects a determination by Russia to create "a multipolar, just, democratic world order."

Regardless of the outcome in Ukraine, therefore, Russia's dissatisfaction with its subordinate status in the Liberal Order (does one peer tell another that it stands on the "wrong side of history"?) and determination to restructure it will persist. Consequently, Russia will not reintegrate into this order.

At the same time, the sanctions imposed on Russia by Western governments have uncovered a much larger global fault line. It might be too extreme to characterize this divide as a “West versus the rest” structure, but only slightly so. The greatest potential disruption resides in the fact that none of the emerging great powers, a short list of which includes China, Brazil, and India, have supported Western sanctions. And even some of the West’s traditional allies, such as Turkey and Saudi Arabia, have refused to support the sanctions regime. In addition, most Latin American governments and all African governments have refused to support the West.

The invasion and responding sanctions have thus helped forge a coalition, a loose coalition at this point, of authoritarian, semi-authoritarian, and even democratic states who share a skepticism of unfettered global capitalism in general and the West’s pre-eminent global role. Such widely shared discontent creates opportunities for Putin to find the allies he needs to create an alternative order. The developing relationship between Putin and China’s President Xi Jinping illustrates the trend.

Russia’s invasion of Ukraine thus constitutes a pivotal moment in world politics. The conflict and response will provoke the reorganization of global supply chains as western societies strive to reduce their vulnerability to “weaponized interdependence.” The era of Unipolar Globalization has ended. It is too soon to know what will take its place.



*Russia’s sweeping commodity ties with trade and financial partners reflect the co-dependency and complexity that underscore globalization as a future overarching theme.*

**GARY KLEIMAN**

*Senior Partner, Kleiman International Consultants*

Russia’s reprehensible behavior as a core emerging market placed it squarely with rogue states such as North Korea, Iran, Myanmar, and Venezuela in the broad international community diplomatic consensus. Commercial isolation is much easier for the latter group as minimal global economic contributors.

However, Russia’s sweeping commodity ties with trade and financial partners reflect the co-dependency

and complexity that underscore rather than undermine globalization as a future overarching theme, with *ad hoc* coalition formation following policy and practical imperatives.

From a financial markets perspective, the immediate aftermath of global sanctions and Moscow counter-sanctions led to a tug of war over sovereign and corporate debt repayments, where they were delivered and then refused at the transaction chain end, and separate stock exchange access for local and foreign investors. Central bank assets were frozen in an unprecedented G20 member move, and most state banks were cut off from the SWIFT payments network, but loopholes allowed currency intervention and cross-border deals to carry on with multiple layers.

Iran as a precedent is an inexact but useful guide to the shifting panoply of actors never fitting decisively in uniform blocs. Western, United Arab Emirates, Turkish, and Chinese banks helped Tehran evade the same SWIFT and central bank lock-up, and longtime U.S. ally South Korea was a major oil importer in defiance when a waiver was unclear over the period. Several niche Europe-based funds were prominent on the Tehran stock exchange, and the European Union tried to work out a dedicated cross-border euro-rial mechanism for trade. As an IMF member, majority shareholders could veto a Covid emergency loan, but they could not stop SDR distributions as with all other recognized governments despite pariah status.

The splintering commercial-financial connections with Russia follows a similar pattern. Eurasia Economic Union members such as Kazakhstan and Armenia seek to preserve banking, currency, and remittance ties. Chinese financial institutions remain in place, willing to open foreign exchange and ruble accounts, while India and Indonesia prepare settlement mechanisms for oil import discounts. Dubai and Turkey are luring wealthy business executives with citizenship promises over time.

None of these alignments represent permanent bifurcation into pro-Moscow or anti-West camps, but illustrate the multi-dimensional underpinning to the global monetary system that will persist throughout the Ukraine horror, and reset again with its resolution. During the period, an ultimate irony could be an Iran welcome back to the fold with a new nuclear-for-sanctions swap, and discovery of the large young high-tech consumer base shunned for a decade.

Eventual turnaround in the Russia relationship, especially under new leadership, could also be on the horizon. It will entail a return to core emerging market status as a capital and commodity linchpin, with overlapping and often contradictory foreign policy and business loyalties that escape the simple Putin regime friendly-unfriendly taxonomy.



*Europe and the United States are paying more attention to the suffering of white Christian Ukrainians than that of, say, Syrians, despite a similar geographical distance from the front lines.*

**NICOLAS VÉRON**

*Senior Fellow, Bruegel, and Senior Fellow, Peterson Institute for International Economics*

A neat dividing line has emerged among the Group of Twenty jurisdictions in terms of their response to Russia's invasion of Ukraine. Ten of them have adopted financial sanctions against Russia, which has consequently labeled them "unfriendly." The other ten have not. The former group includes Australia, Canada, the European Union, France, Germany, Italy, South Korea, Japan, the United Kingdom, and the United States; the latter is made up of Argentina, Brazil, China, India, Indonesia, Mexico, Turkey, Saudi Arabia, South Africa, and of course Russia itself. It may not be a coincidence that this bisection of the G20 coincides exactly with a division by wealth: The ten members that have introduced sanctions are the ten richest ones, with GDP per capita above \$30,000. In crude terms, sanctions against Russia's invasion have been the choice of the "Global North," and not that of the "Global South."

Why is that? The exact motives vary, and are embedded in the history of each of these polities. Not all are benign. Still, a common link is a perception that the international rules-based order that gets ritually invoked in Brussels or Washington, D.C., is less egalitarian than its advocates imply. That perception, of course, echoes a past of colonial and/or economic domination by Western countries that is shared, with nuances, by all of the G20's poorer half.

In many of these countries, it is not necessarily that the Western rhetoric denouncing Russia's violation of Ukraine's sovereignty fails to resonate. Rather, it is that it tends to be viewed against precedents that the same rhetoric tends to elide, such as the long legacies of colonialism, gunboat diplomacy, and sponsored coups, all the way to the U.S. invasion of Iraq in 2003. There is also the unavoidable fact that Europe and the United States are paying more attention to the suffering of white Christian Ukrainians than that of, say, Syrians in recent years, despite a similar geographical distance from the front lines.

How can Europeans and Americans address these perceptions, and achieve a greater commitment of the Global South to its just cause of defending Ukraine? Greater self-awareness would help. This is arguably even more of a challenge for the United States than for the European Union or the United Kingdom, whose compliance with global norms is generally stricter. Washington may consider, for example, membership in the International Criminal Court, or ratification of the United Nations Convention on the Law of the Sea. Given political polarization in America, arguably none of this is possible in the near term. But equally, the perception of double standards will not easily go away. ♦



THE INTERNATIONAL ECONOMY  
THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY  
220 I Street, N.E., Suite 200  
Washington, D.C. 20002  
Phone: 202-861-0791  
Fax: 202-861-0790  
www.international-economy.com  
editor@international-economy.com