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Research Article

Goodbye Globalization? Hello 'Fragmentegration'! - The World Economy and Strategic Competition

Ralf Roloff

George C. Marshall European Center for Security Studies,
http://www.marshallcenter.org

Abstract: Tensions in great power competition, geopolitical shifts, and external shocks—such as the 2008-2009 global financial crisis, the COVID-19 pandemic, and Russia's war against Ukraine since February 2014—have put the global economy under stress. International trade, foreign direct investment, and global value chains have been redirected, diversified, and de-risked. Rather than leading to de-globalization, this has resulted in a "fragmentegrated" global economy that is both tripolar, regionally and globally fragmented, and integrated at the same time. The world economy remains deeply interconnected rather than fully decoupled.

This "fragmentegrated" global economy is exposed to great power competition and the increasing weaponization of economic interdependence, affecting all sectors of the multilateral system. Conflict and confrontation dominate under these conditions of "chained globalization." However, strategic interdependence and the development of counter-coercive instruments can provide mitigation tools for actors facing pressure from great powers.

Keywords: globalization, de-globalization, strategic interdependence, fragmentegration, regional trade agreements, weaponization of interdependence, multilateralism, global governance, strategic power competition.

Introduction

The global economy plays an importnant role in today's global power competition. Shifts in geo-economics and geopolitics driven by systemic shocks—such as COVID-19, the war in Ukraine, digitalization, automation, and climate change—have significantly altered the world economy in recent years. Some observers even bid "goodbye to globalization,"[1] arguing that it has ended as a "dynamic and multidimensional process of economic integration whereby national resources become more and more internationally mobile while national economies become increasingly interdependent."[2] They assert that this process has been replaced by the re-nationalization, regionalization, and redirection of former global trade, investment flows, and global value chains.

The network of global interdependencies is indeed shifting, sparking discussions about de-globalization, decoupling, de-risking, or re-globalization of the global economy. Over the past decade, another critical development in the international political economy has gained momentum: the instrumentalization—or even weaponization—of interdependencies by great powers in coercive ways, turning the global economy into a battleground for strategic power competition. What are the implications of these shifts for the world economy?

The world economy is not de-globalizing but rather reshaping its structure. The process of "fragmentegration"[3]—through practices like re-shoring, near-shoring, and friend-shoring—is creating an overlapping network of regional, inter-regional, multilateral, and global interdependencies, with redirected global value chains (GVCs), trade patterns, and foreign direct investments. Business executives now view supply chain disruptions as the greatest short-term risk, leading to increased interest in transferring operations and services back to home countries (re-shoring), neighboring countries (near-shoring), or friendly and trusted countries (friend-shoring).[4] These strategies aim to create robust and resilient supply chains that encourage trade and commerce with neighboring and friendly countries.[5]

In addition, digitalization, automation, and climate change are driving structural changes in the global economy. All these aforementioned trends are simul-

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1 Elisabeth Braw, *Goodbye Globalization: The Return of a Divided World* (New Haven: Yale University Press, February 2024).

2 Philippe de Lombaerde and P. Lelio Iapadre, "International Integration and Societal Progress: A Critical Review of Globalisation Indicators," in *Statistics, Knowledge and Policy 2007: Measuring and Fostering the Progress of Societies* (Paris: OECD, 2007).

3 Rem Korteweg, "'Fragmentegration': A New Chapter for Globalisation," *ISPI – Italian Institute for International Political Studies*, November 4, 2022, accessed June 20, 2024, https://ispionline.it/en/publication/fragmentegration-new-chapter-globalisation-36614.

4 James J. Nedumpara, "Editorial: Friendshoring, Nearshoring, Greenshoring and Re-sshoring: Changing Faces of Global Supply Chains and Its Impact on International Economic Law – Introduction to the Special Issue," *Global Trade and Customs Journal* 19, no. 3 (2024): 125-128, https://doi.org/10.54648/gtcj2024035; Sanjusha Ladi, "Near-shoring, Friendshoring, Offshoring, Reshoring: Top 4 Global Trade Buzzwords Explained," *Syren Cloud*, May 12, 2024, https://syrencloud.com/insights/nearshoring-friendshoring-offshoring-reshoring/.

