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# Globalization or Fragmentation of the World Economy?

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## Abstract

Understanding the current world economy involves both tangible aspects, such as exchanges of goods, services, and labor, and intangible aspects, such as financial flows, technologies, and information, approached from multiple complementary theoretical perspectives. Economic development is a multidimensional concept that involves moving from a simple quantitative increase to a complex improvement in the economic and social parameters of a country or region. The world economy is not static, but is undergoing a continuous structural transformation, driven by technological and demographic developments and shifts in the balance of economic power. The 21st century has already brought major structural changes and is expected to bring more as new factors make their influence felt. One transformation has been the shift of the economic center of gravity towards Asia and the emerging economies. The impact of Artificial Intelligence (AI) is also considered from the perspective of global power centers. While it is not the primary focus of this paper to provide an exhaustive technical analysis, we highlight the significant global debate regarding its implementation. AI is increasingly viewed as a catalyst for economic fragmentation; as it becomes central to global growth, geopolitical divisions in this field become systemically costly and may lead to new regulatory divergencies. As a quite fresh example is the war in Middle East (Gulf Zone), with immediate influence on economies and people. The losses occurred as financial markets around the world continue to watch for cues from oil prices. Sharp rises have raised concerns that a prolonged rise could hurt the global economy, sap households' ability to spend and push interest rates higher. We tried to synthesize our own conviction regarding the snapshot of today's economic situation, which is an obvious one in fragmentation in blocs, altogether with a cleavage in Economics. Also, it is needed to rethink the economic powers' role, and the necessity of win-win game for the sustainability of the world economic construction and functioning.

**Keywords**

Globalization, Fragmentation, World Economy, Imbalance, Cleavage, Win-Win

## 1. Economic World under Globalization Umbrella and the Pursuit of It

We've started to present and understand the two major terms of the present discussion: Globalization and Fragmentation.

The first term is, indeed, for decades, a *mantra* in Economics and not only a phenomenon that encompasses all domains and activities and it was a great label put on the world economy and society.

*Globalization* is the accelerating integration of global economies, cultures, and populations, driven by international trade, technology, and investment. It involves increased movement of goods, services, technology, and labor across borders, leading to interconnected markets and shared information. It enables companies to source, produce, and sell globally, but also increases economic interdependence and competition.

*Economic globalization* (the form which interests us in this paper) is the process of closer integration of national economies into a single world economy, through increased cross-border flows of goods, services, capital, people and information. The essential characteristic of globalization is the creation of a single world market, in which goods circulate relatively freely, investments can be placed almost anywhere on the globe, and economic events in one country can have repercussions thousands of kilometers away (IMF, 1997).

Thus, based on the latest technological and scientific achievements, the main characteristics of the globalization known until today are the following ones (Alkharafi & Alsabah, 2025):

- increased international trade;
- important capital flows;
- movements of population (migration);
- global supply chains interconnected;
- deterriorialized companies (the well-known transnational companies).

Paul Krugman, Nobel Prize laureate in Economics, views globalization as having peaked in the mid-2000s, shifting toward a phase of "*slowbalization*" or reversal driven by geopolitical tensions, rising tariffs, and a focus on national security.

While acknowledging that mainstream economics underestimated the disruption to Western industrial workers, he now emphasizes the need for resilience and, in some cases, protectionist policies to manage this shift (Tong & Corcoran, 2025).

In this material, Krugman underlines that after the WWII, the United States—which was very much the leader on this stuff—believed that closer economic ties between countries were good for peace, that more international trade would help the world's democracies make common cause against the threat of communism (at that time). If he, and other mainstream economists, admit that all the world activity, during the last decades, led to a *hyper-globalization*, the last couple of years led to this "slowbalization" (Syll, 2023) and even worse realities that we intend to highlight.

And, this Krugman's approach is due to the reality that globalization is not irreversible or uniform. After 2008, the pace of globalization, as measured by the share of global trade in global GDP, stabilized, and some financial flows became more cautious. Moreover, recent geopolitical tensions have led to discussions about regionalization (e.g., friend-shoring by relocating production to friendly countries).

