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THE NEW GEO-ECONOMIC ORDER: TARIFFS, TAX POLICY, AND STRATEGIC ALLIANCES IN THE RESHAPING OF GLOBAL ECONOMIES

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НОВИЙ ГЕОЕКОНОМІЧНИЙ ПОРЯДОК: ТАРИФИ, ПОДАТКОВА ПОЛІТИКА ТА СТРАТЕГІЧНІ АЛЬЯНСИ У ПЕРЕБУДОВІ СВІТОВОЇ ЕКОНОМІКИ

The article examines the formation of a new geo-economic order emerging under conditions of intensified strategic competition, technological rivalry, and increasing geopolitical fragmentation. It argues that contemporary global transformations do not signify the collapse of globalization but rather its structural recalibration. Instead of universal liberalization and cost-based optimization, the global economic system is increasingly characterized by selective integration, strategic screening, and differentiated interdependence across sectors and regions.

The study analyzes three interrelated dimensions of this transformation. First, it investigates the restructuring of tariff policy, emphasizing the shift from broad-based liberalization toward targeted measures applied to strategically sensitive industries. Tariffs, export controls, and regulatory instruments are increasingly deployed to reduce critical dependencies, secure supply chains, strengthen domestic productive capacity, and reinforce geopolitical positioning within global competition.

Second, the article explores the renewed role of fiscal and industrial policy. Governments actively use tax incentives, subsidies, public investment programs, and strategic procurement mechanisms to support advanced manufacturing, digital infrastructure, semiconductor production, and green technologies. Economic efficiency is no longer treated as the exclusive benchmark of policy evaluation; resilience, technological sovereignty, and strategic autonomy have become central criteria shaping long-term economic governance.

Third, the paper considers the expansion of alliance-based economic cooperation. Strategic partnerships and regional agreements increasingly function as platforms of coordinated regulation, investment screening, and technological standard-setting. These arrangements reflect a model of controlled diversification rather than comprehensive de-globalization.

The findings suggest that the sustainability of the emerging geo-economic configuration depends on maintaining a macroeconomic balance between resilience gains and efficiency costs within the world economy.

У статті досліджується формування нового гео економічного порядку в умовах посилення стратегічної конкуренції, технологічного суперництва та зростання геополітичної напруженості. Обґрунтовується, що сучасні трансформації світової економіки не означають руйнування глобалізації, а відображають її структурну перебудову. Замість універсальної лібералізації та орієнтації виключно на мінімізацію витрат дедалі більшого значення набувають вибіркова інтеграція, стратегічний контроль та диференційована взаємозалежність між країнами і регіонами.

У роботі проаналізовано трансформацію тарифної політики, що проявляється у переході від загальної торговельної лібералізації до застосування цільових заходів у стратегічно чутливих галузях. Тарифи, експортні обмеження та регуляторні інструменти дедалі частіше використовуються для зниження критичної залежності від зовнішніх постачальників, зміцнення внутрішнього виробничого потенціалу та посилення гео економічних позицій держав у глобальній конкуренції.

Особливу увагу приділено зростанню ролі фіскальної та промислової політики у сучасних економічних стратегіях. Податкові стимули, державні субсидії, інвестиції у дослідження та розвиток, підтримка виробництва напівпровідників, цифрової інфраструктури та зеленої енергетики розглядаються як ключові механізми структурного переформатування економіки. Економічна ефективність більше не виступає єдиним критерієм оцінювання державної політики; поряд із нею визначального значення набувають стійкість, технологічний суверенітет і стратегічна автономія.

Також проаналізовано розширення альянсної моделі економічної взаємодії, в межах якої регіональні угоди та стратегічні партнерства виконують функції координації регулювання, інвестиційного контролю та формування технологічних стандартів. Така модель відображає контрольовану диверсифікацію глобальних зв'язків, а не повну деглобалізацію.

Зроблено висновок, що стійкість нового гео економічного порядку залежить від здатності підтримувати макроекономічний баланс між виграшами у стійкості та втратами ефективності у світовій економіці.