5 Janet L. Yellen, "Remarks by Secretary of the Treasury Janet L. Yellen on Way Forward for the Global Economy," *U.S. Department of the Treasury*, April 13, 2022, accessed June 20, 2024, https://home.treasury.gov/news/press-releases/jy0714.

taneously leading to fragmentation and increased integration of the global economy. The global network of interdependencies is being stretched and stressed by these diverging trends. In response, states exhibit both cooperative and confrontational behaviors in this evolving environment, with managing strategic interdependencies now a key component of strategic competition. Geo-economics and geopolitics are thus two sides of the same coin. How is strategic competition shaping the global economy, and what are the implications of these significant shifts for global economic governance?

In the first section of this article, the author analyzes current trends in the global economy toward both fragmentation and integration. The second section examines the growing trend of confrontation and coercion within global interdependencies. The third section then explores the implications of a "fragmentegrated" global economy for the multilateral system.[6] Finally, the article concludes with recommendations for managing strategic interdependencies in a changing global economy.

Goodbye Globalization? Fragmentation and Integration in the Global Economy

Let us begin with some good news: globalization has not come to an end. The world economy is neither de-globalizing nor fully decoupling. We are not yet seeing the global economy fragment into entirely separate trading blocs. The term "geo-economics" can sometimes be misleading in this regard. Instead, what has emerged in recent years is a global economy that is simultaneously fragmenting and integrating, organized around three major hubs: North America (led by the United States), the European Union (EU) and EFTA, and the Asia-Pacific region (with China and Japan as leading economies). Together, China, the United States, and the European Union represent the three largest economies in the world.

The world's largest trade blocs today are as follows: [7]

- *Regional Comprehensive Economic Partnership* (RCEP) – Valued at $ 25.84 trillion, this bloc includes 15 nations in the Asia-Pacific, such as China, Australia, New Zealand, Japan, South Korea, Singapore, and the ASEAN countries. RCEP has been considered as "the most important new multilateral trade deal since the formation of the EU single market."[8]
- *United States-Mexico-Canada Agreement* (USMCA) – Formerly known as North American Free Trade Agreement (NAFTA), USMCA is valued at $ 24.37 trillion and binds the North American economies.

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6 Korteweg, "'Fragmentegration": A New Chapter for Globalisation."

7 Douglas Broom, "These Are the World's Biggest Trading Blocs," *World Economic Forum*, April 28, 2023, accessed June 20, 2024, https://www.weforum.org/agenda/2023/04/growth-summit-2023-world-biggest-trading-blocs/.

8 Broom, "These Are the World's Biggest Trading Blocs."

- *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (CPTPP) – Launched in 2018 with members including Japan, Malaysia, Vietnam, Australia, Singapore, Brunei, New Zealand, Canada, Mexico, Peru, Chile and, since 2023, the United Kingdom. Originally conceived as the Trans-Pacific Partnership (TPP) with the United States as a prospective member, the U.S. withdrawal in 2017 changed the composition of what could have been the world's largest free trade area.
- *European Economic Area* (EEA) – Encompassing all 27 EU members as well as Switzerland, Norway, Iceland, and Liechtenstein, the EEA is valued at $ 18.85 trillion. EU countries account for 14 % of global trade, with a combined GDP of $ 16 trillion, making the European Union the third-largest global economy after China and the United States.
- *African Continental Free Trade Area* (AfCFTA) – Launched in 2020, AfCFTA aims to create a continental market among 55 African countries, covering 1.3 billion people. According to the World Bank, AfCFTA has the potential to boost intra-African trade by around 50 % and grow Africa's economy to $ 29 trillion by 2050.
- *Southern Common Market* (Mercosur) – Established in 1991 with Argentina, Brazil, Paraguay, Uruguay, and Venezuela (suspended since 2016 due to human rights issues), Mercosur includes as associate members Suriname, Guyana, Colombia, Ecuador, Peru, Chile, and Bolivia. The bloc's combined GDP in 2021 was approximately $2.2 trillion, making it the world's fifth-largest economy.

