



The Recent Global Situation and the Supply Chain Management

Paraschos Maniatis

Athens University of Economics and Business

Abstract: The purpose of this article is to explain in detail the current state of the world and the future of the terms deglobalization, decarbonization and defense spending (defense spending). For this purpose, recent detailed data as well as interviews with economics experts are given.

Keywords: globalization, deglobalization, decarbonization, defense spending

Introduction

The World after Globalization

Whether We Want It or Not What We Called Globalization Is Over¹

We understood this strongly at the beginning of the pandemic. When the countries, especially the West, realized that it was very dangerous that the design was based on "we do not need to have stock of masks, if necessary we will order in China".

We have been seeing this for a long time now as we realize that a world where everything depends on international supply chains is a world much more vulnerable. A quarantine in a Chinese port and suddenly the world economy is in trouble.

We understand this painfully with the war in Ukraine: with the world more divided than ever, it is impossible to consider all the sources e.g. energy data. At some point the flows stop, just as at some point countries may be forced to refuse some suppliers.

What was called " **globalization** " was rather a historical break. A relatively short historical period immediately after the collapse of "existing socialism", when all countries seemed to accept the logic of capitalism and markets and consider the United States as the ruler.

However, the years passed, the countries did not abandon capitalism, but they discovered that sometimes it needs state interventions, sometimes "protectionism".

The United States was the first and best to withdraw from the big free trade talks under Trump , but did not return to them under Biden .

And of course as the years went by the geopolitical competitions came to emphasize that the economy in general can unite, but the first reason is politics and then we have division.

And our world is becoming more and more divided. And it will remain more divided even if a peaceful settlement of the Ukrainian issue comes.

Chapter 1

1.1 Barron's: H Economic Integration Would Make The World More Peaceful - What Was Wrong?²

1.1.1 Most Markets May Have Returned To Where It Was Before The War Was, But The World Definitely Does Not.

Christopher Smart (Barron's) has written that:

It is humiliating when the "beliefs" of a lifetime collapse, but there are lessons to be learned among the wreckage. At least that is my hope as I prepare for the next horrific phase of the Ukraine war and watch the 11th largest economy in the world shrink before my eyes.

Most markets may have returned to where they were before the war began, but people certainly have not. It is important to understand why.

I studied Russian in college because it seemed important to understand America's main adversary in the Cold War. When the Soviet Union collapsed, I went to Moscow to help advise a group of reformers on how to better lead the transition to a market economy.

Later, as a portfolio manager, the basic belief was that investing in Russia paid off and also boosted progress in political reform and economic integration.

By strengthening the country's share in the world economy, simple logic said, the chances of political cooperation and peace increased.

It is a theorem of Western diplomacy that is now worth another look.

¹<https://www.in.gr/2022/05/28/apopsi/o-kosmos-meta-tin-pagkosmiopoiisi/>

²<https://www.in.gr/2022/04/30/economy/diethnis-oikonomia/barrons-h-oikonomiki-oloklirosi-tha-ekane-ton-kosmo-pio-eiriniko-ti-pige-strava/>



I was not so naive as to believe that an "end of history" marked a new era of transnational innocence, but the idea that financial commitment encourages good behavior made sense. As an emerging Russian middle class saw the benefits of German capital equipment, holidays in Turkey, and steadily rising living standards, it would like to encourage its deeper involvement with the outside world.

Sure, we would still be talking about NATO enlargement or conflicts in the Middle East, but a key alignment of economic interests would keep the relationship on track.

It is a controversial idea in academia. The "realists" insist that international relations are better understood as the powerful states imposing their will on the weak.

Indeed, this school is claiming justice in the tragic scenes unfolding in Ukraine. There is an attractive simplicity to the logic that in the aftermath of the Soviet collapse, the West overcame and failed to gain Moscow's trust.

But the notion that free market democracies do not fight each other dates back to philosophers like Immanuel Kant and Joseph Schumpeter. This was essentially the heart of Western policy toward post-Soviet Russia. There was a struggle to invite Boris Yeltsin to G7 meetings in the 1990s, even though he had little to say about exchange rates.

