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Course of International Economics

Crisis of the Liberal-Democratic Political System: The Priority of Strategic Security and the Decline of the Open Economy

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Introduction

Liberal-democratic regimes are characterized by a set of principles that combine political representation, rule of law, protection of individual rights, and limitation of executive power through institutional checks and balances. Within this theoretical perspective, economic freedom and open markets have historically been associated with the values embodied by political liberalism, as expressions of individual freedom, social pluralism, and limits on arbitrary state intervention. The belief that open market, international trade, capital flows, circulation of people, and the spread of knowledge promote prosperity, cooperation, and political stability has been one of the pillars of the economic order established after World War II. This connection has strengthened the hypothesis of a virtuous relationship between economic integration and democratic consolidation. Open markets require predictable regulations, protection of private rights, transparency, and contractual reliability, elements that are naturally integrated with the principles of the rule of law. At the same time, integration into global trade and financial networks tends to reduce arbitrary political decisions, as governments and institutions are constrained by obligations and expectations resulting from economic interdependence. Consequently, economic openness has often been interpreted not only as a growth factor but also as a key element of liberal democracies.

However, this relationship is neither automatic nor inevitable. Market openness alone is not a sufficient condition for the emergence or consolidation of democratic institutions, just as democracy does not automatically lead to a comprehensive economic liberalization. Recent historical events have shown that authoritarian regimes can adopt strategies to achieve a strong integration into global markets without simultaneously establishing a process of political liberalization. The case of China is emblematic in this respect: an economy deeply embedded in global value chains, characterized by active participation in international trade and foreign investment, coexists with a one-party political system and the absence of political pluralism. On the other hand, some authoritarian regimes, such as North Korea, maintain high levels of economic closure, demonstrating that market openness is not strictly tied to the nature of the regime. Therefore, the link between the free market and liberal democracy should be analyzed as a historical contingency, shaped by political decisions, rather than as a deterministic connection. In liberal democracies, economic openness has often been supported as consistent with the values of individual freedom, pluralism, and international cooperation, but it remains a political choice. Understanding this distinction is essential for examining contemporary dynamics, in which both market openness and the stability of liberal-democratic institutions appear to be experiencing tension and transformation.

In recent years, the academic literature has produced extensive research on both the crisis of liberal democracies and the transformations of globalization. However, they are often analyzed in parallel, without examining the relationships among strategic security, political crisis, and economic closure. A first body of studies focuses on the deterioration of democratic quality in advanced democracies. The increase in affective and ideological polarization has been widely documented by Baldassarri and Bearman (2007), who analyze polarization dynamics as relational processes that can rigidify political identities and narrow spaces for compromise. Similarly, Iyengar (2019) highlights how affective polarization transforms party affiliation into an antagonistic social identity, with corrosive effects on trust and institutional cooperation. Mason (2015) emphasizes that the growing overlap between social and partisan identities deepens the segmentation of the political space, making it more difficult to build coalitions. In Europe, these patterns are compounded by electoral volatility and deinstitutionalization of party systems, as Chiaramonte and Emanuele (2015) have demonstrated a progressive instability in Western representative structures. In parallel, a significant portion of the literature has analyzed the rise of populism and economic nationalism as reactions to perceived destabilizing economic transformations. Bronk and Jacoby (2020) link populism to political strategies for managing uncertainty, noting that economic insecurity fuels demand for more centralized, less mediated decision-making. Colantone and Stanig (2019) empirically show that trade shocks and job losses are associated with increased support for nationalist political forces. Pryke (2012) previously interpreted economic nationalism as a cyclical response to legitimacy crises within the liberal order.

A second large body of research studies the evolution of globalization. Halmai (2023) describes a phase of economic integration slowdown, in which the expansion of trade and global value chains loses centrality. De Backer (2016) discusses the phenomenon of reshoring as a possible response to systemic vulnerabilities emerging in value chains. Zhang (2022) analyzes regionalization as a functional alternative to a fully open model of globalization. However, although the crisis of liberal democracy and the transformation of globalization are well documented, the causal relationship between the two dimensions, mediated by strategic security, remains less explored. Farrell and Newman (2019) introduce the concept of weaponized interdependence to describe how global economic networks can become instruments of geopolitical coercion, showing that interdependence is not neutral but can generate strategic vulnerabilities. This perspective opens a crucial analytical space, suggesting that the perception of systemic vulnerability may lead states to prioritize security considerations over purely allocative logic.

This thesis is situated in this intermediate space. The central hypothesis is that the crisis of liberal-democratic regimes, characterized by polarization, volatility, and loss of trust in the institutions, strengthens the centrality of strategic security in economic policy. This increased focus on security leads to selective market closures, fueling regionalization, relocation, and trade defense mechanisms. It is thus not a unidirectional relationship between politics and economics, but rather a cumulative circuit in which political and economic insecurity reinforce each other. With this view, the current research aims to enrich the existing literature by connecting the crisis of liberal democracy to the transformation of the global economic order through the lens of strategic security. It would be relevant to this purpose to come up with the following research question: *Has the rise of strategic security as a priority contributed to the decline of economic openness in contemporary liberal-democratic political systems?*

Chapter 1 describes the political and institutional context. It begins by exploring the dynamics of polarization and loss of trust in institutions, highlighting how growing affective polarization and electoral volatility impact the internal cohesion of liberal-democratic regimes. Moreover, the chapter addresses the erosion of multilateral institutions, placing the post–World War II order under pressure and focusing on the challenges facing the United Nations system. The research then examines economic nationalism and claims of national sovereignty, showing how political uncertainty shapes the reformulation of international cooperation. The chapter concludes with a comparative overview of political regimes in the 21st century, providing a quantitative picture of democratic backsliding. Chapter 2 focuses on the economic consequences of these political transformations. It analyzes how rising uncertainty and strategic competition drive structural changes in integration and global markets. The first paragraph centers on economic regionalization, highlighting how international actors adopt reshoring and nearshoring strategies to control their value chains. Furthermore, the chapter examines the relationship between market closure and foreign direct investment, showing how barriers, controls, and geopolitical risks affect flows. This paragraph is followed by an analysis of the US dollar's role in monetary primacy, financial interdependence, and major power competition. Finally, the section on slowbalization frames these developments within the broader context of a decelerating and fragmenting globalization. Chapter 3 provides three case studies that offer an empirical test of the theoretical framework developed in the previous chapters. The first case study analyzes the tariff policies introduced during the second Trump administration, interpreting them as a manifestation of economic regionalization and selective market closure in a context of internal tensions within liberal-democratic regimes. The second case study focuses on the practice of dumping attributed to China and the consequent extensive use of anti-dumping measures by several countries, showing how trade defense instruments contribute to the fragmentation and reorganization of global value chains. The third case study examines the European Union’s Carbon Border Adjustment Mechanism, highlighting how policies can become a tool for regulatory regionalization and market access. The three cases demonstrate that, across different political contexts and policy areas, similar outcomes emerge: the growing centrality of strategic security and the redefinition of economic integration. The conclusion revisits the theoretical core of the thesis, reflecting on the connections between the crisis of liberal democracy and the transformation of globalization.

1. *The Crisis of Liberal Democracy*

1.1 Polarization and Institutional Mistrust

The term polarization is used in this thesis to refer to situations in which political conflict is organized around opposing groups, with their positions, attitudes, and ways of interaction becoming more distant within the same political system. This distance does not always correspond to extreme differences in ideology across all policy issues. Instead, polarization is understood as a complex process that involves social relationships, identity boundaries, and the intensity of political conflict, thereby shaping how disagreement is experienced and addressed over time. Academic research shows that polarization rarely develops evenly across the political spectrum. It usually arises from specific issues that gain disproportionate importance and change patterns of interaction. In certain situations, a small number of visible conflicts can create the sense of widespread division, even when overall ideological differences are minor. These patterns are especially clear when important issues reshape social networks and reinforce the feeling of distance between opposing groups, increasing hostility beyond what overall opinions might suggest.[1] The experience of polarization is intensified by social interaction structures. People are often part of networks that are more politically uniform than society as a whole, creating significant distortions in how disagreement is perceived. Being in like-minded environments reinforces existing views and increases perceived extremeness and hostility from the other side. As a consequence, polarization often feels widespread, even when opinion differences are moderate at the population level.[2]

A crucial analytical point concerns the different aspects of polarization. Evidence indicates that social and emotional polarization may rise independently of polarization over policy issues. In particular, partisan sorting aligns political affiliations with social traits like education, culture, and geography. This connection enhances in-group identity and bias against out-groups, increasing political hostility even without significant shifts in policy preferences.[3] Thus, political conflict can escalate in attitudes

[1] D. Baldassarri and P. Bearman, "Dynamics of Political Polarization", pp. 786-788.
[2] *Ivi*, pp. 788-795.
[3] L. Mason, ""I Disrespectfully Agree": The Differential Effects of Partisan Sorting on Social and Issue Polarization", pp. 130-137.

and emotions, even if there is no corresponding change in policy stances.

The emotional aspect of polarization is central to this situation. Political division increasingly manifests emotional hostility, negative stereotypes, and reluctance to engage socially with political opponents. These factors shape how disagreement is understood, shifting political conflict from a matter of debatable preferences to a moral opposition between groups. As emotional ties to political identities strengthen, disagreement is increasingly viewed as illegitimate and as a threat to the group's identity.[4] This shift has significant implications affecting the functioning of a democracy. When political identities are charged with emotion, the costs of compromise rise. Political competition is viewed in zero-sum terms, and cooperation across group lines becomes more difficult. Political conflict is not only about policy outcomes but also about affirming group belonging and status, reinforcing exclusion and hostility patterns.[5]

The way citizens view political authority is tied closely to these institutional outcomes. In this context, it is necessary to move beyond the simplified trust/distrust dichotomy to adopt a more appropriate vocabulary: trust, mistrust, and distrust are members of the same conceptual family. These views are not just reactions to specific events; they often reflect long-term attitudes toward authority that influence political behavior and opinions over time. Trust indicates positive expectations about institutions' competence and intentions. Mistrust is a critical stance that entails conditional support, focusing on potential shortcomings and demands for accountability. Finally, distrust reflects a stable expectation of unreliability or bad faith, leading to withdrawal, cynicism, and disengagement.[6] In democratic systems, a moderate level of mistrust isn’t necessarily adverse. In fact, critical oversight and conditional support can promote accountability and responsiveness. However, when mistrust becomes widespread and deepens, it can undermine institutional legitimacy, weaken cooperation, and discourage public participation. Understanding the distinction between healthy mistrust and systemic distrust is crucial for comprehending the political impact of declining

[4] S. Iyengar et al., “The Origins and Consequences of Affective Polarization in the United States”, pp. 129-134.
[5] *Ivi*, pp. 136-141.
[6] D. Devine et al., “Exploring Trust, Mistrust and Distrust”, pp. 3-6.

confidence in public institutions.[7]

Evidence shows that polarization and institutional mistrust are connected by several reinforcing mechanisms. Emotional polarization increases the likelihood of viewing institutions through a partisan lens, making trust dependent on political alignment. In highly polarized contexts, authority is more likely to be acknowledged when it comes from one's own side and questioned when associated with opponents. Survey results reveal a strong link between partisan hostility, conditional trust, and declining views of institutional legitimacy.[8] These dynamics erode the shared norms necessary for democratic governance. When legitimacy is strictly linked to partisan success, institutions struggle to mediate conflict and make widely accepted decisions. Under these conditions, political competition increasingly resembles factionalism, in which opposing groups are regarded not merely as rivals but as fundamentally illegitimate or morally unacceptable. Exposure to polarized political environments is associated with greater acceptance of rule violations and illiberal actions when they appear to benefit one's group. This diminishes the effectiveness of public opinion as a constraint on abuses of power and weakens the commitment to democratic principles.[9]

While polarization directs political attention to a small number of intense conflicts, institutional mistrust develops over the long term. Survey data from advanced democracies highlights a steady decline in trust toward political parties, governments, parliaments, and the media. Nevertheless, support for democracy as a system often stays stable, suggesting that people separate their dissatisfaction with institutional performance from their support for democratic ideals.[10] Attitudes toward institutions also differ systematically across social groups. Factors such as generation, education, and political involvement shape individuals' evaluations of institutions and expectations regarding public authority. Decreasing trust doesn't always indicate political disengagement; in some cases, it reflects higher expectations of institutional responsiveness, integrity, and effectiveness.[11] The interaction of polarization and institutional mistrust creates a mutually reinforcing cycle. Polarization heightens

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[7] *Ivi*, pp. 3-10.

[8] Pew Research Center, "As Partisan Hostility Grows, Signs of Frustration With the Two-Party System", pp. 6-11.

[9] E. J. Finkel et al., "Political sectarianism in America", pp. 533-536.

[10] D. Devine et al., "Exploring Trust, Mistrust and Distrust", pp. 6-8.

[11] *Ivi*, pp. 12-19.

identity-based conflicts and hostile views of political differences, while mistrust obstructs institutions' ability to manage conflict and produce perceived legitimate outcomes. This ongoing interaction normalizes skepticism toward political authority and raises resistance to institutional mediation.

These trends become especially significant in periods of heightened uncertainty because identity-based conflict alters how information is interpreted and how political trade-offs are assessed. In highly polarized environments, political competition can be perceived as a matter of survival, making it more important to protect the group's position than to follow rules. This view may diminish citizens' regard for democratic norms and increase their acceptance of leaders or actions that would otherwise be considered unacceptable. When the opposing group is seen as illegitimate or threatening, commitments to checks and balances and civil liberties may seem less convincing, especially if a victory for the opposition is expected to have severe consequences. Additionally, challenges that typically promote unity may not do so when polarization is intense; the COVID-19 pandemic is a notable example in which a common threat did not necessarily reduce division and may even have intensified it.[12]

Overall, the evidence suggests that polarization and institutional mistrust are structural features of modern democratic systems, not just passing issues. Their interaction changes political conflict, alters how citizens relate to institutions, and influences the context in which policy choices and governance priorities are defined. Understanding these dynamics is essential for analyzing future developments related to economic openness, institutional authority, and the evolving nature of political goals.

