Journal of Social Political Sciences
JSPS
Vol. 4, No. 3, August 2023

IMPACT OF THE RUSSIA UKRAINE CONFLICT ON ECONOMIC DEGLOBALIZATION

Luthfi Wahyu Basuki
International Relations Department Faculty of Social and Political Sciences
Universitas Nasional
luthfiwahyu.basuki@civitas.unas.ac.id

Abstract : This study analyzes the implications of the Russian-Ukrainian conflict on economic deglobalization and trade relations between the United States and Russia. In the context of increasing trade barriers and economic sanctions, both countries face reduced trade, supply chain disruptions, and reduced investment. To reduce risks to economic growth, market diversification can be one solution. Geopolitical tensions in Ukraine have deglobalized the global economy driven by tensions in the economic relations between the United States and Russia. This can be seen in trade restrictions, supply chain disruptions, and investment. Furthermore, the two countries responded by diversifying their markets by seeking new trading partners, expanding trade networks, and developing alternative sectors in other regions such as Asia, North America, and Africa. The United States and Russia can also strengthen economic resistance and create new opportunities amidst conditions of global uncertainty.

Keywords: Russia-Ukraine conflict, de globalization, market diversification

Submission	:	March, 13th 2023
Revision	:	June 24th 2023
Publication	:	August 30th 2023

INTRODUCTION

The history of American and Russian economic relations in general can be described in three periods. First, during the Cold War period (1945-1991), economic relations between the United States and the Soviet Union (before the dissolution of the Soviet Union in 1991) were volatile and tense. Political tensions between the two countries affected trade and investment relations. At that time, the two countries had trade and investment restrictions. Second, in the post-Cold War Era (1991-2000), after the dissolution of the Soviet Union, Russia experienced quite significant changes in its political and economic situation. Economic relations with the United States began to develop more positively. The United States provides economic and technical assistance to Russia to assist in economic transition and reform.

Despite increasing trade and investment between the two countries, there are still obstacles and challenges to developing stronger economic ties. Third, the closest period to date is the economic relations of the Contemporary Era (2000-present). Since the early

2000s, economic relations between the United States and Russia have continued to experience dynamic changes. There have been periods where economic relations have increased, such as when Russia became a member of the World Trade Organization (WTO) in 2012, which then opened the door to more trade and investment opportunities. However, at the same time, economic relations are also affected by political and security factors, including economic sanctions imposed by the United States against Russia on several occasions, such as because of the Russian-Ukrainian conflict.

The conflict between Russia and Ukraine has had a significant impact on economic relations between the United States and Russia, which in turn has triggered the phenomenon of deglobalization. The conflict has also triggered increased political tensions and economic sanctions between the two countries. The United States and its allies have imposed a series of economic sanctions against Russia, such as a ban on the export of certain technology and military equipment to Russia, standardizing the assets of Russian individuals and entities deemed to be linked to the invasion, including high-ranking officials, banks, energy companies and defense companies, including a ban on investment in certain economic sectors in Russia. This could make it more difficult for Russian companies to obtain funding and hinder their economic growth. This of course disrupts the flow of trade and investment between the two countries and causes a decline in their economic relations.

Furthermore, the Russia-Ukraine conflict has also created political uncertainty such as changes in government policies of each country which affect economic activity, such as decreased investment and decreased trade which hindered cooperation between the United States and Russia. High geopolitical tensions and a lack of mutual trust between Russia and Ukraine have made economic actors more cautious in establishing business relations with Russia. This of course has implications for a decrease in investment and economic cooperation between the United States and Russia, as well as increased concerns about risks and uncertainties in the business environment.

The main problem in this study is "How has the Russia-Ukraine conflict led to economic deglobalization between the United States and Russia?" The first operational question is, what is the impact of the Russia-Ukraine Conflict on trade and investment relations between the two countries? Second, how do economic sanctions and trade restrictions affect capital flows and supply chains between the United States and Russia? This question is analyzed using the concept of Deglobalization according to Dadush Uri (2022) which defines that most countries are increasingly disconnected through all or most aspects of trade in goods, trade services, capital flows, movement of people, and technology transfer. The process would mark a reversal of the economic trend (globalization) that had prevailed for at least the last 150 years, interrupted only by world wars and economic depressions. The world has seen events including Brexit, the abandonment by the United States under President Trump of the Trans-Pacific Partnership, the China-US trade war, the crippling of the World Trade Organization

dispute resolution system, and the disruption of global supply chains by the pandemic. The trade sanctions imposed on Russia after the invasion of Ukraine have added to the evidence that global economic integration will stop or even reverse (de-globalization).
Apart from de-globalization, the research questions above will be analyzed using Market Diversification Theory (Peter Buckley, 2016). In his research, Buckley emphasizes the importance of market diversification for companies and countries in facing economic uncertainty and political turmoil. Buckley explained that market diversification can help reduce economic risk and increase flexibility in situations where key trading relationships are disrupted or limited. In the context of this research, Peter Buckley's theory of market diversification is quite relevant to be used to analyze the steps taken by America and Russia in seeking new market opportunities outside their traditional trade relations as a response to economic deglobalization that occurred caused by the Russian invasion of Ukraine.

LITERATURE REVIEW

Deglobalization is the process of reducing interdependence and integration between political units (nation states) throughout the world. Deglobalization is used to refer to a historical period when economic trade and investment between countries declined. This means that deglobalization is the opposite of globalization which refers to economic, trade, socio-cultural, and political dimensions. In this research, the deglobalization referred to is the economic and trade activities between America and Russia because of the Russia-Ukraine conflict.
The term deglobalization was first used by Walden Bello in his article entitled Deglobalization – Ideas for a New World Economy (2005). Bello stated that deglobalization is a process that will completely change the existing model of global economic governance. Several opinions regarding globalization are also supported by authors including Frankel (2000), James (2001, 2017), Baldwin and Martin (1999), Williamson (2002), Obstfeld and Taylor (2002), Sachs and Warner (1995), and Taylor (1996). In general, globalization is essentially a temporary process, so deglobalization is a possibility that can occur in international trade between nation states.
Furthermore, this article will take several previous studies as the author's attempt to find comparisons and then to find new inspiration for further research. Previous research helps the author to position the research and show the originality of the research. In this section, the author lists various previous research results related to the research to be carried out, then makes a summary, of both published and unpublished research. The following is previous research that is still related to the theme the author is studying.
Adam S. Posen in his writing "The End of Globalization? What Russia's War in Ukraine Means for the World Economy" (Foreign Affairs, 2022). Posen said Russia's economy was disrupted by sanctions from Western countries after the Kremlin invaded Ukraine. The West began seizing the assets of the wealthiest people close to Russian President

Vladimir Putin, banning Russian flights from its airspace, and limiting the Russian economy's access to imported technology. Most dramatically, the United States and its allies froze the reserve assets of Russia's central bank and cut Russia off not only from SWIFT's financial payments system but from the foundational institutions of international finance, including all foreign banks and the International Monetary Fund.

The second article was written by Helsi Eka Putri and Aspin Nur Arifin Rivai in 2019 with the title Donald Trump, America First, and Deglobalization: How Will It Continue? This article discusses the election of Donald Trump as president of the United States, who then became the favorite of the ultra-right political base sometimes called the looser of globalization, on the other hand as a threat to supporters of globalization, especially those (both countries, business groups, and transnational communities) who are worried on the strengthening of the deglobalization phenomenon. The phenomenon of Trump and deglobalization is the focus of this article, by asking the key question, namely, why amid ongoing globalization, Trump's foreign policy takes a protectionist political economic approach. This research reexamines the relationship between countries and globalization with the finding that Trump's election is an expansion of the deglobalization trend that previously took place after the 2008 Global Financial Crisis. This research uses qualitative research methods with a descriptive deductive pattern. The resulting data is in the form of secondary data and primary data. The results of this research show that Trump's policy of tending to be closed in political-economic cooperation is a rebalancing strategy against his main opponent, namely China. This study then predicts that Trump's economic policies will cause the current account position to be in a deficit. China then became a counterbalance to the axis of globalization (multilateral approach) when the US chose protectionism.

