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**OCTOBER  
2024**



# **Multi-alignment and De-risking: The Global South Response to World Fragmentation**

Geoeconomics  
and Geofinance  
Initiative

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ISBN: 979-10-373-0927-3

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**Comment citer cette publication :**

Hakim Ben Hammouda, “Multi-alignment and De-risking: The Global South Response to World Fragmentation”, *Ifri Papers*, Ifri, October 2024.

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## Abstract

Turbulences and conflicts threaten the stability of the global order. The Global South's response to these fragmentation risks can be analyzed as taking two main forms: a political one through multi-alignment and an economic one aimed at de-risking. Through multi-alignment, countries in the South aim to broaden their alliances with major global poles, freeing themselves from the ideological constraints of the past to reduce geopolitical risks. De-risking entails the strengthening of economic cooperation within the Global South. This *Ifri Paper* analyses and illustrates these responses.

## Résumé

Les turbulences et les conflits menacent la stabilité de l'ordre mondial. La réponse du Sud global à ces risques de fragmentation peut être analysée comme prenant deux formes principales : l'une politique, le multi-alignement, l'autre économique, visant à réduire les risques (*de-risking*). Par le multi-alignement, les pays du Sud cherchent à élargir leurs alliances avec les principaux pôles mondiaux, en se libérant des contraintes idéologiques du passé afin de réduire les risques géopolitiques. La réduction des risques passe par le renforcement de la coopération économique au sein du Sud. Cette *Note de l'Ifri* analyse et illustre ces réponses.

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# Introduction

Globalization has provided a framework of stability and prosperity for the global order from the mid-1980s until the epic financial crisis of 2008 and 2009. That phase was characterized by relatively high growth combined with remarkable macroeconomic stability. Inflation was under control after a surge in the 1970s, major balances were stable, and debt levels were low.

However, the success of this “global norm” was not limited to this macroeconomic context and long period of stability. It also involved a structural transformation of the global economy with the advent of global value chains, which provided a framework for shared global growth. This new international division of labor paved the way for strong growth in the Global South and significantly contributed to the phenomenon of emerging economies.

This new global order left its mark not only on the macroeconomic framework and growth dynamics but also indicated the start of a long period of prosperity. Accelerated growth in emerging countries lifted millions out of poverty and fostered significant progress towards the Sustainable Development Goals (SDGs) in many countries.

Nevertheless, this dynamic began to fall apart with the 2008 and 2009 massive financial crises, and added to the proliferation of climatic, social, and political crises that have signaled the end of “happy globalization”. At that time, the global order entered an era of uncertainty and concerns about the future started to rise. For some, this moment was merely a decline in the intensity of globalization, embodied by the term “slowbalization”, first used by Adidej Bakas in 2015 and since common in economic debates.<sup>1</sup> This analysis attributes the phenomenon to the decline in trade exchanges, the stagnation of trade liberalization reforms, and the rise of trade conflicts. However, slowbalization is only a temporary phenomenon according to this analysis, and globalization will eventually resume its triumphant march.

For some, the faltering of globalization indicates much more significant transformations and mutations of the global economy, referred to as deglobalization in certain literature.<sup>2</sup> This involves a decline in trade exchanges and foreign direct investments, accompanied by more structural transformations, revising global value chains, and the resurgence of reshoring with the relocation of certain industrial activities to their countries

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1. See N. Kandil, O. Battaïa and R. Hammami, “Globalisation vs. Slowbalisation: A Literature Review in Supply Chain Management”, *Annual Reviews in Control*, Vol. 49, 2020, pp. 277-287.

2. See P. K. Goldberg and T. Reed, “Is the Global Economy Deglobalizing? If so, Why? And What Is Next?”, The Brookings Institution, March 23, 2023.

of origin or nearshoring with attempts to build regional value chains. This phenomenon was accentuated by the COVID-19 pandemic and the disruption of global value chain networks.

De-globalization analyses have certainly begun to highlight the mutations and transformations that the global economy is undergoing, but fragmentation analyses will emphasize the considerable turbulences and disorders affecting the stability of the global order. These fragmentation analyses have introduced strategic and geoeconomic questions into economic analysis that are rarely considered by economists.<sup>3</sup> These analyses and the challenges of this fragmentation have been central to the public debate in recent years.