In 2025, global trade reached a record high, surpassing $35 trillion, which demonstrates that interdependence between countries and regions remains fundamentally high (UNCTAD, 2025). However, this peak is accompanied by signs of severe fragmentation; recent reports indicate that specific trade areas are facing sharp declines of approximately 65%. The most significant impact is observed in Chinese e-commerce exports to the US, following the escalation of tariff threats in early 2025 (O'Carroll, 2025)

Financial markets are, in fact, the most globalized: capital can move instantly from one jurisdiction to another, and international investors hold stocks, bonds, and other assets all over the world. This has enabled development financing in many countries where foreign investment supplements local economies, but also involves the risk of financial contagion.

Of course, as other economic and social phenomena, *the globalization* has or had a peak of its growth. Hence, after this point, we assist to a descendent curve, which in our case is represented by the term of *fragmentation*. But, we already saw another term for the situation, that one of *slowbalization*.

Our further analysis is focused on the right part of the curve/wave of the economic evolution, with ups and downs and from a risk economy to an uncertainty one, aspect presented and highlighted in the last part of the paper.

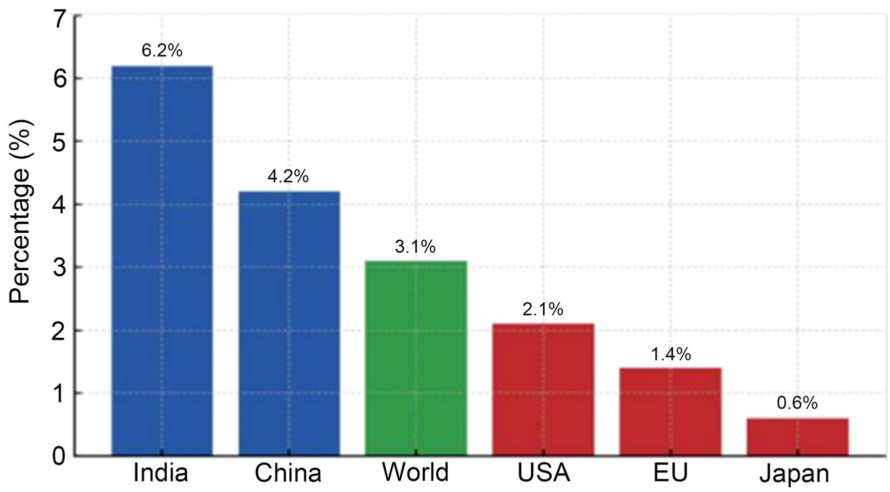
The global economy still exists, but is splitting into regional actors, being obviously influenced by the collision between US and China.

The protectionism is rising, with important surge on tariffs, especially for manufactured goods, the draw of so-called *friend-shoring*, supply chains for the allied countries, and security aspects, critical mineral access, raw materials and components for AI, into a security construction based on the well-known saying: the best defense (security) is a good offense.

But, until then, we want to reveal that under the globalization umbrella, the disparities between countries and economic cycles.

**Figure 1** represents projections of the real economic growth rate in 2026 for different economies. As following, the largest economies of the world, at this moment are: US leads with a GDP of $30 trillion, China with around $20 trillion, Germany with $5.3 trillion (it is still the "engine" of EU), India is now on the 4th place with

$4.5 trillion and Japan close with $4.3 trillion. In fact, this representation is an important example of the difference in the economic growth rates between developed and emerging economies, in the context of the global imbalance. IMF projections for 2026 indicate a divergence in growth rates: major emerging economies such as India (approximately 6.2% estimated real GDP growth) or Indonesia (approximately 4.9%) will be engines of global growth, while major developed economies are almost stagnant, for example, Japan (approximately 0.6%), Italy (approximately 0.8%) or Germany (approximately 0.9%) are at the bottom of the growth rankings, below 1% annually. Even the USA, the largest economy, has a relatively modest forecast (~2.1%), close to the global average of ~3.1%.




