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Volodymyr Sidenko¹

**WAR IN UKRAINE AS A BIFURCATION POINT
IN GLOBAL DEVELOPMENT:
RHYMING WITH THE PAST VERSUS CREATING THE FUTURE**

In this article, prepared as part of the creative discussion on the problems raised in Sergio Mariotti's paper regarding various global economic aspects related to the Russian-Ukrainian war, the author argues that, despite the obvious tendencies towards greater global protectionism, one should not excessively expand the meaning of the term "protectionism" thus concealing the recent trends towards direct government interventionism in the functioning of international markets, which makes the very concept of "free market" increasingly conditional. Turning to the currently observable repeatability of certain trends of the past (called "rhyming"), which is another important message in S. Mariotti's article, the author emphasizes the need to consider this phenomenon not as a regrettable and undesirable coincidence, but as a natural consequence of the principle of cyclical character of economic development and the wave-like nature of long-term development trends.

The article suggests that one can not overcome undesirable and dangerous global trends just by calling for peace, cooperation and better global coordination based on the established principles of institutionalised world order. That purpose requires a truly global thinking in all without exception centers that shape global development policy, and true cooperation in defining the parameters of the future and in solving global problems of humanity. And this is only possible via the formation of a qualitatively new model of globalization, where economic freedom would become the freedom of free development for all.

Keywords: *deglobalization, economic nationalism, global protectionism, global value chains, fragmentation, global interdependencies, K-waves, long civilizational waves, Russian-Ukrainian war*

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The Russian-Ukrainian war, which has been going on for over a year, has become a powerful catalyst for truly tectonic shifts in the world economy, significantly increased the manifestations of systemic crisis phenomena in it, and accelerated the process of maturing the prerequisites for the transition to a qualitatively new socio-economic world order. On the other hand, this war itself did not arise by chance and not only due to the long-term aggravation of contradictions in Russian-Ukrainian relations. Its pathogenesis cannot be adequately defined and its dynamics tracked outside the broader context of global development trends and related structural and institutional shifts.

In this context, the publication of the article by the Italian professor Sergio Mariotti² is definitely of considerable scientific interest. Not only because its author demonstrates high professionalism in the analysis of complex and controversial global processes, an extremely wide knowledge of recent scientific publications on the specified subject, but perhaps primarily due to the method of comparative and historical analysis, which he applies. The latter makes it possible to see global processes in a long historical perspective, and therefore to more accurately identify their essential and recurring components, to distinguish them from those elements of the process, which are temporary and specific for the present time, and, in so doing provide a more adequate assessment of the future.

At the same time, one should note an extreme complexity of the current global processes, their ambiguity and a significant uncertainty generated by them, which is characteristic of the periods with systemic transitions. And this serves as the basis for very contradictory assessments and predictions, which are significantly influenced by a researcher's personal value-based and epistemological preferences. As a result, any scientific concept cannot claim to be complete, so it necessarily has "white spots" and vulnerable places that leave room for creative criticism.

The purpose of this article is precisely to highlight three important aspects of the mentioned problem of global changes, two of which are in the context of positive economic analysis, and one is normative. Specifically, it is about 1) trends of global protectionism, 2) rhyming with the past in the present and the future, and 3) ways to "avoid dangerous paths" and determine the mode of "the concerted support of the major countries, and... international inter-state collaboration" (Mariotti 2022, p. 8 [1]³).

² **Original version:** Mariotti Sergio. A warning from the Russian–Ukrainian war: avoiding a future that rhymes with the past. *Journal of Industrial and Business Economics*. <https://doi.org/10.1007/s40812-022-00219-z>, published online: 04 July 2022. **Ukrainian translation:** Маріотті Серджіо. Застереження російсько-української війни: уникнути майбутнього, яке перегукується з минулим. *Економіка і прогнозування*. 2022. № 3. С. 7-32.

³ Here and later on figures in square brackets indicate page numbers in the original publication of S. Mariotti (2022).



Global protectionism or something more?

The thesis about the rise of the wave of global protectionism has a prominent place in the views of S. Mariotti, presented in the article that became the object of discussion. And although this problem has received a lot of attention in recent years at various levels - academic, political (national and international⁴), non-state activists and organizations, and at leading business forums, it is still far from being solved. This is evidenced by the prolonged but unintended state of "hypodynamia" of the World Trade Organization (WTO) which was authorised to promote the principles of free trade. This is also confirmed by the increasing use of trade restriction tools by many leading states and their groupings, which sometimes turns into a qualitatively new state - trade wars.

S. Mariotti's article provides convincing empirical evidence to support the thesis of the global rise of protectionism. At the same time, from the point of view of this author and a number of other authors whose works he cites, protectionism is inextricably linked to economic nationalism, which can create a "toxic blend of nationalism, militarism and imperialism" that eventually leads to war (*Mariotti 2022*, pp. 20, 23 [12, 15]; *Dent 2020*, p. 341; *Wolf 2004*).

The harmful consequences of *hypertrophied* protectionism have long been known and proven both theoretically and empirically. Experts in the field of trade policy are well aware that such hypertrophy leads to the destruction of established trade flows and to decreased overall well-being, it can create situations of "zero-sum games" (a win for some is equal to an equivalent loss for others), it is capable of generating destructive "beggar-my-neighbor" policies aimed at the solution (often illusory) of one's own problems of domestic development. The mere fact that the maturation of the prerequisites for the Second World War was inseparably linked with the hypertrophy of protectionism in the 1930s would probably be enough to realize the need to observe a sense of measure in the application of such measures. Then why is hyper-protectionism so persistent? Why do the governments of leading countries even today so easily resort to restricting free trade, knowing the potentially harmful and dangerous side effects of such measures?