Through analyzing the origins of this fragmentation, several factors are highlighted: specifically, armed conflicts such as the Russian invasion of Ukraine and the invasion of Gaza, with their regional consequences. However, these conflicts are part of an older dynamic that G. Salamé calls the deregulation of global violence, dating back to the second Gulf War in 2003.<sup>4</sup> Alongside world instability, these conflicts significantly impact the global economy, with an International Monetary Fund (IMF) forecast of a 5% decline in global growth, as well as rising inflation and increasing poverty and social marginalization, especially in the Global South.<sup>5</sup>

In addition to geopolitical conflicts, the narrative of world fragmentation also finds its origins in the trade war between the dominant poles of the global economy, especially the United States (US) and China, which underwent a significant escalation – initially in 2018, under the Trump administration, and continued under the Biden administration.

Alongside these trade conflicts, major developed countries have implemented new industrial strategies to rebuild their competitiveness, promote their transitions to a green economy, and ensure their mastery of ongoing technological transformations.<sup>6</sup> Significant instruments have been implemented to encourage green transitions and strategic sectors with subsidies and other types of financial support, including the launching of specific funds for these sectors or the strengthening of public procurement.

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3. See S. Aiyar *et al.*, “Geoeconomic Fragmentation and the Future of Multilateralism”, IMF, January 2023.

4. See G. Salamé, *La Tentation de Mars : guerre et paix au 21<sup>e</sup> siècle*, Paris, Fayard, 2024.

5. See the IMF and the World Bank’s work on the economic impact of the world. Also see: K. Gerogjeva, “Pourquoi devons-nous empêcher la fragmentation économique et comment y parvenir ?”, IMF, May 2022.

6. On the comeback of industrial policies: R. Juhasz, N. Lane and D. Rodrik, “The New Economics of Industrial Policy”, *NBER Working Paper*, No. 31538, 2023; V. Millot and L. Rawdanowicz, “The Return of Industrial Policies: Policy Considerations in the Current Context”, *OECD Economic Policy Papers*, No. 34, OECD, 2024; “Government Support in Industrial Sectors: A Synthesis Report”, *OECD Trade Policy Papers*, No. 270, OECD, 2023; A. Terzi, A. Singh and M. Sherwood, “Industrial Policy for the 21<sup>st</sup> Century: Lessons from the Past”, *European Economy-Discussion Papers*, No. 157, Directorate General Economic and Financial Affairs, 2022.



This narrative of fragmentation and the rise of geostrategic conflicts has fueled the growth of economic nationalism, reflected in the adoption of public policies with a renewed focus on sovereignty, which has been challenged by globalization.<sup>7</sup> At the same time, these developments have driven a preference for allies in terms of trade or investments, a concept known as de-risking or friendshoring.<sup>8</sup>

In this globally tumultuous and turbulent context, the Global South has emerged and begun to contest the global order. This critique is not new; it has taken various forms throughout the history of international relations, notably in the demands of the non-aligned movement after the Bandung Conference in 1955 or the call for a New International Economic Order after the Non-Aligned Summit in Algiers in 1973. The emergence of the Global South following the Russian invasion of Ukraine in February 2022 marked a significant event and signaled the return of a Southern dissent against the global order.

We hypothesize in this paper that this Southern dissent is expressed in new ways and takes different forms compared to the past. The recent response of the Global South to the fragmentation of the global order manifests in two ways: politically through multi-alignment, and economically through the emergence of de-risking and the strengthening of economic cooperation within the Global South. Multi-alignment is a new strategy adopted by many countries in the Global South, aiming to forge closer ties with the major poles of the global order amidst fragmentation and increasing tensions.<sup>9</sup> This strategy differs from non-alignment, which lasted from the late 1950s to the early 1980s and sought unity in the South as a response to the inequalities of the global order. In this new strategy, countries in the South aim to broaden their alliances with major global poles, freeing themselves from the ideological constraints of the past to reduce geopolitical risks.

Nevertheless, the Global South's strategy is not limited to its political component. It also includes a significant economic dimension, adopting a de-risking strategy by favoring friendshoring<sup>10</sup> choices to cope with global order turbulence and disorder.

