

Geo-Economic Fragmentation and The Reallocation of Global Supply Chains

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Abstract:

The global economic landscape is changing dramatically. Gone are the days of the global economy relying on ultra-efficient "just-in-time" supply chain models characteristic of the hyper-globalization era. Instead, the focus has shifted towards developing supply chains that are resilient and can absorb shocks. This change has been brought about by the onset of a geo-economic fragmentation era which is marked by strategic competition and the trade weaponization. The main argument of this paper is that the reshaping of global supply chains especially in the context of US-China trade war does not signify real "decoupling" but rather a strategic "reallocation." This reallocation corresponds to the "China Plus One" approach by which companies mitigate risks by choosing a second main supplier without totally giving up their Chinese operations or supply chain. The analysis of US trade data from 2017 to 2022 shows that even though the direct share of China in US imports has decreased, China has concurrently turned out to be a very important upstream supplier for the new manufacturing centers that are replacing it. Moreover, this reshuffling is highly concentrated with one single alternative supplier often taking over the greater part of the market share lost by China. More importantly, the findings show that tariffs on intermediate goods cause greater economic disruption and more persistent inflation than those on final goods, thus making the situation of policymakers one of the most difficult. The analysis shows that this major reallocation will require corporate strategy to fundamentally evolve towards proactive geo-political risk management being centralized and a recalibration of international economic policy that recognizes the legitimate competition between efficiency and security.

Key Words: Economic Policy, Geo-Economic Fragmentation, Globalization, Supply Chain, Global trade

1. Introduction

The present times which mark the inflection point of hyper-globalization is a turning point in the way global supply chains are conceived, managed and sustained. For almost 30 years, multinational corporations and officials making policies believed that world politics would be pretty stable, the liberalization of trade would go on, and technological developments would further connect production networks between continents. The "just-in-time" model that cut down on inventory and depended on flawless cross-border flows was praised as the most efficient method. It made it possible for the firms to lower the costs, increase the shareholder value and take advantage of comparative advantages in labor, resources and technology. However, this model was somewhat risky as it was dependent on the unspoken faith in global cooperation and the lack of big shocks to the system. Once the doubts about these assumptions started to surface, it became clear how vulnerable hyper-globalization was (Zheng, 2025). Since 2017 the global economic scene has been changed by the growing

strategic rivalry between major powers especially the United States and China and the reappearance of economic nationalism in different parts of the world (Hauge et al., 2025). Trade policy which was earlier regarded as just a technical tool for liberalization has gradually become a weapon used for geopolitics. The long established trade relations have been affected by the introduction of tariffs, export controls and sanctions and companies, on their part, have been forced to evaluate the risks of depending on a single country for their needs. The outbreak of the COVID-19 pandemic made the crisis even more apparent as it revealed how supply chains which were meant to be efficient were lacking in resilience (Sarkar et al., 2022). The unavailability of such items as medical instruments, semiconductors and essential raw materials emphasized the dangers of a too heavily concentrated global production system without any backup or alternative options.

This paper highlights some of the deep changes brought by economic and geopolitical rivalry and how geo-economic fragmentation is reshaping the global supply chains and what will be the wider impact of such transformation. It challenges the simplistic narrative of "decoupling" from China which suggests a wholesale retreat from globalization. However, the data indicate a more multifaceted scenario of reallocation whereby production networks are not being lost but strategically diversified. China is still a major part of the global manufacturing network but companies are increasingly following a "China Plus One" approach whereby they shift parts of their supply chains to countries like Vietnam, India and Mexico. This is not a pullback but a recalibration aimed at balancing efficiency with resilience and hedging against the geopolitical risk. The results of this change are far reaching. Corporations, on the one hand, should now trade off the benefits of cost reduction against risk management keeping in mind that resilience has become a strategic goal. At the macroeconomic level, the shift of supply chains is determining the changes in the direction of trade, the modes of investment and the industrial policies. States are vying not only for market shares but also for strategic control over critical technologies and resources. The semi-conductor industry is a case in point of how the supply chain adjustment relates to national security as governments want to have a domestic production base of such a sector that serves as a dual use technology for both civilian and military applications. This paper begins by defining the conceptual boundaries of geo-economic fragmentation and characterizing the shift from "just-in-time" to "just-in-case" production models. It proceeds to identify the strategic responses by firms and governments through the mapping of various approaches and the recognition of the "China Plus One" doctrine as the core concept. Through the empirical study of US trade data from 2017 to 2022, there is concrete evidence that reallocation is happening in the real-world scenario. Moreover, a case study of the semiconductor industry reveals the high level of disruption caused to the industry as a result of this. The paper subsequently discusses the macroeconomic and corporate implications in a wider context. For example, the uneven impact of tariffs, the development of risk management practices and the emergence of new types of industrial policy. The conclusion gathers these insights and points out that the world is not seeing the demise of globalization but rather its transformation into a more fragmented, contested and strategically complicated system. Such a new reality calls for new ideas from both political decision-makers and corporate leaders who are to operate in a world where resilience, redundancy and geopolitical foresight are as critical as efficiency once was.

