

## ACHIEVING SUSTAINABLE DEVELOPMENT AND NATIONAL INTERESTS IN THE CONTEXT OF GEO-ECONOMIC FRAGMENTATION

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### Abstract

**Objective:** This article considers the role of economic fragmentation as a means of safeguarding national interests while promoting sustainability, domestic stability, and the development of domestic production capacity in an evolving global economy.

**Methods:** To address this objective, the article examines the perspectives of different stakeholders in the ongoing discourse surrounding globalization and fragmentation. It considers the viewpoints of those advocating for national control and sustainability, as well as those seeking a middle ground between globalization and fragmentation.

**Results:** Economic fragmentation divides the global market into smaller and isolated sectors. This trend is associated with growing conflicts and tensions between different states, as well as various political and trade disputes. Political instability, tariff wars, and national protectionism are key factors contributing to economic fragmentation. In 2023, global economic trends call for a transition from globalization to fragmentation. However, this forecast is based on the current political and economic conditions, and variable factors may change these trends.

**Conclusions:** The global economic landscape is experiencing a shift towards fragmentation, driven by the pursuit of national interests and sustainability. This shift provides an opportunity to redefine economic paradigms, striking a balance between globalization and fragmentation. By harnessing the advantages of fragmentation and



preserving essential elements of globalization, nations can work towards the shared goal of sustainable and resilient economies in an interconnected world.

**Keywords:** economy, globalization, government support, sanctions, entrepreneurship.

## INTRODUCTION

The global economy is constantly changing under the influence of new technologies, political conditions, and social factors. In 2023, global economic trends are expected to differ from the previous years. One of the main trends is the transition from globalization to fragmentation. In this article, we will consider its causes and consequences, and provide specific examples, figures, quotes, and links to relevant research. Thus, the research subject is the main reasons for the trend from globalization to fragmentation. The first factor influencing the transition from globalization to fragmentation is the rise of nationalism and protectionist measures in many countries. Many states began to embrace the ideas of “America First” or “Britain for the British”, which led to the return of tariff barriers and restrictions on international trade. The second factor is the development of technologies and digital platforms that create markets and infrastructure for various sectors of the economy. Tech behemoths, such as Amazon, Alibaba, and Google, provide platforms that enable entrepreneurs and small businesses to become competitive in the global marketplace. The third factor is changes in social structures and consumer preferences. Millennials and Zoomers place new demands on companies and governments. These consumers prefer local, natural, and sustainable products, leading to increased local production and decreased dependence on global suppliers. What are the consequences of the trend from globalization to fragmentation? The first consequence is the growing role of regional and local markets. Companies are targeting local consumers and creating products and services tailored to their needs. This leads to the establishment of new business models and the creation of a residence economy where an emphasis is put on local connections and interactions. The second consequence is a change in the structure of the international market. Previously, many companies chose a globalization strategy, expanding their presence in different countries. With the shift to fragmentation, companies are focusing on fewer markets where they can use their resources most effectively and achieve bigger success. The third consequence is increased competition between regional and global players. In a fragmented market, companies



have to fight for their market share and compete with local entrepreneurs. This leads to innovation and improved product quality, which ultimately benefits the consumer.

Studying global economic trends and forecasting them are complex tasks that require the application of various research methods. To conduct such studies, both qualitative and quantitative methods are used to create a comprehensive and objective picture of the upcoming changes. One of the research methods for analyzing the global economy is econometrics. Using this method, scholars build mathematical models based on statistical data to predict future trends. For example, econometric models can be used to estimate the impact of certain factors, such as GDP, inflation, or interest rates, on a country's economic growth and development. Another research method is data analysis. With the help of modern technologies and data processing techniques, scholars can analyze large arrays of information collected from various sources, such as statistics, company reports, news articles, and social networks. This allows them to identify trends and patterns that may indicate future changes in the global economy. It is also worth mentioning the method of scenario analysis. It is used to create numerous scenarios for the development of the global economy based on various assumptions and possible outcomes. For example, there is a scenario based on the assumption of further globalization or a scenario based on the assumption of fragmentation of the world economy. These scenarios are compared and analyzed to decide which ones have the highest probability of happening. Finally, non-traditional research methods, such as cybernetic modeling and machine learning, become widespread in the study of the global economy. Cybernetic modeling allows creating computer models that can simulate the behavior of complex systems, i.e., the global economy. Machine learning uses artificial intelligence algorithms to analyze data and identify hidden patterns and dependencies. The global economic trends of 2023 are called from globalization to fragmentation. In recent decades, the world economy has become increasingly globalized, leading to the emergence of global supply chains, international trade cooperation, and international integration. However, this trend has recently changed. The world economy is beginning to fragment and move towards strengthening national and regional economic interests. One of the reasons is a change in the geopolitical situation. Conflicts between countries and regions, such as trade wars between the United States and China, Brexit, and tensions between various regional blocs such as the European Union and the Eurasian Economic Union, are disrupting global economic