There were legions of foreign advisers, like me, whose governments funded projects to help privatize state-owned assets, draft new corporate laws, and launch mutual funds.

A key element of the strategy was to ensure Russia's accession to the World Trade Organization in 2012. Trade data confirms that Russia's dependence on world trade increased rapidly after the collapse of the Soviet Union.

During this period, the points of friction (Serbia, Syria, Iraq, Snowden, Magnitsky, Navalny and cyber attacks) quickly overcame any fragile ground for cooperation (test foreign investment, Afghanistan and space).

Until 2015, after the occupation of Donbas and Crimea by Russia, I worked in the National Security Council as a member of a group that began deliberately dismantling the economic relationship, imposing sanctions, discouraging corporate investment and cutting off areas of cooperation. The current wave of breathtaking sanctions has dealt a final blow to this badly damaged economic relationship.

However, if this sounds like a dramatic failure for a major experiment, perhaps a review of modern economic diplomacy could begin.

First, it is important to analyze why we failed. Realists could be right that national security concerns would always prevail. Or maybe Russia is just the exception that proves the rule. Free market democracies may actually be more peaceful, but the Putin regime is not. If we had done more to invest in the political and economic transition, would the world be here today?

Second, we may need to reevaluate the way we balance financial commitment with political concerns or security concerns. Trade and financial flows are at the heart of the European Union's success. But we have implemented a similar "integration" strategy in China, only to see this relationship break down. India is largely a free market and a democracy, yet it remains one of the United States' most difficult partners on key foreign policy issues - including current sanctions on Russia.

Thirdly, at least as far as Russia is concerned, we are in a new phase of our economic diplomacy, now relying on the stick for results where the carrot has failed. Extreme sanctions have not yet had an effect on Iran, but they have ultimately contributed to the democratization and international integration of post-apartheid South Africa. The punishment will lead the Russian economy into recession, bringing it back to the isolation of the 1970s. Some measures may be relaxed amid negotiations on a ceasefire in Ukraine, but the real logic at this stage is to create enough pain to encourage regime change. This can come quickly - or never.

As historians explore these and other questions, perhaps the immediate lesson is simply that positive financial commitment is necessary to ensure cooperative behavior from another country, but it is not enough on its own. This may not sound like a big deal, but starting to restate a central view of Western politics may be the best we can do at the moment as we collect the pieces from our previous views on Russia.

Chapter 2

2.1 Ubs: The "Three D" Brought By the War to Ukraine³

2.1.1 The scenarios for the next day

The "three D's" will be the main long-term trends that came to stay, as a result of the war in **Ukraine**, says a study by UBS Switzerland AG⁴ Michael _ Bolliger, head of the investment office of its global emerging markets.

³<https://www.in.gr/2022/05/23/economy/diethnis-oikonomia/ubs-ta-tria-d-pou-efere-o-polemos-stin-oukrania/>

⁴UBS Switzerland AG is a corporation limited by shares and with a registered office in Zurich. It is licensed to operate as a bank, securities dealer and custodian bank in Switzerland and may engage in a full range of



These are deglobalization, decarbonization and defense _ _ _ spending (defense spending).

De -globalization will accelerate in an environment of heightened international distrust, leading businesses and governments to focus on supply chain security.

Reducing carbon emissions is becoming more important, with countries around the world trying to reduce their dependence on fossil fuels.

At the same time, defense spending will be a key issue in the aftermath of the war, as the "peace dividend" that emerged from the end of the Cold War is waning.

Governments will focus entirely on cybersecurity, food and energy.

2.1.2 New "cold war"

In its basic scenario, UBS "sees" a new "cold war", as the war in Ukraine will affect not only the relationship of Western democracies with Russia, but also international relations in general, between East and West, emerging and developed. economies.

War is reshaping the world on a global and regional level. The differences that have arisen will remain even after the signing of any ceasefire agreement.