Ключові слова: *геоекономіка, тарифна політика, промислова політика, фінансові інструменти, економічна стійкість, глобалізація, світова економіка.*

Keywords: *geo-economics, tariff policy, industrial policy, fiscal instruments, strategic alliances, economic resilience, technological sovereignty, world economy.*

Introduction. For more than three decades, the global economic order was guided by a liberal paradigm emphasizing trade openness, deregulation, and specialization according to comparative advantage [1]. Under this framework, economic integration was viewed as inherently stabilizing. Progressive tariff reduction and regulatory harmonization were considered necessary steps toward efficiency maximization and welfare growth [2].

However, structural disruptions of the twenty-first century have exposed vulnerabilities embedded in deeply integrated systems. The global financial crisis revealed fragilities within financial interdependence. Geopolitical tensions intensified competition between major economies. Technological rivalry expanded into sectors such as semiconductors, artificial intelligence, renewable energy, and digital infrastructure [3]. The COVID-19 pandemic further demonstrated the risks associated with geographically concentrated supply chains [4].

Under these conditions, interdependence began to be evaluated not only as a source of welfare but also as a channel of strategic exposure. Economic policy instruments acquired geopolitical significance. Tariffs, fiscal tools, export controls, and industrial subsidies became components of broader national security strategies [5].

The concept of geo-economics captures this transformation. It refers to the strategic use of economic instruments to achieve geopolitical objectives [5]. Within

this framework, economic governance is no longer separate from power politics; instead, it becomes one of its central arenas.

Based on an analysis of recent scholarly and policy research (2019–2024), the purpose of this study is to examine the structural foundations of the emerging geo-economic order through three interconnected dimensions:

- transformation of tariff policy;
- strategic reorientation of fiscal instruments; • expansion of alliance-based economic governance.

The central argument of this study is that contemporary global processes represent a recalibration of globalization rather than its collapse. By synthesizing geo-economic theory with recent empirical trends (2019–2024), the paper provides a structurally integrated interpretation of strategic economic transformation.

Methodological Note. This study employs a qualitative analytical approach complemented by recent macroeconomic and trade data (2019–2024). The research combines conceptual analysis in international political economy with secondary data from multilateral institutions, including the World Trade Organization [2], International Monetary Fund [4], World Bank [10], and OECD [9]. The objective is not econometric estimation but structural interpretation of policy shifts within a geo-economic framework.

Theoretical Foundations of the Geo-Economic Order

The transformation of global economic governance can be interpreted through several theoretical lenses within international political economy.

Rodrik's globalization trilemma highlights the structural tension between deep economic integration, national sovereignty, and democratic legitimacy [1]. According to this framework, states cannot simultaneously maximize all three dimensions. The growing emphasis on resilience and industrial policy suggests a shift toward restoring policy autonomy.

Blackwill and Harris conceptualize geo-economics as statecraft conducted through economic instruments such as trade, finance, and investment [5]. This

perspective emphasizes that economic measures increasingly substitute for or complement traditional military instruments.

Farrell and Newman further deepen this analysis by introducing the concept of “weaponized interdependence,” demonstrating how control over global financial and technological networks generates structural power [6]. States occupying central nodes in global systems can leverage these positions strategically.

Table 1. Comparative Features of Liberal and GeoEconomic Orders

Dimension	Liberal Order	Geo-Economic Order
Primary Objective	Efficiency maximization	Strategic resilience
Trade Logic	Comparative advantage	Controlled interdependence
State Role	Regulatory facilitator	Strategic industrial coordinator
Supply Chains	Cost optimization	Diversification and security screening
Governance Logic	Universal liberalization	Selective integration

Source: compiled by the author based on [1; 5; 6].

The revival of industrial policy reinforces this shift. Mazzucato argues that innovation ecosystems frequently depend on active state coordination rather than purely market-driven mechanisms [7]. Historical evidence also demonstrates that strategic protection and industrial guidance were central to development trajectories in advanced economies [8].