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7. See H. Ben Hammouda, "Les souverainetés ouvertes : la nouvelle perspective stratégique pour le développement", in: M. Gassab (ed.), *L'Économie tunisienne 2023. La Tunisie au milieu du gué*, Tunis, Global Institute 4 Transitions/Nirvana Publishing, 2023.

8. See "What Is 'Friendshoring'? Western Policy-Makers Want to Move Supply Chains to Friendly Countries", *The Economist*, August 30, 2023.

9. For further reading, see the special issue of *Foreign Affairs*, "The Nonaligned World: The West, the Rest and the New Global Disorder", June 2023.

10. See the figure "Friendshoring and Trade Concentration Trends Continue to Shape Global Trade in Q1 2024" in: "Global Trade Update Report", United Nations Conference on Trade and Development (UNCTAD), July 2024, p. 6, available in PDF at: <https://unctad.org>.



This dual strategy of multi-alignment and de-risking, which defines the Global South's response to world fragmentation, will be the focus of this paper. Following this introduction, we will revisit the political expression of this dissent and the development of the multi-alignment strategy in many Global South countries. Next, we will address the issue of de-risking globally to understand its stakes and challenges. We will then discuss the forms of de-risking in the Global South and the strengthening of cooperation among Southern countries. Finally, we will consider future scenarios for de-risking in the Global South.

# **Multi-Alignment: An alternative to alignment and non-alignment in the Global South**

In recent months, countries in the Global South have intensified their efforts to push for substantial reforms of the global system to make it more equitable and fair. The proliferation of economic, social, and climatic crises has justified these demands. The COVID-19 pandemic also caused significant frustration and anger among the Global South countries when it came to vaccine access, since developed countries prioritized their own populations first. These multiple crises were shocking and angersome for the Global South, and led them to accelerate their demands and calls for major reforms of the global order. The war in Ukraine exacerbated the economic and financial difficulties in the South due to rising oil prices and the cost of essential goods. This series of crises worsened the financial difficulties of Southern countries and led to a new debt crisis.

The dissent of the South and the defense of its demands for reforming the global system have taken various forms, including putting pressure on existing institutions, the dynamism of the BRICS, and the creation of new institutions bringing Global South countries together.

One of the most significant developments in the relationship between Global South countries and the poles of the global system is the emergence of what is now called the strategy of multi-alignment or the diversification of alliances, also referred to as “pluri-lateralism”, aiming to strengthen the negotiation positions of Global South countries and better defend their interests through this plurality of alliances.

In addition to collective strategies within global system institutions or the pressure exerted by alliances of Southern countries like the BRICS group, other countries have pursued individual strategies to improve their positions in the global system and defend their interests by leveraging their comparative advantages. This new strategy of multi-alignments or pluri-lateralism breaks from the non-alignment strategy that prevailed in the alliances and positions of these countries between late 1950s until the late 1970s.

This new strategy has accompanied significant transformations in the global system, particularly with the end of post-World War II bipolarity. This era was characterized by the division of the world between two poles: the liberal world under American hegemony and the socialist camp under Soviet

domination. In this balance of terror, newly independent Southern countries chose a third way of non-alignment with either pole of the Cold War while seeking to exert pressure to prevent the world from sliding into another global conflict.

Today's world is radically different from that of the Cold War, with the fall of the Union of Soviet Socialist Republics (USSR) and the decline of American domination. We are now entering a new world marked by a plurality of poles with the rise of new emerging powers like China, India, Brazil, Russia, and South Africa, which later forged into the BRICS group.

It is in this new context that the multi-alignment strategy pursued by some Southern powers has emerged. This strategy of plural alliances fundamentally differs from the non-alignment strategy as it is not based on ideological choices. It can be perceived as a realistic strategy adopted by many countries in the Global South to defend their interests and protect themselves against the significant threats facing today's world. This strategy is characterized by transactional diplomacy, non-alignment, and, indeed, a detachment from Western alliances, with Saudi Arabia's recent move to join the BRICS being the clearest illustration.<sup>11</sup>

This strategy involves paving the way for dialogue and negotiation with all poles of the global system, allowing Southern countries to better defend their interests and positioning. It is a dynamic strategy requiring flexibility and realism. At the same time, it requires understanding from the major powers that were previously accustomed to straightforward and unconditional alignment from their Southern allies.