It is unlikely that these questions can be answered adequately by relying only on popular microeconomic explanations based on the different sensitivities of different actors to the redistribution of income caused by restrictive trade measures and the different levels of organization of individual actors and their groups in exerting pressure on the government to shape trade policy for their benefit. The gap between theory and practice in this matter is already too significant - even flashy - which forces us to either assume that the leaders of the main countries systematically act *irrationally* (to the detriment of their own long-term interests), or that *the theoretical models of*

⁴ See: G20 Bali Leaders' Declaration, par. 7; G20 Rome Leaders' Declaration, par. 42-43; WTO Ministerial Conference 12th Session, 2022 Outcome Document, par. 1.



trade policy inadequately explain reality with which the politicians have to recon. There are reasons to believe that there is more of the second case here.

In this context, it is important to follow the evolution of the phenomenon of protectionism and the modification of its content, to understand its historical megatrend and what sort of attractor it is heading towards or characteristics it has already begun to acquire.

Historically (it is precisely the economic-historical approach that makes the core of S. Mariotti's article), protectionism arose as the antithesis to free trade. Its existence is inseparably linked to the recognition of the market (as an institution) as a universal sphere of economic relations performed by formally independent private entities. Beyond this conceptual construction, the dichotomy "free trade - protectionism" loses any meaning.

In accordance with the historical evolution of the structure of markets, and the emergence within them of increasingly new, technologically more complex objects of trade operations, the toolkit of regulatory influence on the part of governments on this basic economic institution - the market - is also changing. Thus, at the earlier stages of development and during the absolutely predominant part of the existence of a more or less systematic trade policy of national states, the main method of limiting freedom of trade were customs tariffs, supplemented to a certain (and rather limited) extent by instruments of non-tariff regulation, which include direct bans on exports and imports, quantitative trade quotas, licensing of export-import operations, state monopoly on certain types of transactions, etc. Hence, protectionism, as a rule, has been mainly *tariff protectionism*. This situation persisted in the world economy until the 1950s. That is why the General Agreement on Tariffs and Trade (GATT), which was launched in 1947, following the end of the Second World War, as an institution of global regulation of trade and provision of conditions for the free development of trade and thus economic revival was an organization that mainly dealt with tariff schedules of participating countries - and the very name GATT directly indicates this.

However, the rapid development of technological progress in the post-war world economy led to a significantly increased complexity of the structure of trade flows and mechanisms of relations between the participants of the world economy. Various non-tariff trade regulation measures began to play a central role, including such new tools as technical regulation standards, sanitary and phytosanitary measures, and later on - consumer rights protection standards, environmental standards, etc. The introduction of these new standards, which received an impetus within the framework of the Tokyo Round of GATT negotiations (1973-1979), became the dominant trend in the adjustment of the world trade regulation system since the creation of the WTO. At the same time, the introduction of the specified new forms of non-tariff regulation, which was objectively necessary to ensure technological development and protect own population from the risks associated with such development, had clearly ambiguous consequences in terms of compliance with the principle of free trade. They created



space for the birth and active spread of various forms of *non-tariff protectionism*, which are very difficult to control at the global or macro-regional level precisely because of the *dual* nature of the functions (protection against excessive competition and stimulation of own innovative development) that these instruments are able to perform.

Thus, for example, the entry into most technologically intensive segments of the Single European Market is absolutely impossible for non-member countries that do not meet the requirements of European technological regulations. This circumstance has produced the effect that the free trade agreement, which is an integral part of the Association Agreement between Ukraine and the EU, became for Ukraine to a large extent only a certain *conditional potential opportunity*, rather than a reality: in reality, the European market is *only partially open* for Ukraine. But does this mean that the EU is applying a protectionist policy towards Ukraine? In purely trade terms - probably not, because none of the barriers that arise on the way of Ukrainian companies to the EU market are specific and discriminatory in relation to Ukraine. They are the result of a certain format of active protection of own consumers and own interests in technological development.

However, can we always be sure that certain European technical regulations, environmental standards or consumer protection regulations are not used to strengthen international market competitiveness of their own companies and to limit the presence of foreign competitors on the EU market? Probably not either.

In a similar way we can evaluate the recently initiated European Union's measures in the context of the *Open Strategic Autonomy* political initiative (*European Commission 2021*), which is known to be primarily a message to China with its policy of economic expansion. The instruments of this policy should be, in particular, the introduction of a corrective border tax on goods with carbon content (*Carbon Border Adjustment Mechanism - CBAM*), the standards of *corporate sustainability due diligence*, and the *deforestation initiative*. From the point of view of the principles of sustainable development policy, these are absolutely correct mechanisms, but at the same time they entail a significant modification of the mechanism for implementation of commitments taken under WTO agreements, which provide for 1) the equality of all foreign member countries, their non-discrimination regarding the market access regime and 2) non-application of other cross-border market protection instruments of a tax nature, except customs duties. With its decision, the EU essentially unilaterally removes the goods of entire sectors from the scope of this universal trade regulation mechanism in the same way as it does with respect to the agricultural goods sector - which creates a threat of significant erosion of the universal trade regulation regime. Therefore, from the point of view of non-member countries, such actions can be assessed as violating globally agreed trade rules due to the unilateral non-coordinated use of non-tariff instruments.

Each case of the introduction of new standards of non-tariff regulation requires a special and comprehensive analysis, taking into account all aspects of its potential impact. Only proceeding from the results of such an analysis can a conclusion be drawn as to whether the main impact is positive (promotion of development and protection of legal rights and interests) or negative (creation of artificial competitive advantages for insiders). That is why any aggregated and averaged quantitative estimates regarding the implementation of certain instruments of non-tariff regulation require caution: otherwise, we may fall into the trap of incorrect conclusions with far-reaching consequences.

Perhaps the biggest changes in the structure of instruments of state intervention in trade that have taken place over the past two decades are related to the extraordinary intensification of the use of various forms of subsidization. Thus, according to the Global Trade Alert⁵ organization, which collects and systematizes data on the use of policy instruments affecting international trade, subsidies have become the most dynamically growing segment in the complex of "harmful" interventions in the trade system (see Fig. 1-3).