Taken together, these theoretical perspectives indicate that geo-economic restructuring represents an adaptive response to structural tensions within global capitalism rather than an anomaly.

Transformation of Tariff Policy in the Geo-Economic Era

From Universal Liberalization to Strategic Selectivity

During the liberal phase of globalization, tariff reduction was treated as a structural necessity for economic modernization. WTO negotiations institutionalized declining tariff rates and supported the expansion of global value chains [2]. Trade openness was considered inherently welfare-enhancing, reinforcing specialization according to comparative advantage [1].

However, the geo-economic turn has fundamentally altered the logic of tariff policy. Instead of uniform liberalization, governments increasingly adopt targeted

trade measures directed at strategically sensitive sectors. WTO and IMF reports document a steady increase in trade-restrictive interventions in advanced technological industries [2; 4].

Unlike traditional protectionism, which primarily aimed to shield declining or infant industries, contemporary tariff escalation frequently targets technologically sophisticated sectors such as semiconductors, renewable energy components, rare earth materials, advanced machinery, and digital infrastructure [3]. These industries combine high economic value with national security relevance.

Tariff policy now performs multiple strategic functions:

1. **Reducing dependency** on politically sensitive suppliers;
2. **Encouraging domestic production capacity** in critical industries;
3. **Signaling geopolitical positioning** within broader strategic competition;
4. **Enhancing bargaining leverage** in international negotiations.

In this context, tariffs operate as structural instruments of geo-economic statecraft rather than short-term corrective mechanisms [5].

Structural Logic of Tariff Restructuring

The transformation of tariff policy can be conceptualized through a causal chain:

Technological rivalry

→ targeted tariff escalation and export controls

→ supply chain reconfiguration

→ investment relocation

→ duplication of productive capacity

→ increased resilience but higher coordination costs

Under liberal globalization, duplication of production facilities was considered inefficient. Concentration of production in cost-advantaged regions minimized expenses and maximized scale economies.

In the geo-economic order, partial duplication is interpreted as strategic insurance. Redundant capacity reduces exposure to geopolitical disruption. Efficiency is therefore redefined to include resilience.

This redefinition reflects a deeper normative shift. Economic rationality expands beyond cost minimization to incorporate risk management and strategic autonomy.

Supply Chain Restructuring and Resilience Strategy

From Optimization to Diversification

Global value chains developed under a logic of optimization. Production stages were geographically fragmented to exploit differences in labor costs, resource availability, and technological specialization [3]. Just-in-time logistics minimized inventory costs and improved productivity.

However, pandemic-related disruptions and geopolitical tensions exposed the fragility of this model [4]. High geographic concentration increased systemic vulnerability. Temporary shocks produced cascading effects across industries.

In response, governments and firms adopted diversification strategies:

- **Reshoring** – returning production domestically;
- **Nearshoring** – relocating production to geographically proximate partners;
- **Friend-shoring** – shifting production to politically aligned economies.

These strategies do not eliminate globalization but recalibrate it. Integration becomes selective and conditional rather than universal.

Economic Implications of Diversification

Diversification introduces structural economic trade-offs.

Direct economic costs include:

- Higher capital expenditures for establishing new production facilities;

- Increased labor and compliance costs in higher-income jurisdictions;
- Reduced economies of scale due to fragmentation of production networks.

Indirect effects include:

- Trade diversion, as supply chains shift between partners;
- Regulatory divergence across competing blocs;
- Reduced productivity gains from specialization.

The IMF has warned that extreme geo-economic fragmentation could significantly reduce global output and long-term growth prospects [4]. However, moderate diversification may enhance systemic stability without fully undermining efficiency gains.

The key analytical question concerns thresholds. At what point does resilience-oriented restructuring transition from prudent diversification to economically harmful segmentation?