2. The Shifting Paradigm: From Hyper-Globalization to Geo-Economic Fragmentation

Any discussion of the shift in global supply chains must consider the major change in the very nature of globalization. Throughout the main part of the last century, the world was operating under the hyper-globalization paradigm where “efficiency” was the sole guiding principle (Escaith, 2022). Companies aimed at cutting their costs by locating different stages of production in various countries and depended on uninterrupted trade flows and stable political conditions to do so. This system worked very well in the era when there were multilateral institutions that set the framework of rules and most disputes were solved through negotiation and not coercion and the chances of major disruptions were remote. However, the premises that sustained that system have been undermined and a new paradigm has emerged in which resilience and security no longer remain just after thoughts but are at the front and center of economic strategy (Roloff, 2024). The shift is not only in technical but also in conceptual terms, determining new ways of thinking among nations and corporations about the interrelationships between trade, power and risk. The phrase geo-economic fragmentation reflects this new situation better than the word deglobalization. It is not about a major withdrawal from international trade or the disappearance of global interdependence but rather a reshuffling of economic ties along geopolitical and ideological fault lines (Babic et al., 2024). For instance, the WTO and IMF have expressed concerns that the main reason for the world becoming fragmented is that there are more intense rivalries, the countries are adopting protectionist policies, and trade is being used as a weapon on purpose. In such a scenario, the direction of economic flows is increasingly determined by factors like national security, technological sovereignty and political alignment. Certainly, Dr. Rebecca Harding points out that trade was formerly a neutral instrument of cooperation and now it has turned into a tool of coercion, a means through which the states extend their influence and restrict their opponents (Harding and Harding, 2020). This is a break with the old rules-based world order when it was taken for granted that multilateralism would be the inevitable consequence of globalization. Currently, companies and governments are required to operate in a divided world where economic decisions cannot be separated from strategic necessities and where the principle of efficiency is continually balanced against the dangers of dependency.

The delivery effects of the transition to new ways of organizing and operating a business: On the operational end, the consequences of this change become most obvious when one considers the shift occasioned by the transition between "just-in-time" to "just-in-case" philosophies in production. Thus, "just-in-time" manufacturing systems are those that are at the core of "lean" operations and are characterized by the continual efforts of reducing production and inventory costs as much as possible (Choi et al., 2023). They are based on the assumption of a minimum stock of goods, a highly efficient transportation system and no major changes in the geopolitical scene. This means that such systems were in theory designed to operate efficiently in a world where disruptions were rare and if they occurred would be very localized. However, the cascading shocks of recent years have shown just how susceptible such systems are to disruption. The outbreak of the COVID-19 ravaging the world at that time was the demonstration of the production systems globalized, hence, susceptible to sudden border closures and supply bottlenecks situation (Panwar et al., 2022). While the persistent trade tensions between the United States and China have been causing uncertainty in sectors considered to be critical, the military conflicts in the case of the Russian invasion of Ukraine have led to shipping routes and energy supplies being severed (Mishra et al., 2025). Besides state actors, the disruption