In summary, the world economy is tripolar, regionally aligned, and deeply interconnected on a global scale.

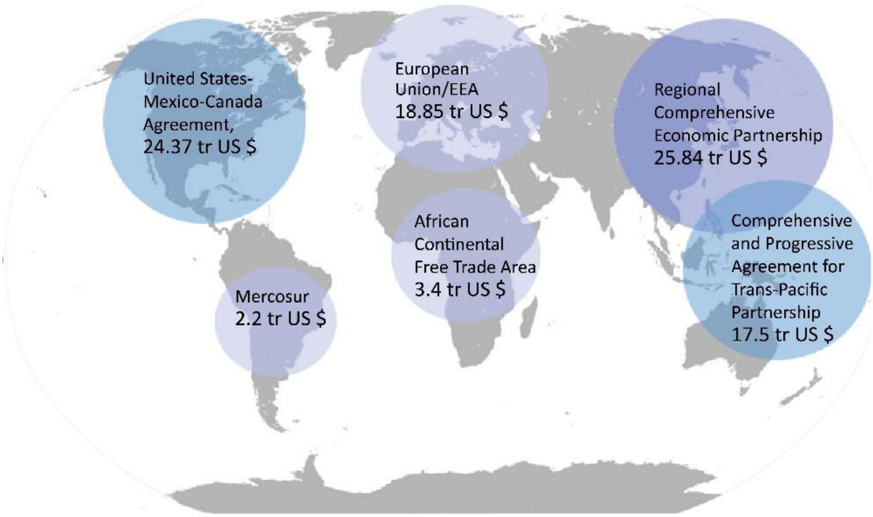

Figure 1: Global Trade Blocs by GDP, 2023.

Two major shocks have profoundly impacted the global economy over the past two decades: the global financial crisis of 2008-2009 and the COVID-19 pandemic. These events have effectively marked the end of the era of hyper-globalization that defined the post-Cold War period—a trend Adjiedj Bakas terms "slowbalization." [9] From 1970 to 2008, the share of trade in goods and services as a percentage of GDP rose dramatically, from 13 % to 31 %. However, this figure has stagnated since 2008 (when the world financial crisis hit the global economy), indicating that global trade has been growing at the same rate as world production.[10] Despite this slowdown, the volume of global trade has increased significantly.[11] For example, world trade grew from $ 318.02 billion in 1970 to $ 16.14 trillion in 2008. Although the financial crisis caused a drop to $ 12.55 trillion in 2009, trade rebounded to $ 19.54 trillion by 2018. COVID-19 briefly interrupted this growth, bringing the trade volume down to $ 17.64 trillion in 2020, but it has since recovered, reaching $ 24.9 trillion in 2022. This represents nearly a fourfold increase from $ 6.45 trillion in 2000, underscoring that the world is far from de-globalizing.

At a press conference during the World Economic Forum in Davos in January 2024, WTO General Secretary Ngozi Okonjo-Iweala highlighted a significant transformation and new dynamics in world trade. She noted that trade in services—particularly digital and green trade—has outpaced trade in goods, reflecting a shift in the global economy toward digitalization and green transition.[12] Structural changes in the global economy have been driven as much, if not more, by digitalization and automation as by geopolitical shifts tied to the rise and fall of global economic powers. Among the ten largest companies by market capitalization in 2024, seven are technology companies, one is an automotive company, one is diversified, and one is in oil and gas. By contrast, in 1980, six of the top ten companies were in oil and gas, with only one in technology.[13]

Foreign Direct Investment (FDI), a key factor and driver of hyper-globalization, sharply declined following the 2008-2009 global financial crisis. A closer

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9 Christian Keller and Renate Marold, "Deglobalisation: What You Need to Know," *World Economic Forum*, January 17, 2023, accessed June 20, 2024, https://www.weforum.org/agenda/2023/01/deglobalisation-what-you-need-to-know-wef23/.