Fragmentation Economics and Threshold Effects

Fragmentation should not be understood as a binary condition but as a spectrum. Limited strategic screening in critical sectors may enhance stability with manageable efficiency costs. Conversely, large-scale decoupling could generate structural inefficiencies and persistent welfare losses.

Fragmentation economics therefore depends on:

- Sectoral concentration levels;
- Elasticity of substitution across suppliers;
- Institutional capacity for coordination;
- Political stability among alliance partners.

The geo-economic order is sustainable only if resilience gains outweigh efficiency losses within acceptable macroeconomic limits.

This balance defines the central dilemma of contemporary global governance.

Fiscal Policy and Strategic Industrial Transformation

The Return of Industrial Policy

One of the defining characteristics of the geo-economic order is the renewed prominence of industrial policy. In contrast to the liberal paradigm, which emphasized deregulation and limited state intervention, contemporary governments increasingly deploy fiscal instruments to shape long-term structural development.

Public investment in research and development, green transition subsidies, strategic procurement policies, tax credits for advanced manufacturing, and infrastructure spending illustrate this transformation. According to Mazzucato, the state frequently acts not merely as a regulator but as an entrepreneurial agent shaping innovation ecosystems [7].

Historical evidence also supports the argument that advanced economies relied on strategic protection and coordinated industrial policies during earlier stages of development [8]. The notion that pure market mechanisms alone drive structural transformation appears increasingly contested.

Within the geo-economic framework, industrial policy serves dual purposes. First, it enhances domestic technological capacity and reduces dependence on external suppliers in strategically sensitive sectors. Second, it strengthens geopolitical positioning by reinforcing national competitiveness.

Industrial policy is therefore no longer a marginal instrument but a core pillar of strategic governance.

Fiscal Competition and Capital Allocation

Fiscal policy has become a central mechanism through which states influence global capital flows. Governments increasingly use targeted tax incentives to attract strategic industries and secure technological leadership.

Examples include:

- R&D tax credits;
- Accelerated depreciation allowances;

- Subsidies for renewable energy production; • Incentives for semiconductor manufacturing.

Unlike traditional macroeconomic stimulus aimed at cyclical stabilization, geo-economic fiscal policy is structurally oriented. It seeks to reshape production patterns and secure strategic supply chains.

However, unregulated fiscal competition may generate destabilizing effects. Aggressive tax reductions can erode public revenue bases and create regulatory uncertainty. To address these risks, the OECD introduced a twopillar solution establishing a global minimum corporate tax framework [9; 11].

The global minimum tax aims to prevent harmful “race-to-the-bottom” dynamics while preserving space for national strategic policies. This initiative reflects a broader trend within the geo-economic order: competition persists but operates within partially coordinated institutional frameworks.

Strategic Alliances and Layered Governance

Alliance-Based Economic Integration

In the geo-economic era, economic cooperation increasingly occurs within strategically aligned networks. Modern trade agreements extend beyond tariff reduction to include digital regulation, export controls, investment screening, and coordinated industrial standards [10].

These agreements reflect selective interdependence rather than universal openness. Economic integration is preserved among trusted partners, while exposure to strategic competitors is reduced [6].

Alliance-based governance therefore represents differentiation rather than isolation. It reconfigures the geography of integration.

Multi-Level Governance and Institutional Adaptation

Geo-economic restructuring does not eliminate multilateral institutions such as the WTO or IMF. Instead, their functions evolve. Global institutions continue to provide baseline coordination, dispute resolution, and macroeconomic surveillance [2; 4].

Table 2. Structural Features of the Emerging Geo-Economic Order

Policy Area	Liberal Globalization	Geo-Economic Governance
Trade Policy	Broad tariff reduction	Targeted sectoral measures
Fiscal Policy	Tax competition	Coordinated strategic incentives
Industrial Policy	Limited intervention	Active state coordination
Supply Chains	Cost optimization	Diversified resilience networks
Governance Structure	Universal rules	Layered and selective integration

Source: compiled by the author based on [1; 6; 7; 9].