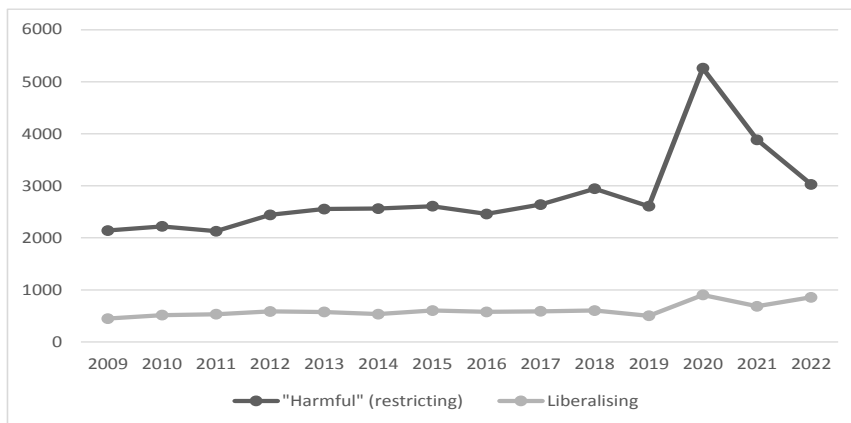


Fig. 1. Dynamics of the number of new state interventions per year within the framework of foreign economic policy, 2008-2022

Source: Global Trade Alert. Global Dynamics. URL: https://www.globaltradealert.org/global_dynamics

⁵ Global Trade Alert. Estimates of harmful interventions. URL: https://www.globaltradealert.org/data_extraction; Global Dynamics. URL: https://www.globaltradealert.org/global_dynamics

The data presented in the diagrams and graphs indicate a number of extremely important characteristics and trends of changes in the system of foreign economic regulation:

1. A clear predominance since 2009, among new regulatory measures, of *trade and investment restriction* instruments, which probably has direct connotations with the global financial and economic crisis of 2008-2009 and the global shifts in the world economy caused by it. The growing gap between restrictive and liberalizing measures has become particularly significant during the COVID-19 pandemic with its negative global economic consequences. From 2021, there was a decline in the number of new restrictive measures, and this downward trend continued in 2022, the year of full-scale Russian aggression in Ukraine, with a weak growth and number of liberalization measures as well.

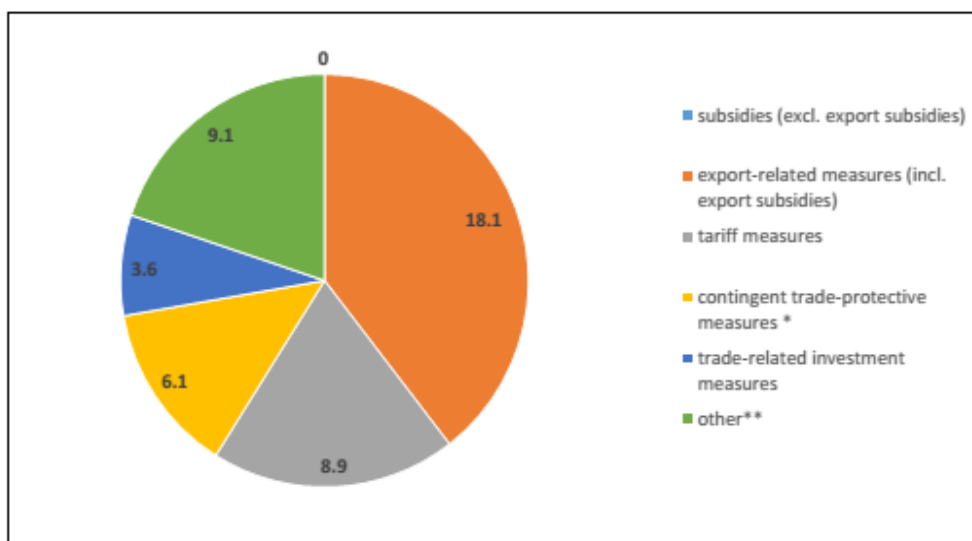


Fig. 1. The structure of state interventions within the framework of foreign economic policy by specific instruments used, 2008-2022

* According to the UN MAST (Multi-Agency Support Group) taxonomy of non-tariff trade measures, contingent trade-protective measures include anti-dumping, countervailing (anti-subsidy) and safeguard (general and special agricultural) measures

** "Other" include such important regulatory tools as technical barriers to trade, sanitary and phytosanitary measures, and intellectual property protection tools.

Source: Global Trade Alert. Global Dynamics. URL: https://www.globaltradealert.org/global_dynamics

2. The structure of instruments employed by states to intervene in the market space is *dominated by measures related to subsidies*. This regulation uses a very wide

range of tools⁶ that greatly expand the meaning of the concept of protectionism, which in this interpretation de facto becomes *synonymous with the state's economic policy in general*.

3. The above mentioned dominance of subsidy instruments is even more impressive if we add the group of measures on export regulation⁷, which includes export subsidies - which have a particularly strong impact in the field of trade in agricultural goods.

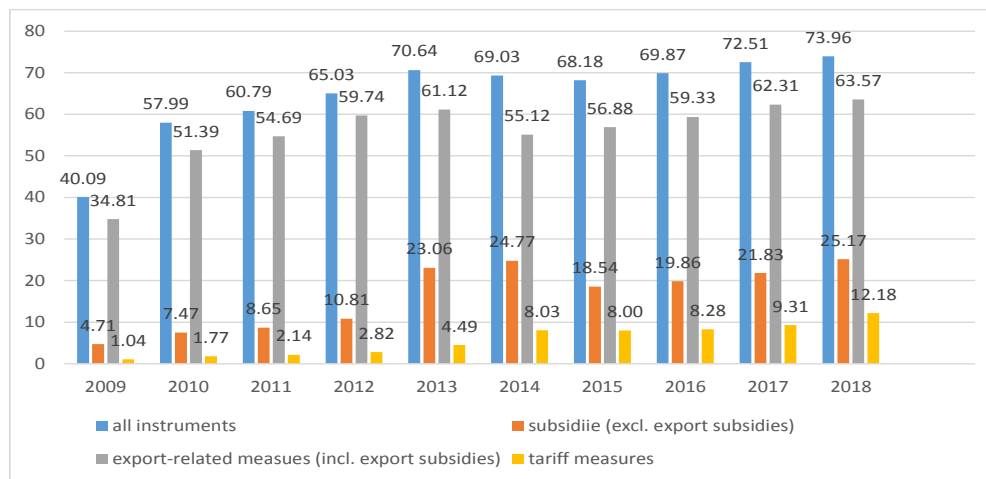


Fig. 2. Dynamics of "harmful" (restrictive) state interventions within the framework of trade in goods by specific instruments, 2009-2018, %