in transit in the Red Sea put forward by the Houthis has been the demonstration of how non-state actors too are capable of destabilizing the global trade flows. Such incidents have emphasized the fact that without a cushion of resilience, a high degree of efficiency is a drawback, and that companies operating in volatile environments cannot justify the luxury of depending on fragile supply chains. The economic consequences of vulnerability to external shocks are thus huge. For example, Swiss Re which is a global leader in the reinsurance, insurance and risk transfer business based in Zurich, Switzerland has come up with an estimation that the global supply chain disruptions are responsible for losses amounting to about US\$184 million per company which figure goes to show how extensive risk is in its systemic nature. On a micro-level, the result is even worse. According to the McKinsey research, a company can lose as much as half of its annual EBITDA after a single major disruption. That means not only the company's profitability but its very survival is at stake. Faced with such big threats to their existence, companies have no choice but to consider changing their current strategies. In fact, they ought to explore the avenues of supply chain diversification, redundancy and regional balancing to replace the traditional single source dependence and lean inventories models. Along with companies, governments have also welcomed this transition and thus, have referred to supply chain resilience as a national security and industrial policy issue (Hauge et al., 2025). Measures aimed at ensuring the production of key goods such as chips and medicines at home point to the understanding that the economic strength of a nation cannot be separated from its strategic independence. Such a shift in focus from efficiency to resilience is no fleeting change but rather a structural transformation. As a result, it is changing the range of strategies that both businesses and governments use. These may include reshoring, nearshoring, multi-sourcing and stockpiling to name a few. The new normal is that we expect volatility and that we value preparedness just as much as we have historically valued cost minimization. In this divided world, the global supply chain framework is presently undergoing a rebuild to be more resilient to shocks and disruptions which is also in line with the strategic demands of a more politically contentious international order.

3. Strategic Responses to a Fragmented World

The way firms and governments are strategically responding to geo-economic fragmentation shows a deep shift in their supply chain thinking. In the past, cost efficiency was the top priority but now resilience, diversification and political alignment have become the major factors. As a result, a new language of sourcing strategies has emerged where each tactic addressed the specific vulnerabilities revealed by the recent crises. The range of new approaches such as re-shoring, near-shoring and friend-shoring solutions clearly illustrates the variety of alternatives that aim to strike a balance between efficiency and security (Escaith, 2022). At the same time, the China Plus One strategy has become the most widely recognized and utilized model of the adaptation process (Basu and Ray, 2022). Re-shoring which is also referred to as onshoring is the clearest and most direct reaction towards highly fragile globalized supply chains. When a company moves its manufacturing operations from overseas back to its home country, it essentially lowers its risk of being caught up in an external shock and it gives a boost to the local industrial base and provides greater control of quality and regulatory compliance. In addition to that, this move is politically charged since goods "Made in the USA" or "Made in Europe" can elevate brand reputation and win over customers who care more than ever about national identity, economic sovereignty, and other related issues (Gur and Dilek, 2023). However, reshoring

has issues too, for instance raising labor costs and a lack of domestic capacity are two factors that limit this approach. As a result, it is only very successful in a few sectors, mainly those that have high levels of automation which can help reduce labor costs, or in cases where strategic considerations, e.g. defense or healthcare justify increased costs. Near-shoring serves as a halfway point between spreading out globally and completely re-shoring. Companies can shorten their supply chains, lower transportation costs and increase their responsiveness to market demand by moving their production to countries that are geographically close. As a result, Mexico has become a favored destination for American companies whereas European companies generally turn to Eastern Europe or North Africa. The main benefit of near-shoring is its ability to offer cost savings and agility simultaneously but it also entails the challenges of dealing with cross-border regulatory differences and infrastructure issues (Smith, 2025). Industries where speed to market is a key factor such as fashion, consumer electronics and automotive manufacturing, will find this particularly attractive. Friend-shoring, on the other hand, is a reflection of the increasing intertwinement of economics and geopolitics. Here, firms move their supply chains to countries that share certain political, economic or ideological alignments with their own nation. The ulterior motive is to use economic integration as a tool to reduce dependence on enemy states and to turn allies into economic partners. In such cases, US companies might prioritize sourcing from allies like Japan, South Korea or Canada, whereas European firms may choose to deepen their relationships with trusted partners within the EU or NATO. Friend-shoring is not merely an economic calculation rather it is a strategic one and is aimed at reducing geopolitical risks and ensuring the continuity of supply in the event of a crisis (Vivoda and Matthews, 2024). Additionally, it aligns with government policies that encourage firms through incentives to match their sourcing with national security priorities. Among the strategies, the China Plus One approach has been at the forefront as a realistic way to address over-dependence risks of China. Instead of completely withdrawing from Chinese operations, companies supplement them by setting up additional production facilities in countries such as Vietnam, India, Indonesia or Mexico. This strategy enables companies to maintain their access to unrivaled infrastructure of China such as its skilled labor force and huge consumer market, at the same time, they are securing their operations against disruptions due to trade conflicts, regulatory changes or geopolitical events. The upside of this approach is quite obvious: it diminishes risk from over-concentration, opens up new markets and provides access to different labor pools and technological know-how. However, the compromises are just as important. Companies will have to make substantial investments in discovering and vetting new suppliers, handling quality in various locations and dealing with the economic and political risks of emerging markets. Currency fluctuations, regulatory unpredictability and infrastructure deficiencies in the "plus one" countries can diminish some of the advantages, thus firms have to develop sophisticated risk management methods. These strategies are widely used not only in theory but also in practice as trade data shows diversification and reallocation across different industries. Especially, the China Plus One approach has taken the central stage in global supply chain restructuring. This trend shows that on one hand China is still very important, and on the other hand, the world being so divided makes diversification a must. When companies and governments remain flexible, these strategies get institutionalized in the global production system.