In the absence of a change of leadership, Russia will remain isolated from the West, which will seriously damage its trade relations.

Europe, on the other hand, will fight for energy independence.

2.1.3 And two more scenarios

However, the Swiss bank maintains two more scenarios: in the bad scenario, the new Cold War escalates, trade with the Russia interrupted this year, with Europe leading to recession. The world is becoming increasingly bipolar as Russia aligns itself with China and other emerging countries, hurting international trade and the global economy.

In the good case scenario, sanctions on Russia are lifted as part of a ceasefire agreement. Confidence in the country remains low, while diversifying the supply of goods will remain in focus, but only as a long-term goal.

Chapter 3

3.1 Who Remembers Globalization?5

3.1.2 In defiance of initial estimates, what was described as "globalization" has probably not yet come

In the first post-Cold War years, a concept prevailed, being at the same time an analytical tool but also a "slogan" (in our country and a mandatory unit in the course of Exhibition - Expression): globalization. The collapse of the Soviet Union, the disintegration of the "socialist bloc", China's claim to full membership in the processes of capitalist internationalization, the ever-increasing size of multinational enterprises, all seemed to lead to a much more sophisticated world. never. From theory the concept passed into politics and became a kind of war cry against anyone who thought there could be an alternative.

It is no coincidence, after all, that for a significant period and with a climax The WTO summit in Seattle in 1999 and the G7 summit in Genoa in 2001, the main opponent of the movements was precisely globalization , hence the almost forgotten concept of the its interior between the antiglobal and the alter global) which in essence reflected the growing opposition to a neoliberalism that felt omnipotent shortly before it showed its structural boundaries in 2008.

3.1.3 End of globalization?

Today, the pattern of the "end of globalization" seems to dominate the public sphere, at a time when the West seems to be pursuing a new division of the world that is not limited to political opposition to "authoritarian regimes" but also to the effort. their detachment from the internationalized economic practices that had historically defined what has been described as globalization. At the same time, not only Russia but also China and to a lesser extent countries such as India are preparing for an international economic landscape fragmented into parallel networks of trade and investment flows. Of course, from the continuing flow of Russian oil and gas to the West to the fact that American tech giants like Apple are increasing orders from Chinese factories, many show that the real degree of interdependence remains greater.

financial, advisory, trading and services activities in Switzerland and abroad, including personal banking, commercial banking, investment banking and asset management. UBS Switzerland AG belongs to the companies controlled by the group parent company UBS Group AG.

⁵<https://www.in.gr/2022/04/10/economy/diethnis-oikonomia/poios-thymatai-tin-pagkosmiopoiisi/>



Economic historians know that the period before World War I was also a period of great "globalization" of the economy, to the extent that Karl Kautsky would speak of "hyper-imperialism" wanting to describe the trend of unification that he considered to be active in the world. system, a description that de facto underestimated the deep rifts that led to an unprecedented military confrontation, which underlined that the growth of international economic trade by itself means neither economic nor, much less, political integration and countries with increased bilateral trade. , can easily lead to war conflict.

The paradox is that while since the 2000s it has been clear that under the strict theoretical conditions of a unified political and economic system on a global scale, including the formation of a common global elite and political forms that transcend nation-states, there is no globalization. , however, the concept remained a convenient "metaphor" for the world, which, like all ideological forms, simultaneously demonstrated international interdependence and disguised the real rivalries that divide the international system and explain the survival of the nation-state form. After all, even the most advanced version of supranational integration, with elements of partial reversal of aspects of individual national sovereignty, the European Union saw the blow of Brexit and the difficulty of political unification even at the level of a Recovery Fund.

