**Nataliia Reznikova**
*Doctor of Economic Sciences, Full Professor,*
*Professor at the Department of World Economy*
*and International Economic Relations*
*Educational and Scientific Institute of International Relations,*
*Taras Shevchenko National University of Kyiv*
**Myhailo Grod**
*Postgraduate Student*
*Educational and Scientific Institute of International Relations*
*Taras Shevchenko National University of Kyiv*

**Резнікова Н.В.**
*доктор економічних наук, професор,*
*професор кафедри світового господарства*
*і міжнародних економічних відносин*
*Навчально-наукового інституту міжнародних відносин*
*Київського національного університету імені Тараса Шевченка*
**Грод М.І.**
*аспірант*
*Навчально-наукового інституту міжнародних відносин*
*Київського національного університету імені Тараса Шевченка*

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# POLITECONOMY OF DEGLOBALIZATION: ECONOMIC PROJECTIONS OF THE FRAGMENTATION OF THE GLOBAL ECONOMY

# ПОЛІТЕКОНМІЯ ДЕГЛОБАЛІЗАЦІЇ: ЕКОНОМІЧНІ ПРОЄКЦІЇ ФРАГМЕНТАЦІЇ ГЛОБАЛЬНОЇ ЕКОНОМІКИ

Contemporary geopolitical fragmentation is determined primarily by ideologically charged political considerations and will rely on a broader and more differentiated composition of opposing blocs. The dynamic and unstable nature of geoeconomic equilibrium may be accompanied by new waves of confrontation, which makes it difficult to identify individual opposing blocs, within which conflicts may also exist between some participants. The dynamism of political change will significantly complicate the establishment of close economic ties or integration unions. Deglobalization as a side effect of geopolitical confrontation can be characterized as a process of decreasing interdependence and integration between states and economies of the world. In this context, it can be argued that deglobalization is manifested, among other things, in the intensification of conflicts and imbalances related to trade, in a decrease in the share of imports in the national gross product and often in an increase in unemployment in individual countries [1, p. 9]. Deglobalization is an uneven process, and while such processes are clearly visible in the area of international trade (sanctions, trade wars), in the financial sphere, for example, deglobalization processes are less obvious. Developing countries and countries with emerging markets are the ones that suffer most from the redistribution of foreign direct investment flows, since their share in the inflow of FDI is decreasing, and these countries are the ones that especially need foreign technologies, which come with investments mainly from developed countries.

One of the striking manifestations of geopolitical fragmentation in trade is the policy of reshoring and friendshoring, which implies that instead of considerations of economic efficiency and market signals, the principles prescribed by politicians come to the fore [2, p. 63]. At the same time, the beginning of the trade war between the US and the EU is destroying these new forms of organizing international economic relations. One of the reasons for the confrontation is the announced policy of reindustrialization aimed at reviving industry and the race for technological primacy in digital technologies. This is fraught with the weakening of investment ties and the disintegration of transnational production networks, within which a significant part of international trade turnover is carried out. While technological and digital competition accelerates scientific and technological progress and encourages improvements in the organization of production, technological and digital rivalry in the context of fragmentation of the system of international economic relations increases specific costs, intensifies the technological split, leads to unnecessary waste of resources and increased environmental risks, and stimulates a new round of struggle for resources necessary for the implementation of the green and digital global agenda. As for the economic conflict between the US and China, the central problem is the trade deficit, to cover which the US is forced to regularly increase the size of the national debt by selling its treasury securities to China. In addition, there is a continuous increase in the dependence of American manufacturers on global supply chains involving Chinese companies. The problem of the debt burden for the American economy is coming to the fore.

The reconfiguration of the opposing blocs will cause major changes in group supply and demand and corresponding price changes. As a result of the restructuring of the existing global value chains, some countries will benefit from investments in high-tech production. At the same time, the growing digital divide between countries risks undermining the foundations of sustainable development and safe digitalization. The implementation of the green and digital transitions declared by many countries will be called into question due to the forced reconfiguration of green and digital value chains [3].

Large economies with high trade tariffs always benefit more from trade agreements than small countries, and the latter are in any case at a disadvantage, regardless of whether they enter into agreements or not. The domino theory explains this as follows: because small countries can benefit by joining the strategic initiatives of large countries within the framework of trade agreements, participation in regional agreements becomes attractive for them due to the fear of losing out by being outside the agreement [4]. As a result, in the context of slowing globalization, it is precisely small countries that in most cases prefer not to conduct bilateral negotiations with giant countries, but to join regional blocs, where the platform for work has already been prepared and the rules have been written down.

The reorientation of China’s trade and investment flows to Asia in the long term may mean more active "yuanization" of supply chains, especially given the further development of transnational financial infrastructure involving Chinese banks and high-tech companies. The promotion of the digital yuan as a reserve currency in the long term may significantly weaken the peg of China’s foreign trade to the US dollar and settlements via SWIFT. Thus, fragmentation in trade will affect the fragmentation of the international monetary and financial system. This actualizes the issue of monetary and financial sovereignty as a component of economic sovereignty. This means that the problem of expanding countries’ access to international liquidity will come to the fore. The key to its solution may be the introduction of central bank digital currencies with their subsequent use for international settlements, including through digital multiplatforms.

The world economy, divided into geopolitical blocks, faces two constraints at once: a supply constraint due to more expensive imports and a demand constraint due to a decrease in consumption and real incomes of the population. On the supply side, higher import prices lead to higher marginal costs and an increase in inflation. On the demand side, a decrease in real income leads to a reduction in expenditures, acting as a disinflationary factor. A reduction in trade or a slowdown in its growth leads to an increase in prices in fragmented markets [5]. The increase in the cost of raw materials and energy resources results in an acceleration of price growth for all goods. A factor worsening the well-being of low-income strata of the population is the increase in prices for food and mass consumer goods, which occurs as a result of a general increase in costs and a decrease in supply in the relevant market sectors. As a result, the influence on the demand side may be stronger, and this suggests that trade fragmentation may lead to a decrease in inflation.

The liberalization of intra-bloc trade and its forced growth, as well as the increase in mutual investments, the creation of independent payment systems and new logistics routes, will be accompanied by an increase in protectionist sentiments on a global scale, which will lead to the need to revise the global trade system and the role of the WTO in its regulation. A serious challenge to the system of international law is the concept of replacing the contractual foundations of interstate relations with a mechanism of a political transaction [6]. This is why, in the conditions of geopolitical fragmentation, countries that can gain benefits in trade and investment due to their flexible foreign economic policy will stand out due to the fact that they will act as "links" between individual opposing blocs. This phenomenon is known as the "logic of arbitrage" effect: the more rigid the artificial barriers between two large and attractive economic spaces, the greater the benefit for the players who can somehow overcome these barriers.

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