ties. In addition, the global COVID-19 pandemic has had a major impact on globalization. Closed borders, supply disruptions, and reduced international trade caused instability in markets and made countries rethink their economic strategies. Many states focused on their domestic production and consumption, which led to the strengthening of national economic interests and the fragmentation of the world economy (Shaukat & Shahzad, 2019). For example, the US adopted the “America First” strategy and prioritized the development of domestic production and reducing dependence on foreign suppliers. China also aims at developing its national economy and strengthening its trade and economic ties with Asian and other countries. These national strategies are combined with the strengthening of regional blocs within the framework of cooperation and trade. For example, the African Continental Free Trade Area (AfCFTA) unites African countries to solidify their position in the international arena and develop interregional trade. The Asia-Pacific Economic Cooperation (APEC) and the Asia-Africa Growth Corridor (AAGC) play an important role in strengthening economic cooperation between countries in these regions. Despite the increasing fragmentation of the world economy, globalization is still a crucial factor for many countries and regions. The modern era of information technology and communication allows to quickly and effectively connect different countries and regions, creating conditions for the development of the global market and the exchange of ideas and innovations (Burdenko et al., 2019). Global cooperation and openness between countries are still key factors for their development and prosperity. The global economic trends of 2023 reveal a shift from globalization to fragmentation. This process is driven by geopolitical changes and the consequences of the COVID-19 pandemic. Determining these trends and their effects requires the application of various research methods, such as econometric modeling, data mining, scenario analysis, and innovative methods, including cyber modeling and machine learning. Understanding these trends and their impact will allow countries and regions to adapt to new realities and develop effective development strategies.

## METHODS

To achieve the objective, we used various research methods that encompass both qualitative and quantitative approaches.



For qualitative analysis, we reviewed existing literature, including academic research, reports, and expert opinions. This literature overview forms the basis for comprehending the diverse perspectives held by stakeholders, such as governments, businesses, and civil society, regarding the role of fragmentation in the global economy.

Quantitative analysis is a crucial component of our methodology to assess the relationships between measures of fragmentation (tariff rates, trade restrictions) and indicators of sustainability (carbon emissions, resource consumption). For the purposes of rigorous statistical analysis, we used economic data from reputable sources, such as the World Bank and the International Monetary Fund.

To provide practical insights, we examined case studies of countries and regions adopting middle-ground approaches, combining elements of globalization and fragmentation. These case studies highlight strategies for achieving economic control and sustainability while remaining open to the global economy.

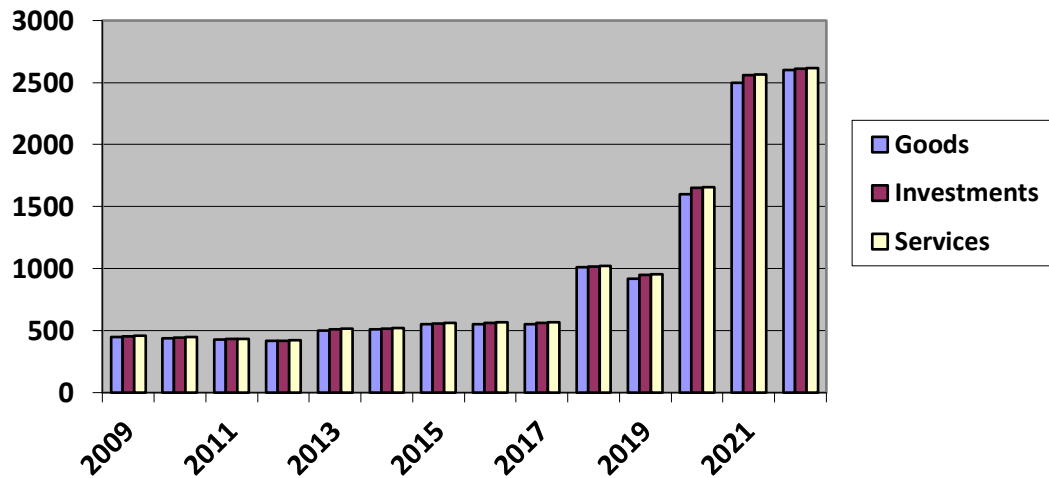
A cross-country comparative analysis further assesses the impact of varying degrees of economic fragmentation on national interests and sustainability, highlighting best practices and potential pitfalls.