Source: Processing on IMF, WEF data, October 2025.

**Figure 1.** Global economic imbalances and disparities.

As we see, the two major economies and the two in competition, being considered as two poles of power, remain US and China.

And, the natural pursuit after all events and unexpected actions is the situation described as *the fragmentation of the world economy*, not to mention the Gulf War, which will hurt the global economy, especially the international trade.

## 2. Methodology

We used in this paper a quantitative analysis, even doubled by a narrative one. We've searched data released by specific institutions or authorities in the field, plus opinions/ideas of important specialists in the analyzed domain.

Also, a survey of the current events was conducted in order to understand what is happening at this very moment in the world.

We are living in a very challenging world, with many uncertain situations, unexpected decisions done and intensive financial coercions.

A quantitative research was conducted, taking into account the figures of the world economy of today, and the opinions and points of view of important economic/financial leaders of today regarding the status of the world economy, especially after January 20, 2025.

The data analyzed in this research covers a maximum timeframe of one year. The methodology prioritizes quantitative figures and professional insights from established economic and financial leaders regarding the state of the world economy after January 20, 2025. Consequently, less emphasis was placed on raw daily news flows or press agency reports, focusing instead on synthesized data that reflects long-term structural shifts.

From all the information, we tried to synthesize our own belief regarding *the snapshot of today's* economic situation, which is an obvious fragmentation in blocs, in parallel with the attempt of a power/powers to dominate the world, seemingly in a unipolar situation.

It is a determinant feature to understand and to foresee the future developments, based on the unexpected (or not) events, such as the wars or pressures of some actors in their own benefit.

## 3. Attempt to Characterize the Current World Economy

In the empirical section of this study, we examine the perspectives of two pivotal figures in the global finance domain: Christine Lagarde, President of the European Central Bank, and Jamie Dimon, CEO of JPMorgan Chase. Their forecasts and opinions are highly relevant due to their direct influence on international monetary policies and their capacity to interpret the transition from a risk-based economy to one of systemic uncertainty. As leaders of the world's most influential financial institutions, their insights provide a qualified foundation for understanding current geopolitical tensions.

Therefore, the first qualified and sound opinion about what's going on in the world belongs to the President of the European Central Bank, Christine Lagarde.

Indeed, the economic interdependencies were strong until no longer time ago. But, after the pandemic of COVID-19 and the start of the war in Ukraine, where these cross-border links especially were once seen as a source of stability, it is now a source of vulnerability: to global disruptions like the pandemic and to deliberate weaponization of dependencies (Lagarde, 2026, February 17).

But, until the present situation, Christine Lagarde affirmed that the coercive trade policies fail to resolve imbalances and that action is needed to avoid an escalation of mutually harmful tensions at a global level. She referred to this obvious coercive economic/trade implemented by US, but also by EU, UK or other states. Trade tensions and a complex geopolitical landscape have emerged that increasingly complicate cooperation.

As of early 2026, European Central Bank President Christine Lagarde expresses cautious optimism regarding the global economy, highlighting resilient growth, stabilized inflation at target levels, and strong labor markets despite ongoing uncertainties. In fact, there are follow-ups of the last year's assumptions regarding how Europe could be even worse, going backward. In many places, that word is losing importance, slipping into the background. And I see it with climate change, too. Europe bears the responsibility to defend these values and uphold these principles (ECB, 2026).

She emphasizes the need for structural reforms, warns that geopolitical fragmentation could fuel inflation, and stresses the importance of addressing wealth disparities amongst economies and people.

Important for the issue in debate, still, it is necessary that everyone must act to maintain cooperation despite fragmentation, in the context in which globalization has developed into a world in which not all nations are united by the same security guarantees. Furthermore, during the current war in Gulf, Lagarde advice leaders of the world, including Trump, to avoid fragmentation so the benefits of innovation can be reaped. The more AI becomes central to global growth, the more geopolitical fragmentation becomes systemically costly. Therefore, she reiterated the idea of the inseparable role of AI in a global economy, issued by the WEF in 2025 (Lagarde, 2026, March 5).