Note. The given data testify to the cumulative effect of the spread of new restrictive (discriminatory or potentially discriminatory) trade measures since 2009, which also takes into account the expiration of some of them. The indicated percentages show the share of trade in goods covered by the specified instruments. Both the direct effect of the instruments of the importing country and the trade policy measures of third countries that affect bilateral flows of goods are taken into account. The given data for all instruments do not include data on technical barriers to trade, sanitary and phytosanitary measures. They characterize new trade measures and do not apply to those that existed before 2009. Thus, an indicator of, for example, tariff measures is not an indicator of the coverage of trade by tariff regulation in general, but only indicates the introduction of new or increases in existing tariffs.

Source: Global Trade Alert. Estimates of harmful interventions. URL: https://www.globaltradealert.org/data_extraction

⁶ These include: provision of capital by states or participation in the capital of companies, state loans, financial grants and in-kind grants, production subsidies, interest payment subsidization, state guarantees on loans, tax and social insurance relief, consumption subsidies, financial assistance in foreign markets, price stabilization measures, etc.

⁷ The tools of this group, in particular, include: export bans, export quotas (quantitative and tariff), export licensing requirement (permissive regime), export taxes and fees, trade finance provided by government, provision of export incentives, etc.



4. The group of subsidy instruments and the closely related group of export-related measures have not only dominated the structure of new regulatory measures for a long period (at least a decade and a half since the global crisis of 2008-2009): their application is constantly growing and becoming more and more *systematic*.

A special impetus for the growth of subsidy interventionism was provided by China's trade practices, where leading companies in many cases use a wide arsenal of state support, especially in high-tech domain and areas that require significant capital investments (for example, in the implementation of large infrastructure projects abroad). These actions, which have had a significant effect on China's trade and investment expansion, have provoked retaliatory measures from leading global centers whose positions have been threatened.

Thus, in the USA, D. Trump initiated a broad campaign to introduce tariff restrictions in trade with the PRC as part of new trade policy, as well as a policy targeted at bringing American companies back to the American economy (re-shoring). J. Biden's policy, which in many respects departed from the format of Trump's trade policy, rendered the American trade and investment policy an *explicitly offensive* rather than a defensive character. Within its framework, the emphasis has been shifted from increased tariff (which generally have long had an insignificant effect on competitive positions in high-tech products trade) to direct bans on the export of components and technologies that are important to sustain competitiveness of Chinese companies⁸. However, this is only a fragment of the overall picture of changes in U, S, economic policy.

The most far-reaching step was a general change in attitude toward industrial policy, the advocacy of whose necessity until recently had been almost a sign of bad tone in American economic discourse. However, partly due to the need to actively oppose China's economic expansion, and partly due to the critical aggravation of global contradictions caused by the Russian aggression in Ukraine, *national security issues have become absolutely dominant factors in the formation of U.S. economic policy*. As a result, there is a course towards explicit state interventionism, whose signs are clearly visible in the new version of the *U.S. National Security Strategy*, adopted in October 2022. This new course relies on the tools of industrial strategy, which "makes strategic public investments in America's workforce, and in strategic sectors and supply chains, especially critical and emerging technologies" (*National Security Strategy*. October 2022, p. 11; see also pp. 14, 33, 48).

In terms of financial impact, the most significant was the adoption in 2022 of the so-called *Inflation Reduction Act*, which, despite its name in the macroeconomics

⁸ The most resonant step in this sense was the ban on the export of semiconductors to China - and not only those produced in the USA; the Americans are trying to involve their allies - the Netherlands, Korea, Israel - in this ban.

genre, has a clear structural and technological orientation towards achieving global competitive supremacy. The closely related *CHIPS and Science Act* provides for the allocation of 280 billion USD on civilian research and development investments in critical sectors such as semiconductors, advanced computing, next-generation communications, clean energy technologies, and biotechnology⁹.

The above steps - both by China and the U, S, - raise serious concern in the European Union and prompt its leaders to take retaliatory measures. In particular, Chinese expansion in Europe gave rise to such initiatives (within the framework of the "strategy of open autonomy") as a counter-action to the coercion policy (anti-coercion instrument); international procurement initiative; foreign subsidy regulation; and enforcement regulation for trade disputes. The regulation on the screening of direct investments in the EU, which was adopted earlier (September 19, 2019), should be added to this. At the same time, the adoption in 2022 of new initiatives aimed at stimulating the growth of U.S. technological leadership also caused dissatisfaction in the EU. After all, the Inflation Reduction Act, with its 370 billion USD worth tax and investment incentives combined with lower energy prices, could create a *transformative effect* on the global economy, causing a massive "manufacturing exodus" from Europe - which would require a "European Industrial Response" to this challenge in the form of or a "European Inflation Reduction Act", proposed by the Minister of Economy of France, or the creation of the "European Sovereign Fund", advocated by the head of the European Commission (*Gonçaves and Defarges 2022*). Also, there were proposals for the European Commission to present a new, much more ambitious industrial policy plan in 2023.

The list of strategically important measures to strengthen state intervention in the economy and trade can be extended significantly if necessary. But what has already been stated above is enough to realize that due to the structural and technological sophistication of the economy, the economic policy of countries undergoes such significant changes that its parameters cannot fit into the archaic dichotomy of "free trade vs. protectionism".