4. Empirical Evidence: The Anatomy of Supply Chain Reallocation

The empirical evidence of how supply chains have been restructured shows a much more complicated picture than the "decoupling" discourse usually implies. A focus on the trade data of the US between 2017 and 2022 illustrates that the US has indeed lowered its direct import dependence on China; however, this change has not broken the fundamental structural connections that still mix global production networks (Freund et al., 2023). What is more, it can be argued that China still plays a central role in the global production network even if the share of China in US imports has dropped from a high of 21.6% to a modest 16.3%, a fact which, while significant, hides the real story of how China is still the core of the upstream supply chains even when the final assembly is transferred to other countries (Nikolić et al., 2023). The new production hubs of Vietnam, India and Mexico for the final stage have their import dependence on China increasing, especially in the sectors of electronics, machinery and intermediate goods. The paradox here is that it totally contradicts the idea of "short-term decoupling" because, if the countries want to be competitive in the final assembly of goods with China, they have to work much closer to its industrial ecosystem which means that they continue to depend on Chinese inputs, components and raw materials. Therefore, the decline in bilateral trade is quite misleading in that it hides a more complicated series of indirect dependencies that still underscore systemic importance of China. In fact, these dynamics demonstrate the difference between the headline figures of trade flows and the anatomy of supply chain linkages. Trade restrictions and tariffs have changed the location of final assembly but have not ended the complex networks of upstream production. China has managed to re-establish itself as the essential supplier of intermediate goods to the very countries that are gaining market share in the US market. Hence, the reconfiguration of trade flows shows not a withdrawal from globalization but its change into a more divided, multi-nodal system where China at the same time its direct share of US imports decreases remains central. The strength of China's upstream role makes apparent the challenge of separating economic efficiency from geopolitical rivalry since companies continue to use Chinese inputs to maintain competitive production in other places. The data also reveals the unique aspect of the China Plus One strategy. The diversification away from China is not occurring on a broad scale with a multitude of partners but instead it's a strategy highly concentrated in a handful of countries. For over 70% of the product categories where China lost a share of the US market, only one alternative supplier managed to grab at least three-quarters of that loss. This trend points to the fact that companies aren't setting up complex multi-sourcing supply chains but are merely mitigating the risk by having a second primary partner. Among the first Vietnam, India and Mexico are the only countries to benefit from this concentrated diversification since they have the capacity to handle large production shifts (Delechat et al., 2024). Nevertheless, even in these situations, China still plays a part in the supply chain usually as the supplier of essential components. The fact that China is still one of the top three suppliers in more than 60% of the product categories in which its market share has dropped signals that it remains a big hurdle to completely replace its scale, infrastructure and capabilities. The semiconductor sector offers a brilliant illustration of these issues. Being one of the leading strategic areas, the semiconductor sector reveals the intersection of geographic concentration and strategic vulnerability with geo-economic rivalry at the same time (Malkin and He 2024). The US has pursued a strategy to lower its dependence on Chinese assembly and to increase domestic and allied production capacity. However, the industry is still heavily dependent on Chinese inputs and manufacturing stages. Countries such as Vietnam and Malaysia have