Although later often undermined by a catastrophic economy that sought to demonstrate the certain collapse of "world capitalism", or the "narrowing" to simple aggression and expansionism , the concept of imperialism, as it emerged in the Marxist tradition, tried a different one. Already from Bukharin and Lenin, he involved the "epistemological section" to try to unify the approach of political economy and that of international politics, arguing that the international behavior of states is determined by their internal economic and social composition, the dynamics of accumulation and social competition, giving at least the perspective of a theory of imperialism as a complex and unequal relationship between economy, politics and hegemony both within states and within the international system. In a world of deep contradictions, open contradictions, sharpened conflicts and ever-increasing dangers, perhaps this is a theoretical thread that could help the effort to theoretically unify the tiles of a world that is literally changing before our eyes.

3.1.4 Multipolar world?

The question of whether we are moving into a multipolar world often comes up lately, even if the world seems to be much more complicated than a "camp conflict" between the "West" and a potential "Eurasian integration". After all, in the stubbornness of trying to show a difference of "worldviews", the inevitability of a common denominator remains the coercion of the market. The essential condition of a real "multipolarity", that is, the juxtaposition of different forms of social production (and reproduction), is currently absent.

Chapter 4

4.1 Paul Krugman: Trade and Peace - The Great Illusion of Western Elites and the War in Ukraine⁶

4.1.1 Trade as a good for peace and as a means of justifying authoritarianism. From the example of Putin's Russia to China's pursuit of China.

On April 12, 1861, rebel artillery opened fire on Fort Sumter, starting the US Civil War. The war eventually turned into a disaster for the South, which lost more than a fifth of its young men. But why did the separatists believe that they would succeed? One reason was because they believed that they possessed the powerful economic weapon of the time, called "cotton", he writes in **New York Times** Nobel Prize-winning economist Paul Krugman , with his eyes on **Ukraine** .

They believed that stopping the supply of cotton, on which the British economy was deeply dependent, would force the leading power of the time to intervene on the side of the Confederacy. Indeed, the Civil War first created a "cotton famine" that left thousands of Britons without jobs. In the end, of course, Britain remained neutral - in part because British workers saw the Civil War as a crusade against slavery.

This old story, says Krugman, has an obvious connection to the Russian invasion of Ukraine. **THE Vladimir Putin** saw Europe's - and Germany in particular - dependence on Russian gas just as slave owners saw Britain's dependence on "KingCotton": as a form of economic dependence that rewards his military ambitions.

And he was not completely wrong. **THE Germany** seemed reluctant to make financial sacrifices for the sake of Ukraine. Even when Britain and USA rushed to provide anti-tank missiles to Kyiv, Germany offered... 5,000 helmets.

And it is not hard to imagine that, if Donald Trump were still President of the United States, Putin's bet that international trade would be a means of coercion rather than peace would have been justified.

⁶<https://www.in.gr/2022/04/26/world/pol-krugkan-emporio-kai-eirini-megali-pseydaisthisi-ton-elit-tis-dysis-kai-o-polemos-stin-oukrania/>



"If you think that I am trying to embarrass Germany in order to become a better defender of democracy, you are right," he said. Paul <https://www.in.gr/tags/%cf%80%ce%bf%ce%bb-%ce%ba%cf%81%ce%bf%cf%8d%ce%b3%ce%ba%ce%bc%ce%b1%ce%bd/> **Krugman** <https://www.in.gr/tags/%cf%80%ce%bf%ce%bb-%ce%ba%cf%81%ce%bf%cf%8d%ce%b3%ce%ba%ce%bc%ce%b1%ce%bd/>. He adds: "But I am also trying to make a broader point about the relationship between globalization and war, which is not as simple as many have assumed."

The long-held belief of the Western elites was that **trade** is a good of peace. Since Roosevelt's time, the belief that lower tariffs and the liberalization of international trade would be the foundations of peace has been part of the political agenda.

Respectively, the equally political and economic undertaking was the **European Union**, Krugman stressed, referring to the European Coal and Steel Community and the need to interconnect French with German industry, so that there is no more war in Europe. And West Germany, he recalls, in the 1960s began to seek to normalize economic relations with the Soviet Union, hoping to push the East towards democracy. The Russian gas started flowing in Germany in 1973.