Simultaneously, regional alliances assume greater responsibility for sector specific governance and regulatory harmonization [10]. National governments implement targeted fiscal and industrial policies [7].

This layered governance structure produces increased complexity. Convergence may occur within alliances, while divergence intensifies across geopolitical blocs.

The sustainability of this system depends on maintaining communication channels across alliances to prevent rigid fragmentation.

Comparative Models of Geo-Economic Governance

Although the geo-economic turn represents a systemic phenomenon, its implementation varies across major economic actors. Institutional traditions, economic structures, and strategic priorities shape distinct governance models.

The United States: Strategic Technological Containment

The United States increasingly integrates trade and industrial policy with national security strategy. Targeted tariffs, export controls, investment screening, and large-scale subsidies aim to secure domestic semiconductor production and reduce technological dependence on geopolitical competitors [4; 5].

Recent industrial packages demonstrate the scale of fiscal intervention directed toward advanced manufacturing and clean energy sectors. The securitization of economic policy is explicit: strategic industries are treated as critical infrastructure essential to national resilience.

This model combines fiscal activism with regulatory restriction. Its defining feature is the integration of security logic into economic governance.

The European Union: Coordinated Strategic Autonomy

The European Union adopts a coordination-oriented model emphasizing “strategic autonomy.” Rather than aggressive decoupling, the EU prioritizes diversification of supply chains while maintaining multilateral engagement [10].

Industrial strategy is closely linked with environmental and digital transition objectives. Regulatory harmonization within the Union is paired with selective screening of foreign investment. This model reflects a balance between competitiveness, sustainability, and strategic caution.

The European approach illustrates that geo-economic restructuring need not imply confrontational isolation; it may instead involve calibrated regulatory coordination.

China: State-Led Developmental Strategy

China’s model reflects a long-standing tradition of state-led industrial coordination. Strategic planning initiatives emphasize technological upgrading, domestic capacity building, and vertical integration in critical sectors [3; 8].

Rather than reactive protectionism, this approach prioritizes long-term structural transformation. Industrial policy instruments are embedded within national development strategies.

China’s integration into global value chains coexists with efforts to reduce dependency in strategically sensitive sectors.

Systemic Interaction and Strategic Feedback

The coexistence of these governance models produces systemic interaction effects. Competitive industrial subsidies, export controls, and tariff measures generate cross-border spillovers. Policy actions in one jurisdiction provoke responses in others.

This dynamic may create feedback loops intensifying fragmentation or, alternatively, encourage negotiated coordination.

The geo-economic order therefore emerges as a dynamic configuration shaped by strategic interaction rather than a fixed institutional arrangement.

Macroeconomic Transmission Channels

Geo-economic restructuring influences macroeconomic performance through multiple channels:

1. Trade Channel:

Targeted tariffs and regulatory divergence alter trade volumes, price structures, and competitiveness patterns [2; 4].

2. Investment Channel:

Strategic uncertainty and industrial subsidies affect cross-border capital allocation and foreign direct investment flows [7; 9].

3. Productivity Channel:

Diversification and duplication may reduce short-term efficiency but enhance long-term resilience against systemic shocks.

4. Inflation Channel:

Reshoring and higher production costs may contribute to structural price pressures, particularly in energy and technology-intensive sectors.

The overall macroeconomic outcome depends on whether resilience gains offset efficiency losses within acceptable welfare limits.

Long-Term Structural Scenarios

Three potential trajectories may characterize the evolution of the geo-economic order:

Scenario 1: Managed Multipolar Interdependence

Selective protection coexists with functional multilateral coordination. Resilience measures are limited to strategically sensitive sectors, while broader economic integration persists.

Scenario 2: Bloc-Based Fragmentation

Rigid alliance segmentation significantly reduces global trade integration.

Regulatory divergence intensifies, and duplication costs increase substantially.

Scenario 3: Recalibrated Globalization

Institutional reforms integrate resilience mechanisms into global governance frameworks. Multilateral institutions adapt to sectoral differentiation while preserving systemic stability.