1.2 Erosion of Multilateral Institutions

Multilateral institutions are currently facing a period of crisis. The cooperation that once manifested itself through general and binding decisions in universal forums now advances with greater difficulty, within smaller coalitions and with conditional agreements. There is no sudden collapse, but rather a gradual transformation of the operational framework, leading to a decline in procedural universalism and increased unpredictability, while the credibility and authority of organizations are increasingly called into question. This evolution, driven by the growing heterogeneity of preferences

[12] E. J. Finkel et al., "Political sectarianism in America", pp. 535-536.

and the pressure of domestic political contexts, is modifying the function of multilateralism, which tends to rely not on general standards but on the construction of sufficient convergences on specific issues, with evident costs in terms of cohesion and legitimacy.[13] At the systemic level, the diffusion of power and the heterogeneity of preferences reduce the room for universalistic decisions. The strategic competition among major powers, the rise of regional poles, and the plurality of regulatory agendas generate incompatibilities that decision-making mechanisms, designed in less pluralistic contexts, struggle to manage. When achieving formal unanimity or broad political consensus becomes essential for progress, the common outcome is stagnation. To circumvent this, states resort to flexible, informal, or regional formats that allow progress on segments of the agenda, but weaken the procedural universalism typical of multilateral forums.[14]

The very structure of global governance has adapted to this evolution. Originally, relatively unitary regimes have been overlapped by arrangements with partially coinciding mandates, different standards, and diverse monitoring tools. The result is a network of regimes lacking a rigid hierarchy: flexible and innovative yet vulnerable to inconsistencies, normative clashes, and forum-shopping practices, in which actors select favorable venues and procedures, sometimes neglecting obligations undertaken elsewhere. Without adequate coordination mechanisms, institutions' capacity to produce stable guidelines is weakened.[15] Domestic dynamics certainly amplify this trend. The sharpening of identity fractures, electoral competition centered on decision-making autonomy, and public opinion's sensitivity to perceived losses of sovereignty in international choices drive governments and parliaments toward more flexible commitments, increased use of safeguard clauses, and more frequent claims of exception in the execution of obligations. Even when formal standards remain in force, their actual influence on behavior is determined more by situational calculations than by principled adherence, with visible effects on the quality of enforcement and the continuity of commitments.[16] At the same time, network-based governance approaches

[13] J. Linn, "Recent Threats to Multilateralism", pp. 86-88.
[14] *Ibidem.*
[15] E. A. Bloodgood, "New Multilateralism: The United Nations and Governance in the Era of Nonstate Actors", in *Does the UN Model Still Work? Challenges and Prospects for the Future of Multilateralism*, pp. 59-64.
[16] *Ivi,* pp. 91-100.

are gaining prevalence. This includes thematic platforms, multi-stakeholder partnerships, contact groups, and voluntary coalitions that connect states, intergovernmental organizations, technical bodies, and non-state actors. These arrangements expand operational capacities and mobilize resources where traditional channels are too slow or blocked, but they also raise issues of mandate, representation, and democratic accountability, shifting the focus from general rules to project-based management. The rebalancing between procedural universalism and operational effectiveness, while functional in the short term, thus risks increasing the fragmentation of the overall perspective.

1.2.1 The Post-WWII Order Under Pressure

This erosion does not concern the United Nations exclusively, but more generally affects the entire institutional architecture built after World War II. Central organizations such as the World Trade Organization, the International Monetary Fund, and the World Bank, established to guarantee stability, openness, and cooperation, now operate in a different environment, characterized by greater economic model pluralism, increased strategic competition, and a less willingness of states to respect universal rules. The crisis manifests as a gradual erosion of these institutions' capacity to produce shared decisions and to exercise recognized authority, in a context where the normative consensus that had supported the postwar order appears increasingly fragile than in the past.[17] What is weakening is not just their operational effectiveness, but also their function as a common framework that could mediate differences in a predictable way.

The case of the World Trade Organization is particularly emblematic. The multilateral trading system, which represented one of the most advanced pillars of the post-WWII liberal order, today appears heavily compromised by the paralysis of the dispute-resolution mechanism and the difficulty of updating rules in response to transformations in the global economy. The failure to reach agreement on key topics such as subsidies, industrial policies, and the role of state enterprises reflects a growing heterogeneity of preferences and reduced trust in common rules. In addition, there is a marked tendency to use trade measures as strategic tools, which pushes states to favor unilateral solutions or limited agreements over multilateral negotiation. Regional and

[17] J. G. Ruggie, "Multilateralism: the anatomy of an institution", pp. 593-597.

bilateral agreements have thus become not only alternatives but structural responses to the WTO's declining role as an inclusive forum, with a consequent weakening of its systemic function.[18]

International financial institutions also show clear signs of problematic adaptation. The International Monetary Fund and the World Bank continue to play a significant role in providing financial assistance and advice, but their legitimacy is increasingly questioned by imbalances in representation and by criticism of their policy orientation. In particular, emerging economies challenge a governance system that still reflects the power relations of the postwar period and struggle to fully identify with institutions perceived as insensitive to national contexts. This situation has favored the diffusion of alternative instruments, such as regional multilateral banks, stabilization funds, and financial agreements among emerging countries, which do not necessarily aim to replace the IMF and World Bank, but reduce their centrality in global financial coordination.[19] The result is a more fragmented financial system, where cooperation shifts from hierarchical structures to overlapping networks.

These dynamics reveal that the post-WWII institutional order is now under growing structural pressure. The core institutions continue to operate, but are increasingly influenced by shifting power relations, selective participation, and a more instrumental approach to rules. As a result, universal cooperation tends to be accompanied (and sometimes replaced) by forms of minilateral governance, which allow partial advances but undermine the overall contemporary system. The challenges of updating rules and decision-making processes to a more multipolar and conflictual world contribute to eroding the predictability and credibility of the multilateral order, fueling a transition toward a less integrated and more unstable system, in which the authority of international institutions is based less on normative consensus and more on the temporary alignment of interests.[20]

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[18] J. Linn, "Recent Threats to Multilateralism", pp. 97-101.

[19] B. Eichengreen et al., "Multilayered Governance and the International Financial Architecture: The Erosion of Multilateralism in International Liquidity Provision", pp. 15-17.

[20] B. Badie, "Post-bipolar Challenges to Multilateralism", in *Does the UN Model Still Work? Challenges and Prospects for the Future of Multilateralism*, pp. 13-18.

1.2.2 The United Nations and its Challenges

Within this context, the United Nations system provides a revealing test, as it embodies many of the dynamics described above in its framework. The frequent use of the veto in situations of high strategic importance, together with the heterogeneity of preferences, has made it more difficult for the Security Council to operate as a rapid and legitimate decision-making body. To compensate for this tendency, the General Assembly and specialized agencies have developed parallel paths for deliberation and implementation, integrating non-state actors and thematic coalitions within a networked multilateralism.[21] This innovation has expanded participation and operational capacity; however, it has also intensified coordination challenges and fragmented normative authority, especially when funding directs priorities and resources toward specific projects, reducing central oversight. In this context, the issue of legitimacy becomes significant at three interdependent levels: representation, quality of the process, and the effectiveness of outcomes. Tensions over representation arise when large groups of states perceive an imbalance in the distribution of voice and demand a rebalancing of seats or weights; on the procedural side, decision-making blockage and the multiplication of parallel forums fuel doubts about transparency and consistency; in terms of outcomes, the lack of stable guidance during major crises erodes normative authority. These problems are further compounded by practices typical of a polycentric order: shifting dossiers to more favorable forums, proliferating alternative standards in adjacent fields, and making tactical use of exceptions and interpretative clauses. To overcome deadlock, minilateral solutions are becoming more common, bringing together like-minded states, which lowers decision-making costs but can weaken the political integration function of universal entities that have historically guaranteed predictability, reciprocity, and the inclusion of minority interests. In this scenario, informal briefings and horizontal coordination among agencies have become standard tools for maintaining the system, even if they do not resolve the tension between operational effectiveness and procedural universalism. The relationship between global and regional levels also comes into play. In the absence of a clear hierarchy, a *de facto*

[21] E. A. Bloodgood, "New Multilateralism: The United Nations and Governance in the Era of Nonstate Actors", in *Does the UN Model Still Work? Challenges and Prospects for the Future of Multilateralism*, pp. 61-67.

subsidiarity practice prevails, directing highly sensitive issues to regional bodies while universal ones retain their role as frameworks and sources of symbolic legitimacy. The quality of inter-regime coordination thus becomes a critical variable to avoid clashes or governance gaps. Finally, in the area of compliance, selective implementation is becoming increasingly common. When political support for sanctions enforcement weakens and reputational concerns lose their influence, parties adjust the timing and intensity of their compliance. Contestation of rules occurs not only through explicit refusals, but also through interpretative objections and alternative procedural paths which, while keeping regimes operational, can undermine the perception of impartiality and universality of the obligation.[22]

The situation described suggests a denser, less hierarchical, and more flexible multilevel structure. The legitimacy of institutions derives less from the mere formality of rules and increasingly from the combination of operational effectiveness, inclusiveness, and the ability to generate broad consensus. To ensure stable functioning, the system requires coordination mechanisms among regime complexes, more inclusive standards for representation and voting, and clearer mandates that minimize overlap and jurisdictional conflicts. Practically, the most promising paths forward involve investments in process quality and clarity of mandate, including establishing durable coordination between regimes, setting agreed schedules to prevent opportunistic procedural vetoes, adopting more inclusive representation standards, and implementing peer review mechanisms to reduce information gaps between states and secretariats. Such measures do not eliminate political competition, but they can reestablish a core of predictability sufficient to sustain the authority of universal forums even in a complex order.[23]

1.3 Economic Nationalism and National Sovereignty

Economic nationalism has re-emerged at the heart of political competition as a governing vision that redefined sovereignty through the selective control of flows of goods, capital, and people, as well as the reordering of collective priorities. It does not simply equate to tariff protectionism or nostalgic autarky; rather, it operates on a

[22] *Ivi*, pp. 67-71.
[23] R. O. Keohane and D. G. Victor, "The Regime Complex for Climate Change", pp. 3-8.

broader level, combining the reconfiguration of openness with an expanded state role in safeguarding strategic supply chains, managing dependencies, and upholding social standards seen as integral to the national economy. Politically, it functions as a language that links distributive anxieties and security concerns, offering meaning, direction, and tools to diverse coalitions by realigning territorial, cultural, and class divides around three core promises: protection, prioritization, and control. In this sense, the debate centers not on openness itself, but on who decides it, how it is regulated, and to whose advantage it serves. Over the past fifteen years, the politicization of interdependence has shifted electoral contests toward four key areas—trade, foreign investment, migration, and supranational constraints—where economic nationalism proposes solutions of selective and re-internalized decision-making, preserving flexibility for political authorities increasingly exposed to recurring cycles of crisis.[24] Its rhetorical power lies in the promise to shorten the chain of accountability between voters and decision-makers: time-limited derogations, quantified local content targets, and emergency frameworks are presented as verifiable tools able to combine protection with a commitment to avoid permanent closures.[25]

Comparative analysis of party programs and electoral platforms confirms that the primary dimension of this phenomenon is a political one. In developed countries, the historical distance between left and right on trade has narrowed, giving rise to a spectrum of positions marked by growing skepticism toward rigid or unbalanced agreements. Simultaneously, the use of national security provisions, local content requirements, and preferences for domestic actors is being normalized as part of a broader practice aimed at enhancing resilience and control. In emerging economies, where the technological convergence agenda is more urgent, platforms favor vertical industrial policies, more selective state intervention, and a pragmatic approach to multilateral constraints, activating or suspending them in line with developmental goals.[26] This does not produce uniformity, but rather creates a shared vocabulary across different political families, translating into three recurrent practices. First, the discretionary management of market access; not a rejection of integration, but its modulation through targeted controls on critical sector investments, procedural

[24] S. Pryke, "Economic Nationalism: Theory, History and Prospects", pp. 281-285.
[25] M. De Bolle and J. Zettelmeyer, "Measuring the Rise of Economic Nationalism", pp. 4-7.
[26] *Ivi*, pp. 19-28.

exemptions in strategic procurement, and regulatory standards designed to discourage entries perceived as a threat to internal actors. Second, the restoration of decision-making authority by national governments, which reserves the right to correct, suspend, or reinterpret commitments made in supranational forums, especially when they are in conflict with vital security or social priorities. Third, the deployment of economic identity narratives, where employment, local enterprise, and technological assets become political symbols used to justify selective interventions and redefine the boundaries of economic solidarity. Across all three dimensions, academic analysis demonstrates a clear, measurable, and wide-ranging shift towards more nationalist or illiberal positions, even though with varying intensity, that has transformed party agendas and made the demand for greater administrative autonomy electorally advantageous. At the same time, a blended policy approach is emerging, combining negotiated openness in export niches with stringent foreign investment screening and entry filters for low-skilled workers.[27]

The rise of economic nationalism is closely linked to the electoral realignments that have recently affected many advanced democracies. The crisis of the compromise between external openness and internal protections that sustained the postwar order—an equilibrium that ensured progressive liberalization and strong social liberties—has created new political spaces. These have been occupied by both new and established forces, in which the control of openness is a core element of a broader protectionist promise. In European economies, comparative studies reveal a consistent pattern: nationalist right-wing groups advance by combining restrictions on trade and immigration with fiscal and social conservatism; however, left-wing isolationist factions are also consolidating, combining strong redistributive ambitions with a critical reading of supranational constraints.[28] In both cases, the identity framework unites socioeconomic groups that would otherwise have divergent interests: segments of the middle class, oriented towards stability, and workers exposed to international competition, find common ground in demands for sovereignty and protection. From an institutional perspective, this convergence has resulted in the normalization of tools that were once considered marginal. These include controls on foreign investment for

[27] *Ivi*, pp. 16-19.
[28] I. Colantone and P. Stanig, "The Surge of Economic Nationalism in Western Europe", pp. 129-135.

security reasons, restrictions on the acquisition of strategic assets, reduction of the autonomy of independent authorities perceived as obstacles to national priorities, and targeted procedural adjustments to favor the localization of high-value activities. However, the distinguished feature is not the proliferation of instruments, but their political application: they are activated, suspended, and reconfigured to convey control, produce immediate and tangible benefits, and performatively define economic belonging. At the territorial level, the impulse often comes from subnational coalitions, linking regional administrations, mayors, and chambers of commerce, who press for security over procurement, subsidized credit, and production sites.[29]

The geopolitical dimension further intensifies and structures these choices, reinforcing the logic of control. In an interdependent economy organized in financial, digital, and logistical networks, access to key hubs and standards becomes a source of power that no longer requires general barriers. The governance of infrastructures and platforms enables selective coercion and targeted exclusions, turning mutual vulnerability into a strategic tool. In this context, economic nationalism appears more about managing political risk, as it involves strengthening state capacity to control technological chokepoints, promoting domestic players in critical sectors, and using trade and investment rules to manage dependence on suppliers or markets considered hostile. The ability to exercise power through networks fosters the formation of regulatory alliances among like-minded actors and the establishment of mutual recognition agreements, which formalize zones with a certain degree of trust. In order to prevent fragmentation, those aiming for sustainable interdependence integrate control mechanisms with a framework of responsibility, including transparent public criteria for sectoral and technological importance, well-defined intervention thresholds, commitments to openness, and regular reviews with predefined expiry dates. Such an institutional design is essential to align economic nationalism with an open economy and a basic level of cooperation, ensuring that risk management does not become a pretext for permanent closure. Within this scenario, economic nationalism continues to be the stage on which political actors seek to reconcile security, consensus, and growth. Those who combine selective protection with a credible agenda of public investment, innovation, and inclusion are expected to gain influence, while purely symbolic

[29] *Ibidem.*

approaches tend to produce long-term costs without achieving lasting legitimacy.[30]

1.4 Political Uncertainty

The evolution of contemporary party systems has introduced a persistent and pervasive element of uncertainty into political competition, with significant effects on how parties formulate their strategies, define priorities, and interpret electoral behavior. This situation is not simply the result of isolated electoral crises or temporary shocks. Instead, it is the product of structural transformations that have progressively undermined the stability of political alignments and the predictability of electoral outcomes. One of the most visible signs of this path is the rise of political volatility, which has fundamentally compromised the traditional capacity of party systems to structure political conflict through durable connections, consolidated identities, and stable patterns of interaction, thereby diminishing the function of party affiliations as reliable guides for political behavior. As a result, political competition tends to develop in a social environment less rooted in historical continuities and more susceptible to short-term dynamics, frequent strategic adjustments, and fluctuating expectations. Within this context, parties are uncertain not only about the loyalty of their core supporters but also about their own capacity to translate electoral gains into a stable government and a coherent policy agenda. At the same time, voters struggle to form reliable expectations regarding parties' future orientations and the overall direction of public policy.[31] In this way, uncertainty has become a structural characteristic of the competitive environment, shaping both the behavior of political actors and the representative, coordinating, and integrative functions that party systems are expected to fulfill in advanced democracies. Without stable reference points, political competition is increasingly interpreted as an open and contingent process, in which outcomes are influenced by shifting and sometimes unpredictable combinations of factors rather than by established equilibria, and in which parties' ability to orient voters and provide certainty is progressively diminished.