The above mentioned shifts in the dynamics and structure of state regulation of trade and investment, which are becoming relatively less focused on the mere protection of own producers, and more and more on increasing their competitive potential in foreign markets and on creating centers of permanent presence in them, can certainly be qualified *as a transition from passive protection to active protectionism*. But it seems that the ideas of J. Stiglitz and D. Rodrik regarding

⁹ See: FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China. August 09, 2022. URL: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/>



"*activist economic nationalism*", which S. Mariotti refers to in his article (Mariotti 2022, p. 23 [15]), come much closer to revealing the essence of this phenomenon than the arguments of those who support the concept of "global protectionism"¹⁰.

In fact, we are faced with an objectively determined *growing intervention of national governments and international associations in the functioning of markets*, as the latter are losing their ability for effective microeconomic self-regulation: they have become so large in volume, so diversified in terms of the composition of participants and objects of economic transactions, so dynamic in terms of technological and structural changes and so dependent on various parameters of economic and social environment (including the level of human and social capital development) that *their stability cannot be ensured without the interaction of various levels of governance*. The active economic role of national governments in shaping the market environment, its general development conditions, as well as directing development in promising directions determined by newest fundamental scientific and technological breakthroughs, becomes a key prerequisite for survival in a global competitive environment. This *objectively determined state interventionism* can, of course, be called protectionism and deplored, proceeding from morally outdated textbooks on *economics* and extremely simplified "free market" models. But then it should not be surprising why economic reality becomes increasingly distant from the cabinet dogmas.

Rhyming with the past: why does it arise and what are the conclusions from this for the future?

The idea of "rhyming with the past" is the leitmotif of S. Mariotti's entire article. It contains both well-known and little-known facts from economic history and politics, which confirm the very characteristic structural affinity of the evolutionary processes in different historical periods. And since this analysis is carried out precisely in the context of the study of a complex of economic prerequisites that gave rise to world wars, the author puts forward as a leading normative thesis the idea of avoiding "dangerous paths from being followed". In the latter case, one cannot but support S. Mariotti.

However, in order to prevent dangerous paths, it is necessary to understand well why the above mentioned affinity occurs, why similar evolutionary trajectories arise at fundamentally different levels of socio-economic development of the world

¹⁰ The very expression "global protectionism" contains, in my opinion, a contradiction in itself. If it is global, then according to formal logic its source (subject) is the global community as such. So against whom is it directed? In addition, it is difficult to find at least one official document of any globally active organization that would openly call for the spread of protectionism.

community. I am personally convinced¹¹ that this is a natural effect of the *cyclical-wave*¹² nature of socio-economic development.

Among the theoretical and methodological foundations of the analysis of long-term processes of change, one of the central places is occupied by the theory of the so-called *Kondratiev long waves (K-waves)*, which describes long-term technological dynamics and changes in technological paradigms. Numerous studies within the framework of the K-wave paradigm¹³, whose core link is the recognition of the existence of 45-60-year cycles of fundamental technological changes, focus our attention on the presence of a number of natural socio-economic consequences of such transformations. Partly revealing, in the most general form, what is common to different variants of this paradigm and partly supplementing to some extent this conceptual core with my own vision of particular components of this phenomenon, I offer the following explanation of why long-term changes in a technological paradigm tend to aggravate contradictions and generate serious conflicts - both domestic and international ones.

1. Fundamental technological changes, based on breakthrough scientific ideas and their implementation into economic reality, always *emerge locally*, not globally: their carriers are usually individual innovators who operate in a certain localized environment, favorable for the growth of the new and unusual. Due to this, localized points of innovative growth arise, which only later become a source of diffusion of innovations and gain ground at regional, national, macro-regional and global levels. Due to the fact that innovative products and technologies, as a rule, are objects of intellectual property protection for a long period of time, they create a status of technological monopoly for their owners, which not only generates superprofits (technological rent), and not only promotes a *dominant position* on high-tech markets, but also form the basis of a significant increase in the *political power of countries* where innovators reside, enhancing the *potential for their actions in the international arena*. On the other hand, innovations, according to J. Schumpeter, are carried out in the mode of "creative destruction" of those

¹¹ These beliefs are the result of a long-term joint scientific work at the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine with other experts in the field of the cyclical nature of development and institutional evolution. (See, in particular: *Hrytsenko A.A., Podlesna V.G., 2015, 2017*).

¹² I emphasize the cyclical-wave rather than cyclical character of development precisely because, in the long-term period, changes lead to distinctly different characteristics of a socio-economic system (its economic and social structures, and institutional structure), which does not give grounds to consider such a phenomenon as purely cyclical. It is no coincidence that it is customary to speak about medium-term business cycles, but also about long waves of technological development and ultra-long waves of civilizational changes. In such a phenomenon, *two principles are combined – the cyclic one (repetition of the past) and the progressive one (creation of the new)*.

¹³ A detailed analysis of various aspects of this scientific paradigm and its various modern interpretations is beyond the scope of this article: it requires a separate analysis.

components of the social economic structure that are replaced by the newest, technology-intensive components, which results in the elimination of jobs, enterprises and even the collapse of entire industries that are based on outdated technologies. This *deeply conflictual* process taken in its social dimension occurs not only within separate countries (generating a strong pressure towards protectionist policies), but also in international relations, where it generates *acute conflicts in the struggle for new markets*. It is capable of destroying the socio-economic environment of many less developed countries that specialize in the production of traditional goods, if there is an opportunity to replace them with new products or to produce them using more efficient technologies.