10 Gabriel Felbermayr and Guntram Wolff, "Wohin steuert die Weltwirtdchaft?" *Internationale Politik* 78, no. 1 (January/February 2023): 19-25

11 See the data provided by Tugba Sabanoglu, "Trade: Export Value Worldwide 1950-2022," *STATISTA*, September 29, 2023, accessed March 9, 2024, www.statista.com/statistics/264682/worldwide-export-volume-in-the-trade-since-1950/.

12 Børge Brende, Ngozi Okonjo-Iweala, and Thani Ahmed Al Zeyoudi, "Press Conference: Transformation of Global Trade," *World Economic Forum*, January 18, 2024, accessed March 9, 2024, https://weforum.org/events/world-economic-forum-annual-meeting-2024/sessions/press-conference-digital-transformation-of-global-trade/.

13 Steve Randall, "Only One of the World's Biggest Firms of 2000 Is Still in the Top 10 Today: What Were the Biggest Companies in the World by Market Cap in 2000 and 1980?" *Investment News*, September 14, 2023, www.investmentnews.com/equities/only-one-of-the-worlds-biggest-firms-of-2000-is-still-in-the-top-10-today/243474.

look at FDI trends raises concerns about global economic integration, suggesting a potential shift toward policy-driven geo-economic fragmentation. Rising geopolitical tensions and unequal globalization benefits have resulted in huge skepticism toward the multilateral system governing the global economy.[14] Unlike past focus on economic efficiency, today's geo-economic fragmentation increasingly reflects geopolitical priorities:

> While trade data do not yet show deglobalization of production chains, policies in many parts of the world now prioritize domestic or geopolitical objectives over efficiency. Strategic industries such as semiconductors or pharmaceuticals, for example, may see a reshoring of supply chains as a result of government policies.[15]

Global FDI has declined from 3.1 % of GDP in the early 2000s to 1.3 % between 2018 and 2022.[16] According to the World Investment Report 2023, global FDI flows fell by 12 % to $ 1.3 trillion in 2022, affected by multiple crises like the war in Ukraine, high food and energy prices, and recession risks.[17] The decline, however, varied by region: FDI inflows to developed economies fell by 37 % (from $ 597 billion in 2021 to $ 378 billion in 2022), while developing countries saw a 4 % increase (from $ 881 billion 2021 to $ 916 billion in 2022). Europe lost $ 107 billion in FDI in 2022 (down from $ 51 billion in 2021), while North America's inflows dropped 26 % to $ 338 billion from $ 453 billion. Africa's FDI inflows fell by 44 % to $ 45 billion compared to $ 80 billion in 2021, while countries in Latin America and the Caribbean saw inflows double from $ 138 billion to $ 208 billion. Asia's FDI remained steady at $ 662 billion (see Fig. 2).

As FDI flows redirect, regionalization in the global economy is gaining momentum. Both fragmentation and integration are now prominent forces shaping the global economy.

The slowdown of globalization is not new, but the fragmentation of FDI flows along geopolitical fault lines, potentially forming regional blocs, is a new and concerning development for the global economy. European Commission President Ursula von der Leyen coined the term "de-risking" to describe the strategy of moving production processes and global value chains to trusted countries with

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[14] JaeBin Ahn et al., "Geoeconomic Fragmentation and Foreign Direct Investment," Chapter 4 in *World Economic Outlook: A Rocky Recovery* (Washington D.C.: International Monetary Fund, April 2023), 91, https://www.imf.org/-/media/Files/Publications/WEO/2023/April/English/ch4.ashx.