The third article was written by Helsi Eka Putri and Aspin Nur Arifin Rivai in 2019 with the title Donald Trump, America First, and Deglobalization: How Will It Continue? This article discusses the election of Donald Trump as president of the United States, who then became the favorite of the ultra-right political base sometimes called the looser of globalization, on the other hand as a threat to supporters of globalization, especially those (both countries, business groups, and transnational communities) who are worried on the strengthening of the deglobalization phenomenon. The phenomenon of Trump and deglobalization is the focus of this article, by asking the key question, why amid ongoing globalization, Trump's foreign policy takes a protectionist political economic approach. This research reexamines the relationship between countries and globalization with the finding that Trump's election is an expansion of the deglobalization trend that previously took place after the 2008 Global Financial Crisis. The results of this research show that Trump's policy of tending to be closed in political-economic cooperation is a rebalancing strategy against his main opponent, China. This study then predicts that Trump's economic policies will cause the current account position to be in a deficit. China then became a counterbalance to the axis of globalization (multilateral approach) when the US chose protectionism.

The next research was written by Tiara Rizky Pratiwi in 2018 with the title Russian Policy in Natural Gas Cooperation with China in 2014, the research discussed the energy crisis experienced by several countries in the European region which then became a concern, especially for other European countries. This concern was then answered by the European Union Commission through strategies contained in a green paper entitled A European Strategy for Sustainable, Competitive and Secure Energy in 2006. One part of the document stated the European Union's desire to reduce its dependence on natural gas from Russia. by diversifying both natural gas sources and distribution routes. The existence of several energy security threats posed by Ukraine and the European Union has caused Russia to need to re-evaluate its policies in the energy sector. One of the steps taken by Russia was to publish the Energy Strategy of Russia for the Period up to 2030 document by decree no. 1715-r dated November 13, 2009, which was ratified by Prime Minister Vladimir Putin.

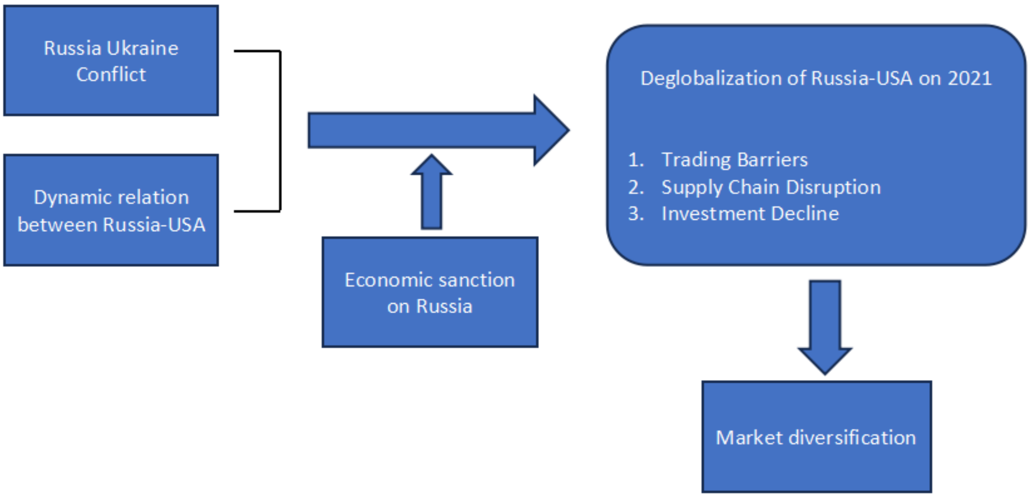
This document reviews various Russian objectives related to the natural gas sector following the diversification statement issued by the European Union. In this document, Russia began to show its desire to reduce the level of dependence on the European market by gradually opening new markets in the Asian region. In the statement, Russia attempted to respond to the unilateral decision of the European Union. Despite feeling threatened, Russia recognizes its position as Europe's top natural gas distributor. In the short term, the European Union will not be easily separated from dependence on natural gas supplied by Russia. This is because the volume required by the European Union each year is quite large, especially during winter. The new producers appointed by the European Union to replace the majority of Russia are quite a distance away. In addition, it takes quite a long time to build completely new infrastructure. It is hoped that Russia's response through its policy of opening new markets in the Asian region will give rise to several reconsiderations for the European Union to revoke its desire to diversify.

Another research was written by Elsa Seirafina Ardhani with the title United States Trade War with China: Trump vs Xi Jinping? but it was not stated in what year the research was released. Furthermore, in this research, it is explained that globalization was a prominent feature of the world before the worst situation in 2020. Globalization describes intense economic, social, political, and cultural exchanges at the global level. Globalization which is currently intense in the 20th century, originally started in the 1970s. Globalization that "infects" the economic pandemic is a matter of supply and demand, as well as production and consumption. Economically, the pandemic resulted in a sudden cessation of demand. As a result, large estimates of potential economic output are not viable. The halt in demand hit restaurants, airlines, sports arenas, as well as factories. Production plans and revenue projections were in disarray. The difficulties that befell globalization because of the post-blukh season started in China. China implemented several lockdowns in important industrial cities to isolate the spread of the disease. China's actions caused shocks in world trade considering that China supplies approximately 10% of world trade in goods. The liberalization of capital movements and trade flows which is the root of globalization has reversed direction with many countries adopting inward-looking policies.

The last research used as a literature review in this research is written by Adrianus Harsawaskita in 2020 with the title Examining the Possibility of a Post-Pandemic 2020 World: Deglobalization and the Return of the Big State, this research explains why the President of the United States, Donald Trump issuing tariff policies and how China's response to the tariff policy put forward by Donald Trump. This research also discusses Donald Trump's victory over Hillary Clinton. So Trump became the 45th President of the United States. During his campaign, Trump voiced the slogans Make America Great Again and America First. The direction of Trump's policy will be seen from the slogan used by Trump. During his campaign, Trump also promised to provide jobs for the American people and protect the American economy. By using a protection system, Trump also issued several tariff policies. One of these policies is the tariff policy on exports and imports of Chinese goods, which then has a direct impact on the economies of both. With this policy, a trade war emerged between the United States and China.

From previous research, it can be concluded that the deglobalization of economic relations was triggered by various phenomena; trade war China vs United States, national interest of Russia to reduce the level of dependence on the European market, including the pandemic and most recently the Russian invasion of Ukraine. The consequences of this phenomenon then led to the disintegration of economic relations between states. Previous research has mostly reviewed the causes of deglobalization, meanwhile this research explains the consequences and solutions for the United States and Russia in responding to deglobalization economic which caused by sanction from United State caused by Russia’s invassion to Ukraina by diversifying market from United States international trade commodities to new markets in the Asia Pacific region.

Framework Analysis



METHOD

This research use qualitative and analytical exploratory methods (Creswell, 2014). Data collection techniques were carried out through literature studies by searching for data from books, articles in journals, official reports, and online news related to trade policies, economic agreements, and economic reports, to understand changes in economic relations between America and Russia. By analyzing relevant related research, this study identify the policies and actions taken by the two countries in dealing with deglobalization economic consequence from conflict of Russia Ukraina.

Aspects, Dimensions, and Parameters

ASPECT	DIMENSION	PARAMETER
Deglobalization	Russia - America trade	Trade Restrictions Between the US and Russia.
		Supply Chain Disruption
	Economic Sanctions	Ban on Investment to Russia.
		Freezing of Russian Government and Private Assets
US Market Diversification	Trade Relations with Asia Pacific Countries	Increased Trade between the US and Asia Pacific Countries Investment Cooperation.