A central aspect of this transformation is thus the rise of electoral volatility as an

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[30] H. Farrell and A. L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion", pp. 42-52.

[31] A. Chiaramonte and V. Emanuele, "Party system volatility, regeneration and de-institutionalization in Western Europe (1945–2015)", pp. 2-4 (PDF pagination).

enduring and systematic feature of contemporary democratic systems. Comparative empirical analyses show that, beginning in the final decades of the twentieth century, volatility has increased markedly, with a growing proportion attributable to the ongoing regeneration of party systems. This form of volatility, closely associated with the emergence of new political actors and the decline or disappearance of established ones, directly affects the structure of political competition by altering the context within which parties make strategic decisions. Unlike simple shifts of votes among existing parties, volatility remodels the range of political choices, redefines the dimensions of conflict, and disrupts previously stable balances, making past experiences less reliable as guides for the future. When these developments become institutionalized, party systems experience a process of de-institutionalization, characterized by the erosion of regular patterns of interaction and the weakening of informal rules that traditionally reduce uncertainty, facilitate coordination, and stabilize mutual expectations among political actors. This does not mean that party competition vanishes; however, it reduces its capacity to guarantee continuity, predictability, and integration, resulting in unstable government coalitions and more fragile policy directions.[32] Within this framework, uncertainty is no longer limited to electoral outcomes but extends across the entire political cycle, from coalition-building and government duration to the coherence of policy choices over time. The result is a competitive environment in which managing political risk becomes central to party strategy, and the ability to plan for the future is structurally limited.

The rise in volatility has direct implications for party behavior and strategic decisions. As the traditional bases of electoral support weaken, parties can no longer rely on loyal supporters or stable organizational ties to secure electoral success. Instead, they face electorates characterized by a greater propensity for change, a condition that amplifies the risks associated with both maintaining a programmatic continuity and trying new strategies. Parties are thus incentivized to prioritize flexibility, tactical adjustments, and adaptation to short-term developments, often at the expense of long-term commitments. Strategic horizons shrink, and political competition becomes more fluid and unstable, as parties recalibrate their positions in response to immediate electoral signals, shifts in public opinion, and emerging challenges. Research suggests

[32] *Ivi*, pp. 5-10 (PDF pagination).

that in highly volatile contexts, parties are more likely to adjust their ideological positions to match perceived voter preferences.[33] However, this strategic evolution comes at a cost: while adaptation may enhance competitiveness, at the same time, it diminishes the clarity of political alternatives, making it harder to distinguish among party offerings over the medium term. This generates a feedback loop in which uncertainty drives strategic adaptation. Yet, such adaptation further complicates voters' efforts to form stable expectations, thereby boosting volatility and reinforcing the uncertainty that characterizes the system as a whole.[34] In this sense, uncertainty is not only an exogenous constraint but also an endogenous product of party strategies, which contributes to the increasing unpredictability of the political environment. This dynamic has significant implications for the capacity to govern, as parties operating under conditions of structural uncertainty are inclined to favor policies that are visible in the short term and easily reversible, thereby reducing incentives for long-term policies that require sustained coalition stability and investments.

Generational dynamics further amplify these trends, as electoral volatility is unequally distributed across all age groups. Empirical studies state that younger people are particularly likely to drive electoral volatility, supporting new parties and amplifying voting pattern shifts. Younger generations tend to have weaker attachments to established parties, greater openness to political innovation, and a higher propensity to change their electoral preferences. These characteristics contribute to the structural unpredictability of electoral results, particularly in contexts where new political actors are able to mobilize a significant initial support.[35] Changes originating among younger voters often anticipate broader realignments, as their preferences and behaviors gradually influence other segments of the electorate, further undermining the stability of political alignments. This diminishes the reliability of historical electoral patterns based on historical experience and makes it difficult for parties to maintain a stable political alignment. In parallel, the recurrent emergence of new parties introduces additional uncertainty by disrupting established competition and altering expectations regarding coalition formation, policy agendas, and campaign strategies, thereby heightening the

[33] R. Dassonneville, "Electoral volatility and parties' ideological responsiveness", pp. 810-816.
[34] *Ivi*, pp. 818-823.
[35] R. Rekker, "Young trendsetters: How young voters fuel electoral volatility", pp. 2-10 (PDF pagination).

system's fluidity and constraining the capacity for long-term planning.[36] In this regard, uncertainty is best understood as a structural property of party competition rather than as a temporary disruption, fundamentally reshaping the ways political consensus is constructed and maintained over time.

Political uncertainty is further amplified by the challenges political actors face in interpreting and responding to an interconnected and rapidly changing world. In a society marked by rapid economic, social, and geopolitical evolutions, parties increasingly struggle to offer interpretations of current developments or reliable long-term solutions. As a result, political competition is mainly organized around simplified narratives designed to reduce perceived complexity and provide orientation, rather than around detailed and binding policy programs. Uncertainty thus becomes a key element of the political arena, as parties compete to define its sources, assign responsibility for actions, and propose mechanisms to deal with it. This path is especially evident in the rise of populist movements, which frequently attribute uncertainty to the failures of established elites or to external constraints and promise a strong new leadership as the solution to instability.[37] For some political actors, instability is not merely a constraint but also a strategic resource, helping them consolidate support and legitimize more assertive forms of leadership. However, the systematic reliance on simplified narratives carries risks for democracy, as it may limit space for open debate, delegitimize alternative perspectives, and intensify polarization. Overall, these dynamics indicate that political uncertainty has become a durable characteristic of contemporary party systems, with significant implications for representation, accountability, and democratic stability. Recognizing the structural nature of this ambiguity is therefore essential for understanding how party systems respond to the broader pressures and for analyzing the ongoing transformation of political competition in advanced liberal-democratic systems.

[36] A. Chiaramonte and V. Emanuele, “Party system volatility, regeneration and de-institutionalization in Western Europe (1945–2015)”, pp. 7-10 (PDF pagination).
[37] R. Bronk and W. Jacoby, “The epistemics of populism and the politics of uncertainty”, pp. 8-15.

1.5 A Comparative Overview of Political Regimes in the 21st Century

To continue the analysis of liberal-democratic political systems, it is necessary to conduct a comparative examination of contemporary political regimes and their evolution over the past two decades. Given the abundance of public indicators on the subject, the Democracy Index 2024, published by the Economist Intelligence Unit, will serve as a reference.

A comparative perspective on the political regimes of the 21st century reveals a global landscape marked by increasing institutional fragmentation, a gradual weakening of democratic quality, and a generalized rise in political uncertainty as a structural feature of governance. The Economist's Democracy Index 2024 provides a solid foundation for analyzing these evolutions, offering empirical research on the evolution of 167 entities (165 sovereign states and 2 territories), covering nearly the entire global population.[38] The index is based on five fundamental categories: electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties. This framework helps to understand not only the existence of representative institutions but also their actual capacity to take legitimate, responsible, and predictable decisions. Within this model, the classification of regimes as full democracies, flawed democracies, hybrid regimes, and authoritarian regimes should be viewed as a flexible map, reflecting often unstable paths of change with gradual regressions, long periods of stagnation, and only occasional progress. Political uncertainty thus appears not to be a phenomenon limited to specific regions of the world, but rather a widespread condition undermining institutions' ability to provide stable guidance and maintain long-term expectations.

The Democracy Index 2024 confirms a global democratic decline that has persisted for over fifteen years and is increasingly less linked to external factors. The global average score stands at 5.17 on a scale from 0 to 10, indicating further deterioration from the previous year and placing it well below the levels recorded in the early 2010s, when the index reached significantly higher values, as shown in *Figure 1*.[39]

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[38] EIU, "Democracy Index 2024", pp. 6.
[39] *Ivi*, pp. 8-9.

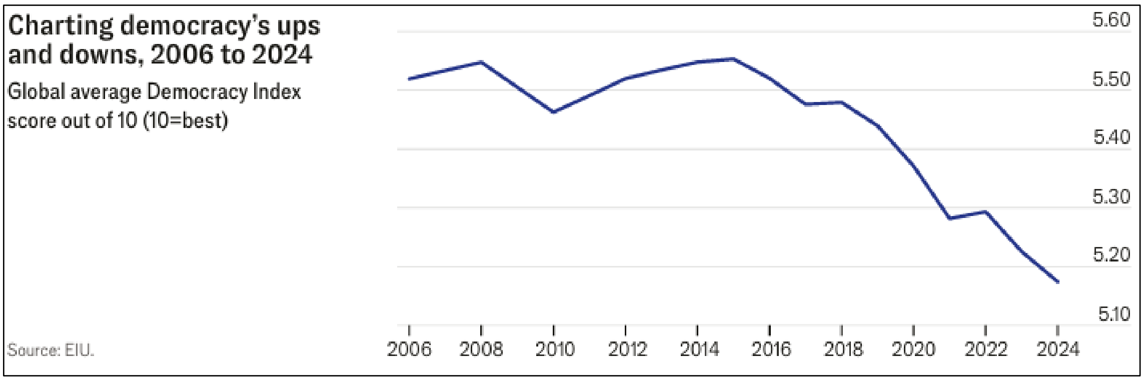

Figure 1. Source: The Economist Intelligence Unit

Although annual variations may not seem particularly relevant, the long-term trend reveals a cumulative deterioration in democratic quality that affects a growing number of countries and undermines key areas of representative government. What emerges is that this decline does not manifest primarily through regime shifts, but rather through a more gradual process of institutional erosion, reduction of civil liberties, weakening of accountability mechanisms, and loss of trust in institutional functioning. Political uncertainty is thus not simply the product of crises, but the result of a structural transformation that makes the outcomes of political competition and the institutions' ability to maintain reliable commitments over time less predictable.

The analysis of the global distribution of regime types presents a highly asymmetric picture of the contemporary political order. Full democracies are a minority in both number and population: in 2024, only 25 countries fall into this category, accounting for just 6.6% of the world's population.[40] However, even within this small group, the Index highlights significant vulnerabilities, particularly in political participation and political culture. These issues indicate rising levels of disaffection, mistrust, and polarization, which coexist with respect for democratic procedures.[41] This leads to a significant result: even in systems with a high score in terms of electoral process and civil liberties, democracy's capacity to provide guidance, stability, and consensus appears increasingly fragile, raising doubts about its long-term continuity.

Flawed democracies constitute a central category for understanding political uncertainty in the 21st century. They include 46 countries and over a third of the

[40] *Ibidem.*
[41] *Ivi*, pp. 9-11.

world's population, making them the most common regime type among those considered democratic.[42] In these systems, competitive elections and fundamental civil liberties are generally guaranteed, but the functioning of government is compromised by ongoing issues with policy-making and enforcement, high perceived corruption, low transparency, and a growing distance between citizens and decision-makers. The Democracy Index ranks the functioning of government as the lowest-scoring category globally, highlighting that the institutions' ability to translate electoral consensus into coherent and responsible governance is one of the most fragile aspects of contemporary democracies.[43] This weakness directly contributes to political uncertainty by reducing the predictability of public decisions, lowering trust in institutional commitments, and undermining confidence in the state's capacity to effectively address social demands. In this context, instability does not arise from the absence of political competition, but rather from the difficulty of transforming that competition into stable and widely accepted governance.

Furthermore, hybrid regimes occupy an intermediate position between democracy and authoritarianism, incorporating elements of both. In 2024, 36 countries fall into this category, characterized by the coexistence of formally competitive elections and systematic restrictions on civil liberties, concentration of executive power, and weak rule of law.[44] The Index notes that these regimes are particularly vulnerable to shifts and declines, with frequent transitions toward more authoritarianism rather than toward democratic consolidation. This instability reflects the absence of strong institutional mechanisms and a political culture that constrains power, and it contributes to deep uncertainty for both internal and external actors. In hybrid regimes, instability concerns not only electoral outcomes but also respect for the rules and the predictability of government action, thereby reinforcing perceptions of a fragile political order.

Finally, authoritarian regimes represent the largest category in terms of population, including 60 countries and approximately 39% of the world's inhabitants.[45] The report presents how these systems tend to strengthen over time, responding to social and economic pressures with increasing repression rather than implementing political

[42] *Ivi*, pp.8.
[43] *Ivi*, pp. 10-11.
[44] *Ivi*, pp. 8.
[45] *Ibidem.*

reforms. Restriction of civil liberties, control of information, and manipulation of electoral processes significantly contribute to the overall decline in global democratic standards. The persistence and expansion of authoritarian regimes reinforce an international context in which governance models alternative to liberal democracy not only survive, but also gain importance, leading to greater uncertainty about the future balance between democratic and non-democratic forms of government.

A detailed look at the five index categories enables a more precise understanding of these transformations. Since 2008, the most significant deterioration has been in civil liberties (-1.00) and electoral processes and pluralism (-0.66), dimensions that constitute the cornerstone of representative democracy. This trend is confirmed by a less evident worsening in the functioning of government (-0.47) and political culture (-0.48) indicators. In contrast, political participation shows a moderate increase (+0.74), suggesting that greater mobilization and civic engagement alone do not strengthen democratic quality unless accompanied by effective and accountable institutions.[46] This divergence fuels political uncertainty by creating high expectations that institutions struggle to meet, increasing the risk of frustration, delegitimization, and contestation. Regional differences further intensify this fragmentation, demonstrating that contemporary democracy follows multiple, often divergent trajectories rather than a linear path toward convergence.

Overall, the Democracy Index presents a picture of a global political order in which democracy has not disappeared but has become more fragile and exposed to internal erosion. Political uncertainty emerges as a structural feature of 21st-century regimes, driven by the combination of democratic decline, differentiation of governance models, and a growing gap between formal institutions and citizens' expectations. In this comparative perspective, instability does not appear as a temporary issue but as a systemic condition that defines the environment for political competition, institutional trust, and the redefinition of government priorities as discussed in this chapter. This framework thus provides the necessary context for understanding the ongoing transformations in contemporary political systems and the long-term implications for the stability and quality of liberal-democratic governance.

[46] *Ivi*, pp. 9.