This approach has opened new avenues for maneuvering and repositioning for Global South countries. Their alliances with major powers in the current system are no longer strategic but rather pragmatic agreements on specific issues. This process contributes to strengthening the geopolitical and economic independence of Global South countries in the face of global upheavals, uncertainty, and fluctuations.

However, implementing this strategy requires significant conditions that are not always met by many Global South countries. Among these essential conditions is the presence of a geostrategic, financial, economic, or raw material resource advantage in the countries seeking to implement this plurality of alignments, allowing them to withstand pressures from major powers and the discontent of some former allies.

It also requires significant political stability in order to ensure the continuity of their geostrategic choices. Brazil is often cited as an example in this regard, with the reelection of President Luiz Inácio Lula da Silva, which

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11. S. Bermann and E. Fabry (eds), "L'UE et la Chine entre *de-risking* et coopération : scénarios à l'horizon 2035", *Report*, No. 126, Institut Jacques Delors, November 2023, p. 9.

will lead to fundamentally different strategic choices from those of his predecessor, Jair Bolsonaro.

This new plan for Southern countries, which many observers consider a proactive vision of neutrality, is not just theoretical but has also been expressed in implemented policies.

## Strategies of multi-alignment: from theory to practice

This new strategy of multiplying alliances can be illustrated by numerous examples of Global South countries and their policies in recent years. Many researchers have studied the evolving positions of certain Global South countries in this multipolar world. Nirupama Rao, former Indian Foreign Secretary and former ambassador to China and the US, highlights India's efforts to develop a strategy of neutrality and independence in a complex and uncertain global geopolitical context in her article "The Upside of Rivalry: India's Great Power Opportunity".<sup>12</sup> India seeks to shape this strategy in relation to major powers and the multipolar world, particularly with four major actors influencing its strategic choices.

India faces significant challenges with its relationship with China, especially due to border conflicts that have led to military confrontations and considerable tensions. However, these conflicts have not led India to cut its trade ties with China, which remains its main trading partner. India also remains a member of the Shanghai Cooperation Organization (SCO), dominated by China.

India's second key partner is the West, particularly France and the US, with which Indian Prime Minister Narendra Modi maintains strong relations. This collaboration involves economic fields, especially advanced technologies, as well as security and defense. The US and India share military and security information, and the US participates in the training of Indian military officials. India is also a member of the Quadrilateral Security Dialogue (QUAD), an alliance created in 2007 by the US with Australia, Japan, and India to counter Chinese influence in Asia and the Indian Ocean.

The third actor in India's strategic equation is Russia. Although India refused to side with the West to condemn Russia's military intervention in Ukraine, it has expressed its disagreement with this decision and emphasized the importance of respecting national borders. Simultaneously, India continues to depend on Russia for its military equipment purchases and relies on its influence to mitigate tensions with China.

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12. "The Nonaligned World: The West, the Rest and the New Global Disorder", *Foreign Affairs*, *op. cit.*

Lastly, India seeks to maintain its influence in the Global South, notably by actively participating in the BRICS group, while continuing its engagement in Africa.

Many analyses and studies suggest that Saudi Arabia's strategic choices fit into this new dynamic of multiplying alliances. On the one hand, the kingdom remains a major ally of the US, but at the same time, it developed its cooperation with Russia, notably to reduce global oil production within OPEC to maintain high prices on the global market. Saudi Arabia has also sought to ease tensions with Iran by reaching an agreement with Chinese mediation to alleviate security and military threats in the region.

Overall, countries of the Global South have recently adjusted their strategies to adapt to the new world with its multipolarity, demands, and challenges. From pressures within existing institutions to the revitalization of organizations such as BRICS, as well as through the multiplication of alliances, these nations have responded to global changes to better defend their interests and become major actors in the global order reform.

This quest for autonomy by Global South countries is not limited to political aspects but also involves major cooperation and economic choices. Similarly to major advanced economies, a strategy of de-risking is emerging in many cases.

# De-risking: issues and challenges

The notion of de-risking is common in the financial sector where financial or banking institutions may decide to reduce or stop their relationships with clients or a category of clients that entail significant risks. This notion has recently been imported into geoeconomic analysis and become a central issue in many countries, mainly in Europe and the US.