[15] Martina Di Sano, Vanessa Gunnella, and Laura Lebastard, "Deglobalisation: Risk or Reality?" *The European Central Bank (ECB) Blog*, July 12, 2023, accessed June 20, 2024, https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog230712~085871737a.en.html.

[16] Ahn et al., "Geoeconomic Fragmentation and Foreign Direct Investment," 91.

[17] United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2023: Investing in Sustainable Energy for All* (New York, NY: United Nations Publications, 2023), https://unctad.org/publication/world-investment-report-2023.

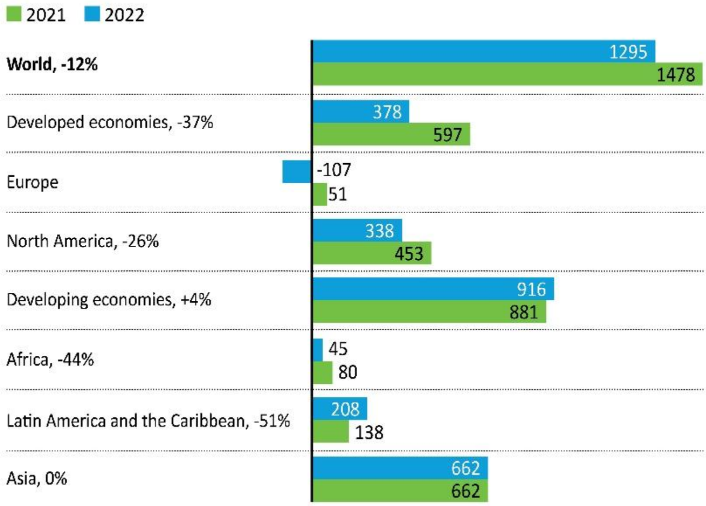

Figure 2: Global FDI by regions, 2021 and 2022.

aligned political interests.[18] Practices like re-shoring, near-shoring, and friend-shoring aim to reduce the vulnerability of supply chains. Redirecting interdependencies in this way is intended to increase economies' resilience to geopolitical tensions and external shocks, such as COVID-19.

Geo-economic fragmentation of FDI has emerged as a reaction to both global supply chain disruptions during COVID-19 and potential threats from ongoing geopolitical tensions. Technological advances and automation had already contributed to a slowdown in FDI before the pandemic. More significant than the overall decline in FDI, however, is the regional shift in capital flows observed between 2015 and 2022. The IMF reports that strategic FDI inflows to Asian countries began to decline in 2019, while capital flows into the United States and Europe have shown resilience.

From 2015 to 2020, reallocation—re-, near-, and friend-shoring—trends became evident. The United States attracted less FDI from China (-22.1 %) and Asia (-3.2 %) but saw increases from emerging Europe (27.6 %), advanced Europe (7.5 %), and the Americas (18.6 %). China experienced substantial FDI reductions from Asia (-49.2 %), advanced Europe (-19.7 %), the Americas (-13.3 %), and the United States (-40.6 %), with only emerging Europe increasing its FDI into China (13.9 %). Meanwhile, advanced Europe drew less FDI from China (-17.8 %) and Asia (-11.7 %) but saw gains from emerging Europe (9.9 %), advanced Europe itself (9.3 %), the Americas (14.9 %), and the United States (0.6 %).

[18] Ursula von der Leyen, "Speech by President von der Leyen on EU-China Relations to the Mercator Institute for China Studies and the European Policy Centre," *European Commission*, Brussels, March 30, 2023, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063.

Re-, near-, and friend-shoring have simultaneously fragmented and integrated the global economy. The current trend of regionalization poses challenges to the multilateral system, increasing its exposure to strategic competition. While the redirection of global value chains, trade, and FDI is reshaping strategic interdependencies within trading blocs, it does not signal full de-globalization; rather, these blocs remain strongly interconnected. This trend is primarily driven by economic considerations within companies rather than exclusively by geopolitical factors.