2. Economic Effects of Uncertainty

2.1 Economic Regionalization: Reshoring and Nearshoring

The historical period following the extensive commercial and productive globalization at the end of the 20th century is defined by a profound reconfiguration of economic geographies and production organization. The concept of economic regionalization emerges as a key interpretive lens for understanding the evolution of global value chains, which appear less organized by a purely global logic and increasingly structured around relatively integrated, coherent, and politically delimited regional spaces.[47] Economic regionalization does not imply a simple reversal or collapse of globalization but rather signals a recalibration of the spatial scales of production, where geographical, institutional, and political proximity regain centrality alongside cost and efficiency.[48] Companies, states, and international actors respond to an environment characterized by systematic uncertainty, recurrent shocks, and geopolitical tensions by redefining the balance between efficiency, risk, and control, and moving toward less extensive and more regionally based production configurations. Regionalization, therefore, is not a temporary deviation but a structural transformation in how the global economy is organized and organized.[49]

The literature on economic regionalization highlights that this trend results from the cumulative effect of economic, technological, and political dynamics that have progressively undermined some of the fundamental assumptions of hyper-integrated globalization. The expansion of value chains, which for decades was justified by significantly low labor costs, decreasing transportation costs, and the relative stability of the international economic order, has become increasingly vulnerable to systemic shocks.[50] Financial crises, trade tensions between major economies, logistical disruptions, pandemics, and geopolitical conflicts have exposed the hidden costs of highly fragmented production, thereby challenging the assumption that global allocative efficiency is always optimal. In this scenario, regionalization emerges as a strategic adaptation that helps balance the benefits of integration with the need for resilience,

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[47] A. Jones, "Economic Regionalization", pp. 4-10 (PDF pagination).
[48] *Ibidem*.
[49] *Ivi*, pp. 10-14.
[50] K. De Backer et al., "Reshoring: Myth or Reality?", pp. 4-6 (PDF pagination).

reducing exposure to distant and hard-to-control risks, and strengthening the responsiveness of economic actors.[51] It is thus clear that regionalization does not represent a simple comeback to closed economies or to national autarky, but rather constitutes an intermediate configuration of global economic organization. Regions become central hubs for production coordination, manufacturing, logistics, assembly, and innovation activities, while maintaining selective connections with the rest of the world. This model reflects a logic of differentiated integration, in which companies structure their supply chains by combining local, regional, and global suppliers based on input, technological demands, and risk tolerance. The global dimension persists, but it is increasingly subject to uncertainty management, supply security, and strategic control over essential activities.[52]

One of the central elements driving this trend is the growing fragility of long supply chains from external shocks. The complexity of global value chains, although it can generate significant benefits in terms of cost reduction and production specialization, has also increased the risk that localized events could produce systemic effects on a global scale. Unexpected events such as transport blockages, health emergencies, trade restrictions, political instability, natural events, or regional conflicts can quickly produce effects on the entire supply chain, generating congestion, delays, and sudden shortages of critical inputs. In this situation, regionalization reduces distances, improves control of production flows, and strengthens coordination among involved actors, reducing operational uncertainty and improving responsiveness to internal and external shocks. [53]

The evolution of costs is another factor that helps to explain the growing economic attractiveness of regionalization. The labor cost differentials that once supported offshoring from advanced economies to emerging ones have gradually reduced, while the costs associated with managing long and complex supply chains have increased. In addition, the cost of land for new production sites has grown, compared to the last decades, as the example of China clearly shows.[54] These two

[51] *Ivi*, pp 9-11.
[52] A. Jones, "Economic Regionalization" in *Handbook on the Geographies of Regions and Territories,* pp. 10-15 (PDF pagination).
[53] *Ibidem*.
[54] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", pp. 94-95.

elements are combined with higher logistical costs, reputational risks (product quality), difficulties in protecting intellectual property, huge industrial automation development, and more restrictive environmental regulations. In many sectors, offshoring's benefits have diminished, making regional solutions more attractive, even though they can entail higher production costs. Regionalization thus responds to an expanded economic rationale, in which the total cost of production takes into account elements of risk, coordination, and resilience that were previously often underestimated.[55]

Within this context, it is relevant to this thesis to introduce the concept of reshoring and nearshoring, which constitute specific and operational forms of economic regionalization. The term reshoring refers to the relocation of production to the country of origin, while nearshoring indicates the relocation to countries that are geographically proximate to the destination market.[56] Both strategies imply a return of previously offshore production activities and aim to reduce exposure to risks associated with distance and long supply chains; however, they differ in the degree of reinternalization and in their economic, employment, and organizational implications. They should not be interpreted as isolated phenomena that simply oppose globalization, but as part of a broader regional restructuring of value chains.[57]

Reshoring is often presented in public debate as a large-scale return of production to developed countries, accompanied by promises of reindustrialization and new manufacturing employment. However, empirical evidence suggests a more complex explanation. Reshoring remains selective across production stages and high-value sectors and is frequently accompanied by substantial investments in automation, digitalization, and advanced technologies. It is thus clear that relocation has different macroeconomic impacts in advanced and developing economies. In the first case, this phenomenon does not necessarily coincide with a proportional increase in employment and salaries, and in the long term it can lead to higher prices; while in emerging economies, this trend can alter economic models based on exports.[58] Therefore, reshoring appears to be a strategy aimed at strengthening control over critical processes,

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[55] K. De Backer et al., "Reshoring: Myth or Reality?", pp. 9-11 (PDF pagination).
[56] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", pp. 95-97.
[57] A. Jones, "Economic Regionalization", pp. 10-13 (PDF pagination).
[58] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", pp. 94-97.

protecting technological know-how, and improving integration between production, research, and development. Nearshoring, by contrast, represents an intermediate solution that maintains some cost advantages of offshoring while reducing risks associated with geographic and institutional distance. Relocating to neighboring countries shortens logistics chains, improves communication, facilitates coordination, and reduces delivery times, without fully incurring the higher costs of domestic reshoring. This approach is particularly prevalent in integrated regional contexts, where trade agreements, shared regulatory standards, and cultural proximity reduce frictions and encourage cooperation. Nearshoring thus contributes to the formation of regional production hubs and strengthens the territorial dimension of value chains.[59]

Both strategies are closely linked to the theme of supply chain resilience. Resilience is understood not merely as the ability to withstand shocks, but as the capacity to adapt, reconfigure, and continue operating in contexts characterized by persistent uncertainty.[60] Moving production to nearby countries shortens supply chains, improves communication, facilitates coordination, and accelerates deliveries, without incurring all the higher costs of full domestic reshoring. In addition, in resource-intensive sectors, the geographic proximity of input sources can reduce environmental impact and improve the overall sustainability of the productive system.[61]

Economic regionalization finally assumes a significant political dimension. Relocation decisions are influenced and shaped by industrial policies, economic security strategies, and sustainability goals. States play an active role in promoting reshoring and nearshoring through incentives, subsidies, infrastructural investments, and regulation. These interventions reflect a growing attention towards economic sovereignty and the reduction of strategic dependencies, especially in critical sectors. Furthermore, it also has significant effects on the governance of multinational firms. Managing fragmented global supply chains requires a complex organization and a high degree of coordination.[62] Regionalization tends to simplify these arrangements, promoting more decentralized but locally coherent governance models, in which decisions are made

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[59] K. De Backer et al., "Reshoring: Myth or Reality?", pp. 11-16 (PDF pagination).
[60] A. Jones, "Economic Regionalization", pp. 7-11 (PDF pagination).
[61] Y. Zhang et al., "From globalization to regionalization? Assessing its potential environmental and economic effects", pp. 9-10.
[62] A. Jones, "Economic Regionalization", pp. 8-11 (PDF pagination).

closer to production sites and outlet markets. This strengthens companies' ability to respond to local regulations, unexpected shocks, and demand shifts, while reducing coordination costs and information asymmetries that characterize global production networks.[63]

Another aspect concerns the relationship between regionalization and innovation. Geographic proximity among companies, suppliers, research centers, and institutions can boost collective learning and the development of integrated production hubs. The reshoring of high-tech activities and nearshoring of complementary production stages may help strengthen these ecosystems, improving integration between production, research, and development.[64] However, if we consider development and innovation from a global point of view, it can be stated that reshoring and nearshoring lower the level of international integration, as they reduce emerging economies' access to technological innovation and know-how.[65]

At the macroeconomic level, the spread of regionalization strategies affects the structure of international trade. Rather than drastically reducing the overall commercial exchanges, it tends to modify their composition and geographic direction, increasing the share of intra-regional trade and reducing dependence on intercontinental flows. This process makes economic interdependence more concentrated and predictable, but may also increase disparities between core and peripheral regions, strengthening some production hubs while disadvantaging less integrated economies. The reorganization of value chains thus also brings distributive implications that are reflected in global economic relations.[66]

Reshoring and nearshoring strategies should also be understood within a broader process of renegotiating the relationship between market and state. A growing attention to supply security, industrial resilience, and environmental sustainability has legitimized a more active role for public policies in guiding production location decisions. Incentives, regulations, and public investments have become key tools for reducing perceived uncertainty for companies and for driving regionalization toward national and

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[63] *Ibidem*.
[64] K. De Backer et al., "Reshoring: Myth or Reality?", p. 10 (PDF pagination).
[65] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", p. 97.
[66] Y. Zhang et al., "From globalization to regionalization? Assessing its potential environmental and economic effects", pp. 9-10.

regional priorities.[67] Economic regionalization, in this light, cannot be interpreted solely as the result of business choices, but as the outcome of a complex interaction between private strategies and public intervention. Overall, the affirmation of regionalization, reshoring, and nearshoring marks a structural transformation of the global economy, in which risk management plays a crucial role. Value chains are being redesigned to ensure continuity, control, and adaptability in an unpredictable environment. This process redefines production, strategies, and state economic policies, laying the foundations for a new phase of international economic integration, less universalistic and more selective, in which regions become key spaces of economic and political coordination.[68]

The analysis of economic regionalization can be further deepened by considering its long-term implications for labor market structure and skills required. The relocation of production, whether through reshoring or nearshoring, tends to change the composition of labor demand, favoring more qualified profiles, advanced technical skills, and the integration of digital functions. In advanced economies, the return of production is often followed by increased capital intensity and the adoption of robotics and industrial automation, which reduce dependence on low-skilled labor.[69] This means that regionalization does not automatically create more jobs, but requires training and upskilling policies for workers to participate in the new production systems.

The environmental dimension is another key element in the analysis of economic regionalization. Shorter value chains can help reduce transport-related emissions, improve environmental standards, and encourage the adoption of more sustainable production practices. However, these benefits are not automatic and depend on the specific industrial processes and technologies utilized.[70] In some cases, regionalization may relocate activities to areas with less efficient energy mixes or less stringent environmental constraints, reducing expected benefits. This underscores the need to align reshoring and nearshoring strategies with regulatory frameworks consistent with sustainability objectives, without compromising economic security at

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[67] A. Jones, "Economic Regionalization", pp. 9-13 (PDF pagination).

[68] *Ibidem*.

[69] K. De Backer et al., "Reshoring: Myth or Reality?", pp. 16-18 (PDF pagination).

[70] Y. Zhang et al., "From globalization to regionalization? Assessing its potential environmental and economic effects", pp. 8-10.

the expense of the ecological transition. This necessity is especially valid in resource-intensive sectors. In these areas, regionalization can contribute to more sustainable and secure resource management, reducing risks associated with unpredictable climate shocks, political instability, and logistical disruptions. Relocating certain production stages closer to input sources or consumer markets enhances integration among resource extraction, transformation, and final use, thereby improving overall efficiency. However, this integration requires significant investments and strong coordination, underlining once again the crucial role of public institutions in supporting complex regionalization processes.[71]

From an international economic relations perspective, regionalization redefines interdependence among states. The concentration of value chains within regional areas reinforces economic ties between neighboring countries but can, at the same time, reduce the intensity of relations with more distant partners. This process does not eliminate globalization and interdependence but makes them more selective and politically structured. Therefore, regions emerge as strategic elements of economic coordination and, in some cases, as sites of power projection, especially when they control strategic nodes of productive and logistical networks, such as chokepoints. Economic regionalization thus assumes a geopolitical significance, as it helps reshape power balances and forms of mutual dependence in the world economy.[72] As mentioned earlier, reshoring and nearshoring strategies can also serve as tools for managing strategic vulnerability. Dependence on distant or politically unstable suppliers is increasingly viewed as a systemic risk, especially for intermediate goods and critical resources, such as rare earth minerals. Regional relocation enables diversification of supply sources, reduces exposure to sudden disruptions, and strengthens political and economic control over strategic supply chains. This is particularly evident in resource-intensive and technology-sensitive sectors, where supply continuity is closely linked to economic and national security.[73]

Moreover, regionalization also affects the nature of competition among firms. In regional value chains, competition tends to take place within more integrated productive

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[71] A. Fernández-Miguel et al., "Disruption in Resource-Intensive Supply Chains: Reshoring and Nearshoring as Strategies to Enable Them to Become More Resilient and Sustainable", pp. 2-5.
[72] *Ibidem*
[73] *Ibidem*.

ecosystems, where cooperation among actors can be as important as rivalry. Geographic proximity facilitates the creation of stable supply networks, long-term partnerships, and coordination mechanisms that reduce mutual uncertainty. At the same time, it can increase competitive pressure, pushing firms to innovate and improve the quality of their products and processes. In this sense, regionalization can boost a region's systemic competitiveness, even if it reduces exposure to global competition.[74]

Overall, the expansion of regionalization, reshoring, and nearshoring strategies indicates that the global economy is entering a new phase characterized by greater attention to risk management. Companies and states no longer aim only to maximize immediate efficiency, but to create productive systems that guarantee stability, control, and adaptability over time. This approach involves costs and trade-offs but responds to a structural transformation of the world economy.[75] Economic regionalization thus shows as a systemic response to global instability, redefining the modalities of economic integration and laying the foundations for new balances between openness, security, and development in the twenty-first century.

From an analytical point of view, the literature debate focuses on the scale of reshoring. Analyses based on macroeconomic data and business surveys show that, although reshoring has increased compared to the past, it remains a limited phenomenon in absolute terms and concentrated in specific sectors and geographic areas. However, this aspect does not reduce its relevance, since even relatively small shifts can have significant effects on the structure of supply chains, investment strategies, and expectations.[76] In this sense, reshoring should be interpreted less as a generalized return of manufacturing and more as a sign of firms' strategic reorientation towards greater regional integration and more direct control over critical activities. However, it is relevant to this analysis to note that announced plans to reshore often face significant structural constraints and do not necessarily translate into measurable outcomes. Many companies declare their intention to bring back some production activities to their countries of origin or to regional contexts, but face serious challenges related to costs, availability of skills, and local productive capacity.[77] This gap between intentions and

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[74] A. Jones, "Economic Regionalization", pp. 10-13 (PDF pagination).
[75] K. De Backer et al., "Reshoring: Myth or Reality?", pp. 9-12 (PDF pagination).
[76] *Ivi*, pp 14-18.
[77] *Ivi*, pp. 11-14.

outcomes suggests that regionalization is a complex process, conditioned by structural factors that, in most cases, cannot be overcome in the short term. Nonetheless, such intentions influence investor expectations, public policies, and supplier strategies, fostering a favorable context for a gradual reconfiguration of value chains.