This holistic approach contributes to a nuanced comprehension of the subject matter, allowing for a more informed discussion on the role of fragmentation in shaping national interests and sustainability within the global economy.

## RESULTS

The first and most striking example of the fragmentation of the global economy was Brexit (2016) and trade wars between the two largest economies – the US and China. In 2018, this resulted in the adoption of several mutual protectionist measures and countermeasures in trade. Over the past 13 years, the number of trade restrictions imposed by countries, especially in high-tech sectors that involve national security or strategic competition, has increased more than fivefold, according to the Global Trade Alert.





Source: Global Trade Alert

**Figure 1. Trade restrictions imposed worldwide, 2009-2022**

In recent years, the world economy has been undergoing significant changes. A notable trend of 2023 is the transition from globalization to fragmentation. Previously, globalization played a key role in the growth of world trade and the integration of economies of different countries (Kulikova, 2018). Currently, we face a growing trend toward nationalism, protectionism, and withdrawal from international cooperation. Globalization has long been considered one of the main drivers of global economic growth. Large companies expanded their markets, countries invested in foreign projects, and technological progress ensured a more efficient flow of goods and services between countries. However, recent events and trends indicate that globalization is losing its ground. The active development of nationalism, Brexit, the reduction of international trade, and the introduction of trade barriers, as well as geopolitical and economic conflicts, change global economic dynamics (Chernyavskaya, 2019). An example of economic fragmentation is the increased interest of sovereign states in creating national supply chains. Previously, companies sought to move their production to countries with cheap labor to minimize production and logistics costs. However, growing instability in international relations and pressure from governments to protect national producers make them seek alternative options. Large companies and governments are looking to reduce risks and increase flexibility in their supply chains by moving production closer to their markets. For example, Apple announced plans to move a significant portion of its iPhone and other electronics production from China to India. This is due to growing trade tensions between the US and China, which have imposed higher import duties on products from China. Similar





production shifts have been seen in other spheres, such as the automotive and medical device industries (Karp, 2022). Fragmentation is also manifested in the strengthening of regulatory activities aimed at protecting the national economy. In recent years, there has been an increasing trend to create new requirements for foreign companies to transfer their technology and knowledge to local partners in exchange for market access. This is a phenomenon known as the reserve requirement. Such policies are used by countries, such as China and India, against foreign companies, especially in the technology sector, to stimulate local development and innovation. The fragmentation of the global economy is also reflected in the increase in the number of trading blocs. In response to rising protectionist measures, some countries and regions conclude bilateral and multilateral agreements to limit free trade with other regions. For example, there is the Regional Comprehensive Economic Partnership (RCEP) which includes 15 countries in Asia and the Pacific (Turbina & Jürgenson, 2022). This largest regional agreement will ensure virtually uniform trade rules and investment conditions in these countries. Despite the trend of fragmentation, globalization remains a force to be reckoned with, and there are several reasons for that. Technological advances such as digitalization, the expansion of online commerce, and the development of global platforms, continue to connect countries and economies. Some companies face geographic limitations in finding quality labor and accessing new markets, forcing them to look beyond their national borders for new opportunities. In conclusion, the trend of economic fragmentation is becoming noticeable in 2023. Growing nationalism, protectionism, and political conflicts create new challenges for international cooperation and globalization. However, the latter remains an important factor despite changes in global economic dynamics (Albekov et al., 2020). The future of the global economy will depend on the balance between these trends. Thus, we may be heading towards a new stage of development where globalization and fragmentation co-exist and interact with each other. In 2023, the results of the study show significant changes in the global economy. Globalization, which was previously considered one of the key factors in economic development, is gradually giving way to economic fragmentation. The strengthening of national interests and the desire to protect domestic markets become top priorities for countries (Maslova, 2018). Instead of developing multilateral trade agreements, states opt for concluding bilateral relationships with the most profitable partners. This could lead to increased protectionist measures and more



