

## THE CHALLENGES OF GLOBALIZATION IN THE MODERN CONTEXT

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Forecasting of processes in politics based on of the laws of global processes helps to calculate the results of decisions, predict the results of the steps in the policy, avoided errors. This is particularly evident in the theory and practice of the globalized world. Their violation may lead to negative effects. In this regard, some features are affected of the Ukrainian crisis.

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Globalization has often been heralded as advantageous to all states. Increased globalization creates products that are cheaper to produce, often better quality, and improves the lives of individuals around the world due to the fact that companies expand their production into poorer areas of the world which would not normally benefit from trade. Consumers in economically advanced countries benefit from the lower price of goods, producers of those goods benefit by gaining more profits at being able to hire labor at lower costs, and the labor force in economically deprived states benefit by earning more for their labor than they would be able without the benefits of globalization. From the perspective of international relations, globalization should lead to increased peace and prosperity for the whole world. The reason for this is that as the economies of countries become more interdependent, there should be less conflict which would upset the economy. In other words, if economies become interdependent, conflict would merely serve to destabilize a country's own economy, which would be detrimental to all of the countries tied together through globalization. Globalization should create more stability and predictability in global interactions and international relations. Political decision makers would therefore take all steps to resolve international conflicts through peaceful and non-economic means to ensure that those conflicts did not cause their own economies to suffer. The crisis in Ukraine, however, provides a very interesting challenge to this interpretation of globalization. According to most theories of globalization, sanctions against Russia imposed by the United States and European Union should be counterproductive to

their own economies, so the incentive should be to resolve the dispute quickly and without economic sanctions. In this paper, I analyze the context of globalization and the sanctions levied against Russia by the US and the EU, and those levied against the US and EU by Russia. The sanctions provide a distinct challenge to our current understanding of globalization.

Recently, in an interview with the Economist, US President Barack Obama said that Russia is only a regional power that does not produce anything. In fact, he said, people are not flocking to Russia for a chance at a better life. While the second part of his comment is not true (there are many from the post-Soviet states flocking to Russia for a chance at a better life), the fact that Russia lags in production from the Western European states. This is a holdover from the Soviet Union, where the state focused on military production, and consumer production lagged behind.

During the perestroika years, a new class of small market capitalists developed that would go to Turkey and other countries, and return to sell consumer goods in bazaars and other places. As Russia's economy improved, Russia began to import consumer goods from Western Europe. German electronics, automobiles, and other products became status symbols for Russians, as they strove to improve their quality of life. What was not available during Soviet times became widely available to Russians providing that they had the money to pay for such luxuries. In fact, these items were not only available Moscow and St. Petersburg, but became widely available throughout Russia. For example, even in the provinces, it was possible

to purchase European luxury items such as BMW automobiles.

Russia not only imported luxury goods. People could now purchase produce such as real parmesan cheese, Chilean and French wines, French brie, and other produce. The problem was that by relying on these imports, Russians stopped producing their own produce and consumer goods. Russians seemed to prefer imported goods to their own manufactured goods, and it became more and more difficult to find Russian manufactured goods. This was the drawback of globalization. It became much more efficient to rely on imported goods than to produce its own goods.

Russia produced natural resources and became a major player in energy, while it also became a major importer of luxury produce and manufactured goods. In short, Russia became a typical member of the globalized world economy.

The recent crisis in Ukraine has highlighted one of the problems of globalization. As the West began to impose sanctions against Russia, they not only punished Russia for its actions in relation to Ukraine, but also punished themselves. The EU member states greatly benefitted from trade with Russia. For example, France benefitted from its relationship with Russia to sell Mistral-class amphibious assault ships to Russia's armed forces. However, under pressure from the United States, the French cancelled their agreement with Russia, and refused to deliver the ships.

It should be noted that France was not the only country that benefitted from trading with Russia. The EU relies on Russian energy exports, and the EU exports a large amount of agricultural goods to Russia. In short, both Russia and the EU depend on mutually beneficial trade, and sanctions would negatively affect both the EU and Russia. However, despite the fact that both the EU and Russia would be negatively by sanctions, the United States and the EU have leveled three rounds of sanctions against Russia since March, 2014.

The Russian response to the sanctions imposed by the EU was twofold. First, it leveled targeted sanctions against individuals in the United States. After the second round of sanctions, Russia leveled its own sanctions against agricultural imports from the EU and the United States. These sanctions were far more significant than the initial Russian response to sanctions.

Ironically, the sanctions imposed by both the West and Russia have not only hurt the targets of the sanctions, but also have hurt the

imposers of the sanctions. This is a result of globalization. For example, Russian imports of European agricultural products have been cheap enough for consumers and a growing middle class in Russia, that Russian agricultural producers are not able to fill the void left by the sanctions. While Russian policy makers have argued that these sanctions will boost domestic agricultural production in the long term, in the short term, there are deficits of certain goods and prices have risen for agricultural goods in Russia.

In June, 2014, Russia filed a complaint with the World Trade Organization (WTO) on the sanctions. It has argued that the sanctions have violated WTO rules. In contrast, the EU has filed many complaints against Russia with the WTO, arguing that Russia levies unfair tariffs on European exports to Russia. The most recent complaint was filed on August 31, 2014.

The WTO finds itself in a unique position of determining the fate of globalization. If it rules in favor of the EU over Russia, then Russia may withdraw from the WTO and join what Dmitry Trenin has recently called bipolar globalization. In other words, if the WTO rules in favor of the EU, Russia will have even more incentive to cooperate with China and to challenge the liberal system that the United States and the EU support. If the WTO rules in favor of the Russian complaint against sanctions, then Russia would not leave the WTO, but would be left with uncooperative trading partners in Europe and the United States.

While the Ukrainian crisis started out as a regional conflict between Ukraine and Russia over Crimea and the status of the Black Sea Fleet, it has continued to spiral out of control and has taken on global significance in the challenge to the United States' rules on economic liberal trade and globalization. While Russia does not have the power to directly challenge US hegemony, the current crisis has placed Russia in the unique position of presenting an alternate ideology for global trade and governance and emboldening China to challenge US hegemony with Russian assistance. So while the United States and Russia continue to move toward another Cold War, the ultimate winner in this conflict could be China, who will stand to benefit from a weakened United States and Russia.

It is not yet clear how the Ukrainian crisis will be resolved. It is in Russia's and the United States' interests to see the crisis resolved and relations improve to the point that cooperation can resume even if relations continue to be cool between them. However, if the current crisis

continues, both sides will only end up hurting each other economically, and there may end up being a crisis to the ideology of the current world order based on globalization.

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