Although backshoring seems to be more common in terms of announced cases, nearshoring plays a more central role in the regional restructuring of global value chains and in the consolidation of regional production networks.[78] Evidence indicates that companies tend to favor geographically proximate countries that offer a combination of competitive costs, institutional stability, and regulatory compatibility. This process is particularly evident in Europe and North America, where regional trade agreements, geographic proximity, and logistics infrastructure facilitate the reorganization of supply chains at the regional level.[79]

Finally, another element emerging from the literature concerns the role of digital technologies in supporting regionalization. Digitalization, robotics, and data analysis improve coordination among actors and can reduce relocation costs. These technologies make reshoring and nearshoring strategies more appropriate, mitigating some of the constraints traditionally associated with production in high-cost contexts. In this sense, growing digitalization and automation will likely modify production and manufacturing processes in the future, creating new regional strategies.[80]

It has thus been stated in this paragraph that economic regionalization, reshoring, and nearshoring are not temporary phenomena but expressions of a structural adaptation to a global context characterized by persistent uncertainty and unpredictability. They reflect a fundamental revision of production criteria, where risk management, supply chain resilience, and strategic control equal the importance of economic efficiency. This process does not eliminate all tensions that characterize the global economy but redefines the priorities and approaches by which such tensions are addressed, placing regionalization at the heart of twenty-first century economic strategies.

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[78] *Ibidem*.
[79] A. Jones, "Economic Regionalization", pp. 10-13 (PDF pagination).
[80] K. De Backer et al., "Reshoring: Myth or Reality?", pp. 27-29 (PDF pagination).

2.2 Market Closure and FDI

It has been argued that economic regionalization has been enhanced by several factors, including labor and transport costs, technology, external shocks, environmental norms, and product quality. However, it is also significant to this research to analyze Foreign Direct Investment, which represents one of the essential aspects of globalization and international trade.

Foreign Direct Investment (FDI) refers to a particular form of international investment characterized not only by the transfer of capital but, above all, by the intention to establish a durable relationship and the ability to influence or control a company resident in another country.[81] In this sense, FDI is distinct from portfolio investments, such as stocks, bonds or funds, which are predominantly financial in nature and rarely concern management or control of productive activity. In the standard definition used in economic literature, FDI is usually associated with a long-term interest and the capacity to influence the target company's decisions, often defined through the threshold of 10% of capital or voting rights. Analytically, FDI includes several components, such as equity holdings, reinvested earnings, and intra-group loans,[82] and should thus be interpreted as a set of flows and stocks that structurally link different economies and production systems, often with direct implications for technology transfer, industrial organization, trade integration, and labor markets. However, it is important to distinguish between FDI inflows and FDI outflows. The terms indicate, respectively, direct investment flows entering an economy (i.e., foreign capital that acquires or creates domestic productive capacity) and those exiting (i.e., domestic capital that acquires or creates productive capacity abroad).[83] This distinction is central to understanding how and why market closure, considered as an increase in barriers, regulatory uncertainty, investment screening, restrictions on the circulation of goods and capital, and, more generally, reduced permeability of economic borders, can reshape the strategies of multinational companies and the direction of economic flows.[84]

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[81] Y. A. Ahmed and R. R. Ibrahim, "The Impact of FDI Inflows and Outflows on Economic Growth: An Empirical Study of some Developed and Developing Countries", p. 130.
[82] *Ivi*, pp. 130-131.
[83] *Ibidem*.
[84] O. Al-kasasbeh et al., "Global FDI inflows and outflows in emerging economies Post-COVID-19 era", p. 1-2.

In many cases, FDI is in fact a response to evolving global conditions: it can decline when uncertainty and risk increase, but it can also be redirected to areas perceived as more stable or geographically proximate, and in some circumstances, even increase as a market-entry strategy when conditions become more favorable. Recent historical evidence suggests that FDI trends are highly sensitive to shocks and political changes. Phases of liberalization and openness tend to support the expansion of economic flows, while the introduction of restrictive policies, such as tariffs, or the rise of geopolitical tensions, can suppress or redirect investments, especially when combined with systemic risk and instability.[85] Reflecting this trend, the Organization for Economic Co-operation and Development indicates that global FDI flows remained steady at low levels in the first half of 2025, with a total of USD 663 billion, but with significant quarterly volatility, as shown by a +18% in Q1, followed by -38% in Q2.[86] Moreover, the Organization underlines that rising trade barriers, renewed inflationary pressures, heightened fiscal risks, and financial market repricing could undermine stability and economic activity.

Rather than being interpreted solely as strict trade protectionism, market closure can be conceptualized as a broader context in which constraints, controls, and market disruption increase. The relationship with FDI becomes more complex. On the one hand, the strengthening of barriers and uncertainty can reduce the tendency to invest because of the growing risk of being unable to bring back profits to the domestic country, facing operational restrictions, or dealing with regulatory changes; on the other hand, closure can incentivize to establish a local presence in the destination market in order to maintain access when exporting becomes more difficult. A classic mechanism in this direction is the so-called "tariff-jumping FDI": when tariffs and quotas make exporting to a market expensive, some companies may choose to relocate production directly in the importing country to overcome the barrier and sell locally.[87] The literature also shows that companies evaluate FDI according to factors such as market size, macroeconomic stability, infrastructure, institutional quality, access to raw materials, and competitive labor costs. In other words, the relationship between market

[85] *Ivi*, pp. 2-4.
[86] OECD, "A mixed outlook for global FDI flows in the first half of 2025", p. 1.
[87] S. Kurtishi-Kastrati, "Impact of FDI on Economic Growth: An Overview of the Main Theories of FDI and Empirical Research", pp. 62-64.

closure and FDI is not deterministic but depends on the combination of trade barriers, political risk, growth expectations, and industrial strategies.[88]

These ramifications are particularly evident when observing long-term global trends in FDI inflows and outflows across advanced and emerging economies, and especially in response to disruptive events such as financial crises, pandemics, and trade conflicts. The data indicate that developed countries have historically played a dominant role as both destinations and origins of direct investment. In particular, FDI has been directed mainly toward advanced economies, with a large share of global flows attributed to the OECD countries.[89] However, the ongoing growth of emerging economies has progressively changed the geography of FDI, as the share of investments to and from emerging countries has increased significantly since the mid-2010s. Outflows from developed countries have become increasingly relevant, with some years witnessing record-high volumes of hundreds of billions of dollars, representing a substantial share of total flows[90] and signaling a structural reconfiguration of these countries' roles in the international investment system. These changes represent not only an economic advancement for emerging countries but also deliberate diversification strategies. Companies based in emerging economies increasingly invest abroad to acquire new markets, know-how, advanced technologies, and to diversify risks and supply chains. Therefore, the distinction between inflows and outflows may serve as an indicator of a country's competitive position in global value chains and international competition, and can be sensitive to changes in trade rules, market access conditions, and risk perceptions.

The OECD records that inflows in the OECD area fell by 4% in H1 2025 overall, with a sharp rise of +56% in Q1 followed by a marked drop of 33% in Q2. However, it is interesting to note that, excluding large fluctuations from selected European Economies, OECD FDI inflows rose by 8% in H1 2025. The Organization also reports that inflows in G20 non-OECD economies increased by 31% in H1 2025, as shown in *Figure 2*, driven by rises in India, Brazil and China.[91]

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[88] *Ibidem*.
[89] Y. A. Ahmed and R. R. Ibrahim, "The Impact of FDI Inflows and Outflows on Economic Growth: An Empirical Study of some Developed and Developing Countries", p. 131.
[90] *Ibidem*.
[91] OECD, "A mixed outlook for global FDI flows in the first half of 2025", p. 2-3.

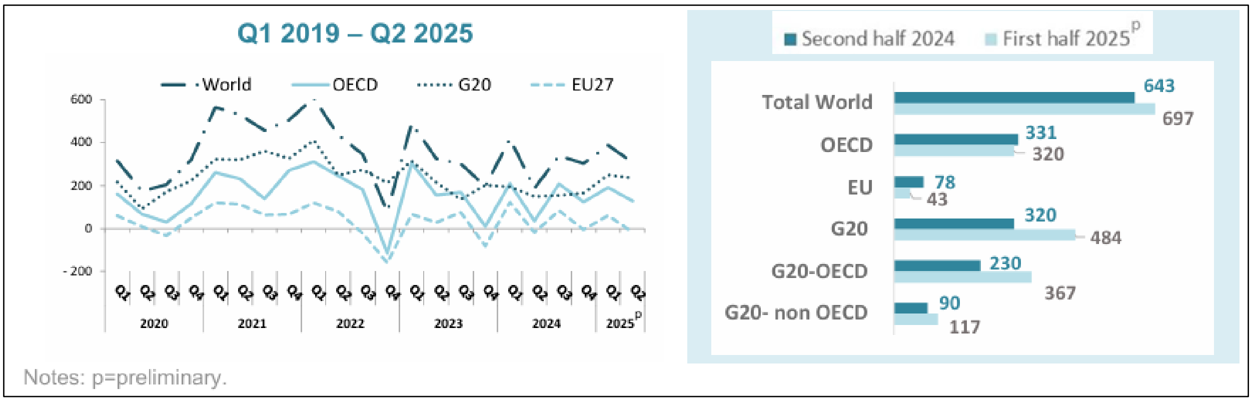

Figure 2. FDI Inflows to selected areas.
Source: OECD International Direct Investment Statistics Database

Moving to the outflows, the Organization registers a 19% decrease in the OECD area in H1 2025, driven by a marked decline in the United States. However, in the EU area, FDI outflows show an increase of 65% in H1 2025, while in G20 non-OECD economies they dropped by 8% in the same period, as presented in *Figure 3*.[92]

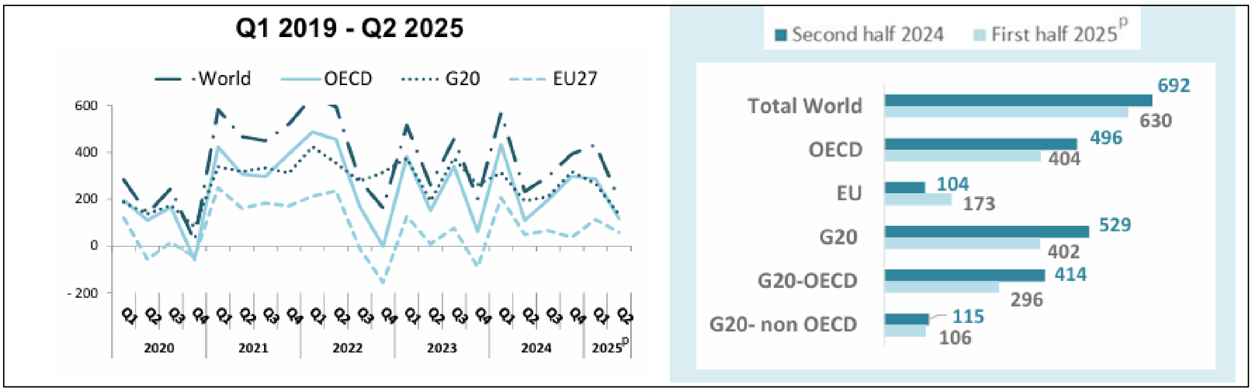

Figure 3. FDI Outflows to selected areas.
Source: OECD International Direct Investment Statistics Database

In recent years, the evolution of FDI flows has demonstrated pronounced responsiveness not only to the global economic cycle but also to the evolving political climate of globalization. In particular, the research points to a correlation between the decline or high volatility of international investments, in addition to macroeconomic factors, and a context of growing protectionism and selectivity. The escalation of interventionist industrial policies, new forms of investment control, and tensions between major economies tend to influence both the multinational enterprise strategies

[92] *Ivi*, p. 3.

and the geographic distribution of investments.[93] At the same time, flows may show sharp contractions in specific components, such as greenfield investments[94], and strengthen regional differences. Emerging economies have seen their share of global direct investment rise over the past decades, now representing a substantially larger proportion relative to the early 2000s. This trend is consistent with the expansion of their domestic markets, industrialization development, and their capacity to attract productive and manufacturing activities.[95] However, these same patterns also reveal vulnerabilities: FDI can sharply decline during periods of crisis or political instability, and some segments, such as greenfield operations, can diminish drastically, meaning that, when uncertainty increases, companies may delay long-term projects or prefer to relocate their production.[96] These drivers underline the relevance of market closure because, even when not total but consisting of more selective controls, standards, and barriers, it can increase the fixed costs of internationalization and make location choices more targeted. Some regions become more attractive due to their geographic proximity, internal stability, and access to regional commercial networks, while others may lose investments if perceived as higher risk or less integrated (these are the dynamics of reshoring and nearshoring, explained in the previous paragraph). In line with this, the OECD states that cross-border M&A activity[97] slowed in H1 2025, with total deal values falling by 4% and the number of concluded deals by 5%.[98] It is notable that announced greenfield capital expenditures reached a peak in advanced economies, particularly in manufacturing and infrastructure projects related to artificial intelligence, even though the number of projects declined by 12% globally.[99]

A further point, crucial for the analysis of foreign direct investment, is the

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[93] O. Al-kasasbeh et al., "Global FDI inflows and outflows in emerging economies Post-COVID-19 era", p. 2-4.
[94] A Greenfield investment is a type of FDI characterized by the launch of a business operation by building a new production facility abroad. In this case, the domestic company decides to establish a new operation in a foreign country, rather than buying or partnering with an existing business there (this alternative is known as Brownfield investment). It tends to be more stable.
[95] O. Al-kasasbeh et al., "Global FDI inflows and outflows in emerging economies Post-COVID-19 era", p. 2-4.
[96] *Ibidem*.
[97] Mergers and acquisitions activity (M&A Activity) refers to the total amount and intensity of mergers and acquisitions taking place over a given period.
[98] OECD, "A mixed outlook for global FDI flows in the first half of 2025", p. 5.
[99] *Ivi*, pp. 1 and 6.

relationship (and correlation) between investment flows and economic growth, since market closure is often justified or opposed also in light of its expected effects on development, productivity, and competitiveness. The literature on the impact of FDI tends to emphasize multiple paths: FDI can support growth through capital accumulation, expansion of productive capacity, and, especially, by facilitating technological diffusion, the transfer of know-how, and integration into international networks of production and trade.[100] These benefits, however, are not automatic and depend on several factors, such as human capital, the institutional environment, the degree of openness, and the capacity for technological absorption.[101] At the microeconomic level, the entry of multinational companies can increase competition and push domestic firms to innovate, but it can also create selective pressures and reshape the productive structure. In macroeconomic terms, the net effect may be positive or negative, depending on the sectoral structure and the host country's ability to retain the added value and skills generated by foreign investments. The interaction between FDI and market closure is thus circular: more restrictive policies can protect domestic sectors in the short term, but if they reduce attractiveness and know-how transfer, they may weaken productivity in the medium-long term. In contrast, targeted policies that influence the general wage level, the level of education, institutional environment, tax laws, and the overall political setting, may direct FDI toward technological and industrial development.[102] The relationship is a delicate balance between regulatory control and economic openness. Foreign direct investment can be a resource for growth and structural transformation, but it requires an institutional and regulatory framework that reduces uncertainty and makes commitments credible, especially when investments are long-term and involve substantial resources.