		Investment cooperation

RESULTS AND DISCUSSION

Dynamics of Economic Relations between Russia and the United States

Economic relations between Russia and the United States have undergone quite significant changes throughout history. After the dissolution of the Soviet Union in 1991, Russia underwent an economic transformation that led to market liberalization and efforts to engage in international trade. Initially, there were hopes that economic relations between Russia and the United States would develop rapidly through investment, trade, and cooperation. However, as time goes by, this relationship is also affected by political and geopolitical tensions, especially related to conflicts and disputes of interest in various regions of the world. For example, the subsequent Russia-Ukraine conflict has created geopolitical tensions and resulted in economic sanctions that have affected trade relations between the two countries.

During the Cold War period between 1945 and 1991, economic relations between the United States and the Soviet Union (prior to the dissolution of the Soviet Union in 1991) were affected by political and ideological tensions between the two nations. Several important points can be explained regarding the economic relations of the United States in that period. First, trade restrictions. During the Cold War, trade activity between the United States and the Soviet Union was limited by the protectionist policies and economic sanctions imposed by each side. The two countries mutually imposed embargoes and trade restrictions on certain products. Even so, there are also trade activities that occur in several sectors, such as the exchange of certain commodities and imports of exports. (European Parliament, 2022).

Second, Economic and technological competition. During this period, there was significant economic and technological competition between the United States and the Soviet Union. Both countries strive to gain superiority in the fields of industry, technology, and innovation. This rivalry was reflected in the race for space exploration between the United States and the Soviet Union and in the development of weapons and military technology. (US Department of State, 2021).

Third, Economic assistance: The United States provided economic and technical assistance to countries allied with it, such as Western European countries, to help strengthen their economies and maintain their influence over the bloc of the Soviet Union. This economic assistance also included post-war development and reconstruction programs. (US Department of State, 2021).

Fourth, Technology and knowledge trade. Despite restrictions on trade, there was an exchange of technology and knowledge between the United States and the Soviet Union through limited channels. On several occasions, there has been cooperation in the fields of science, research, and technology between the two countries. It is important to note that economic relations between the United States and the Soviet Union during the Cold

War were influenced by the political, security, and ideological dynamics of each country. This period was characterized by competition and confrontation between the two countries, which influenced the form and level of previously established economic relations. (European Parliament, 2022).

The economic relations between the two countries then continued into the post-Cold War era, in the post-Cold War period between 1991 and 2000, the economic relations between the United States and Russia underwent significant changes following the end of the Soviet Union and the formation of the Russian Federation. After the dissolution of the Soviet Union, the United States provided economic and technical assistance to Russia to assist the country's transition to a more open market economy. This assistance includes development programs, training, and financing of infrastructure projects. This assistance aims to support economic reform and modernization of Russia.

Furthermore, after the Cold War, there was an increase in trade and investment between the United States and Russia. The two countries also opened each other's doors to trade and investment opportunities in various sectors, including energy, manufacturing, technology, and financial services. There has been an increase in export and import activity, as well as an increase in direct investment from US companies in Russia. The United States provides active support for economic reforms in Russia. These include assistance in strengthening financial institutions, tax reform, building a transparent legal system, and improving the investment environment. This support aims to strengthen the Russian economic sector, increase competitiveness, and promote sustainable economic growth.

Russia and Ukraine are the largest producers of metals such as nickel, copper, and iron. Both are also involved in the export and manufacture of other important raw materials such as neon, palladium, and platinum. Concerns about economic sanctions against Russia pushed up metal commodity prices. The price of palladium, for example, has increased 80% from mid-December to now reaching around US$2,700 per ounce. (Billion Rates, 2023). Palladium is a component of various items such as automotive exhaust systems, cell phones, and dental fillings. Meanwhile, prices for nickel and copper, which are used in manufacturing and building production respectively, have also begun to soar. Additionally, the aviation industries in the United States, Europe, and the United Kingdom also depend on Russian titanium supplies. Boeing and Airbus companies are starting to approach other suppliers. However, the broad market share and product base of Russia's leading supplier VSMPO-AVISMA make full diversification difficult, especially considering that the aerospace manufacturer has signed long-term supply contracts until 2028. (The Conversation, 2022). Producers need to anticipate disruptions and shortages in the supply of these materials, which are likely to lead to price hikes for various goods and services.

Journal of Social Political Sciences
JSPS
Vol. 4, No. 3, August 2023

Development of Realized PMA Investment Based on Country Per Sector

			2019		2020		2021		2022		2023	
			Project	Investment (US$. Thousand)	Project	Investment (US$. Thousand)	Project	Investment (US$. Thousand)	Project	Investment (US$. Thousand)	Project	Investment (US$. Thousand)
United States / *United States of America*	Sector Primer / *Primary*	Food Crops, Plantation, and Livestock / *Food Crops, Plantation, and Livestock*	14	0.0	10	0.0	8	5.8	6	303.6	9	18.8
		Forestry / *Forestry*							1	0.0		
		Fisheries / *Fisheries*	1	0.0	16	787.8	3	6.1	2	10,506.6	4	753.3
		Mining / *Mining*	23	771,628.5	50	515,155.1	26	1,686,241.8	19	2,416,980.9	15	1,248,695.5
		Primary Sector Total / Primary	**38**	**771,628.5**	**76**	**515,942.9**	**37**	**1,686,253.7**	**28**	**2,427,791.1**	**28**	**1,249,467.6**
	Sector Second / *Secondary*	Food Industry / *Food Industry*	22	8,551.1	48	28,915.6	23	56,250.9	31	101,288.2	24	2,562.6
		Textile Industry / *Textile Industry*	23	56.5	58	1,118.6	31	1,076.6	14	58,044.0	20	1,088.6
		Leather Goods & *Footwear Industry*	1	0.0	3	0.0			1	0.0		
		Wood Industry / *Wood Industry*	1	0.0	3	13.1	1	0.0	3	2,171.0	3	26.3
		Paper and Printing Industry / *Paper and Printing Industry*	8	26.7	10	5,284.7	9	2,414.0	15	668.0	13	21.7
		Chemical and Pharmaceutical Industry / *Chemical and Pharmaceutical Industry*	43	16,030.6	64	45,070.1	25	42,503.4	23	61,022.1	29	42,005.8
		Rubber and Plastic Industry / *Rubber and Plastic Industry*	9	573.3	14	1,749.3	6	2,003.3	4	17,317.0	4	3,607.1
		Industri Mineral Non Logam / *Non Metallic Mineral Industry*	3	7,422.9	5	108.7	3	2,056.3	4	2,009.9	4	15.1
		Basic Metal Industry, Metal Products, Not Machinery and Equipment / *Metal Industry not Machinery & Electronic Industry*	8	1,236.4	9	0.0	4	2,129.0	2	51,351.2	5	73,173.4
		Machinery, Electronics, Medical Instruments, Electrical Equipment, Precision, Optical and Watch / *Medical Preci industries. & Optical Instruments, Watches & Clocks, Machinery, and Electronic Industry*	23	805.1	29	4,856.9	15	8,256.1	12	6,095.0	15	3,453.8
		Motor Vehicles and Other Transport Equipment Industry / *Motor Vehicles & Other Transport Equip. Industry*	5	560.3	12	784.0	8	7,842.2	9	3,106.2	8	4,851.5
		Other Industries / *Other Industry*	19	59.0	40	435.7	26	14,213.7	32	7,169.9	46	3,081.2
		Total Sector Seconds / Secondary	**165**	**35,321.9**	**295**	**88,336.7**	**151**	**138,745.5**	**150**	**310,242.5**	**171**	**133,887.1**

Figure 1.1 (National Single Window for Investment, 2023)