The Economist Impact Trade in Transition Survey 2023 reveals that the reconfiguration of supply chains—through diversification, regionalization, reshoring, and supplier reduction—is mainly motivated by cost reduction (62 %), followed by the need to reduce disruption risks (58 %), government financial incentives (43 %), and local content mandates (35 %).[19] Although geo-economics and geopolitics are intertwined, it does not imply that global power competition has entirely overtaken economic logic. Instead, both factors are influencing the global economy concurrently, creating a "fragmentegrated" environment that coexists with strategic competition.

Weaponizing Economic Interdependencies

From an international political economy perspective, the growing interconnectedness and deeper integration of the global economy since the end of the Cold War has been seen as a guarantee for peace and stability. With the expansion of global interdependencies and a denser network of economic transactions, cooperation was considered the dominant pattern in international economic relations.[20] Hyper-globalization pushed nations toward even greater collaboration to effectively manage complex interdependencies. The logic of interdependence hinges on reducing vulnerabilities and costly impacts through effective economic and political cooperation, making these interdependencies beneficial to all parties involved. This win-win situation has further encouraged the deepening of economic interdependencies and created a denser network of reciprocal relations.

Conflict and confrontation are counterproductive because they transform the win-win dynamics of mutually beneficial interdependencies into a zero-sum scenario. This shift from cooperation to conflict has occurred gradually over the past decade. Henry Farrell and Abraham Newman argue that the dense network of interdependence has created what they term "chained globalization." [21]

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[19] Economist Impact, *Trade in Transition 2023: Global Report* (Economist Impact, 2023), 21, https://impact.economist.com/projects/trade-in-transition/pdfs/Trade_in_Transition_Global_Report_2023.pdf.

[20] Robert O. Keohane and Joseph S. Nye Jr., *Power and Interdependence*, 4th ed. (Boston: Longman, 2012).

[21] Henry Farrell and Abraham L. Newman, "Chained to Globalization: Why It's Too Late to Decouple," *Foreign Affairs* 99, no. 1 (January/ February 2020): 70-80, www.foreignaffairs.com/articles/united-states/2019-12-10/chained-globalization.

Growing interdependencies have introduced new vulnerabilities, competition, and opportunities for control by state actors, especially global powers. Despite the risks associated with "chained globalization," countries remain entangled with one another. Interdependence may tempt states to exert economic coercion and engage in espionage to gain advantages while simultaneously attempting to resist similar tactics from rivals.[22] The weaponization of economic interdependence thus becomes part of the broader trend of "weaponizing everything," [23] further intensifying global power competition.

An essential component of the weaponization of economic interdependence is the conflict among great powers over the infrastructure of the global economy. In this "age of coercion," geopolitics disruptively interferes with the management of complex interdependence. As a result, "all of the infrastructure of globalization risks being weaponized: the financial sector, supply chains, the energy sector and the global trading regime." [24] Despite a shared interest in maintaining a global economic system that benefits all, this system is increasingly weaponized and exploited by key actors to advance individual agendas, thereby undermining its overall functionality. Multilateral regimes, the world trade system, global finance, supply chains, energy, and technology have all become highly contested arenas of global power competition. These systems have been manipulated not only through sanctions but also by influencing decision-making processes across various sectors and implementing coercive economic measures such as heightened customs controls, economic blockades, aid suspensions, travel bans, and the cancellation of international meetings. This phenomenon of economic coercion has become global, extensively employed not only by the United States and the European Union but also by G-20 nations such as Brazil, China, India, Japan, Russia, South Africa, South Korea, and Türkiye.[25]

Since November 2008, Global Trade Alert has documented a total of 52,624 harmful interventions worldwide that discriminate against foreign commercial interests, along with 1,220 interventions likely to worsen foreign commercial interests, and 10,212 government interventions that benefit foreign commercial interests. Of these measures, 55 % are subsidies, 16.8 % are export-related, 8 % are trade-related investment measures, 7 % are tariffs, 4.7 % are contingent trade-protective measures, and 8.3 % fall under other categories. The United States (9,868), China (6,354), and Brazil (6,754) have introduced the majority of

22 Farrell and Newman, "Chained to Globalization: Why It's Too Late to Decouple."

23 Mark Galeotti, *The Weaponisation of Everything: A Field Guide to the New Way of War* (New Haven, CT: Yale University Press, 2022).