Finally, it is relevant for this research to distinguish between the effects on the host country and those on the investing country, because it shows how growth can be associated not only with attracting foreign capital but also with the ability of domestic firms to internationalize. In particular, it was noted that in both developed and developing countries, FDI can be positively associated with growth, although with

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[100] S. Kurtishi-Kastrati, "Impact of FDI on Economic Growth: An Overview of the Main Theories of FDI and Empirical Research", pp.70-71.
[101] *Ibidem*.
[102] *Ivi*, pp. 72-73.

differences across countries and time periods.[103] In some advanced economies, both inflows and outflows are statistically significant and positive, while in specific cases, inflows may be associated with negative effects, for instance, in the presence of particular configurations or dynamics in which FDI does not generate sufficient effects.[104] It is essential to recognize that closure and uncertainty can affect inflows and outflows differently: on the one hand, it may reduce attractiveness for foreign investors, decreasing inflows; on the other, it may encourage some domestic companies to invest abroad to diversify markets and risks, supporting outflows, unless this closure is accompanied by capital controls or extra financial limits, which may also reduce outflows. In other words, the response of FDI to market closure can be asymmetric and depend on the type of closure (commercial, financial, or regulatory) and on the country's global investment. When closure is combined with shocks, such as pandemics and crises, investments tend to be redirected toward situations perceived as more resilient and integrated, making it particularly important to distinguish the channels of inflows and outflows, as well as the groups of developed and emerging countries, when interpreting data.

2.3 The Role of the US Dollar

The predominance of the US dollar as the key currency of the international monetary system is the result of a historical process that solidified after World War II and evolved through various phases, maintaining uninterrupted functionality. It is largely accepted that the supremacy of the US dollar began in 1917, when the US Government financed the UK, France and Italy after WWI. After the conflict, a return to the gold standard monetary system, which had regulated international economic relations since 1870, was not possible due to gold shortages, elevated inflation and public debt, and excessive expansion of the money supply.[105] The institutional reconstruction of 1944, formalized at Bretton Woods, introduced a gold exchange standard centered on the US dollar, which definitely replaced the British pound as the

[103] Y. A. Ahmed and R. R. Ibrahim, "The Impact of FDI Inflows and Outflows on Economic Growth: An Empirical Study of some Developed and Developing Countries", p. 151.
[104] *Ibidem*.
[105] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", p. 148.

international currency[106] and made it the operational tool for financial and commercial stabilization among global economies, also through the establishment of the United Nations multilateral architecture (including the creation of the International Monetary Fund and the World Bank). In this framework, the US centrality is not only due to the economic relevance but also to its ability to provide credible anchoring and broad international liquidity, at a time when post-WWII economies were still rebuilding and the monetary order required a means of payment and reserve operating on a global scale.[107] As a result, the dollar becomes the basis of a new monetary regime, in which trade and reserves are centered around the power currency with the deepest financial markets and the greatest potential for political-military projection, as the Suez Crisis of 1956 demonstrated.[108]

The transition from the Bretton Woods system to a more flexible regime does not automatically reduce the dollar's role but reorients it. The suspension of the fixed exchange rate arrangements between the major currencies and the US dollar in 1971 removed the formal constraint introduced by the Bretton Woods system; however, the centrality of the US currency was reconstituted through a new mechanism, known as the dollar standard, and the integration of finance, trade, and geopolitics.[109] A new phase began in 1974, following a political arrangement between the US and Saudi Arabia in which the United States would guarantee military protection of the Arab country, in exchange for Saudi commitment to sell oil exclusively in dollars and to reinvest surplus oil revenues in US dollar-denominated financial activities. The next year, OPEC announced its decision to invoice oil sales in dollars, following the direction of its largest producer (Saudi Arabia) and adopting an oil exchange standard (known as the petrodollar). Finally, after the collapse of the Soviet Union in 1991, the following *Pax Americana*[110] reinforced the US dollar as the central currency for the international

[106] *Ivi*, p. 149.
[107] T. Costigan et al., "The US Dollar as the Global Reserve Currency: Implications for US Hegemony", pp. 106-107.
[108] *Ivi*, pp. 107-108.
[109] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", pp. 149-150.
[110] The term *Pax Americana* is usually used to describe the unilateral order introduced after the collapse of the Soviet Union in 1991 and refers to a historic moment in which the US emerged as the only superpower.

monetary system.[111]

The institution of increasingly integrated capital markets and the growing financialization of the global economy made the dollar a reference currency not only for official reserves but also for contract terms, commodity pricing, and international funding, with cumulative effects of interdependence and network.[112] In this phase, a structural aspect of monetary hegemony becomes more visible: the dominant currency tends to provide a global public good in the form of liquidity and safe assets, while at the same time fueling imbalances that are difficult to overcome because they are linked to international demand for assets denominated in the hegemonic currency. In the literature, this is discussed as a tension between the need to supply global liquidity and the internal sustainability of the issuance system, a dynamic that remains evident today.[113]

Examining the foundational and institutional bases that support dollar centrality, several reinforcing pillars emerge. On the one hand, the US currency benefits from a vast and liquid financial market, capable of absorbing large trading volumes and offering instruments considered safe and easily exchangeable. On the other hand, its position is supported by a widespread payments infrastructure, where the dollar's status as an intermediary currency reduces conversion costs and increases system efficiency, creating a relevant advantage.[114] In addition to these elements, there is also a reputational dimension associated with the widespread perception of stability and its role as a safe haven during periods of crisis, which makes the US currency a reference point when shocks occur, and operators seek highly liquid instruments.[115] In this perspective, monetary hegemony does not simply coincide with the share of reserves held in dollars, but also with a set of functions, including trade invoicing, international finance, and the ability to organize cross-border payment and credit networks. The combination of market liquidity, payment infrastructure, and institutional credibility creates a competitive advantage that makes rapid substitution difficult, even when

[111] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", p. 150.
[112] T. Costigan et al., "The US Dollar as the Global Reserve Currency: Implications for US Hegemony", pp. 110-111.
[113] *Ivi*, p.116.
[114] A. I. Ilyinsky and A. S. Magamedov, "The Changing Role of the US Dollar in the Global Monetary System of a Multipolar World", pp. 8-10.
[115] *Ivi*, p. 12.

global economic balances change.[116]

However, the dollar's centrality is also correlated with the relative performance of the United States and its ability to sustain global demand for dollar-denominated assets. In the long-term analysis, monetary primacy is linked to the country's position in the global economy, its innovative capacity, the strength of its economic institutions, and the role of the dollar as an external financing tool. The literature highlights that financial globalization has strengthened the dollar's role because it remains at the center of international capital markets and major financial hubs, while demand for dollar-denominated instruments is fueled by both security and liquidity considerations.[117] Moreover, the Chinese economic rise and the emergence of a multipolar order have changed the competitive landscape, introducing new tensions between economic power and monetary power. The expansion of China's influence in international production and trade increases the efforts to diversify liquidity sources and reduce currency dependencies, especially when geopolitical relations become more rigid.[118] However, the shift to a fully multipolar system faces significant constraints because the hegemonic currency is not only a national currency but also a global platform that sets prices, credit, and payments.

It is from this perspective that the dual nature of the dollar as an infrastructural good and an instrument of power becomes clear. The centrality of the US currency allows for a significant share of global finance to be dollar-denominated and attracts capital to safe assets, with effects that can reduce funding costs and strengthen resilience capacity through high-liquidity markets. This financial centrality can translate into geopolitical leverage, as control over key financial and payment tools enables the regulation of access to liquidity and clearing mechanisms. In this context, the discussion on de-dollarization assumes a political dimension[119], tied to attempts by several countries to reduce the vulnerability associated with reliance on a dominant currency that can serve as a channel for sanctions and operational restrictions.[120] Similarly,

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[116] *Ivi*. pp. 7-10.
[117] K. Siddiqui, "The U.S. dollar and the world economy: a critical review", pp. 21-26.
[118] *Ibidem*.
[119] It is relevant to cite the establishment of the Asian Infrastructure Investment Bank (AIIB) as China's attempt to expand its financial status and to counter the US dollar hegemony.
[120] T. Costigan et al., "The US Dollar as the Global Reserve Currency: Implications for US Hegemony", pp. 117-118.

growing geopolitical tensions and the proliferation of control instruments over financial transactions can strengthen demand for alternatives, at least in some segments and for some actors. However, this does not automatically produce a systemic replacement of the dominant currency.[121]

In this scenario, the rise of the renminbi may be a significant factor, both as an indicator of the global economic transformation and as a potential driver of monetary rebalancing. The internationalization of the Chinese currency is discussed as a gradual process, linked to long-term strategies that include trade expansion, the development of financial infrastructures, and the use of swap agreements and payment channels to facilitate transactions in the Chinese currency. In this light, the inclusion of the renminbi in the IMF Special Drawing Rights, since 2016, is interpreted as a signal of institutional recognition and as part of a broader trajectory of consolidating international presence.[122] It is also notable that China has developed instruments to reduce dependence on traditional circuits and to strengthen the use of its own currency in regional trade and infrastructure projects, alongside a gradual increase in renminbi-denominated transactions in selected segments.[123] At the same time, significant major limits, including market openness, convertibility, and trust in the institutional framework, persist and make it difficult to achieve a full transformation of the monetary order. These constraints are often cited as factors pointing towards a more plural currency system, rather than a clear replacement of the US dollar in the short term.[124]

The multipolar perspective, therefore, does not necessarily imply the end of dollar dominance, but rather a possible erosion of its exclusivity. In some cases, the diversification of reserves and the rise of bilateral agreements in alternative currencies reflect a search for greater autonomy, especially when geopolitics increases the perceived risk associated with US-centric systems. Examples of reserve reallocation and increased use of renminbi-denominated instruments are also evident in countries seeking to reduce exposure to sanctions or volatility, such as Russia, a phenomenon that

[121] A. I. Ilyinsky and A. S. Magamedov, "The Changing Role of the US Dollar in the Global Monetary System of a Multipolar World", pp. 10-11.
[122] K. Siddiqui, "The U.S. dollar and the world economy: a critical review", pp. 35-36.
[123] *Ivi*, pp. 36-37.
[124] A. I. Ilyinsky and A. S. Magamedov, "The Changing Role of the US Dollar in the Global Monetary System of a Multipolar World", p. 11.

signals the strategic dimension of monetary policies.[125] Nevertheless, the persistence of a global architecture in which the dollar is the invoicing, financing, and clearing currency suggests that any transition will be influenced by network effects and market constraints. The issue here is not only which currency can compete, but which payment infrastructures, safe asset markets, and institutional regimes can globally support functions analogous to those the dollar performs today.[126]

Future scenarios are often described by combining economic, technological, and political factors. A school of thought considers the persistence of dollar centrality in the short term more credible because of its competitive advantages in financial markets and its centrality in the payment system, while in the medium and long term, a more fragmented and multipolar system could strengthen, with several relevant currencies in different areas of finance and trade.[127] Another element for change concerns technological innovation, particularly the evolution of digital payment systems and experiments with central bank digital currencies and private instruments, which could, over time, reduce some infrastructural dependencies and alter transaction costs, creating alternative solutions without necessarily eliminating the dollar's centrality in financial markets.[128] In geopolitical terms, the possibility of a more intensive use of sanctions and financial restrictions may incentivize diversification and the development of alternative payment circuits,[129] with effects that, however, remain conditioned by the ability of these circuits to achieve comparable scale, reliability, and liquidity.[130]

Overall, the role of the dollar in the twenty-first century is the result of a combination of persistence and adaptation. Persistence, because the US currency maintains systemic functions rooted in markets and financial infrastructures that are hard to replicate at the same scale, and because credibility and liquidity continue to attract flows in periods of uncertainty. Adaptation, because the growth of alternative

[125] K. Siddiqui, "The U.S. dollar and the world economy: a critical review", p. 37.
[126] A. I. Ilyinsky and A. S. Magamedov, "The Changing Role of the US Dollar in the Global Monetary System of a Multipolar World", pp. 10-12.
[127] *Ibidem*.
[128] *Ivi*, p. 10.
[129] Russia and China's cooperation to develop the Cross-Border Interbank Payment System (CIPS) in 2015 is a perfect example of an attempt to avoid the Society for World Interbank Financial Telecommunication (SWIFT).
[130] T. Costigan et al., "The US Dollar as the Global Reserve Currency: Implications for US Hegemony", p. 118.

economic actors, particularly China, and the adoption of more assertive economic policy tools make a differentiated system more likely, in which the dollar remains central but must coexist with other currencies in specific regions or sectors. In this perspective, monetary hegemony is not reduced to a single element, but manifests in the ability to structure prices, payments, and global finance. The crucial aspect thus becomes whether and how the pillars supporting this architecture (market depth, payment infrastructure and geopolitical dimension) can be eroded or redesigned without producing systemic instability, and which forms of cooperation or competition will define a monetary order characterized by increasing economic and political multipolarity.

2.4 Slowbalization

Globalization is a process through which ties and interdependencies between nations intensify. It includes several elements that are closely connected: the economic aspect, which has led to the creation of international markets for goods, services, and capital; the social and cultural aspect, which has promoted the free movement of people and ideas, and the intensification of relationships among diverse and distant populations; the technological aspect, through technical and technological innovations, especially in the fields of transport and communications (both digital and physical), which have produced scientific progress and innovations; and finally, the political aspect, which has changed power relations and made nations much more interdependent.[131]

It is, however, important to recognize that globalization is not a new phenomenon; it has characterized various historical phases, dating back to ancient times. Nevertheless, it is undeniable that the period from the end of the Second World War has witnessed unprecedented levels of integration. Starting in 1945, the world was divided into two spheres of influence between the United States and the Soviet Union. This historical moment was marked by significant institutional projects involving an huge number of states and populations, including the creation of the United Nations in 1945, the Organization for Economic Cooperation and Development (OECD) in 1961,

[131] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", pp.9-10.

the process of European integration culminating in the Maastricht Treaty of 1992, which created the European Union, the General Agreement on Tariffs and Trade, which became the World Trade Organization (WTO) in 1995. This phase of modern globalization reached its peak following the fall of the Berlin Wall in 1989, an event that led to the dissolution of the Soviet Union two years later. From that point on, a new phase began, defined as hyperglobalization, where economic, financial, social, cultural, technological, and political interdependence reached unprecedented levels.[132] However, this period of rapid global integration slowed after the 2008 financial crisis, which brought to light several limits to interdependence between countries and to extremely long value chains. This new stage is thus characterized by a slowdown in globalization that has been called "slowbalization" by The Economist. Modern globalization, however, has led to a reduction in global poverty, sustained growth of the world's population, technological and scientific progress that has definitively shortened time and distance, and rapid industrialization in emerging economies, characterized by offshoring and long global value chains.[133]

The most recent academic debate interprets the contemporary phase not as a simple return to closed economies, but as a structural slowdown in the dynamics of integration. From this perspective, slowbalization indicates a new pattern in the world economy in which global trade growth weakens, foreign direct investment flows decrease, and geopolitical and geoeconomic tensions become a characteristic feature of international economic governance.[134] This shift is characterized by consistent signals, such as unresolved trade disputes, rising geopolitical tensions, and a reduced propensity of the international financial system to provide cross-border credit to the same degree as in the past. Conceptually, this approach allows for a distinction between deglobalization and slowbalization: the first term refers to a net decrease of global interdependence, while the second term indicates a process of deceleration, in which interconnects remain intense but become more conditioned by shocks, risk, politics, and institutional disruptions.[135]

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[132] *Ivi*, pp. 36-39.
[133] *Ibidem*.
[134] A. Benabed and M. Moncea, "Slowbalization: Rising Trends for the Global Economy and Business", p. 289.
[135] *Ivi*, p. 288.