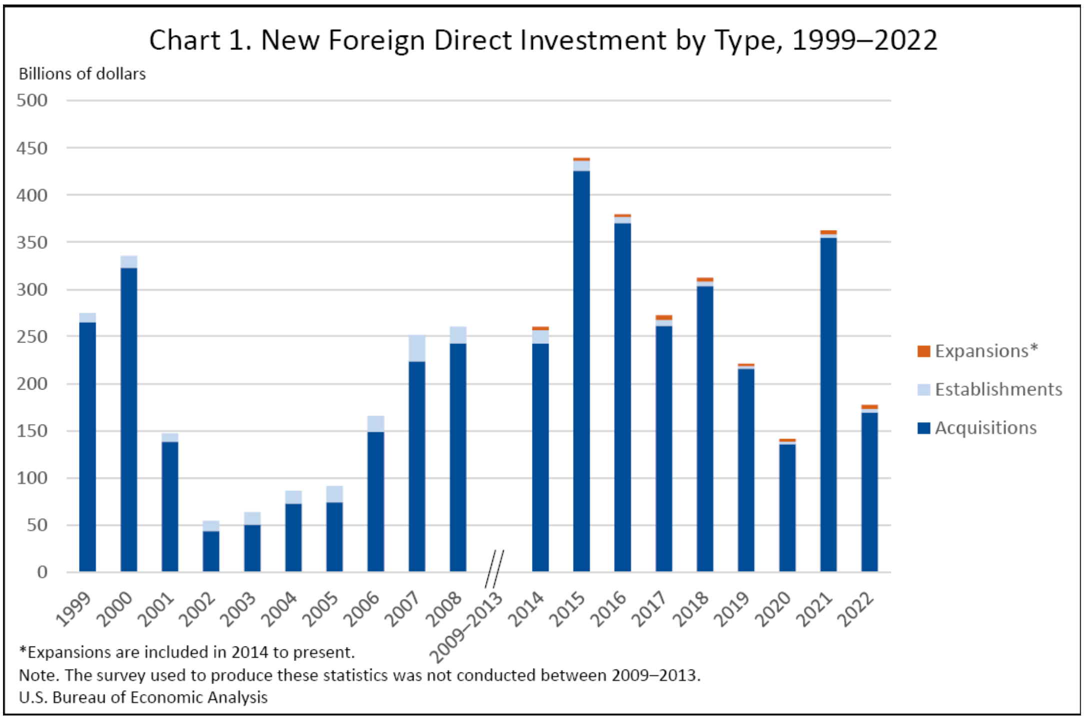


Figure 1.2 (Bureau of Economic Analysis, 2022)

The contemporary phase of the period of economic relations between the United States and Russia, the Post Cold War era, in which trade relations between the United States and Russia have experienced a significant increase. The two countries are each other's important trading partners. Even though there are fluctuations in the amount of trade, mainly influenced by factors such as policy changes and global economic conditions, overall there is an increasing trend of bilateral trade. In 2022, spending on acquisitions is 169.4 billion USD, spending on setting up new United States businesses is 3.8 billion USD, and spending on expanding existing foreign-owned businesses is 4.4 billion USD. Total planned spending, including first-year and plans, is 255.1 billion USD. (Bureau of Economic Analysis, 2022).

There is an increase in direct investment from United States companies to Russia. US companies invest in various sectors, including energy, manufacturing, technology, and financial services as seen in Figures 1.1 and 1.2 above. On the other hand, Russia also invests directly in the United States, especially in the energy and natural resources sectors. Economic relations between the United States and Russia have also been affected by the implementation of economic sanctions by the United States against Russia on several occasions. The sanctions involve trade restrictions, investment bans, and asset freezes in response to issues such as the conflict in Ukraine, election meddling in the United States, and human rights issues. These sanctions have impacted trade and investment dynamics between the two countries.

The Effect of the Russia-Ukraine Conflict on the De-globalization of the Economic Relations of the Two Countries

The Russian-Ukrainian conflict has significantly impacted the deglobalization of economic relations between the two countries. This conflict has caused increased political and security tensions, which have impacted trade, investment, and bilateral economic relations. The United States and Russia, as two major economic powers, have implemented successive economic sanctions against each other in response to this conflict. These sanctions include trade restrictions, investment bans, and asset freezes that hinder the flow of capital and trade between the two countries. The impact is felt in vulnerable economic sectors such as energy, finance, and defense. Both countries also experienced a decline in trust and doubts from international business actors, which led to a shift in their economic relations towards being more limited and less dependent on each other. The United States and other Western countries imposed trade restrictions and economic sanctions against Russia in response to the conflict. These measures include export bans, import restrictions, as well as asset freezes. The impact is a decrease in trade volume between the two countries in 2022 and an increase in trade barriers can be seen in Figure 1.3 below.

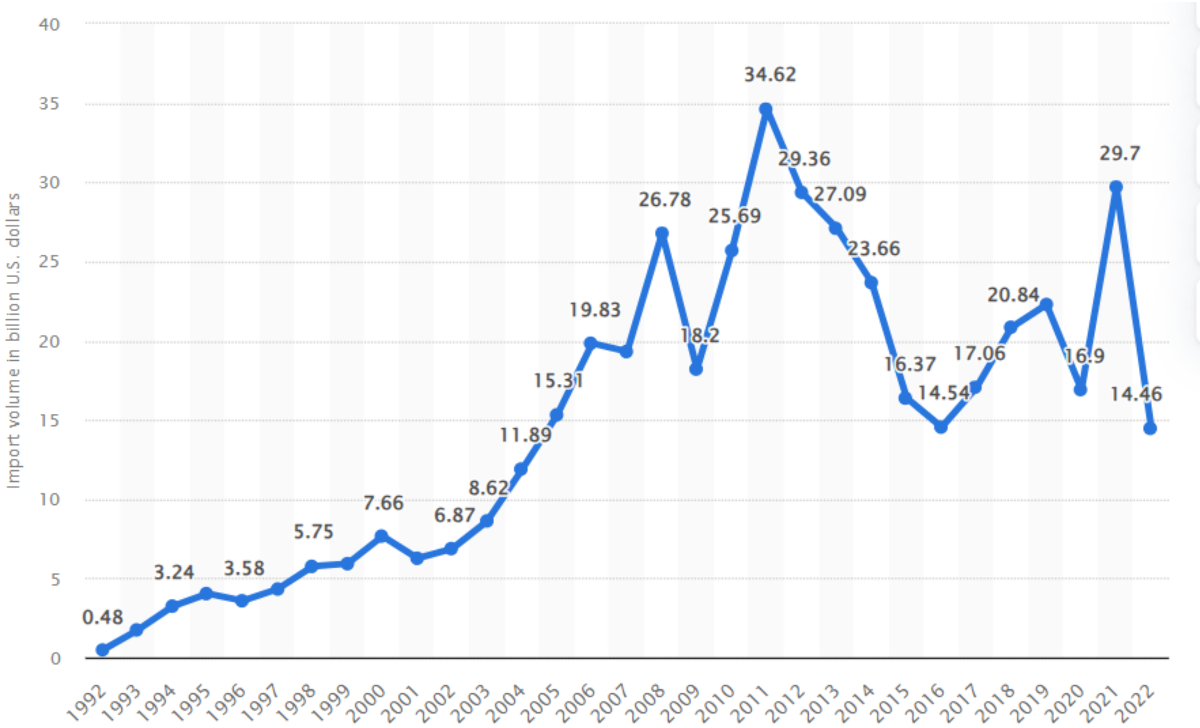


Figure 1.3 Import Volume (Bureau of Economic Analysis, 2022)

The conflict has also prompted the United States to seek alternative supply and markets outside of Russia. The United States seeks to reduce its dependence on Russia by finding new trading partners and expanding its trading network. These diversification efforts led to a decline in economic integration between the United States and Russia.

Furthermore, tensions between the two countries can cause disruptions in the supply chain. Trade restrictions and economic sanctions hamper the flow of raw materials, components, and products between the United States and Russia, including gas and oil from Russia for energy supplies to Europe and America. This can disrupt business operations and supply chain stability in certain sectors. Conflicts and uncertainties related to the geopolitical situation may affect investment flows between the United States and Russia. Economic sanctions imposed by the United States on Russia in response to its invasion of Ukraine may affect investment flows. These sanctions include a ban on technology exports such as a ban on deliveries of Hybrid and EV (Electrical Vehicle) cars by Toyota and Nissan which was approved by the cabinet of Japanese Prime Minister Fumio Kishida in 2023, (Carscoop, 2023). Furthermore, the freezing of assets of Russian individuals and entities is also implemented, for example, the freezing of assets belonging to Russian billionaire Roman Abramovic as owner of the Chelsea FC football club amounting to 100.5 in 2022 by the Jersey authorities because Roman Abramovic is considered by the West to be close to Vladimir Putin, in addition to the uncertainty about the direction of Russian government policy and the dynamic escalation of the conflict then made investors more hesitant to invest in Russia. (CNBC International, 2022).