In some cases, trade may promote peace and freedom, but in other cases, authoritarian leaders, who are more interested in power than in prosperity, build economic relations hoping to get a pardon: for the sake of their own interests, democracies would do the crooked eyes to the abuse of power.

Krugman notes, has been with him for years Victor Orban of Hungary, which has overthrown liberal democracy. Are such large European and especially German investments in Hungary coincidental?

And the big question: O Si Jinping sees its integration **Of China** to the world economy as a reason to avoid adventurous policies - such as the invasion of Taiwan - or as a reason to reap a weak Western response? Nobody knows.

Krugman explains, but rather to address real national security concerns about trade.

The countries of legality, he argues, should not deviate from the defense of freedom. We must prove to authoritarianism that close economic relations do not frighten democracies, nor do they shake the defense of democratic values.

This in practice means, Krugman concludes, that Europe must move quickly to cut off Russian oil and gas imports and that West must supply the Ukraine with weapons, not just to hold him Putin away, but to bring about a clear victory. The stakes are much higher than in Ukraine itself.

Chapter 5

5.1 War In Ukraine: "Things Will Be Bad" - How Russian Invasion Affects The World Economy

5.2 So supplies and energy flows have not been disrupted so far, but markets are reacting as if they are about to be disrupted.⁷

"When the **Vladimir Putin** invaded militarily in " **Ukraine**, most people estimated that he would save it without significant consequences" points out the Nobel Prize-winning American economist Paul Krugman with his article in **New York Times**. The Russian army would "take" it Kyiv and other major cities in Ukraine in a few days. And the West would respond, reprimanding Russia, but in a rather painless and timid manner.

Advertisement : 1:06

However, two weeks after the start of the Russian invasion, it is clear that things did not turn out as many expected on the Ukrainian front.

The Kyiv and Kharkiv they are still "holding" and the Ukrainian resistance remains strong (with the help of the weapons sent by the Westerners to Ukraine), while the Russian invading forces on the other side have been faced with problems. At the same time, Western sanctions are making clear that they have a serious impact on the Russian economy, which could be even more serious.

"Obviously all of this could change," he warns Krugman. Russian forces could regroup and continue the offensive, and Western governments on the other hand could begin to lift sanctions.

For the time being, however Putin faces far worse consequences than he could have imagined.

"The costs to the global economy will be severe. The question is how serious?" "Things will be bad but not catastrophic," Krugman said, adding that it was clear that Putin's response to the aggression would cost not only the Russian side but also the other sides reacting.

⁷<https://www.tovima.gr/2022/03/10/finance/polemos-stin-oukrania-ta-pragmata-tha-einai-asxima-pos-epireazei-i-rosiki-eisvoli-tin-pagkosmia-oikonomia/>



5.3 The comparison with the 1970s

According to Krugman, "more specifically, the (last) shock from Putin's moves is more likely not to be as severe as the oil crises that rocked the world economy in the decade. 1970 ».

As in the 1970s, so now the blow to the world economy comes from commodity prices. Russia exports large quantities oil and both Russia and Ukraine are also major exporters cereals. Therefore, the war can only have an impact on prices not only energy but also of food.

So far, the sanctions announced by Europe against Russia have not touched Russian exports oil and natural gas. The United States, of course, has banned oil imports from Russia, but this in this case does not have high costs for themselves or for Russia.

It should be noted that Russian oil production accounts for about 11% of world production, while the production of the Gulf countries accounted for about 35% of world production during the 1970s.

However, compared to the 1970s, the world economy today is much less dependent on oil.

So energy supplies and flows have not been disrupted so far, but markets are reacting as if they are about to be disrupted.

As a result, the real - adjusted for inflation - price of oil has almost risen to the level it had reached during the 1979 Iranian Revolution.

But what about Russian gas? Yes, Europe relies heavily on that, admits Paul Krugman. He emphasized, however, that gas consumption was largely seasonal, meaning that it increased in the winter months but declined during the summer months, which in turn meant that Europe would have more problems (if it did not). take shielding measures) not now but after the summer of 2022.