2. Fundamental technological shifts and changes in technological paradigms tend to create *new leaders among nations* that challenge the leaders of the preceding technological system. This is a well-known phenomenon of *uneven socio-economic and technological development*. Old leaders in the process of long-term development, as a rule, lose their dynamism due to the action of a very complex set of factors - a progressive decline in the birth rate and demographic aging of the population, changes in consumer preferences, a significant increase in the cost of main production factors (their GDP in current prices becomes significantly higher than the level of GDP evaluated by purchasing power parity), loss of institutional flexibility caused by institutional diversification and emergence of legal overregulation hindering the introduction of novelties, etc. This creates powerful incentives to transfer production to new countries where the above mentioned restrictions are absent or less pronounced. Global value chains emerge, being targeted at optimizing the conditions for business development and profitability - which leads to the curtailment or closure of relevant industries in the investor country and increased unemployment among domestic workers, and hence the requirements for the protection of their interests. At the same time, some FDI recipient countries¹⁴ do no longer limit themselves to the role of "assembling sites" for international companies, but owing to smart and strategically oriented development policies pursued by their governments, a high propensity to self-improvement and augmenting of their human capital, they themselves become at a certain stage a source of important innovations, entering into direct technological competition with their former technological "donors". *The spread of this high-tech competition becomes a powerful source of conflict in international relations*.
3. Basic (radical) technological innovations generate the effect of *reduced effectiveness in the functioning of institutions*, which are generally more inertial than are the changes in the technological structure of production and society. This causes incongruity between institutions – as systems of norms and rules applied to

¹⁴. Today, the absolute majority of them are located in the East Asian region and include former colonies or controlled territories of Western countries

organize socio-economic life – and the object they are designed to regulate. This inconsistency becomes especially evident in the conditions of crisis economic developments and social cataclysms, which is testified by the low effectiveness of a number of international institutions under the conditions of the global security crisis provoked by the full-scale Russian invasion of Ukraine, a little bit earlier - by very big problems in the global fight against the COVID-19 pandemic, and even earlier – by a long stagnation in WTO activities during the period of overcoming the negative effects of the 2008-2009 global financial and economic crisis. A similar picture could have been observed in the 1930s in relation to the activities of the League of Nations and some other international organizations (for example, the International Labor Organization, founded as early as 1921) in the period when the prerequisites for the Second World War were maturing. Crisis and stagnation in the activities of global institutions and the inadequacy of global regulatory norms create prerequisites for greater autonomy in the actions of individual countries or the emergence of various regional associations, organizations and blocs, within whose framework several countries with similar interests try to resolve issues that cannot be resolved in a wider international format. This fragmentation of the global regulatory system itself contributes to the growth of conflicts in the world due to the lack of effective mechanisms for coordinating the actions of countries and their cooperation. In general, all these processes *expand the space for geopolitics* and the formation of opposing alliances, focused not so much on cooperation as on gaining an advantage over their geopolitical rivals.

4. Intensive processes of "creative destruction" during periods of radical technological changes accompanied by reduced effectiveness of old institutional formats *significantly raise the level of uncertainty* in economic and social development. The non-linear nature of socio-economic dynamics in the periods of phase transition in socio-economic organization and the emergence during this period (in accordance with the synergetics theory, which studies the laws of self-organization in complex dynamic systems¹⁵) of the "fork" of different possible development trajectories (the bifurcation phenomenon) create the basis for a possible *loss of orientation in relation to future prospects*. They can emerge full of dangers and risks and feed various phobias in society, in particular, the feeling of being in a "fortress under siege" or permanent search for enemy conspiracies, "exposing their secret plans", etc. Hence the increased tendency to create a *military-mobilization ethos*, which is most evident in the narratives disseminated in the mass media¹⁶. *The lack of a*

¹⁵ Its principles were formulated by Herman Haken as early as at verge of the 1970s and 1980s.

¹⁶ These processes have manifested themselves especially intensively in recent years in the Russian Federation. However, not only there: signs of such an ethos can be seen in the already mentioned U.S. National Security Strategy, in the political statements of the leaders of the PRC (see, in particular: Xi Jinping 2022), and in the growth of aggressive Muslim fundamentalism in various countries.



positive vision of the future increases existential fears about the future, and a propensity to historical reflections and to attempts to revive symbols and attributes of the past, which under certain conditions can promote the emergence of a policy of historical revisionism, which in turn is a direct path to an international conflict.

The impact of the above listed groups of conflict-generating factors is characterized by (synergistic) mutual reinforcement, leading to the emergence of systemic connections between them, which actually validates major international conflicts in the specified periods of technological transit.

The global conflict with the epicenter in Russian-Ukrainian relations is the result of supplementing the already problematic Russian-Ukrainian historical context with significant complications rooted in the growing divergence of the trajectories of post-communist socio-economic transformation and development in the two countries and their disintegration, as well as with the effects of the entire complex of global conflict-generating factors that have intensified during the radical technological changes of the Fourth Industrial Revolution, or, speaking in terms of the K-wave theory, - during the transition to a new (sixth) technological paradigm.

However, the most powerful factor, which was not observed during previous technological transitions within K-waves, is the *general civilizational transit to a new world order* that has been currently unfolding. It greatly modifies the mechanisms of global development, rendering them a unique specificity, whose analogues or similarities cannot be found in historical precedents. This transition occurs during the period of increased number of global crises related to a deep disturbance in the balance between social and natural processes, the rapid increase in climate change, a significant aggravation in biology-related threats (pandemics, and degradation of biodiversity leading to the destruction of biological chains), as well as the emergence of a qualitatively new situation associated with the changing demographic picture of the world, the emergence of absolutely new mechanisms for the formation of international policy under the growing digitalization and the emergence of global networks - with the corresponding formation of the new ethos of a human being of the information era. All this gives the current transition period and, accordingly, the conflict inherent to it, a *distinct specificity*, so that ***these specific manifestations will inevitably dominate, minimizing the scope for possible "rhyming with the past"***. Such "rhyming" effects will certainly be present - to the extent the well-known property of institutional evolution - "path dependency" preserves its effect, but these dependencies from the past are not likely to have a predominant influence.

How to avoid dangerous paths and attain stabilization?