24 Global Agenda Council on Geo-economics, "The Age of Economic Coercion: How Geopolitics is Disrupting Supply Chains, Financial Systems, Energy Markets, Trade and the Internet," White Paper (Geneva: World Economic Forum, January 2016), 1, https://www3.weforum.org/docs/WEF_Age_of_Economic_coercion.pdf.

25 Global Agenda Council on Geo-economics, "The Age of Economic Coercion."

these harmful measures.[26] Key targets of these interventions include products such as iron and steel, motor vehicles, trailers and semi-trailers, metal products, cereals, and pharmaceuticals.

As global trade partners increasingly employ harmful measures to discriminate against foreign trade partners and use global value chains to undermine the European Union's economic security, the European Commission launched the European Economic Security Strategy on June 20, 2023. This strategy aims to better equip the European Union and its member states to handle risks to supply chain resilience, the physical and cyber security of critical infrastructure, and the weaponization of economic dependencies or economic coercion.[27] In January 2024, the European Union introduced new tools to reinforce its economic security: screening foreign investments, a more coordinated approach to dual-use exports, and assessing potential risks associated with specific EU investments abroad.

This approach is particularly critical in technology and the highly contested area of semiconductors, where recent US controls on specific investments and financial flows into China's technology sector may create extraterritorial obstacles for EU investors. Chinese actions, such as leveraging European companies' know-how while controlling critical technology inputs, could pose even greater risks. The European Union was caught off guard in 2022, when the US administration enacted new laws on controlling exports of advanced semiconductors and related production tools. Given the strategic importance of Dutch companies in this sector—central to global technology competition—the European Union recognized the need for more robust measures.[28]

The European Union has lacked sufficient legal instruments to deter and counteract coercive actions by third countries. In response, the European Commission adopted three proposals aimed at imposing countermeasures: the Trade Enforcement Regulation (TER), the Anti-Coercion Instrument (ACI), and the Single Market Emergency Instrument (SMEI). Once implemented, these instruments will empower the EU to counteract coercive measures by third parties that exploit the paralysis of the multilateral trading system.[29]

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26 "Global Dynamics," *Global Trade Alert*, accessed June 20, 2024, https://www.globaltradealert.org/global_dynamics/.

27 European Commission, "Joint Communication to the European Parliament, the European Council and the Council on 'European Economic Security Strategy,'" June 20, 2023, Brussels, JOIN(2023) 20 final, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023JC0020.

28 Tobias Gehrke, "A Maker, Not a Taker: Why Europe Needs an Economic Security Mechanism," Commentary, *European Council on Foreign Relations*, November 9, 2023, accessed June 20, 2024, https://ecfr.eu/article/a-maker-not-a-taker-why-europe-needs-an-economic-security-mechanism/.

29 Waldemar Hummer, "'Trade Enforcement Regulation,' 'Anti-Coercion Instrument,' und 'Single Market Emergency Instrument': Reaktionen der Europäischen Union auf handelspolitische Herausforderungen," *Integration* 46, no. 1 (2023): 67-74, https://doi.org/10.5771/0720-5120-2023-1-67.

"Fragmentegration" and the Multilateral System

The weaponization of economic interdependencies has escalated open conflict within the multilateral system, resulting in the paralysis of the World Trade Organization's (WTO) Dispute Settlement Body. This body, which requires seven judges appointed by all WTO members, currently has only one remaining judge. The terms of the others have expired, and the United States has blocked new appointments since December 2019, citing concerns over the body's judicial power, which it argues could excessively interfere with U.S. economic and trade policy. This deadlock has left all current WTO trade disputes unresolved. Of the 622 cases brought since the body's establishment in 1995, 177 cases are still pending.