raised their shares of semiconductor assembly, but their supply chains remain connected to Chinese upstream production. What this means is that diversification in final assembly does not result in cutting off reliance on China but redistribution of it at different stages of the value chain. The semiconductor example sheds light on the general paradox of supply chain reallocation: on one hand, resilience strategies may help to lessen exposure to direct bilateral risks, but at the same time, they lead to indirect dependencies that make decoupling a structurally impossible goal in the medium term. In summary, the factual data as a whole point toward a world where supply chains are being strategically reconfigured rather than dismantled. The decrease in the share of direct imports from China to the US is a sign of changing geography but the fact that it remains an upstream partner shows its systemic indispensability. The narrowing of diversification to a few countries is a reflection of the pragmatic logic behind the China Plus One strategy whereby companies look for a manageable level of resilience instead of creating complex redundancy. And the example of the semiconductor industry very well demonstrates how the strategic sectors in this case are a reflection of the tensions in this fragmented order, the convergence of economic efficiency, geopolitical rivalry and technological competition. The reallocation of supply chains, therefore, does not point to a simple break from globalization but rather to the latter's transformation into a more contested, multi-layered and strategically complex system.

5. Case Study: The Semiconductor Supply Chain as a Geopolitical Battleground

The semiconductor sector is a prime example of how globally integrated supply chains get caught up in the bigger picture of geo-economic fragmentation (Sharma, 2023). Semiconductors, being the core of the digital economy, support a wide array of applications such as smartphones, cloud computing, artificial intelligence and sophisticated defense systems. The network for their production is not only complicated but also substantially concentrated, thus enabling efficiencies that have driven decades of technology development and, at the same time, have led to two, way dependencies and vulnerabilities in the world economy. The semiconductor industry being inherently efficient but also susceptible to disruption, has thus turned into a geopolitical arena where the issues of economic policy, national security, and tech rivalry intersect. The fact that semiconductor manufacturing is heavily concentrated geographically is probably its most outstanding characteristic. Due to years of specialization and capital spending, different regions have become dominant in particular stages of the production process, with East Asia taking the lead as the key area for global capacity. The case of Taiwan is significant in this context as it manufactures more than half of the world's chips at the most advanced nodes. This is so far the case that the global community is extremely dependent on a single place for the production of the essential chips that are utilized in the fields of artificial intelligence, high performance computing and high-end military operations. South Korea, which dominates the production of memory chips and China which still has a small share of advanced nodes but is steadily rising, signify the regional concentration of capabilities even more. Though the United States, Japan and Europe are technologically proficient, their shares of the manufacturing capacity especially in the most advanced segments are relatively small (Park, 2023). Such a distribution makes choke points that heighten the geopolitical risk since any disturbance in Taiwan or South Korea will have a worldwide impact potentially shutting down industries from car manufacturing to defense. This is precisely the reason that such substantial policy measures like the US CHIPS and Science Act and the European Chips Act have been taken along the

same lines. These Acts target the reduction of dependency on East Asia and the reestablishment of local capacity (Peters, 2023). Nevertheless, the effort to make things more resilient is very expensive. The industry relied on a geographic concentration model for decades which maximized economies of scale and minimized production costs. Coupling advanced manufacturing in just a few regions allowed the firms to achieve incredible efficiency, lowering prices and speeding up innovation. But that model has turned out to be fragile when confronted with geopolitical tensions, pandemics and supply chain shocks. The COVID-19 pandemic revealed how vulnerable just-in-time semiconductor supply chains are. After that, a series of events such as the escalation of US-China trade disputes and the increased likelihood of a military conflict in the Taiwan Strait, have highlighted the strategic vulnerabilities of over-concentration. It means that firms and governments are now trying to figure out the basic dilemma of efficiency versus resilience. Regional diversification, whether by means of re-shoring, near-shoring or friend-shoring can lower the risk of disruption by up to 55-70%. On the other hand, it demands accepting a significant cost premium which is estimated to be 15-25% higher than the traditional efficiency focused model. This premium is due to having to duplicate facilities, the need for redundant capacity and the inherently higher labor and infrastructure costs in regions other than East Asia. The effects of this trade-off go beyond the semiconductor industry itself. For national economies, the stakes are of the utmost importance: semiconductors are not only commercial goods but also strategic assets that shape the competitiveness of the society in the digital era. For companies, it is a difficult task of juggling shareholder expectations for high profits with the requirement of developing supply chains that are strong enough to resilient to geopolitical shocks. The decisions taken in this area will have a far-reaching impact not only on the industry concerned but also on the pace of technological innovation, change in industrial policy and the extent of global trade. In fact, semiconductors are the biggest example of the problems being faced in the divided world where efficiency has led to great prosperity but at the same time, resilience has become a must because we have entered a time when economic decisions are very much integrated with geopolitics. So, the semiconductor supply chain is a double message: it is a warning showing the high costs of vulnerability and at the same time a beacon demonstrating the necessity of strategic foresight in the new geo-economic order.