A first empirical analysis of slowbalization demonstrates that, following the 2008 financial crisis, global trade as a percentage of GDP is not increasing as in the previous phase of hyperglobalization, with a dynamic in which production fragmentation and the expansion of global value chains no longer favor trade as before.[136] This evidence does not depend on a single factor, but on the combination of changes in demand, technological transformations and, above all, the increase in political and regulatory tensions that make it more costly to maintain long global value chains. Slowbalization is thus associated with shocks, discontinuities, and localized events that can produce systemic effects due to the interconnection of global networks, forcing a reassessment of the costs and benefits of extreme fragmentation relative to the costs of vulnerability.[137] The recent COVID-19 pandemic has accelerated trends already underway, highlighting the fragility of long, complex chains and strengthening the perception that short-term efficiency alone is insufficient when the probability of interruptions increases. The result is an evolution from a cost-efficiency maximization logic to one in which reliability and resilience are integrated into the economic calculation, with direct implications for localization, diversification, and the geography of production networks.[138]

A second level of analysis concerns the factors that fuel slowbalization and collectively make globalization less linear and more segmented. A central component is the emergence of barriers and constraints that are not limited to tariffs but also include standards, controls, restrictions, and regulatory fragmentation, which increase costs and introduce asymmetries between regions and sectors. At the same time, the intensification of conflicts and the growth of strategic rivalries, including the decoupling dynamic in some technological and productive areas, reinforce perceptions of economic integration as potentially fragile, and therefore to be managed with more selective tools.[139] On the macroeconomic level, this evolution is closely linked to processes that push toward more pronounced regionalism and the reorganization of value chains, because trade and production become more sensitive to political instability, price

[136] P. Halmai, "Globalisation versus Deglobalisation", p. 9.
[137] *Ivi*, pp. 10-11.
[138] *Ibidem*.
[139] A. Benabed and M. Moncea, "Slowbalization: Rising Trends for the Global Economy and Business", pp. 291-292.

volatility, and the risk of logistical disruptions. From this perspective, slowbalization is not a simple quantitative contraction, but rather a qualitative transformation of globalization, in which the geography of flows is reorganized, and some interdependencies are renegotiated in terms of security, reliability, and institutional compatibility.[140]

These dynamics have direct consequences for business strategies and market configurations. As integration slows and becomes more conditioned, value chains management tends to shift towards solutions that prioritize diversification and adaptability. In a context of greater regulatory fragmentation and rising access costs, market and supplier selection become more sensitive to institutional and logistical criteria.[141] In terms of costs, slowbalization can produce ambivalent effects: on the one hand, the shortening or regionalization of certain supply chains can reduce lead times and operational uncertainty; on the other, moving away from optimized configurations may require additional investments, capital reallocations, and a more costly management of multiple standards and compliance. This does not imply the disappearance of globalization (so there is no deglobalization), rather it becomes more selective and segmented, and business competition increasingly takes place within regional ecosystems, with shortened supply chains and a greater weight given to political and institutional constraints.[142] In this scenario, resilience assumes not only an operational consideration but also a strategic value, since supply continuity, the ability to react to shocks, and the reduction of dependence on critical nodes become elements of competitive advantage, especially in sectors where interruptions and bottlenecks have systemic impacts.[143]

Over the long term, slowbalization raises questions about the efficiency and stability of the world economy. It is clear that greater targeting of flows and increased barriers may limit the benefits associated with the hyperglobalization economies of scale. By contrast, a less extensive globalization may help reduce some vulnerabilities, making value chains less exposed to shocks and potentially easier for companies and

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[140] P. Halmai, "Globalisation versus Deglobalisation", pp. 12-14.
[141] *Ivi*, p.10.
[142] *Ivi*, pp. 12-13.
[143] A. Benabed and M. Moncea, "Slowbalization: Rising Trends for the Global Economy and Business", p. 293.

governments to manage. However, the literature also highlights that fragmentation and relocation can have substantial costs and technological challenges, as they increase uncertainty about trade policies and can reduce investment and productivity, especially if international cooperation weakens.[144] Slowbalization thus emphasizes the importance of rebuilding trust and predictability in international economic relations, since the intensification of conflicts and barriers can push toward an equilibrium where risk is reduced through closures, with long-term effects on global growth and well-being.[145] The future path appears linked to the ability to balance security and resilience needs with forms of cooperation that limit destructive fragmentation, since a slower globalization can still be compatible with trade and investment, but requires rules and institutions that reduce uncertainty and make the complexity of a more multipolar and shock-exposed system manageable.

Another relevant element for interpreting slowbalization is the observation of a series of indicators that do not show a total closure, but rather a persistent slowdown in certain aspects of globalization. The literature notes that the weakening dynamism of international trade is followed by a reduction in the system's ability to generate new cycles of integration through investments, credit, and production platforms. The recurrent signals are low growth rates, the reduction in FDI, the increase in trade disputes, and the growing relevance of geopolitical tensions as a structural aspect of companies' international strategies.[146] Slowbalization can also be viewed as a phenomenon of rising differentiation, in which companies do not abandon integration, but reorganize it by choosing more carefully the areas, partners, and segments of the value chain to maintain. Some studies associate this dynamic with the transformation of globalization itself, which depends less on trade in goods and more on flows of services, information, and data, with intangible assets playing a growing role.[147] In this sense, slowbalization does not necessarily coincide with a uniform contraction of interdependence, but with a change in its composition: some dimensions, such as trade in goods and production fragmentation based on very long cross-border chains, may

[144] P. Halmai, "Globalisation versus Deglobalisation", p. 14.
[145] A. Benabed and M. Moncea, "Slowbalization: Rising Trends for the Global Economy and Business", pp. 291-292.
[146] *Ivi*, p. 289.
[147] P. Halmai, "Globalisation versus Deglobalisation", pp. 15-16.

slow down, while others, such as the circulation of services and digital activities, become central and change the way in which economic and political actors relate the costs and benefits of openness.[148]

Finally, the literature points out that a slower and more fragmented globalization is not neutral in terms of efficiency and growth, as the reorganization of supply chains and production takes time and implies high costs. On the one hand, political pressure to relocate production segments and reduce strategic dependencies can encourage policy measures that include subsidies and incentives for reshoring, potentially altering market competition. On the other hand, regionalization, together with declining FDI and growing uncertainty over the regulatory framework, can reduce resource allocation efficiency and negatively impact productivity growth, making it harder to replicate the huge benefits of the hyperglobalization experienced until 2008.[149] In this context, slowbalization can be interpreted as a more cautious balance between efficiency and resilience, in which regionalization of certain production phases and diversification can, in some cases, have more value than economies of scale and specialization. This leads to a dynamic in which international actors do not simply choose between globalization and deglobalization, but realign among more gradual paths, with greater attention to geopolitical risks, regulatory constraints, and logistical vulnerabilities, while public policies increasingly combine openness with protection and strategic guidance, shaping the geography of trade and investment.

[148] *Ibidem*.
[149] P. Halmai, "Globalisation versus Deglobalisation", pp. 12-14.

3. Case Studies

3.1 United States: Trump's Tariffs

In 2025, Trump's second administration introduced a tariff regime that marked a significant discontinuity from the previous phase of international trade. The effective tariff rate on imports applied by the United States increased significantly, rising from 2.5% to 14%, resulting in one of the highest levels of trade protection recorded in recent US history.[150] This rise reflects a structural redefinition of US trade policy, in which the use of tariffs becomes a central tool for managing international economic relations and for serving as a geopolitical threat under President Donald Trump. The immediate effect is a growing segmentation of trade flows, with a progressive deterioration of the universalistic logic of openness and a greater emphasis on selective and politically controlled economic borders. Indeed, the high volatility of these tariffs produces high inflation, disrupts global supply chains (with effects such as reshoring and nearshoring), and erodes multilateral trade norms.[151] In this sense, the 2025 US tariffs represent an emblematic example of economic regionalization, as they help to reduce the US market's permeability and redefine access based on strategic and geopolitical criteria rather than simple allocative efficiency. The trend of imports during 2025 confirms this dynamic. During the period immediately preceding the entry into force of the new tariff measures, a temporary increase in flows was observed, driven by an anticipatory behavior among firms, aiming to reduce future additional costs. Once the tariffs were implemented, however, the value of tariffed goods contracted more sharply than the non-tariffed goods, showing a selective effect that alters the geographical and sectoral composition of US trade.[152] This suggests that tariffs not only serve as instruments of fiscal or negotiating pressure but also reorganize flows in line with a regional market logic, in which some areas and supply chains become progressively less integrated.

The structure of the measures introduced in 2025 further reinforces this interpretation of the geopolitical use of tariffs. Alongside the general increase in tariffs, specific measures on strategic sectors such as steel and aluminum are strengthened, with

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[150] OECD, "OECD Economic Outlook: Resilient Growth but Increasing Fragilities", p. 276.
[151] C. Siriopoulos et al., "Trump's Liberation Day Tariffs: A Framework for Economic Impact and Policy Assessment", pp. 14-15.
[152] OECD, "OECD Economic Outlook: Resilient Growth but Increasing Fragilities", p. 276.

rates rising to 50%, and new tariffs are extended to products such as copper, lumber, and industrial vehicles.[153] The targeted nature of these actions indicates an attempt to intervene directly in the production dimension, encouraging the internal or regional reallocation of specific production phases, often declaring the intention of increasing domestic industrial production. In this context, global trade is no longer a neutral space governed by shared multilateral norms,[154] but rather an area to be politically governed through differentiated barriers, with direct effects on the geography of value chains.[155] From a macroeconomic perspective, the effects of this approach appear consistent with a negative supply shock. The extension of tariffs on a broad range of imported products tends to raise the costs of intermediate and final goods, putting pressure on domestic prices and reducing consumer purchasing power, which frequently creates substitution effects, especially when domestic companies are unable to fully absorb the cost increases. In a context marked by high uncertainty and frequent revisions to announced measures, the effect is not limited to prices but extends to investment decisions, which are penalized by the lower predictability of market access conditions and the growing instability of supply chains.[156] This helps to reinforce a logic of regionalization, in which firms favor suppliers and locations perceived as politically more reliable.

The widespread use of tariffs in 2025 also occurs within a wider transformation of the international economic order, calling into question several fundamental assumptions of the liberal-democratic order. US trade policies appear less constrained by multilateral rules and increasingly oriented toward the discretionary use of economic tools, thereby reducing institutional predictability and affecting economic actors' confidence.[157] Through this lens, tariffs are both economic policy tools and an expression of national economic sovereignty, in conflict with the principles of cooperation and rule-based governance that characterized the previous phase of hyperglobalization. While maintaining the focus on the United States, it is relevant to note that a tariff escalation produces effects that propagate along global value chains,

[153] *Ivi*, p. 18.
[154] It is important to state that the 2025 US tariffs entirely bypassed the WTO mechanism, being implemented without a multilateral consultation.
[155] C. Siriopoulos et al., "Trump's Liberation Day Tariffs: A Framework for Economic Impact and Policy Assessment", pp. 3-4.
[156] *Ivi*, pp. 9-10.
[157] *Ivi*, p. 14.

even beyond directly affected partners. This is evident in the US-China reciprocal tariffs, which generate several effects on the European Union and other US-allied economies, normally deeply integrated with the Chinese manufacturing production.[158] The increase in barriers and the risk of retaliation thus generate systemic uncertainty, leading companies and investors to reconfigure their long-term strategies, reducing exposure to markets perceived as politically unstable and reinforcing the logic of regionalization of global supply chains. In this sense, tariffs act as catalysts for a geographical reorganization of the economy, privileging more integrated areas (both politically and economically) and reducing global interconnections. A further significant element concerns the impact of the new customs duty regime on domestic democratic governance. The intensive use of tariff instruments, often introduced by executive decisions and with limited parliamentary oversight, as the US case clearly shows, signals a concentration of decision-making power in the economic sphere that raises questions about the compatibility of highly discretionary trade policies with the accountability mechanisms typical of liberal-democratic systems.[159] In this context, economic regionalization is not only a simple process of relocation but also a reflection of a broader crisis of the liberal order, in which the economy is increasingly subordinated to logics of security and strategic competition. This implies that the political actors' choices are usually more oriented toward national strategies than to the market openness that characterized the hyperglobalization phase.[160]

Overall, the tariffs introduced by the current US administration represent a paradigmatic case of economic regionalization, as they contribute to reducing the global market size while promoting a selective reorganization of value chains on a geographic and political basis. At the same time, they reflect and further amplify the crisis of the liberal-democratic model by weakening the role of multilateral organizations and rules, increasing institutional uncertainty and unpredictability, and reinforcing the discretionary use of the economy as a national strategic policy tool. In this sense, the case of Trump 2.0 tariffs should not be analyzed as an isolated episode but as a clear

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[158] E. Stober, "President Trump's Trade War: the U.S.-China Tariffs and Global Implications", p. 3.
[159] C. Siriopoulos et al., "Trump's Liberation Day Tariffs: A Framework for Economic Impact and Policy Assessment", pp.14-15.
[160] M. Magnani, "Il grande scollamento. Timore e speranze dopo gli eccessi della globalizzazione", pp. 203-204.

manifestation of the structural transformations that are redefining the relationship among economy, politics, and global governance in the twenty-first century.

3.2 China: Xi Jinping's Dumping

Dumping is considered one of the most controversial aspects of international trade and a central issue in the debate over recent changes in the global landscape. It refers to the export of goods in foreign markets at a price lower than their normal value, typically defined as the domestic price or production cost.[161] This practice thus distorts economic competition, disadvantaging producers in the importing country. Rather than being a simple aggressive pricing tactic, dumping is a phenomenon that undermines the distinction between legitimate competition and structural distortion, as it can arise from cost and financing asymmetries, institutional differences, and market structures that complicate direct comparisons of prices and costs. A crucial aspect is that the issue shifts from isolated cases to their repetition across entire sectors, since practices perceived as systematic often provoke political and legal responses, such as anti-dumping practices.[162] As a result, dumping directly affects the stability of trade relations and shapes business expectations concerning the benefits of offshoring and production fragmentation. In this sense, dumping also becomes a significant driver of intervention measures that, while technical in nature, have long-term consequences for the organization of global value chains and the geography of production, creating incentives to reconsider suppliers, final markets, and locations.