The multilateral trading system is further strained by an increase in regional trade agreements, of which 361 are currently notified to the WTO. As global trade becomes more fragmented, great powers and their trade blocs increasingly exploit the multilateral system, using coercive measures to influence third parties' trade policies. For instance, the EU is facing heightened pressure to amend its climate, tax, and food safety policies. The Anti-Coercion Instrument now provides the EU with a legal means to impose countermeasures.

Rather than relying on the multilateral dispute settlement mechanism, economic powers are increasingly turning to coercive measures, leading to retaliatory actions and a potential downward spiral in trade openness. With a rise in regional trade agreements and redirections in trade and global value chains, the normative dimension of interdependence gains significance. Friend-shoring prioritizes political alignment over economic efficiency. This approach raises questions: Can only democracies be "friends"? Is the democracy-autocracy distinction sufficient, and how crucial are shared values for friend-shoring?

Moreover, the consensus that open trade is inherently beneficial is eroding, giving way to a more normative approach to trade. The focus has shifted towards how goods and services are produced and delivered. Trade negotiations are now increasingly centered on services and regulatory norms rather than just delivery mechanisms. Today's trade agreements are often linked to climate objectives, human rights, gender equality, and other political benchmarks. This normative approach is likely to generate friction between those who accept such conditions and those who do not. Critical questions arise in a "fragmentegrated" global economy: How aligned must trading partners be? Will they subscribe to this normative approach in global trade, or will differing values create new divides? [30]

Towards Strategic Interdependence in a Changing Global Economy

As a result of the "fragmentegrated" global economy, strategic interdependence is increasing.[31] Actors must navigate multiple interdependencies, developing

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30 Korteweg, "'Fragmentegration": A New Chapter for Globalisation."

31 Aslı Aydıntaşbaş et al., "Strategic Interdependence: Europe's New Approach in a world of Middle Powers," Policy Brief, *European Council on Foreign Relations*, October 3,

strategies for partnerships, political coexistence, and competition. In this context, de-risking has become more crucial than full decoupling. A strategic interdependence approach enables actors to manage the global economy's simultaneous fragmentation and integration within a tripolar or multipolar framework, both regionally and multilaterally. The growing tensions between the United States and China further complicate the management of these strategic interdependencies, making multilateral "matchmakers" [32] essential for collaboration. The European Union, in particular, is well-prepared to work with multilateral matchmakers, as coalition-building in a multilateral context is central to EU policy-making within the Council of the European Union.

The world economy is not de-globalizing; rather, it is shaped by global power competition into a fragmented yet integrated structure driven by interdependence, geo-economics, and geopolitics. This evolving framework makes the global economy more vulnerable to and dependent on great power interference. If a normative approach to global trade were to gain broader consensus among all countries within the multilateral system—a challenging prospect at present—it would need to address another structural issue and carefully consider its implications: the integration of the Global South into the world economy.

Ngozi Okonjo-Iweala, the WTO Director-General, put it the right way: [33] "We need to think of globalization, not the way it was done before, but differently, and we need to make sure that those who did not benefit during the first round, benefit this time."

About the Authors

Prof. Dr. Ralf **Roloff** is the Deputy Dean for Academics at the George C. Marshall European Center for Security Studies in Garmisch-Partenkirchen and an adjunct professor at the University of the Bundeswehr Munich.
E-mail: ralf.roloff@marshallcenter.org

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32 Carla Hobbs, Rafael Loss, Jana Puglierin, and Pawel Zerka, "Multilateral Matchmaker: Exploring Europe's Potential Partners," *European Council on Foreign Relations*, February 2024, accessed June 20, 2024, https://ecfr.eu/special/multilateral-matchmaker/.

33 Simon Lacey, "What's the State of Global Trade? Here's What We Learned in Davos," *World Economic Forum*, January 25, 2024, www.weforum.org/agenda/2024/01/the-state-of-global-trade/.

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