restrictions on foreign trade. Fragmentation is also reflected in the specialization of production. In the past, countries specialized in the production of certain goods and supplied them to the world market. Modern countries are seeking to maintain production within their borders to ensure their economic independence. This fragmentation of production can lead to higher costs for end consumers. Another significant change is the strengthening of regional economic blocs. Instead of pursuing independent policies, some countries prefer to unite with neighboring countries to jointly develop their economy and increase competitiveness in the world market (Garnov, 2021). Such blocs can create their own trade zones, agreements, and monetary unions to strengthen economic integration. In the context of fragmentation, a shift in investment policies is evident. Countries are focusing on domestic investment aimed at developing their economies. Instead of attracting foreign capital, states create conditions to stimulate local entrepreneurs and domestic innovations. In general, the results of the study indicate a change in the priorities and strategies of most countries (Obshchestvennaya organizatsiya, 2022). The fragmentation of economic processes is becoming more noticeable, and the strengthening of national interests and regional blocs is turning into a key factor in the development of the world economy. These changes can have both positive and negative consequences for global trade and economic stability, and their impact will continue to evolve.

## DISCUSSION

Globalization is a phenomenon that has been one of the main trends in the world economy for many years, but now it is beginning to lose its relevance. Instead, the process of fragmentation takes place, with countries and regions growing independent and focusing on national interests. In this article, we consider the main trends in the global economy in 2023, which indicate a shift from globalization to fragmentation. The first trend is the increase in tariffs and the use of trade restrictions. In the previous years, the world saw many trade conflicts between major economic powers, such as the US and China. In 2023, these conflicts could lead to even greater protectionist measures, creating new barriers to global trade. The second trend is the strengthening of regional integration processes. In the context of fragmentation, the world economy strives to form regional blocs, where countries with similar interests and economic conditions unite. A possible example is the expansion of the EAEU which includes





Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan. Such integration processes turn into an important factor in the economic development of certain regions. The third trend reflecting a shift from globalization to fragmentation is associated with changes in international standards and norms. Until recently, global organizations, such as the World Trade Organization (WTO) and the IMF, have played an important role in establishing generally accepted rules for all participants in the global economy. In recent years, these organizations have been criticized, leading to more complex decision-making and agreement. Some countries choose to create their own intergovernmental organizations and regulations, which intensifies the fragmentation process. The fourth trend is strengthening national innovation and developing technological sovereignty. One of the reasons for the decline in globalization is the more active development of national innovation and technological potential in individual countries. Considering the examples of developed countries, such as the US and China, they are actively investing in research and development, creating new technologies and products. This allows them to become leaders in certain industries and strengthen their position on the world stage.

## CONCLUSIONS

In 2023, the world economy will continue to shift from globalization to fragmentation. The above-mentioned trends indicate a growing bias towards national interests and regional associations. These trends are not absolute and may change depending on political, economic, and social conditions. As of today, the fragmentation of the global economy is an important phenomenon that will be affecting international relations and economic development in the coming years. Being a phenomenon that emerged in the second half of the 20<sup>th</sup> century, globalization was associated with the integration of the economies and cultures of different countries, the progressive change in relationships, and the openness of trade, investment, information, and technology without any borders. Over time, this process has become controversial considering the results of globalization and made some countries reconsider their strategy in the global economy. In 2023, more countries are facing the effects of uneven development and environmental pollution, which causes a wave of protectionism and the search for new development strategies. Fragmentation or disintegration reflects the rejection of general rules and agreements in favor of building



an economy based on private agreements, restrictive tax policies, and national interests. This leads to increased competition and the emergence of new barriers to free trade and the movement of goods and services. Discussions are held to determine the causes and consequences of this process. Proponents of globalization often emphasize its positive aspects, such as the expansion of markets, access to new information and technologies, increased opportunities for entrepreneurship, and the creation of new jobs. They claim that globalization has narrowed the gap between developed and developing countries, creating conditions for a more equitable distribution of resources and strengthening international solidarity. Opponents of globalization insist that it has led to the unification of economies, the loss of national identity, and the dependence of many countries on international corporations. They regard fragmentation as a means of protecting national interests and allowing greater control over individual economies. They also emphasize the importance of sustainability, domestic stability, and production capacity. As with any other discussion, there are people somewhere in between. They believe that globalization and fragmentation are two opposite poles, and true politics should combine both trends. While supporting the openness of the world economy, they call for more careful control and harmonious integration of each economy.

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