In the last decades, China has become the most emblematic case in both the application and the contestation of dumping practices, especially after joining the World Trade Organization in 2001.[163] China's accession to the WTO marked a decisive turning point in its integration into the multilateral trading system, but it also led to a sharp rise in anti-dumping actions by trading partners against Chinese exports. Consequently, China became the country most frequently subject to anti-dumping investigations and measures during the period from 1995 to 2008.[164] This phenomenon cannot be

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[161] R. Serences and D. Kozelova, "Dumping – Unfair Trade Practice", p. 2.
[162] *Ivi*, pp. 6-7.
[163] China became the 143rd member of the WTO after 15 years of negotiations, due to the high number of requirements agreed with member states.
[164] T. T. V. Le and S. Y. Tong, "China And Anti-Dumping: Regulations, Practices And Responses", p. 1.

explained only as a mere reflection of China's increased export volumes, but also as an indicator of the tensions caused by the interaction between a strongly export-oriented growth model and a regulatory framework that requires comparative price and cost criteria, which are often difficult to apply consistently when market structures are not fully comparable. Furthermore, the literature highlights that a significant part of these trade disputes concerns the determination of normal value and the implications of treating China as a non-market economy in anti-dumping practices.[165] This tends to increase the likelihood of high dumping margins and, consequently, more severe duties. This results in a cycle where the rise in anti-dumping measures is not just an ad hoc response, but rather a recurring strategy to manage commercial imbalances, with cumulative effects on trust in multilateralism (and multilateral institutions) and a growing tendency among importing countries to use selective market closure tools to protect sectors considered strategic or politically sensitive.[166]

From a legal and institutional perspective, anti-dumping measures are supported by international trade rules that allow the imposition of corrective duties when specific criteria are met, including sales at less than normal value, injury to the domestic industry, and a causal link between dumped imports and injury.[167] This regulatory framework clarifies why the response to dumping often takes the form of tariff or similar measures, which, while formally rule-based, operate as selective barriers to market access. When these measures become widespread and affect numerous supply chains, their impact extends beyond individual cases and transforms the architecture of global trade. Businesses have to consider not only the prices and quality of their products, but also the risk of new investigations, the possibility of sudden increases in import costs, and compliance with different regulations. It is also important to note that the effect of an anti-dumping duty is not neutral: it can drastically reduce the attractiveness of certain supply channels and encourage strategies such as supplier substitution, moving production, or relocating parts of the value chain regionally. Empirical data confirms the strength of this mechanism, showing that the imposition of anti-dumping duties can lead to sharp declines in exports to the foreign markets where

[165] *Ivi*, pp. 1-3.
[166] *Ibidem*.
[167] W. S. Widiarty, "Economic Globalization in Protecting Domestic Products through Anti-Dumping Laws", pp. 2-3.

they are applied, with particularly marked contractions in some contexts.[168] Systematically, this means that intensive use of anti-dumping, especially when a big exporting country such as China is frequently targeted,[169] tends to produce a more fragmented and less global trade environment, where the continuity of flows is not guaranteed by a stable regulatory framework but depends on political and procedural decisions that may change rapidly.

China's response to growing sanctions has unfolded on multiple levels and clearly illustrates how the dumping–antidumping dynamic contributes to trends of regionalization and production reorganization. The Chinese government has strengthened its capacity to defend itself and participate in investigations, aiming to influence technical aspects that determine the outcome of proceedings and thus the size of the duties imposed.[170] At the same time, China has adopted more structural strategies in order to reduce vulnerability to dumping allegations through technological and quality upgrades, increased value-added, and market diversification.[171] This approach mitigates dependence on sectors where price competition is more easily challenged and politically sensitive. A particularly important element, in terms of regionalization, is the adaptation of Chinese companies to tariff barriers by reorganizing their international presence.[172] This includes investing in foreign production capacity and establishing manufacturing bases in third countries to maintain market access and reduce exposure to duties applied directly to Chinese exports.[173] This bypassing approach does not signal a return to the previous hyperglobalization phase, as it often results in a geographic reconfiguration of global value chains toward regional spaces or countries perceived as more neutral or less exposed to restrictive measures, thereby increasing the fragmentation of trade flows. From the importing countries' point of view, the intensification of anti-dumping duties and trade defense measures encourages

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[168] R. Serences and D. Kozelova, "Dumping – Unfair Trade Practice", pp. 6-7.

[169] From 1995 to 2023, China has been the target of 1,614 global anti-dumping cases. Among the countries that adopted this practice, the top 3 are India (298 cases), the United States (189 cases), and the European Union (155 cases). (R. Yan, p. 20)

[170] R. Yan and Y. He, "Study on Anti-Dumping Measures in International Trade Law and China's Response Strategy", pp. 18-20.

[171] *Ivi*, pp. 20-22.

[172] It is relevant to cite President Xi Jinping's launching of the "One Belt, One Road" initiative in 2013, through which China aimed to enhance trade and cooperation with enterprises in emerging markets.

[173] R. Yan and Y. He, "Study on Anti-Dumping Measures in International Trade Law and China's Response Strategy", pp. 20-22.

companies and governments to redesign industrial strategies, favoring alternative suppliers, regional sourcing, and, in some cases, policies that support reshoring and nearshoring in order to reduce vulnerability to tariff shocks. In this way, the dumping practices attributed to China and the anti-dumping response of many countries trigger a chain reaction that reinforces regionalization and makes relocation and shorter supply chains more politically convenient, since the goal is not just to compete on costs but to reduce the uncertainty over flows and market access.[174] In conclusion, the combination of aggressive pricing, ongoing trade disputes, and tariff measures is transforming global trade integration into a more selective system, in which the geography of trade and production is transformed according to institutional and political constraints as well as economic criteria, fueling processes of regionalization and the restructuring of global value chains.

3.3 European Union: Carbon Border Adjustment Mechanism

The European Union's Carbon Border Adjustment Mechanism (CBAM) represents one of the most innovative and debated instruments of contemporary climate and trade policy. Designed as a border adjustment tool, the CBAM applies to imports in select carbon-intensive sectors (cement, iron, steel, aluminum, fertilizers, electricity, and hydrogen), assigning them a cost equivalent to that paid by European producers under the Emissions Trading System. Its explicit aim is to prevent carbon leakage,[175] which could undermine domestic decarbonization efforts and compromise the competitiveness of European industry.[176] This mechanism is thus more than an environmental policy: it includes elements of climate policy, international trade, and economic governance, significantly redefining the conditions of access to the European market for a range of strategic goods. From its inception, the mechanism was conceived as an integral part of a broader set of reforms aimed at strengthening the effectiveness of the ETS and allowing for a gradual reduction of free emission allowances to European firms, thereby shifting some climate adjustment responsibilities onto foreign producers

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[174] *Ibidem*.
[175] The relocation of carbon-intensive production to countries with less stringent environmental regulations.
[176] J. Wettestad, "The EU's carbon border adjustment mechanism: Shaped and saved by shifting multi-level reinforcement?", pp. 508-509.

as well.[177]

The process leading to the adoption of the CBAM was politically complex, reflecting both internal and external tensions that characterize the European Union's climate leadership. Its origins can be traced back to the mid-2000s, when carbon leakage was primarily addressed through the allocation of free allowances within the ETS, which was considered a solution more compatible with international trade regulations. Over time, however, this strategy has revealed limitations, both in environmental effectiveness and in fairness to competitors, especially as the carbon price has risen and European climate targets have become more ambitious.[178] In this context, the CBAM emerges as the result of a multi-level strengthening process, where the roles of the European Commission, the European Parliament, and member states have progressively converged on the idea of a border adjustment as a necessary tool to safeguard the integrity of the EU's climate policy .[179] This process was not established without resistance, from industrial sectors concerned about the impact on costs and from trade partners who have perceived the CBAM as a form of protectionism. Nevertheless, the adoption of the mechanism in 2023 marks a pivotal moment, as it institutionalizes a new connection between market access and climate standards, with important consequences for the structure of international trade.[180]

From a legal and economic perspective, a central concern of the CBAM is how to recognize the carbon price paid by third countries. The mechanism allows importers to obtain a reduction in their charges if they can demonstrate that a carbon price was already paid in the country of origin, provided that this price is based on instruments equivalent to a carbon tax or an emissions trading system. This method has been the subject of extensive debate, as it tends to favor market-based climate policies while disadvantaging countries that adopt different approaches, such as technology standards or direct emission regulations. Academic analysis highlights that this choice raises significant questions about its compatibility with international trade law and climate

[177] *Ivi*, pp. 512.
[178] The CBAM is considered a central element of the "Fit for 55" package, which aims to reduce EU greenhouse gas emissions by at least 55% by 2030, compared to the 1990 levels, and to reach climate neutrality by 2050.
[179] J. Wettestad, "The EU's carbon border adjustment mechanism: Shaped and saved by shifting multi-level reinforcement?", pp. 512-515.
[180] *Ivi*, pp. 517-521.

justice principles, particularly regarding the different treatment of developing countries and the recognition of diverse decarbonization paths.[181] At the same time, it is noted that the use of actual emissions embedded in imported goods allows, at least in part, for the consideration of emission-reduction efforts achieved through regulatory instruments other than carbon pricing, thereby mitigating some of the strongest criticisms of the mechanism.[182] In any case, the CBAM contributes to strengthening a logic of regulatory regionalization, whereby access to the European market is conditional on full or partial alignment with the EU's climate model.

The political implications of the CBAM are significant, especially when viewed from the perspective of North–South global relations. Some critical contributions point out the risk of regressive impacts, disproportionately affecting economies with limited financial and institutional resources to adapt rapidly to European standards. The CBAM can thus be interpreted as an extraterritorial extension of European regulation that may reinforce pre-existing asymmetries between the European Union on the one hand, and developing and least developed countries on the other. The central argument is that, although justified by climate change, the mechanism tends to shift part of the ecological transition's costs onto foreign producers, often without providing sufficient support or compensation for the most vulnerable nations.[183] This raises issues of climate justice and political legitimacy, since the regionalization brought by the CBAM is not neutral but reflects the EU's economic and regulatory influence in setting the rules. In addition, the increasing complexity of compliance for foreign exporters may encourage a reorganization of value chains, leading some companies to reduce their exposure to the European market or to reshoring part of their production within the EU's jurisdiction, thus reinforcing processes of relocation and regionalization of production.[184]

International reactions to the CBAM further confirm its potential regionalizing effect. Several countries have expressed formal concerns within multilateral fora, while others have begun considering countermeasures or adaptation strategies, from

[181] A. Boute, "Accounting for Carbon Pricing in Third Countries Under the EU Carbon Border Adjustment Mechanism", pp. 169-171.
[182] *Ivi*, pp. 171-175.
[183] F. Corvino, "The Compound Injustice of the EU Carbon Border Adjustment Mechanism (CBAM)", pp. 27-28.
[184] S. Otto, "The external impact of EU climate policy: political responses to the EU's carbon border adjustment mechanism", pp. 180-182.

introducing their own carbon pricing tools to negotiating sectoral or bilateral agreements. In some cases, the CBAM has been perceived as an incentive to align with EU standards, while in others it was seen as a threat, justifying greater strategic independence and the search for alternative markets. The literature on political responses to the CBAM indicates how this instrument can trigger selective cooperation, but also accentuate the fragmentation of the global trade system, particularly if accompanied by weakened multilateral rules.[185] In this sense, the CBAM is not just an emissions adjustment mechanism but a real catalyst for geopolitical and geoeconomic transformations, producing a redrawn trade map based on environmental and strategic criteria.

The Carbon Border Adjustment Mechanism can thus be interpreted as an emblematic case of economic regionalization in the climate change era. Even while maintaining a rhetoric of openness and cooperation, the EU introduces rules that make market access more selective and conditional, reinforcing the connection between economic integration and regulatory alignment. This approach reflects a broader transformation of globalization, in which international trade liberalization is replaced by more regulated and politically driven forms of integration. The CBAM shows how climate policy can become a powerful tool for reorganizing global value chains and commercial relations, contributing to a more fragmented, regionalized globalization in which economic spaces are redefined around new elements of exclusion and differentiation.

[185] *Ivi*, pp. 182-184.

Conclusion

This thesis sought to connect two processes that are often examined separately: the crisis of liberal democracy and the transformation of globalization. Rather than analyzing political deterioration and economic fragmentation as parallel phenomena, this research has aimed to study their interaction.

The first chapter demonstrated that liberal democracies are currently experiencing a phase of structural tension, characterized by polarization, electoral volatility, the erosion of traditional political parties, and a loss of trust in institutions. This deterioration extends beyond the domestic political sphere and is also reflected in states' ability to uphold multilateral commitments and accept constraints imposed by economic interdependence. The crisis of multilateral institutions, including the bodies established after World War II, does not manifest as a sudden collapse but rather as a gradual erosion of the legitimacy and effectiveness of the cooperative framework built in the postwar era. The idea of an international order based on shared rules and legal predictability is thus facing increasing pressure. The second chapter examined the economic effects of political and strategic uncertainty. Economic trends such as regionalization, reshoring, and nearshoring cannot be interpreted entirely as a technical response to production inefficiencies or temporary shocks, but rather as part of a broader evolution in which economic security becomes a central principle. Reducing the vulnerability of global value chains, controlling technological and financial dependencies, and managing geopolitical risks are becoming increasingly important in both public and private decision-making. The phenomenon of slowbalization, the more selective approach to foreign investments, and the growing politicization of the dollar as a global monetary instrument all indicate that economic integration is seen as a domain to be governed in the interest of strategic stability and security. Finally, the case studies provided an empirical validation for the theoretical framework developed. The tariffs introduced by the second Trump administration are a clear example of economic regionalization and internal tensions within the United States democracy, in which international trade policies reflect growing demand for protection and economic sovereignty. Similarly, the practice of dumping attributed to China and the consequent proliferation of anti-dumping measures demonstrate how technical instruments can serve as tools for the geographic reorganization of global value chains. The European

Union’s Carbon Border Adjustment Mechanism provides another illustration, in which climate goals and regulatory security translate into tighter conditions for market access, contributing to a form of normative regionalization.

Given all these elements, the question of whether the rise of strategic security as a priority has contributed to the decline of economic openness in contemporary liberal-democratic political systems seems to have an affirmative answer, though with some important considerations. The rise of strategic security is not the only cause of the decline in economic openness, but it is a determining factor in redefining public policy priorities. The crisis of liberal-democratic regimes, fueled by polarization and uncertainty, reinforces the perception of both external and internal vulnerabilities. This perception legitimizes strong state intervention in regulating economic flows, leading to dynamics of selective closure, protection, and regionalization. This does not show deglobalization, but rather a qualitative transformation of integration. Economic openness becomes conditional, filtered, and subordinate to the political criteria of national security. In this sense, the relationship between the open market and liberal democracy, traditionally viewed as virtuous and complementary, appears more fragile and situational compared to the post-World War II period. However, a fundamental question remains open: is the selective closure of markets a consequence of the crisis of liberal democracies, or does it also contribute to intensifying it? The research suggests a circular relationship. A political crisis increases the centrality of strategic security, which leads to economic restrictions. These restrictions can reduce benefits and opportunities for cooperation, amplifying further internal tensions. In this way, a self-reinforcing cycle between political and economic insecurity emerges.

This thesis aimed to show that the transformation of globalization cannot be understood without considering the political crisis of liberal democracies. Economic interdependence is no longer only a source of efficiency, but can also be a vulnerability. As a result, strategic security becomes the lens through which governments reinterpret economic openness. The theoretical and political challenge for the coming years will be to determine whether this redefinition marks a transitory phase or the beginning of a new integration, in which liberal democracy will have to rethink its relationship with the global market.

In conclusion, this research does not aim to provide a definitive answer to the relationship between the crisis of liberal democracy and the transformation of the global economic order, but rather to open a broader space for discussion. The current analysis suggests that the growing centrality of strategic security represents a crucial intersection between the political and economic dimensions and, for this reason, requires a more complex theoretical and methodological discussion.

I hope this work can stimulate a more structured debate in the literature, one that fosters dialogue among studies on the quality of democracy, international political economy, and security. Only through a critical and interdisciplinary discussion will it be possible to understand whether the current phase represents a temporary deviation from the paradigm of openness or the definitive beginning of a structural reconfiguration of the balance among economic freedom, political sovereignty, and strategic security.

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