The term “de-risking” was first used by the President of the European Commission, Ursula Von der Leyen, on March 30, 2023, in a conference on the relations between the European Union and China.<sup>13</sup> In her address, she emphasized that the relationship between these two regions is very important yet marked by significant inequalities favoring China due to distortions created by the Chinese government. In this context, she called for the implementation of a de-risking strategy through diplomatic means.

This notion was quickly adopted by the US administration<sup>14</sup> and G7 countries. It refers to a global strategy aimed at reducing Western countries’ dependence on China in several strategic sectors.

This strategy seeks to avoid the path of decoupling with China, which would lead to significant challenges for Western countries. This choice was clearly articulated by German Chancellor Olaf Scholz, who declared during a speech in 2023 in front of a group of Chinese ministers, “de-risking: yes, decoupling: no”. Decoupling implies a radical separation between Western countries and China, which seems undesirable for several reasons.<sup>15</sup>

The first reason for favoring a strategy to limit vulnerabilities instead of a sudden break is the significant role China plays in trade relations and their interdependence with Western partners, making separation risky. The second reason concerns the global impact of decoupling, which would accentuate world fragmentation and reinforce uncertainties.

De-risking is a global response from the US and European and Western countries to reduce strategic dependence on China. In doing so, the US has, explicitly or implicitly, set four strategic goals:<sup>16</sup>

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13. “Speech by President Von der Leyen on EU-China Relations at the Mercator Institute for China Studies and the European Policy Centre”, Brussels, European Commission, March 30, 2023.

14. “Press Briefing by Press Secretary K. Jean-Pierre and National Security Advisor J. Sullivan on the President to Japan”, Washington D.C., The White House, 2023.

15. A. Demarais, “What Does ‘De-risking’ Actually Mean?”, *Foreign Policy*, August 23, 2023.

16. *Ibid.*



- slow down China's economic rise and maintain the supremacy of the US economy in the global arena;
- limit China's access to new technologies;
- restrict China's access to military technologies and maintain its dependence on the US in this field;
- curtail significant Western dependence on emerging countries, highlighted by the COVID-19 pandemic in certain sectors, notably pharmaceuticals and medical supplies.

The de-risking strategy aims to protect the US and build its competitiveness in two sectors that will be at the heart of future growth dynamics, mainly in digital technology and the green revolution. This includes sectors such as artificial intelligence, semiconductors, and quantum computing. In the context of the green transition, it concerns raw materials such as lithium, technologies related to electric vehicles including batteries, and other equipment like solar panels. The de-risking choice in this field aims to ensure autonomy for the US economy in its green transition and reduce its dependence on China.

The American de-risking strategy is based on three major instruments.<sup>17</sup> The first one involves a renewed focus on export controls that were widely used during the Cold War against the USSR. The second instrument is related to a resurgence of industrial policies long criticized during the years of "happy globalization", exemplified by the passing of two important laws in the US in August 2022: the CHIPS and Science Act, which aims to promote the return of technology companies to the US, particularly semiconductors, and the Inflation Reduction Act, which facilitates access to electric vehicles, batteries, and critical raw materials for this green transition.

All these elements outline a de-risking strategy aimed at reducing the strategic dependence of the US and Western countries in general on China and slowing its rising hegemony over the global economy. The strengthening of this de-risking strategy can be observed in trade exchanges marked in recent years by the rise of friendshoring trade compared to nearshoring, showing a significant preference for political and geoeconomic issues over purely economic principles.<sup>18</sup>

However, this strategy faces several challenges, including the strong interdependence between the US and China on several strategic products. In the long term, this strategy could also endanger global value chains and thus accelerate the fragmentation of the global economy.<sup>19</sup>

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17. *Ibid.*

18. See the map "Regional Trade Growth in Goods during Q1 2024" in: "Global Trade Update Report", UNCTAD, July 2024, p. 5, available in PDF at: <https://unctad.org>.

19. A. Capri, "China Decoupling Versus De-risking: What's the Difference?", Hunrich Foundation, December 12, 2023.

Currently, the global debate on de-risking is focused on the strategies and policies implemented in the US and across Western countries, losing sight of the ongoing dynamics in the countries of the Global South.

## De-risking: towards a new type of cooperation in the Global South?

The de-risking strategy is not unique to Western countries, but the effects of geoeconomics are starting to play a significant role in Global South countries, particularly after Russia's invasion of Ukraine. These effects are driving significant transformations in trade flows between Global South countries and the rest of the world.