The probability of each scenario depends on political decision-making and institutional adaptability.

Integrated Conclusions

The emerging geo-economic order represents structural recalibration rather than de-globalization. Interdependence is not dismantled but strategically managed.

Tariff policy has shifted from universal liberalization toward sectoral selectivity. Fiscal instruments increasingly guide industrial transformation. Strategic alliances restructure patterns of economic cooperation through selective integration.

These processes introduce higher coordination costs but enhance resilience against geopolitical and systemic shocks.

The sustainability of the geo-economic order depends on maintaining equilibrium between strategic autonomy and institutional connectivity. Excessive fragmentation may undermine welfare gains, while unmanaged openness may increase vulnerability.

Scientific Contribution

This study contributes to international political economy by integrating trade restructuring, fiscal coordination, and alliance formation within a unified analytical framework.

Instead of treating these developments as isolated phenomena, the article conceptualizes them as interconnected dimensions of systemic adaptation under strategic competition.

The concept of controlled interdependence provides a theoretical lens for understanding differentiated openness in the twenty-first century.

Limitations and Directions for Future Research

The analysis remains primarily conceptual. It does not incorporate econometric modeling of fragmentation costs or quantitative simulation of macroeconomic scenarios.

Future research should examine:

- Empirical measurement of resilience–efficiency trade-offs;
- Sector-specific impacts of supply chain diversification;
- Long-term fiscal sustainability of industrial subsidies;
- Institutional innovations capable of preserving systemic stability

within layered governance structures.

Such research would refine the analytical framework proposed in this study.

Security–Economy Integration and Institutional Adaptation

One of the most significant structural transformations within the geo-economic order is the progressive integration of economic governance and national security strategy. Historically, economic policy and security policy were institutionally separated. Trade ministries focused on efficiency and competitiveness, while defense institutions addressed geopolitical risk.

In the contemporary environment, this separation has narrowed considerably. Export controls, investment screening mechanisms, and industrial subsidies are increasingly justified in explicit security terms [5; 6]. Strategic sectors such as semiconductors, energy infrastructure, telecommunications, and artificial intelligence are framed as components of national resilience architecture.

This securitization of economic policy alters institutional dynamics. Decision making authority extends beyond traditional economic agencies to include security councils and cross-ministerial coordination structures. Economic measures are therefore evaluated not only through cost–benefit analysis but also through strategic risk assessment.

While such integration enhances responsiveness to systemic threats, it may also weaken predictability within the global trading system. Balancing security driven intervention with rule-based governance remains a central institutional challenge.

Adaptation of Multilateral Institutions

Despite predictions of institutional erosion, global organizations continue to perform stabilizing functions. The WTO remains central in dispute resolution and trade monitoring, even as sector-specific restrictions expand [2]. The IMF provides macroeconomic surveillance and analysis of fragmentation risks [4].

The OECD's global minimum tax initiative illustrates how coordinated adaptation may occur within competitive environments [9; 11]. These institutions increasingly operate as platforms for managing complexity rather than enforcing universal liberalization.

The emerging order therefore reflects institutional evolution rather than institutional collapse. Governance shifts from uniform openness toward layered coordination.

Globalization under Strategic Recalibration

The transformation described above reflects structural adjustment of global economic governance under intensified strategic competition. Rather than signaling systemic collapse, it reconfigures the conditions of openness. The durability of this configuration will depend on whether states can institutionalize rivalry without precipitating rigid economic bifurcation.

Empirical Dynamics of the Geo-Economic Transformation (2019–2024)

To complement the conceptual framework, recent data confirm that geo-economic restructuring is measurable across trade, fiscal policy, and institutional coordination.

Trade Restrictiveness and Strategic Tariff Use

Between 2019 and 2023, G20 economies introduced a significant number of new trade-restrictive measures, including export controls, investment screening instruments, and sector-specific tariff adjustments [2]. Although average applied tariff rates remained relatively stable globally, strategic sectors experienced targeted escalation.