6. Macroeconomic and Corporate Implications of Trade Restructuring

It should be noted that the global supply chain reshuffling is more than just a game of changing factory locations or selecting new suppliers. Rather, it has profound macroeconomic and corporate implications that can be seen in the ripple effects through whole economies and industries. First, the change from a paradigm that is efficiency first to one that is resilience centered brings along the pressing issues of inflation and the necessity for firms to rethink risk management. The world which was once characterized by predictable trade flows and stable cost structures has undergone a significant transformation. It is now a world where geopolitical tensions, tariffs and strategic competition largely determine economic outcomes. Unsurprisingly, this change requires both government authorities and executives to come to terms with the fact that although resilience is necessary, it does have a cost and therefore, has to be financed and managed. One of the starkest examples of these macroeconomic consequences is the non-uniform effect of tariffs on different stages of production. According to a research from the European Central Bank, it is tariffs on intermediate goods, i.e.

those inputs and components that make up the very core of production networks which hurt the most as compared to tariffs on final consumer goods. The explanation is the degree of substitutability. If a tariff is placed on a finished product, the consumer, in most cases can opt to switch to a domestic alternative or simply reduce consumption, therefore, the inflationary impact is limited to a temporary increase in prices of specific goods. In contrast, intermediate inputs are deeply hidden within complex supply chains, and as a result, firms have very few alternative options for substituting them. When tariffs increase the price of these inputs, the shock spreads throughout the world of production. It is like an echo that goes through each stage of the production process and the pressure on costs increases at every step. Hence we get not only extended inflation but also more profound negative effects on GDP as higher production costs lead to the loss of competitiveness and a decrease in output. This mechanism highlights the essential consideration for policy design: trade retaliations that aim at intermediate goods may, in fact, be counterproductive to domestic industries as they raise their costs through the increase in their inputs, even if such measures are aimed at protecting national interests. For public decision-makers, the indication is that trade interventions must be finely tuned so as not to disorganize the production networks which are, in fact, the engines of the economic growth. At a company level, the emergence of geo-economic fragmentation is the reason why risk management has become a strategic necessity. Risks stemming from geopolitics can no longer be considered as events in the far future or as very unlikely; they have to be regarded as being at the core of business continuity and profitability. Companies can no longer rely on reactive policies only to deal with the aftermath of crises. They ought to change their approach and get proactive by anticipating situations of instability and preparing for them. The same goes for setting up centralized leadership to get rid of silos among finance, procurement, operations and human resources so that geopolitical risks are evaluated and handled in a uniform manner throughout the company. Without such a concerted effort, gaps in intelligence will appear, resulting in firms being left unprotected from shocks that could have been prevented if only there had been better foresight. Proactive management is just as important. Deferring action until a crisis has taken place will, in most cases, put the firm at risk of serious and perhaps even terminal losses since supply chains cannot be reconstructed in an instant. Companies have to come up with mechanisms through which they continuously scan for signs that point to the emergence of a crisis be it political upheaval, changes in regulations or alterations in trade policies, and use the information gained to stay one step ahead of the problem by adjusting their operations accordingly. Apart from structural adjustments, it is equally important that the organization builds a culture of risk awareness. At all levels of the company, the staff should be able and be allowed to identify and report potential geopolitical risk, which in turn will help form a community source of intelligence that works together with the formal risk assessments. This change in mindset not only puts safety measures right at the very center but also ensures that the risk management function is no longer the sole concern of the top management. Lastly, companies must acknowledge that, beyond a certain point, no internal analysis can do without bringing in the views of those outside the firm. Independent geopolitical risk evaluations for such major strategic decisions as mergers and acquisitions or entry into new markets would post a winning move to the rest of the world, and facilitate task taking and demonstrating due diligence from the perspective of stakeholders. External analysis lowers the chance of internal bias and promotes that decisions are made based on a wider view of worldwide changes. Essentially, these approaches make up a thorough set of tools for going through the