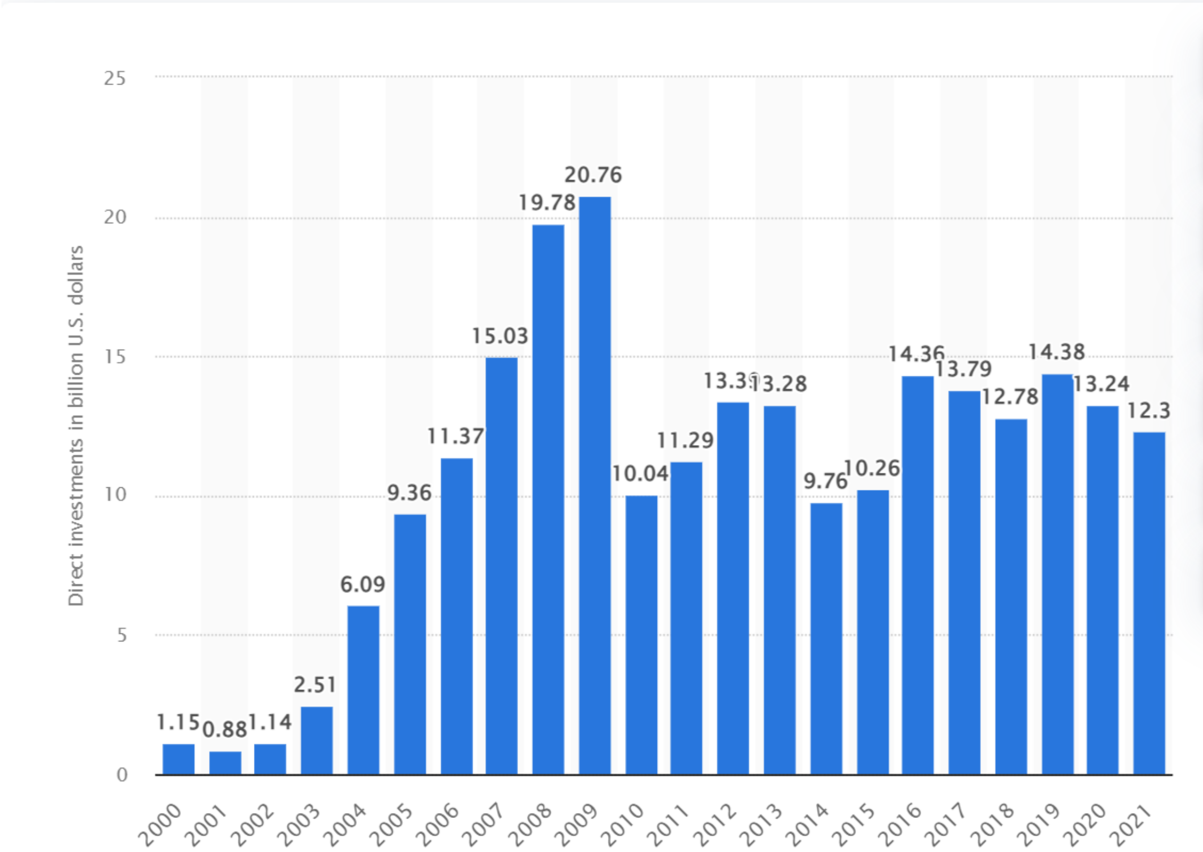


Figure 1.4 Direct Investment (Statista, 2023)

In 2021, US investments in Russia were worth approximately 12.3 billion US dollars. The total direct position of the United States abroad amounted to 6.49 trillion US dollars that year. U.S. direct investment abroad is defined as ownership by a U.S. investor of at least 10 percent of a foreign business. The direct investor is the US parent (Statista, 2023), and the US-owned foreign business is the foreign affiliate. US businessmen are reluctant to make long-term investments in Russia due to high political and economic risks. This resulted in a decrease in United States investment in Russia. It can be seen in Figure 1.4 above that American investment in Russia began to decline from 2019 to 2021 which year the Russia-Ukraine conflict broke out. The conflict could also trigger changes in the economic policies of the two countries. Each country may adopt protectionist or trade restrictions in response to conflicts and other countries' economic policies. This could lead to deglobalization and a decline in economic integration between the United States and Russia.

Post-Russia-U.S. Economic Relations Russia-U.S. Conflict

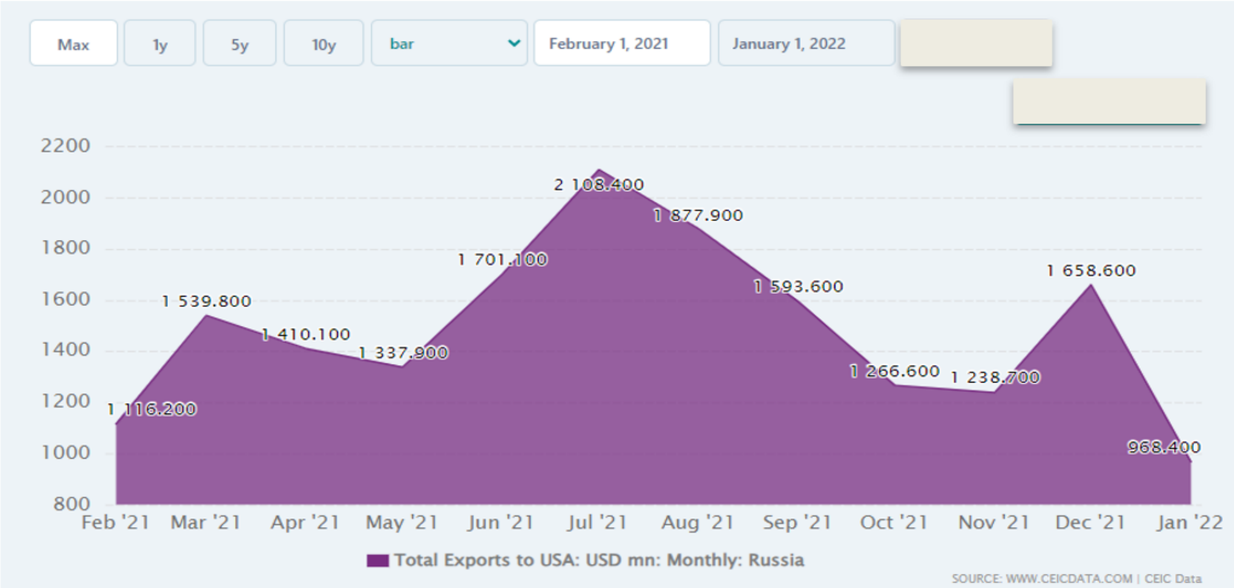


Figure 1.5 (CEIC, Economic Indicators, 2022)

Economic relations between Russia and the United States after the Russia-Ukraine conflict face significant challenges. The conflict has affected trade and investment cooperation between the two countries. Economic sanctions imposed by the United States on Russia in response to the conflict have limited Russia's access to the United States market and hampered capital flows between the two. Political friction and geopolitical tensions also create uncertainty that hampers economic cooperation and investment between the two countries. This impacts sectors such as energy, finance, and the defense industry that significantly depend on Russia-United States economic relations. Then we can review the economic relations between the two countries before and after the conflict through several indicators such as bilateral trade, where before the conflict, the United States and Russia had significant trade relations. Total Exports to the United States and Russia was reported at 968,400 USD in 2022. This is a decrease from the previous number of 1,659 USD for 2021. Total Exports to the United States Russia data is updated monthly, averaging 888,900 USD from 2004 to 2022, with 215 observations. This data reached a high of 2,108 USD in 2021 and a record low of 408,500 USD in 2004. (CEIC, Economic Indicators, 2022) as can be seen in Figure 1.5 above.