A key conclusion of S. Mariotti's article is the thesis: "**radical changes are on the agenda of a future** (my emphasis - V.S.) that could follow dangerous paths of the past" (Mariotti 2022, p. 28 [19]). Humanity needs to bypass the coming era, devastated by "**a toxic blend of nationalism, militarism and imperialism**" (my emphasis - V.S.) (p. 23 [15]). There can be no objections to these theses. Similarly, there are no objections to the three main principles that should underlie the policy aimed at solving this historical task, which includes (pp. 24-25 [15-16])¹⁷:

- i. "Governments, firms and local communities should be aware of the fact that they are involved in an infinitely-repeated game, for which the folk theorem suggests **cooperation and not retaliation**, as well as having the motivation and the ability to address externalities that occur at a global scale. In policy design, their utility function should **incorporate externalities**, so as to take them into account and balance them with internal benefits, **according to a long-term perspective**".
- ii. "Protectionist policies... should be consigned to history books..." as a phenomenon that legitimizes policies based on the tit-for-tat principle and a negative-sum game¹⁸. It is necessary to bring the different ingredients of national politics back to **systemic unity**, and in light of this, activist policies adopted to strengthen the national competitiveness of domestic industries should be designed according to a **win-win approach**, i.e., taking into account the "**co-competitive synergies** associated with inter-country economic interdependence".
- iii. "All the supranational economic institutions converge their efforts to **create an environment base on trust**, but also made up of rules and constraints that support it, so as to foster a perspective of international cooperation that avoids prisoner's dilemma games that ultimately result in a race-to-the-bottom". And for this purpose, "**vigorous reforms** are needed to make their policies more effective".

However, it should be noted that the listed above principles of policy shaping are based on the axiomatic assumption of rationality of political actors. The latter should foresee all those negative long-term consequences **that no one will escape in case of further persistent dominance of the principle of national selfishness and the clear preference of the principle of competition over that of cooperation**. But historical

¹⁷ (My emphasis below - V.S.).

¹⁸ Towards the end of his article, the author vividly demonstrates the effect of the specified policy format on the example of the policy of "**new techno-nationalism**", which has been vigorously revived as a doctrine adopted by the governments of major powers, and has increased uncertainty and complexity in international markets and led to the disruption of technological chains of added value or obstacles to them as a result of the policy of mutual opposition. As S. Mariotti rightly points out, such a policy largely leads to international instability (pp. 27-28 [17-18]).



experience shows us a lot of evidence that the formal dominance of rational thinking is not at all an obstacle to resorting to the most inhumane and unjust international policies, built on the principles of violence, cruelty, exploitation and robbery. Isn't it the same era (the so-called New Time in the history of Europe of the 16th-19th centuries) that includes the European Renaissance, the flourishing of humanism, scientific rationalism, the Age of Enlightenment, on the one hand, and the creation of colonial empires, which was accompanied by cynical looting and enslavement of indigenous peoples, cruel and bloody religious wars, and massive religious repressions by the Inquisition - on the other? Hence it is not incidental that the globally famous social psychologist Erich Fromm (1973) stated the existence of a seemingly paradoxical phenomenon of the growth of destructive aggressiveness as humanity progresses along the path of civilization, which, in his well-grounded opinion, stems not at all from the aggressive nature of a human being himself, but rather from the social conditions based on injustice and exploitation.

It is hardly realistic to solve the tasks posed in S. Mariotti's article, if one proceeds from the old political concepts based on the principle of *supremacy of one's own values and cultural heritage* over those of others, because, in my opinion, this is exactly what serves a socio-psychological basis for the current "renaissance" of geopolitics. In this connection, as well as in direct association with the last part of S. Mariotti's article, where the author concludes his analysis with a reference to F. Fukuyama's infamous statement about the end of history, I am more inclined to quote another very famous researcher of civilizations - S. Huntington (1996), with his ideas about the clash of civilizations and civilizational wars.

The political rhetoric in the dichotomous formats of "We - They", "Good - Evil", and "Light - Darkness"¹⁹, which is spreading around the world, makes it extremely difficult to attain a global consensus in solving the key global problems. After all, any concessions to the other side of the global conflict in such a "dialogue" format would invariably be viewed as a departure from one's own values and crucial social principles, and therefore would be seen as treason. Such an opposition does not just lead to deglobalization: it is a *deeply destructive fragmentation of the world on the basis of a mental-value and deeply psychologized opposition*, which is not based on rational thinking but emanates from subconscious instincts (aspirations). As history shows, this is the way to shape socio-psychological mechanisms that deliberately awaken in people's minds the darkest spiritual principles (through the extensive "information" of mass

¹⁹ The latter is, in fact, a reincarnation in the modern conditions of the 21st century of Manichaeism - a dualistic religious teaching of the 3rd century about the eternal struggle between good and evil, which also takes place in people's souls.

media), which in turn gives rise to a thirst for murder and destruction of anything and everything that is outside "us" and "ours".

In the world full of superpowerful means of mass destruction, this path leads to a global catastrophe. And this is not just my personal impression. In this connection, it is possible to cite a fragment from the speech of the president of the international foundation "Global Solutions Initiative", the globally famous scientist D. Snower (*Snower 2022*), who in his introductory speech during the opening of the global forum "Global Solutions"²⁰ on March 28-29, 2022 in Berlin noted: "And at this time of geopolitical conflict, we must be take great care in the choice of our narratives. Conflictual narratives... are the road to hell... It is essential to seek constructive narratives. Such narratives are never driven by grievance and vengeance... instead constructive narratives rest on the spirit of mutual respect, empathy, perspective taking among equals... There are many different paths towards global cooperation arising from the existing diversity of cultures and religions, associated with diverse paths towards social well-being... And constructive narratives respect this diversity and recognize beyond that that this diversity is as important global problem-solving as biodiversity is for the health of ecosystem".

Today, the world is facing unprecedented by scale and potentially destructive challenges associated with epochal changes in the parameters of the natural human habitat. Those challenges require the primacy of *Collaboration (Cooperation)*²¹, rather than *Confrontation* and *Fragmentation*. Today's world needs not only the *reform of key global institutions* to enhance their *capacity to perform the functions of providing truly global public goods*, including international security and fair rules and development opportunities for everyone while preserving the freedom to choose everyone's own development model²², and not at all the discrediting of the existing global institutions provoked by indiscriminate criticism from politically engaged mass media and eloquent political technologists. To an even greater extent, the situation requires *a radical change in the behavior of great powers*, who have the greatest influence on the formation and effectiveness of global mechanisms. Their leaders and political elite must realize their historical responsibility for the fate of the world and understand that the very word "great" does not only mean "a lot of power and/or tremendous military, political and financial potential", but primarily the extent to which they implement their *Global Historical Mission*.

