

The End of Globalisation?

The Russian invasion of Ukraine & the international response is the culmination of a series of changes which reveal the end of a particular period of world economic growth & the beginning of something 'different'. What that 'difference' will be is not yet fully clear or realised because it depends upon a political struggle – hence the question mark! However, what we can do now is to outline the dimensions of an emerging structure of global political economy [GPE] in line with AE's 'possible scenario' approach.

What has the current crisis taught us?

Primarily, it has emphasised the political determinants of the form of globalisation that many [wrongly] thought was both universal and irreversible. The globalisation of liberal political economy – 'free trade, investment, movement of people, global supply chains & markets -was **ALWAYS** conditional upon a specific global political order, including its belief system, & when that order changed, the nature & extent of globalisation changed with it. The primacy of politics & geo-politics had previously been obscured by the very success of [this version of] globalisation, especially in the case of both China & Russia.

The impact of such changes upon national economies depends upon both geo-politics AND geo-economics, as well as the extent of integration into the GPE & the domestic political economy. For a highly integrated [trade & production], relatively rich but small economy such as Czechia the implications could be profound, particularly given the importance of auto & vehicle production chains, which act as transmission channels from 'global' to 'local' and vice versa.

The second lesson is that such is the disjunction that we cannot assume that the future will be like the past, and hence we must re-evaluate policy and decisions at **every level** of economic, business & political activity, & not just 'foreign' policy. Here it is important to remember that for most industrial economies we cannot distinguish between the domestic and international domains, especially for the economy.

Although the Ukraine crisis is the immediate cause of the rupture, other events/developments have challenged the political structure of the GPE over the past 15 years – the emergence of China as an economic superpower, its attempts to change the global order and the success of its 'Belt & Road' initiative; US policy under President Trump. And, of course, the global pandemic and international/ national

responses -which still have a huge continuing impact. To a certain extent these events prefigured the fundamental changes precipitated by the Russian action and should have prepared us.

What do the contours of the next phase of 'globalisation' look like?

Structures, processes and geo-spatial boundaries will be determined politically, largely according to the outcome of the geo-politics of the conflict in Ukraine.

This probably means at least a western group [led by US/EU] with potentially increasing intra-regional trade and production chains **where considerations of security dictate** AND an Asian group [led by China], in the short term still with **considerable** trade/global production links between them [US imports from China are still rising]. The Russian economy will be a junior partner to China.

Global cross border flows will probably not diminish, but they will change direction/ nature.

The global south [mainly Africa] will become increasingly important to these. Also, the nature of flows will move towards digital/information etc. However, the looming global food shortage will create [already!] major human and financial problems for poor & intermediate countries [debt default – Sri Lanka] and these will drastically slow economic growth.

There will be a changed energy map of the world, but especially in Europe [Germany – important for Czechia/Italy].

Sustainable technologies [and needed huge investments] will change the pattern of dependence [**change, not eradicate** - who produces the minerals for batteries, photo-voltaic etc?].

There will inevitably be unintended and consequential impacts that at the moment we do not know.

All this, and more, as we argue, will ultimately be determined by the struggle for power. Crucially, uncertainty as to outcomes means economies and businesses need to be more resilient to deal with significant unknowns. As ever, 'who benefits' will be the key question to ask.