The second important opinion, approach, on this process of the fragmentation of the world economy belongs to Jamie Dimon, the CEO of the JPMorgan Bank, the powerful bank in America and not only. More said, JPMorgan Chase & Co is the largest banking institution in the world, established in 1871, but with roots in 1823. As the brief presentation from its site, for more than 225 years, JPMorgan Chase has championed the essential role of banking in communities, but acting globally, creating opportunities for all and supporting talent and skills and career growth (https://www.jpmorganchase.com/).

But, before presenting this approach, we intend to reveal the link between the two banking entities in discussion, the European Central Bank and the JP Morgan Bank: recently, the ECB fined JPMorgan, *European Subsidiary* (our emphasis), with 12.18 million euros for misreporting capital requirements between 2019 and 2024. We underlined that it is about the European Subsidiary, based in Frankfurt-am-Main, exactly for the reason that actioning in Europe is under the direct ECB supervision.

The European Central Bank (ECB) has imposed two administrative penalties totaling €12.18 million euro on JPMorgan SE after the bank reported wrongly calculated risk-weighted assets. Between 2019 and 2024, the bank reported lower risk-weighted assets than it should have done. Artificially lowering the proportion of risky assets on its books would have freed up cash for JPMorgan to invest in other areas.

More precisely, the US investment bank has been found that it had misclassified some transactions and excluded others from its calculations between 2019 and 2024 (AFP, 2026).

The bank reported wrongly calculated figures to the ECB, therefore preventing the ECB from having a comprehensive view of its risk profile. Risk-weighted assets are a measure of the risks a bank has on its books. They serve as a basis for banks to calculate their capital requirements. As a result of underestimating its risk-weighted assets, the bank reported higher capital ratios than it should have done.

Capital ratios are key indicators of a bank's capital strength and its ability to absorb losses (ECB, 2026).

Even from middle of 2025, Jamie Dimon sustained that the US, in fact, the world is navigating in an *uncertainty* environment, preparing and strengthening, at the same time, the general opinion of today, that is we are passing from a world/environment of risk to one of uncertainty, especially due to the last major events. And, in our opinion, it is exactly what is happening, based on the Dimon's words from last year that "this uncertainty means from Recession Risks to Geopolitical Tensions".

Based on his recent shareholders' letters, interviews and public appearances through early 2026, Jamie Dimon sees the global economic fragmentation as a major, high-stakes threat to world stability. He shifted the analysis, focusing on Europe, which is struggling with self-inflicted fragmentation which, at its turn, it is capable to destabilize the global economic order (Chiglinsky & Bloomberg, 2025).

And, a survey of what American banks are doing until now, when the economy was doing fine, reveals for Jamie Dimon the premises of the conditions for another "great recession" as the previous one from 2008. Which are the signs? Especially the so-called "dumb things" done, like the possibility that banks will take risky loans and the existing high prices of the assets. And, furthermore, the IT companies are in competition to improve AI, especially in an arms race, spending billion of US Dollars on this activity (Fast Company, 2026).

And, probably a significant event, for us, is the resignation of Caitlin Kalinowski, who oversaw hardware at OpenAI, due to the fact that the company did not take prompt and sufficient measures before agreeing to deploy AI models on the Pentagon's classified cloud networks. In fact, it's about the choose between principles and people and people have won.

This fragmentation is driven by geopolitical tensions, protectionist MAGA policies, and internal European structural failures—risks creating a world similar to the pre-World War II era. And, for good, we see these days the impact of the policy on economics.

Another point of view is that one of Dani Rodrik, an influential economist and professor at Harvard University, who focuses on his *political trilemma*, in which he argues that countries increasingly face trade-offs between:

(a) Global economic integration;

(b) Democratic sovereignty;

(c) Autonomous economic policy.