²⁰ The forum is a component of the analytical preparation mechanism for the G20 summits.

²¹ The UN (2021) in this context very precisely formulated such a political vision – "Our Common Agenda".

²² Meaningful books by well-known scientists working in this direction have long been published, including the authors mentioned by S. Mariotti - J. Stiglitz (2005, 2006) and D. Rodrik (2007), but their conclusions and recommendations are still not properly taken into account in the practical international politics of the main global players - even under the influence of a series of global crises that the world has been experiencing since 2008. And this is not an accident, but looks like a rather conscious mental and value choice of those who shape politics.



The reference to Fukuyama's thesis about the end of history, which, according to S. Mariotti, "will have to wait for a very long time" (p. 28 [19]), is rather dissonant with this vision of the future, because, after the collapse of the Soviet Union and institutions of the Soviet Bloc, this thesis became, in a highly symbolic form, a claim to the global domination of the principles of neoliberalism. But this triumph turned out to be temporary, as proved by the subsequent three decades of world development, - and it could not be different. One should not expect that it will ever be actually implemented.

In this connection, I should refer to the outstanding German researcher of the philosophy of history Karl Jaspers (*Jaspers 1949 [2017]*, p. 243–244), who characterized the historical evolution towards the unity and the probability of reaching the *end of history*²³ as follows:

"The unity of history as unity of humanity will never be completed... as a realized end goal. Moreover, the unity of humanity is the limit of history. This means: a complete unity attained would be the end of history.

Unity as a goal is a limitless task; since all types of unity that become visible to us are partial, they are merely prerequisites for possible unity or leveling, behind which hides the abyss of alienation, repulsion and struggle.

A complete unity cannot be expressed clearly and unambiguously even as an ideal. Such a unity cannot become a reality either in a perfect human being, or in a correct world order, or in an insightful and open mutual understanding and consent ... it is a unity of transcendence. As such, it cannot be grasped, it cannot be an exclusive possession of any historical belief that could be imposed on everyone as an absolute truth...

This is a formation of unity, and an enthusiastic search for unity, which are followed by an equally passionate destruction of unities"²⁴.

²³ These views below are all the more important because they are formulated as a result of a deep understanding of the events of the Second World War, and therefore directly relate to our time of war in Ukraine and the growth of global conflicts.

²⁴ The author's own translation from the German original text: "Die Einheit der Geschichte wird als Eingewordensein der Menschheit nie vollendet sein... in einem verwirklichten Endziel. Die Einheit der Menschheit ist vielmehr die Grenze der Geschichte. Das heißt: die erreichte, vollendete Einheit wäre das Ende der Geschichte.

Einheit als Ziel ist unendliche Aufgabe; denn alle uns sichtbar werdenden Einheiten sind partikular, sind nur Vorbedingungen einer möglichen Einheit, oder sind Nivellierungen, hinter denen sich abgründige Fremdheit, Abstoßung und Kampf verbergen.

Nicht einmal klar und widerspruchlos läßt sich eine vollendete Einheit auch nur im Ideal entwerfen. Diese Einheit kann nicht wirklich werden, weder als der komplette Mensch noch als die richtige Welteinrichtung, noch als das endgültig durchdringende und offene gegenseitige Verstehen und Einverständnis...es ist das Eine der Transzendenz. Als solches kann es nicht gleichsam eingefangen werden, nicht zu dem ausschließenden Besitz eines geschichtlichen Glaubens werden, der sich als die Wahrheit schlechthin allen aufzwingen dürfte...

Es ist ein Werden von Einheiten, ein enthusiastisches Suchen der Einheit, es ist dann wieder ein leidenschaftliches Zerschlagen von Einheiten".

Those extremely capacious and meaningful thoughts of the outstanding thinker call us to think more broadly, to rise above today's conflicts and to see the perspective of a dialectical unity in diversity, in which alone true Freedom can occur.

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ВІЙНА В УКРАЇНІ ЯК ТОЧКА БІФУРКАЦІЇ У ГЛОБАЛЬНОМУ РОЗВИТКУ: ВІДТВОРЕННЯ МИНУЛОГО VERSUS ТВОРЕННЯ МАЙБУТНЬОГО

У статті, підготовленій у рамках творчої дискусії навколо проблем, піднятих у публікації Серджіо Маріотті стосовно глобальних економічних аспектів, пов'язаних з російсько-українською війною, автор обґрунтовує, що за всієї очевидності тенденції до наростання глобального протекціонізму неправомірно

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надмірно розширювати зміст поняття "протекціонізм" і тим самим маскувати новітні тенденції до поширення прямого інтервенціонізму держав у сферу функціонування міжнародних ринків, яке саме поняття "вільний ринок" перетворює на дедалі більш умовне. Звертаючись до іншого важливого посилу статті С. Маріотті – повторюваності у сучасності певних тенденцій минулого, автор цієї статті стверджує необхідність розглядати цей феномен не як певну прикру та небажану випадковість, а як закономірний наслідок дії принципу циклічності в економічному розвитку та хвильового характеру довгострокових трендів розвитку. У статті доводиться, що подолати небажані й небезпечні глобальні тренди лише на основі закликів до миру, співробітництва та кращої глобальної координації на основі усталених принципів інституційного світового устрою неможливо: необхідним є істинно глобальне мислення в усіх без винятку центрах формування глобальної політики розвитку та справжня кооперація у визначенні параметрів майбутнього й розв'язанні глобальних проблем людства. Це можливо лише в рамках формування якісно нової моделі глобалізації, де економічна свобода стане свободою вільного розвитку для всіх.

Ключові слова: *деглобалізація, економічний націоналізм, глобальний протекціонізм, глобальні ланцюги вартості, фрагментація, світові взаємозалежності, К-хвилі, довгі цивілізаційні хвилі, російсько-українська війна*