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## The world is marching back from globalisation

By Philip Stephens [Author alerts](#)

The US does not see a vital national interest in upholding an order that shifts power to rivals



There is a mood abroad that says history will record that sanctions against Russia marked the start of an epochal retreat from globalisation. I heard a high-ranking German official broach the thought the other day at the German Marshall Fund's Stockholm China Forum. It was an interesting point, but it missed a bigger one. The sanctions are more symptom than cause. The rollback began long before Vladimir Putin, Russia's president, began his war against Ukraine.

The case for calling a halt to business as usual with Moscow is self-evident to anyone who considers that international security demands nations do not invade their neighbours. The valid criticism of the west is that it has been too slow to react. At every step, the Russian president has ruthlessly exploited US hesitation and European divisions.

He will do so until Nato restores deterrence to the core of European security. Mr Putin's irredentism demands tough diplomacy stiffened by hard power. He will stop when he understands that aggression will invite unacceptable retaliation. To make deterrence credible, the alliance must put boots on the ground on its eastern flank. The Baltics have replaced Berlin as the litmus test of western resolve.

Some, particularly though not exclusively in the rising world, have seen sanctions through a different prism. By punishing Russia economically, the US and Europe are undermining the open international system. Economics, this cast of mind says, must be held apart from the vicissitudes of political quarrels. Why should new powers sign up to a level international playing field if the US and Europe scatter it with rocks in pursuit of narrow interests?

These critics are right to say an integrated global economy needs a co-operative political architecture. Sanctions against Russia, though, fit a bigger picture of the unravelling of globalisation since the financial crash of 2008. They testify to a profound reversal in US attitudes. Washington's steady retreat from global engagement reaches beyond Barack Obama's ordinance that the US stop doing "stupid stuff".

The architect of the present era of globalisation is no longer willing to be its guarantor. The US does not see a vital national interest in upholding an order that redistributes power to rivals. Much as they might cavil at this, China, India and the rest are unwilling to step up as guardians of multilateralism. Without a champion, globalisation cannot but fall into disrepair.

Not so long ago, finance and the internet were at once the most powerful channels, and visible symbols, of the interconnected world. Footloose capital and digital communications had no respect for national borders. Financial innovation (and downright chicanery)

recycled the huge surpluses of the rising world to penurious homebuyers in Middle America and dodgy speculators on the Costa del Sol. The masters of the banking universe spun their roulette wheels in the name of something called the Washington consensus.

Globalisation needs an enforcer – a hegemon, a concert of powers or global governance arrangements sufficient to make sure the rules are fairly applied

Then came the crash. Finance has been renationalised. Banks have retreated in the face of new regulatory controls. European financial integration has gone into reverse. Global capital flows are still only about half their pre-crisis peak.

As for the digitalised world, the idea that everyone, everywhere should have access to the same information has fallen foul of authoritarian politics and concerns about privacy. China, Russia, Turkey and others have thrown roadblocks across the digital highway to stifle dissent. Europeans want to protect themselves from US intelligence agencies and the monopoly capitalism of the digital giants. The web is heading for Balkanisation.

The open trading system is fragmenting. The collapse of the Doha round spoke to the demise of global free-trade agreements. The advanced economies are looking instead to regional coalitions and deals – the Trans-Pacific Partnership and the Transatlantic Trade and Investment Pact. The emerging economies are building south-south relationships. Frustrated by a failure to rebalance the International Monetary Fund, the Brics nations are setting up their own financial institutions.

Domestic politics, north and south, reinforces these trends. If western leaders have grown wary of globalisation, many of their electorates have turned positively hostile. Globalisation was sold in the US and Europe as an exercise in enlightened self-interest – everyone would be a winner in a world that pulled down national frontiers. It scarcely seems like that to the squeezed middle classes, as the top 1 per cent scoop up the gains of economic integration.

Much as the south has prospered within the old rules – China's admission to the World Trade Organisation has been the biggest geopolitical event so far of the present century – yet the new powers show scant enthusiasm for multilateralism. The old order is widely seen as an instrument of US hegemony. India scuppered the latest attempt to reinvigorate the WTO.

Globalisation needs an enforcer – a hegemon, a concert of powers or global governance arrangements sufficient to make sure the rules are fairly applied. Without a political architecture that locates national interests in mutual endeavours, the economic framework is destined to fracture and fragment.

Narrow nationalisms elbow aside global commitments. Sanctions are part of this story, but Russia's contempt for the international order is a bigger one. Sad to say, we learnt in 1914 that economic interdependence is a feeble bulwark against great power rivalry.

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