Table 1.6 Trade Balance of Several Countries

Export Import Balance Country	Trade Balance of several Countries (Million US$)								
	Export			Impor			Balance of trade		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
United States of America	18 622,50	25 774,20	28 182,70	8 580,20	11 249,20	11 614,70	10 042,40	14 525,00	16 568,00
Arab Saudi	1 338,80	1 583,60	2 018,60	2 613,50	3 967,10	5 491,30	-1 274,70	-2 383,50	-3 472,80
Australia	2 505,70	3 223,00	3 466,40	4 646,60	9 425,00	9 863,20	-2 140,80	-6 202,00	-6 396,80
Bangladesh	1 684,50	2 923,10	3 890,00	76,60	108,20	110,00	1 607,90	2 814,90	3 780,00
Dutch	3 113,70	4 631,60	5 377,80	804,30	846,10	855,40	2 309,40	3 785,50	4 522,40
Belgium	1 220,40	1 630,90	2 186,40	526,00	767,80	643,40	694,40	863,10	1 543,00
Brazil	1 015,20	1 509,70	1 487,30	2 560,80	2 621,50	3 899,10	-1 545,60	-1 111,80	-2 411,90
China/China	31 781,80	53 781,90	65 839,30	39 634,70	56 227,20	67 722,60	-7 852,90	-2 445,30	-1 883,30
Denmark	163,90	201,90	709,30	161,60	205,30	237,00	2,30	-3,40	472,30
Russian Federation	973,50	1 493,60	1 381,60	957,90	1 253,80	2 180,40	15,70	239,80	-798,70

Source: Central Bureau of Statistics, 2022

Furthermore, after the outbreak of the geopolitical crisis between Russia and Ukraine in 2021, the United States and the European Union imposed economic sanctions on Russia in response to Russian aggression in Ukraine. These sanctions include a ban on imports of several products, restrictions on access to financial markets, bans on technology, and effects on the trade balance of the two countries, as seen in Figure 1.6 above. These sanctions have affected trade between the United States and Russia and made the investment climate difficult for American companies in Russia.

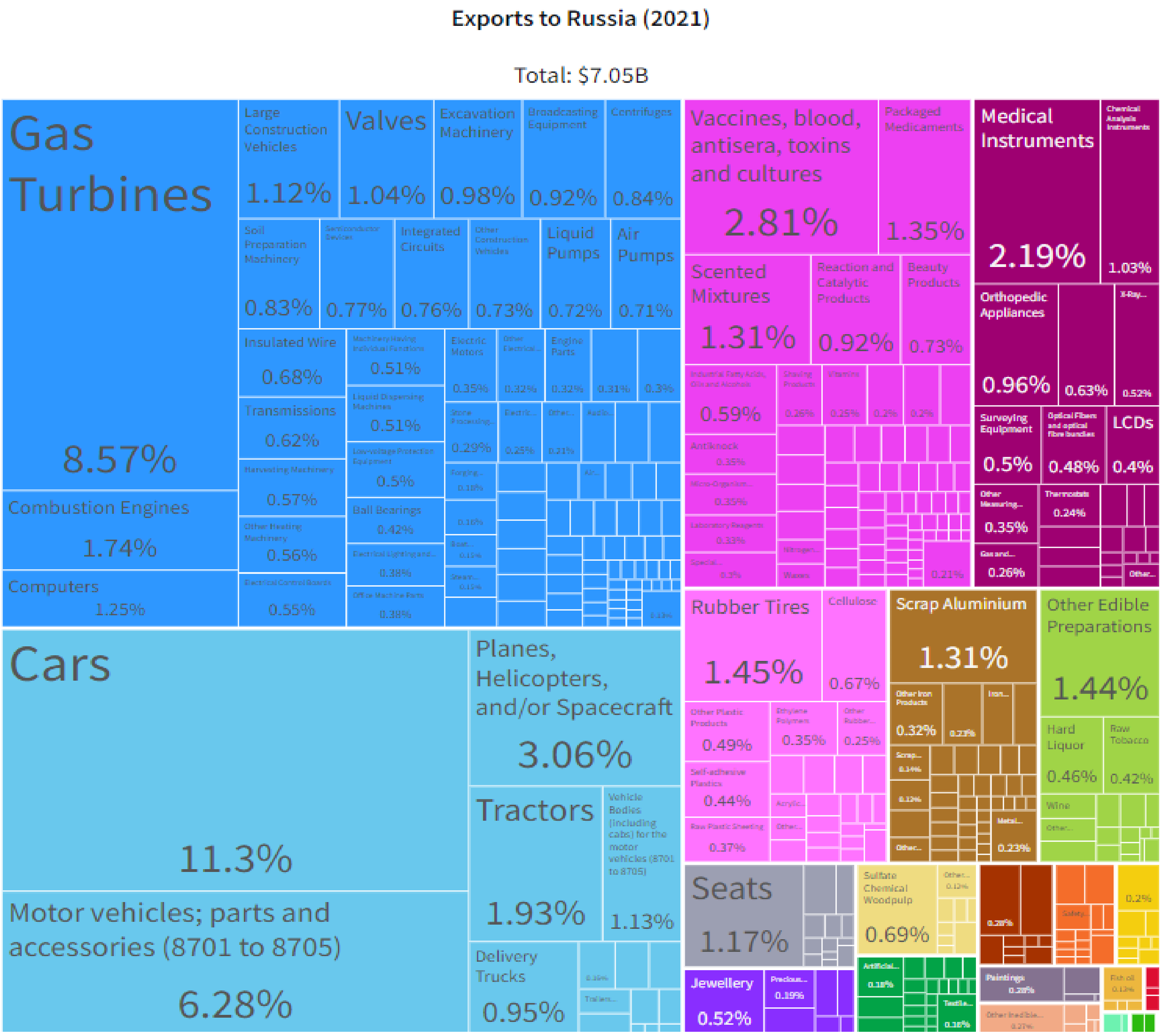


Figure 1.7 Commodity Export from United States to Russia
(The Observatory of Economic Complexity, 2021)

In 2021, referring to the data in Figure 1.7, it can be seen that the flow of commodity exports from the United States to Russia can be considered solid and in a good situation before the Russia-Ukraine conflict affected direct investment between the United States and Russia. Many US companies are reducing or withdrawing investment from Russia due to increased political uncertainty and economic risks. This symbolic step was taken by 4 (four) US brand icons, namely PepsiCo, Coca-Cola, McDonalds, and Starbucks in March 2022. Apart from these companies, hundreds of other companies are engaged in their respective specialized fields, which also attract and suspend its operations in Moscow. In its action, not all companies completely stop their business operations. Some only suspended, others stopped their operations in certain fields and continued selling other commodities. One of the universities in the United States, Yale University, succeeded in compiling the actions of approximately 500 (five hundred) companies that withdrew from the Russian market in 5 (five) categories of reducing operations––withdrawal, suspension, scaling back, buying time, and digging in. Withdrawal is a total cessation of company operations. Suspension is opening up options for re-engagement while limiting operations. Scaling back is reducing activity in certain business sectors while continuing other businesses. Buying time is delaying investment while continuing substantive business. Digging in is refusing to reduce activity. (UGM Center for International Trade Studies, 2022).