This de-risking strategy can be observed through several major trends in global trade. The first trend relates to the increase in trade between Global South countries, relative to global trade.<sup>20</sup>

This trend is more evident if we examine the evolution of interdependence among Global South countries, which is decreasing with Western countries and recording greater progress with other Global South countries.<sup>21</sup> For example, Russia's interdependence with China grew by 5.8% in 2023, while its interdependence with the European Union (EU) fell by 4%.<sup>22</sup> This trend can also be observed in Brazil, another heavyweight in the Global South, which saw its interdependence with China increase by 3.3% and with the EU fall by 0.8%. There is also a noticeable trend towards greater diversification of investments and the acceleration of Free Trade Agreements (FTAs) between Global South countries.<sup>23</sup>

Global South countries have used several tools to address this geoeconomic intrusion into international relations. The first concerns trade policy with responses to tariff increases by developed countries, notably China *vis-à-vis* the US, and other forms of commercial retaliation. It is also necessary to mention the development of active industrial policies by major Global South countries and the implementation of significant support for companies in strategic sectors. Additionally, there is the strengthening of cooperation among Global South countries, particularly towards GCC countries.

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20. See the map "Regional Trade Growth in Goods during Q1 2024", *op. cit.*

21. *Ibid.*

22. *Ibid.*

23. See the chart "Global Interdependence Trends Are Shaped by Geopolitical and Economic Factors" in: "Global Trade Update Report", UNCTAD, July 2024, p. 6, available in PDF at: <https://unctad.org>.

## Scenarios of de-risking in the Global South

The future of the global order and the prospects of the coming world are at the center of public debates among think tanks and institutions within the Global South. Several scenarios are considered in these debates, among which three are more frequently discussed.

A first scenario is the acceleration of fragmentation. It is based on the hypothesis of a stronger geoeconomic intrusion and the impact of conflicts on the global order, thus reinforcing tensions between major blocs. This scenario would accelerate ongoing fragmentation. Global South countries would strengthen their cooperation in various commercial, financial, and industrial domains. Ultimately, this scenario could lead to a new global non-alignment, with Global South countries reinforcing institutions to move away from the Bretton Woods-inherited global order. This is the least optimistic scenario, although it is present in public debates in Global South countries, and seems the least realistic for several reasons. The first concerns the level of economic and industrial interdependence. The second is related to the desire of many Global South countries to adopt a less ideological and more pragmatic approach and thus embrace the strategy of multi-alignment.

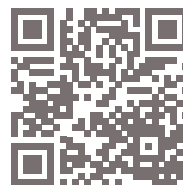
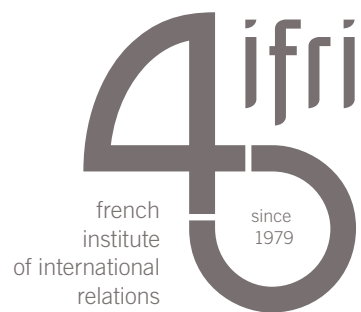
A second scenario relies on the hypothesis of a new form of cooperation. It envisions a major reform of the global order and the establishment of a global consensus on the necessity of building a multipolar world in which Global South countries can play an important role. This scenario involves profound reforms of the political, economic, and financial institutions of the global order inherited from World War II so that they reflect the current balance of power. This is a scenario that Western countries resist.

A third scenario would be sort of status quo. This scenario envisions the continuation of the current disorder with great uncertainty and instability in the global order, as well as the continuation of de-risking strategies and immediate responses to manage ongoing conflicts and prevent them from escalating into open crises.

# Conclusion

The risks of further fragmentation of the economy are becoming more urgent with the development of conflicts in Europe and the Middle East, and the risk of their expansion and the escalation of trade wars. These global dangers are at the root of a return to economic nationalism and sovereignty strategies that the world's major economic powers are implementing. The Global South has not been lagging and has sought to respond to these global risks at the political level through a strategy of multi-alignment and at the economic level through greater cooperation and exchanges between countries. These strategies and responses to global turbulence risk reinforcing the tendency towards fragmentation of the global order. Unless a new dynamic were to emerge emphasizing cooperation and renewed multilateralism that helps to rebuild the frayed threads of the global world.





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