uncertainties of a divided world where economic decisions can hardly be separated from geopolitical ones. On coming to terms with these macroeconomic factors and business necessities, one can understand the key features of a new phase of international trade. Trade barriers and supply chain issues have led to inflationary pressures that require a very careful policy approach, on the other hand, companies have to make resilience their number one go, to strategy. The financial implications of this change are quite high but they are less than the risks that the world would face if it stood by doing nothing, as the ever growing geopolitical rivalry is set to become the main factor that will determine economic results. Both government officials and business executives have the same problem, how to give equal weight to the ideas of efficiency and resilience so that while supply networks are capable of resisting shocks, they can still be a source of economic gains.

7. Conclusion

The transformation of global supply chains is not only a shift in operational practices but a fundamental reordering of the global economic system. During the age of hyper-globalization, efficiency and cost minimization were the main focus while security, resilience and geopolitical foresight have become paramount in this new era. Therefore, what we see is not a simple decoupling from China as it is commonly done in the media but a very complicated reallocation process. This great reallocation is resulting in a multi-polar supply chain architecture where production networks are being diversified strategically and at the same time, the underlying dependencies that sustain them are still deeply embedded, only they are in different forms. The disengagement story is a huge simplification of the actual situation; the role of China is not disappearing but it is changing. It is shifting from being the main final assembler of the world to becoming an indispensable upstream supplier that directly feeds the very hubs that are now taking its market share. This transformation highlights the contradiction of the modern supply chains. While companies and countries aim to lessen their dependence on China for final-stage assembly, at the same time, they are becoming more and more dependent on China's upstream ecosystem of inputs, components and raw materials. The China Plus One strategy is a perfect example of a company being able to spread out their risks in terms of geopolitics. It is a strategy where the company would have Vietnam, or India, or Mexico as their secondary choice to some of the products or manufacturing while still retaining China as the core part of their production. In a way, this strategy is showing how the company is pragmatic rather than trying to disengage completely as they are admitting that the scale, infrastructure, and the technological capabilities that China has are not something that can be replicated very soon. And, therefore, complete decoupling is structurally impossible, and even if the trade flows are being rearranged, the global economy is still connected with China. These are some major implications for the policymakers which come as a consequence of this reality. Tariffs that are often used as instruments of strategic competition are very rough tools that might bring some unexpected consequences as well. The data even indicates that it is the tariffs on intermediate goods that cause the most harm as they break the domestic production networks, increase the costs of entire supply chains, and bring about enduring inflationary pressures. Unlike tariffs on final goods, where the consumers can most of the time simply choose domestic alternatives the tariffs on inputs go in waves through the economy thus decreasing the competitiveness and output. Thus, policymakers have to be very careful at the same time that they should bear in mind that badly conceived trade policies could end up having a greater impact on their own industries than

on the ones that were primarily targeted. A strategic industrial policy putting resources into the domestic capacities and forming targeted alliances can, very probably, be the way forward rather than relying on the broad tariff regimes to find your way out of this fragmented world. At the same time, the challenge is not less tough for executives. The time when they could just react to the crisis and wait for the disruption before they had to respond is over. Companies need to implement risk management systems that are not only more advanced and complex but also that would embed geopolitical risk analysis as a part of the main business processes. This necessitates centralized leadership to coordinate risk intelligence across departments, the development of a risk-aware culture that motivates employees to spot vulnerabilities and a partnership with external experts to validate strategic decisions. In such a scenario, resilience is not an afterthought but a core factor of competitiveness. Geopolitical risk blind companies would suffer not only monetary losses but also the threat of being wiped out. At its core, the great reallocation is a permanent recalibration of the global economic strategy. One cannot simply look for efficiency anymore while ignoring the geopolitics. Supply chain strategy and national security have become so closely interconnected that the choices of firms and governments will determine the shape of the global economy for the next several decades. This new model requires foresight, adaptability and a readiness to accept higher costs in exchange for greater resilience. It is the end of an era characterized by frictionless globalization and the beginning of one where economic architecture is built to withstand volatility, competition and fragmentation. Success in navigating this reallocation will not be about turning away from globalization but rather about transforming it by creating networks that are strong, diversified and strategically aligned to the imperatives of contested world.

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