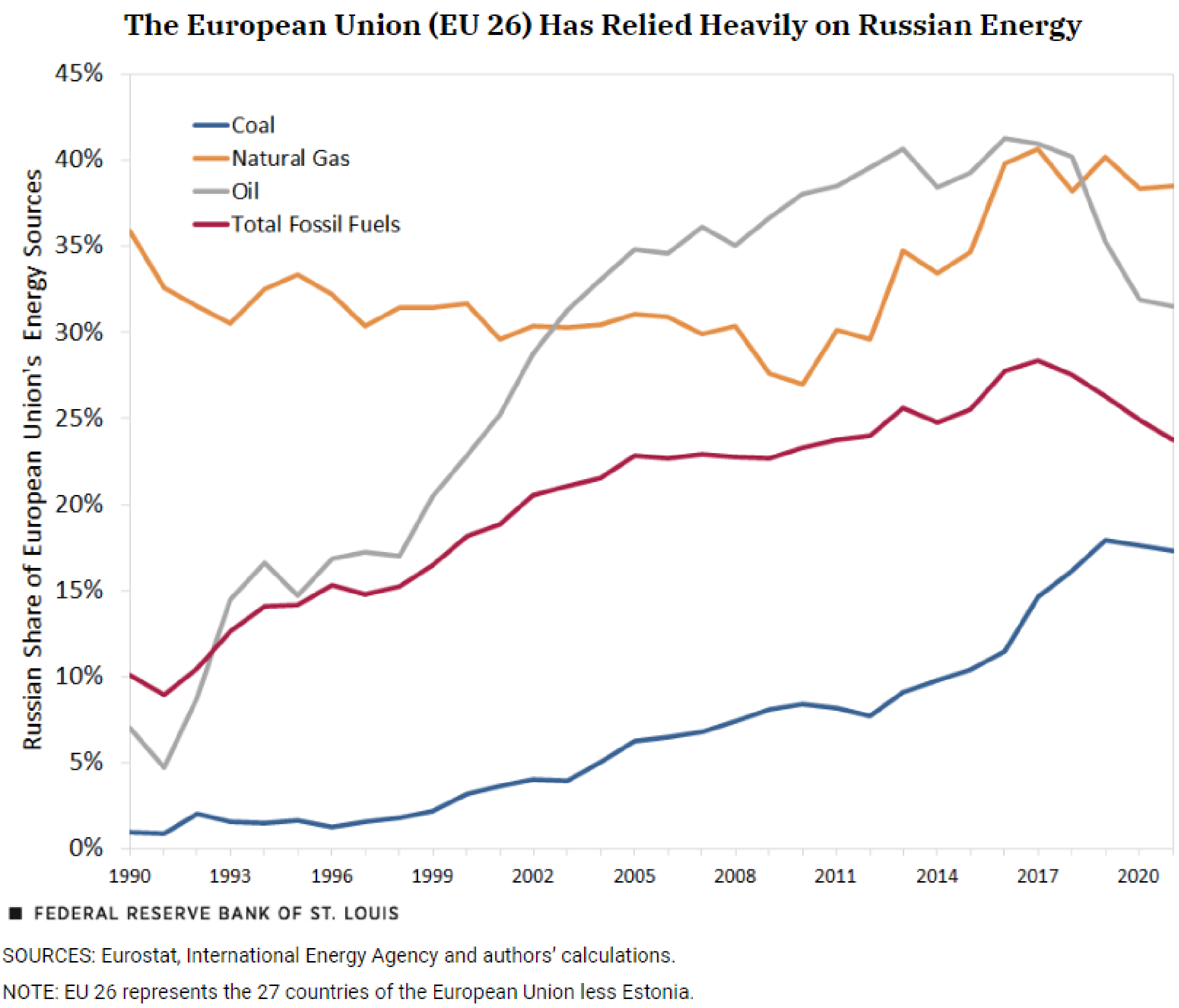


Figure 1.8

Technological restrictions on Russian companies and bans on exporting certain technologies to Russia have affected the Russian technology sector. In addition, sanctions imposed on Russia's energy sector also impact energy cooperation between the two countries. Western sanctions against Russia's energy sector have reduced Russian revenues. This can be seen from the loss of 40% of the value of the Ruble (Russian currency). After implementing these sanctions, Russia experienced a significant loss in the value of its company shares on the international market and inflation soared. Virginia Commonwealth University economics professor Christopher M. Herrington explained that Russia is currently facing a deep and prolonged economic depression that will only worsen over time if they remain isolated from the rest of the global economy. Seeing this, the sanctions currently being imposed by the United States and other countries will majorly impact the Russian economy. Russia will face the same thing as in the previous conditions, when Russia received sanctions for its invasion of the Crimea region in 2014. Even this time it is likely that Russia will feel a more severe economic shock considering that Russia has just started to recover its economy from the previous sanctions and recovery after the impact of the Covid-19 pandemic.

Fortunately for the EU, Europe has had a fairly mild winter, which has reduced the costs associated with the Russian gas boycott. Moreover, the price restrictions recently imposed on Russian seaborne oil exports can be said to be successful. However, likely, that Russia will eventually find a way to circumvent the price cap and reduce the effectiveness of the sanctions. For a long period after World War II, Europe became heavily dependent on oil and gas supplies from Russia's vast reserves. This began in the 1960s, when the Soviet Union was supplying its allies in Eastern Europe, and continued in the following decades, especially after the fall of the Soviet Union. The US government has yet to be successful in combating this growing dependency. In 2020, Russia supplied 24.9% of the fuel needed by the European Union, including 38.3% of its natural gas needs. Energy exports constitute 14% of Russia's gross domestic product in 2021, as seen in Figure 1.8 above.

In addition, the United States imposed import restrictions on several Russian products as part of economic sanctions. For example, in 2014, the United States banned imports of several agricultural and food products from Russia, including fish, meat, dairy, and vegetables. This limits Russia's access to the United States market in these sectors. Then the United States also banned certain technology exports to Russia as part of sanctions. One example is Russia imposing a ban on oil exports to countries and companies that comply with price limits imposed by the West from February 2023. This decision refers to the decree signed by Russian President Vladimir Putin on December 27, 2022. The rule prohibits the supply of crude oil and products of Russian oil in all types. This decision applies to countries that directly or indirectly comply with price restrictions imposed by the United States (US) and Europe. The United States subsequently imposed restrictions on Russia's access to United States financial markets as part of its economic sanctions, including a ban on Russian companies gaining access to United States capital markets and obtaining funding from United States financial institutions. These restrictions could hamper Russia's access to critical financial resources needed to support the economy and investment.

Response/United States Policy

America and Russia have responded to the phenomenon of economic deglobalization between them with various policies and actions. The United States has implemented economic sanctions against Russia in response to the Russian-Ukrainian conflict. These sanctions include trade and investment bans and asset freezes aimed at putting economic and political pressure on Russia. The United States has also been looking for alternative markets and new trading partners to diversify its economy and reduce dependence on Russia.

On the other hand, Russia has responded to economic deglobalization by increasing cooperation with other countries outside the United States and Europe. Russia has strengthened economic ties with trading partners in Asia, in particular with China and the BRICS member countries (Brazil, Russia, India, China, and South Africa). These efforts aim to reduce Russia's dependence on Western markets and seek new economic opportunities outside their traditional relationships. New markets or what can be defined as market diversification carried out by the United States are spread across various regions such as Asia Pacific.

The United States has intensified economic relations with countries in the Asia Pacific region, such as Japan, South Korea, and ASEAN countries. This includes increasing bilateral trade and investment cooperation with these countries. Furthermore, in the European Union region, the United States continues to strengthen economic relations with countries in the European Union. Measures such as increasing trade cooperation, removing trade barriers, and new trade agreements, such as the Transatlantic Trade and Investment Partnership (TTIP) have become a focus in market diversification efforts. Then in the Latin American region, the United States has increased economic cooperation with countries in Latin America, such as Mexico, Brazil, and Colombia. These efforts include increasing bilateral trade, investment cooperation, and regional initiatives such as the Pacific Alliance. The last region to become another market destination is the Middle East. The United States has also looked at new markets and trading partners in the Middle East, such as the United Arab Emirates, Saudi Arabia, and Turkey.

Increased economic cooperation, investment, and regional infrastructure projects are the focus of efforts to diversify the economy. Apart from discussing market diversification carried out by the United States, the sanctions imposed by the United States on Russia also need to be noted that the evaluation of the success of economic sanctions is subjective and can vary depending on the perspective used. Several studies show that economic sanctions often have limited impact and can have unintended consequences, such as strengthening nationalism or strengthening economic cooperation with alternative trading partners.