5.4 Energy - food

"Food can actually be a bigger problem than energy," Krugman said. Before Putin's war, Russia and Ukraine together accounted for more than 25% of world exports of wheat. Now that Russia is in the crosshairs of sanctions and Ukraine has become a war zone, wheat prices have skyrocketed from \$ 8 per bushel to \$ 13.

In affluent regions such as North America and Europe, this price increase will be painful but mostly tolerable, because consumers in developed countries spend a relatively small percentage of their income on food. For the poorest nations, however, the shock will be much more severe.

"Overall, then, the energy crisis created by Putin will be serious but probably not catastrophic [...] and the Russian shock to the world economy will be acute but probably not too acute," the Nobel Prize-winning American economist concludes in his analysis. his biggest concern for the developments from now on is more policy and less economical.

According to Krugman, however, if Putin thinks he can hold the whole world hostage by demanding ransom, then he has probably made another miscalculation.

Chapter 6

6.1 China: The big loser of globalization⁸

6.1.1 The risks to economic interdependence between countries with conflicting ideologies

Pei Minxin (Project Syndicate) has written that:⁹

Russia's unprovoked war against it **Of Ukraine** has accelerated the division of the world into two blocs, one involving the world's democracies and the other its totalitarian regimes. This, in turn, has exposed the dangers inherent in economic interdependence between countries with conflicting ideologies and security interests. And although the forthcoming de- globalization process will leave everyone in a worse position, the **China** is going to lose the most.

6.1.3 Partial disconnection

Of course, the China was directed towards at least a partial disconnection with the United States long before the **Russia** invades Ukraine. And it seeks to ensure that this process will happen on its own terms, reducing its reliance on markets and technology. **USA** . To this end, in 2020 China introduced the so-called dual-traffic strategy, which aims to boost domestic demand and technological self-sufficiency.

And yet, last year, China remained the world's largest exporter , sending \$ 3.3 trillion worth of goods to the rest of the world, with the United States being its number one export market. In fact, total trade with the US increased by more than 20% in 2021 as China's total trade reached a new high. Trade with the European Union also increased, reaching \$ 828 billion.

⁸<https://www.in.gr/2022/04/18/economy/diethnis-oikonomia/kina-o-megalos-xamenos-tis-apopagkosmiopoiisis/>

⁹Pei Minxin is professor at Claremont McKenna College and partner of German Marshall Fund of USA (German Marshall Fund of the United States).



High debt, rapidly aging populations and the real estate sector will continue to hamper GDP growth, while strong income inequality, rising housing costs and inadequate social protection will limit consumer demand. The closure of factories producing goods for export and the relative loss of jobs will further exacerbate these challenges. In addition to shrinking export markets, China will lose access to the technologies needed to build a knowledge-based economy.

6.1.4 Heavier price

The third major cost of demobilization for China is more difficult to measure, but it may well prove to be the highest: the loss of profitability gains from strong competition. The products produced and sold in China are of much higher quality today mainly because Chinese companies have to compete with their western rivals. If Si Jinping will allow Russia, China's strategic partner "without limits", to divide the world with its war in Ukraine, it is China that will pay the heaviest price.

Conclusion

Obviously there will be a need for cooperation: climate change remains a global challenge that can only be resolved through global cooperation.

But at the same time the vision of a world of generally free movement of people, goods and capital now seems quite naive.

This creates challenges for both Europe and our country.

Gone are the days when we just wanted to be a hub in a smooth flow of goods and capital. The partnerships will be more regional and more strategic.

Europe needs to think about how to defend European interests (even if it belongs geopolitically to the "Atlantic bloc") and Greece needs to think about how it can stand in a new, more fragmented and competitive environment.

Obviously we can not believe that it is enough to fold in the national dimension. Our interdependencies with other countries and the global economy as a whole remain strong.

But at the same time we need to see how we expand our production capabilities and adapt our production model to an era where it will not be enough to just order something in China.

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