As we already saw, attempts to maintain all three situations (of different nature, of course) have failed and led to separate evolution and reasons to exist for each of them (Ortega, 2018). Thus, the peaks of this triangle are:

1) Hyper-globalization (in fact);

2) National sovereignty;

3) Democratic policies

An important cleavage is represented by the European Union and the debates around the national sovereignty and the belonging to this sui generis construction, which is, at the same time, an answer to *Rodrik's trilemma.*

Even then, in 2017-2018, globalization had halted, and World Report on Investments 2017 showed a 23% reduction in the world's flows of Foreign Direct Investment (FDI) in 2017. Adding the tariffs war launched after the arrival of Donald Trump at the White House in January 2025, and the realities from current days, the trade drops or will drop (around 65%), strengthening the Krugman's predictions in this respect, especially because it is dealing with oil and derivatives of it.

But, what's about AI impact and the general view of World Economic Forum and not only. Yes, Artificial Intelligence (AI) is heavily involved in—and often acts as a catalyst for—world economic fragmentation. WEF sustains the necessity that the fragmentation to be overcome and to be used in the interest of all (Klein, 2025).

While AI has the potential to significantly boost global productivity, its development and deployment are creating new economic divides, fueling geopolitical competition, and leading to regulatory divergencies. Correct, but these assertions were presented a year ago and, meantime, several important events and situations took place all over the world.

And, the last event is the War in Gulf, with huge economic problems, because it's about oil (1/5 of the world's oil transportation route is through Hormuz Strait).

In summary, these are the elements that lead to deeper fragmentation of the economic world (ING THINK, 2026):

(A) Supply Chain Disruptions, that is, a war came in the worst possible moment;

(B) Decoupling of Trade and Finance, the fragmentation will be deeper if the countries of the regions will be forced to take someone's part, the economic sanctions and, consequently, trade restrictions applied, will mean fragmentation;

(C) Fragmentation will lead to the strengthening of blocs;

(D) The oil and gas prices rise, the economic activities will slow-down and the inflation rate will also rise.

Focusing our attention and research on the term and situation of *fragmentation* of the world economy of today, in fact, we are going to reveal and sustain another term which maybe come along with the above-mentioned one: *the cleavage of economy*. What so?

Because fragmentation of the world economy in blocs, in opposite interests (we can't speak about a patchwork), in powers pursuing new technologies to be implemented, also by using rare earths and acting beyond the common sense or the law spirit. That is, a deep and a quite durable structural division also of the society along with the economic different interests (see Zollinger & Attewell, 2025).

But, pursuing events of these days, with all these unexpected and intense challenges, with cleavage we said, opposite forces and interests, it is not far from the synthesis of them in the characterization of the world as becoming chaotic (Prasad, 2026). Of course, the author is focused on international competition and in the rise of the so-called "middle-powers" as India, Brazil, and Indonesia, in order to put some balance between the super-powers of the day, US and China.

## 4. Conclusion

In 2026, global trade growth is expected to slow due to the fading of 2025's front-loaded shipments and the persistent impact of higher tariffs. While the world remains deeply connected, it is a **more fragmented form of globalization**, where the cost of doing business is higher due to reduced efficiency, but the overall system remains fundamentally connected through technology and mutual economic interests.

It seems that, including the armed conflict in the Gulf that the world economy is passing from risk to uncertainty, therefore the frames and models used could no longer be valid.

Therefore, taking into account the current international events, we sustain *the step-by-step approach*, making decision exactly function the concrete event done, or in-progress. Also, there are needed prompt answers and actions to the challenges, in order to ensure, it is our faith that the core strategy for a sustainable world economy to be *of a win-win nature*.

We support this idea, because even if there are still manifestations of simultaneous process of globalization (the global trade reached record level in 2025) and fragmentation, with tensions between the largest economies of the world, coercive actions, geopolitical alliances and, however, uncertainty.

There is no wholesale reversal of globalization, but fragmentation and slower integration are now major structural features and, it's up to us, to world rulers and decision-makers to ensure economic growth and integration as much as possible for the functioning of all economic and social components.

The world economy today faces persistent macroeconomic imbalances and widening economic and social disparities. These are not just inert statistics, but they have profound implications for global stability, the quality of life of billions of people, and future development prospects.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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