However, sanctions can also exert significant political pressure in the long term. Economic sanctions imposed by the United States can be successful in reducing Russia's dependence on the United States market. By banning trade and investment and blocking assets, the United States can hinder Russia's access to important economic markets and resources. This could encourage the United States and Russia to both look for alternative markets and new trading partners, thereby reducing their dependence on each other. The economic sanctions imposed by the United States can also successfully exert political pressure on Russia. Strong economic pressure may force Russia to consider more compromising political steps or change its behaviour to the wishes of the United States, so the author is in line with the sanctions imposed by the United States against Russia to at least provide a deterrence effect to de-escalate Russia's attacks to Ukraine.

The market diversification implemented by the United States as a response to the disintegration of economic relations is in accordance with the definition of de-globalization theory used by the author, the trade sanctions, imposed on Russia after the invasion of Ukraine have proven that global economic integration will stop or even reverse direction (de-globalization) according to the author is a rational step to continue to obtain energy supplies in an effort to meet the oil and gas needs of the United States by looking for new partners in the Asia Pacific region, then Russia responds to restrictions on oil and gas exports to the United States and other Western countries by diversifying the market to Asia and Africa region are also the right steps so that Russian oil and gas continues to have a broad market without depending on previous markets to face economic and political uncertainty in the context of the Russia-Ukraine conflict in accordance with the variables in the market diversification theory used by the author.

CONCLUSION

The Russia-Ukraine conflict has fueled attempts at economic protectionism between the United States and Russia, including economic sanctions and trade restrictions that have harmed economic relations. This intense geopolitical conflict can reduce economic integration between the United States and Russia, and hinder the flow of trade, investment, and capital between the two countries thereby reducing the volume of bilateral trade and limiting opportunities for business people in both countries to operate freely according to the definition of de-globalization according to Uri Dadush.

Political uncertainty and Russia - Ukraine geopolitical tensions are pushing companies and investors to reduce their dependence on markets and trading partners involved in the conflict. The conflict has also triggered changes in economic and trade policies, including tariffs or other trade barriers contrary to the spirit of trade liberalization where trade restrictions imposed in response to the conflict have also affected supply chains between the United States and Russia. These trade restrictions include prohibitions on the export or import of certain products, prohibitions on technology exports, or the application of additional tariffs or import duties. This can disrupt the flow of raw materials, components, or products between the two countries, which in turn impacts supply chain stability.

The solution to the disintegration or de-globalization of the economy and trade is market diversification carried out by the United States. Market diversification means seeking and developing new markets for exporting products or finding alternative sources of supply outside Russia. In this way, the United States can reduce its dependence on markets and trading partners affected by conflict by implementing strategic steps to look for new trading partners in Asia, Latin America, or Africa that offer promising economic growth opportunities by increasing domestic energy production, including petroleum and natural gas, as well as seeking alternative sources of supply from other countries. Ultimately, diversifying the United States markets can help reduce dependence on conflict-affected markets and trading partners and provide long-term economic stability and flexibility in the face of global challenges.

REFERENCES

Posen, A. S. (2022). The End of Globalization? What Russia's War in Ukraine Means for the World Economy. Foreign Affairs.

Putri, H. E., & Rivai, A. N. A. (2019). Donald Trump, America First, dan Deglobalisasi: Bagaimana Kelanjutannya? Journal Title, 6(1).

Pratiwi, T. R. (2018). Kebijakan Russia Dalam Kerjasama Gas Alam Dengan Tiongkok Tahun 2014. eJournal Ilmu Hubungan Internasional, 6(4), 1501-1516.

Ardhani, E. S. (Year). Perang Dagang Amerika Serikat Dengan China: Trump vs Xi Jinping? (Unpublished manuscript). Jurusan Ilmu Hubungan Internasional Universitas Muhammadiyah Yogyakarta.

Harsawaskita, A. (2020). Mengkaji Kemungkinan Dunia Pasca-Pagebluk 2020: Deglobalisasi dan Kembalinya Big State.

Triandini, F. (2015). Dinamika Hubungan Amerika Serikat-Rusia dan Negara Bekas Soviet. Universitas Pembangunan Nasional "Veteran" Jakarta.

Buckley, P. J. (2016). Internalisation theory and the role of diversity. Journal of International Business Studies, 47(6), 677-686. https://doi.org/10.1057/s41267-016-0029-8.

Dadush, U. (2022). Deglobalisation and protectionism. Working Paper 18/2022, Bruegel.

Rumer, E., & Simonov, N. (2014). The new Cold War: Putin's Russia and the threat to the West. Overlook Press.

Tsygankov, A. P. (2015). Russia's foreign policy: Change and continuity in national identity. Rowman & Littlefield Publishers.

Trenin, D. (2016). Russia and the US after the Ukraine Crisis: Geopolitics, Interests, and Ambitions. Carnegie Endowment for International Peace.

Rykalin, D. (2018). Geopolitical Tensions.

Author, A. (2003). Russia's Economy in 1990s: Economic Crisis and Political Development. Europe-Asia Studies.

Graham, T. W. (2003). The New Russian Economy: The Significance of 1998. Post-Soviet Affairs.

Shleifer, A., & Treisman, D. (2005). A Normal Country: Russia After Communism. Journal of Economic Perspectives.

Cesa, I. (2018). The Economic Relations between Russia and the United States: Trade, Investment and Sanctions. Post-Soviet Affairs.

Frye, T. (2018). The New Russia: How Its Economy, Politics, and Institutions Fit Together. Journal of Economic Perspectives.

Hill, F., & Gaddy, C. (2018). The Siberian Curse: How Communist Planners Left Russia Out in the Cold. Peterson Institute for International Economics.

Office of the United States Trade Representative. (2021). 2021 National Trade Estimate Report on Foreign Trade Barriers. URL

US Department of State. (2021). United States Relations with Russia: After the Ukraine Invasion. URL

U.S. Census Bureau. (2021). U.S. Trade in Goods with Russia. URL

U.S. Department of the Treasury. (2021). Ukraine-/Russia-Related Sanctions. URL

Congressional Research Service. (2021). Russia: Background and U.S. Policy. URL

U.S. Department of the Treasury. (2021). Ukraine-/Russia-Related Sanctions. URL

U.S. Department of Commerce. Bureau of Industry and Security. (2021). Russia - Industry Sector Sanctions. URL

Gallagher, A., & Porzecanski, R. (2010). The limits of mercantilism: International cooperation after the financial crisis. The Cato Journal.

Fergusson, I. F., & Vaughn, B. A. (2019). Russia: Sanctions. Congressional Research Service.

New Foreign Direct Investment in the United States, 2022. (2023). URL

The Conversation. (2022). Lima komoditas penting yang akan terganggu Perang Rusia-Ukraina. URL

Badan Pusat Statistik. (Year). URL

Pamungkas, A. C., Alunaza, H., Shafitri, D. N., & Putri, A. (2022). Implikasi Sanksi Ekonomi Bagi Rusia Terhadap Potensi Eskalasi Harga Minyak dan Gas Alam Pada Distribusi Pasar Dunia. Journal of International Relations (JoS), 1(1).

Statista. (Year). Foreign direct investment position of the United States in Russia from 2000 to 2021. URL

Neely, C. J., & Dunn, J. (2023, February 16). Reviewing the Impact of Energy Sanctions on Russia. Federal Reserve Bank. URL

Mulyana, C. (2023). Rusia mulai Berlakukan Larangan Ekspor Minyaknya ke Sejumlah Negara. URL

CEIC. (Year). Rusia Total Ekspor ke Amerika Serikat. URL

Pusat Studi Perdagangan Internasional UGM. (Year). URL

Europian Parliament. (Year). US-Russia relation: Geopolitical, security, economic and human dimensions. URL
US Department of State. (2021). US Relation with Russia. URL
US Department of State. (2020). 200 Years of US-Russia Relation. URL