In the United States–China case, a large proportion of bilateral trade remained subject to elevated tariffs introduced in 2018–2019 [2]. More importantly, beginning in 2022, export controls shifted from tariff instruments toward technology denial mechanisms in advanced semiconductors and dual-use technologies.

This indicates qualitative escalation: from price-based trade barriers toward strategic containment mechanisms.

Reorientation of Trade Flows

The restructuring of supply chains is visible in trade shares.

Between 2018 and 2023:

- China's share of U.S. goods imports declined from approximately one-fifth to closer to the mid-teens,
- Mexico became the largest U.S. goods trading partner,
- Vietnam's share nearly doubled in several manufacturing categories.

These shifts reflect partial trade diversion rather than systemic decoupling [3; 10].

Importantly, global trade volumes recovered strongly after the COVID-19 contraction, suggesting continuity of interdependence despite geopolitical tensions [10]. The evidence therefore points to redistribution of trade flows rather than collapse of cross-border integration.

Industrial Policy and Fiscal Activism

Industrial policy expansion is quantitatively substantial.

Major economies implemented large-scale industrial packages after 2020, particularly in clean energy, semiconductor manufacturing, and advanced technologies. Macroeconomic assessments confirm intensified fiscal intervention following the pandemic shock [4].

This resurgence aligns with historical analyses of developmental state mechanisms [8; 7], yet differs in scale and geopolitical motivation. Industrial subsidies are increasingly justified not by developmental catch-up but by strategic resilience.

The transformation thus involves not merely greater state involvement, but redefinition of policy objectives.

Global Corporate Tax Coordination

The OECD Two-Pillar framework introduced a 15% global minimum corporate tax [9]. Its objective is to limit profit shifting and stabilize tax bases in an environment of expanding public industrial expenditure [11].

Strategic and Quantitative Indicators of Geo-Economic Restructuring (2018–2023)

This reform reflects selective institutional coordination within an otherwise competitive geo-economic environment. It demonstrates that fragmentation is not absolute; rule-based cooperation persists in areas of shared fiscal interest.

The data summarized in Table 3 demonstrate that recent transformations extend beyond rhetorical policy shifts. The measurable decline in concentrated trade exposure, the expansion of state-directed industrial spending, and the institutionalization of fiscal coordination collectively indicate a structural reorganization of global economic governance. Importantly, economic diversification and regulatory intervention are increasingly justified through security-based rationales, reinforcing the fusion of strategic and economic policy domains.

Table 3. Strategic and Quantitative Dimensions of Geo-Economic Transformation

Indicator	2018–2019	2022–2023	Economic Implication	Security Relevance
Share of China in U.S. goods imports	≈ 21%	≈ 14–15%	Trade diversion and supply chain diversification	Reduced exposure to strategic competitor
Share of Mexico in U.S. goods imports	≈ 14%	≈ 16–17%	Nearshoring and regional integration	Strengthening bloc-based resilience
Share of Vietnam in U.S. goods imports	≈ 2%	≈ 4%	Manufacturing relocation in Asia	Diversification away from single-source dependence
G20 trade restrictive measures	Rising	Elevated and diversified	Increased regulatory intervention	Expansion of strategic economic statecraft
Industrial policy support (U.S., EU, China)	Moderate	Large-scale fiscal expansion	State-led sectoral coordination	Technological sovereignty prioritization
Global corporate tax coordination	Fragmented national regimes	15% minimum tax adopted	Stabilization of fiscal base	Institutionalized cooperation amid rivalry

Source: compiled by the author based on [2; 4; 9; 10].

(Line graph illustrating percentage share of China in total U.S. goods imports over time)

X-axis: Year (2018–2023)

Y-axis: Percentage share of total U.S. goods imports

Trend description:

- 2018: ≈ 21%
- 2019: ≈ 19–20%
- 2020: ≈ 18%
- 2021: ≈ 17–18%
- 2022: ≈ 16%
- 2023: ≈ 14–15%

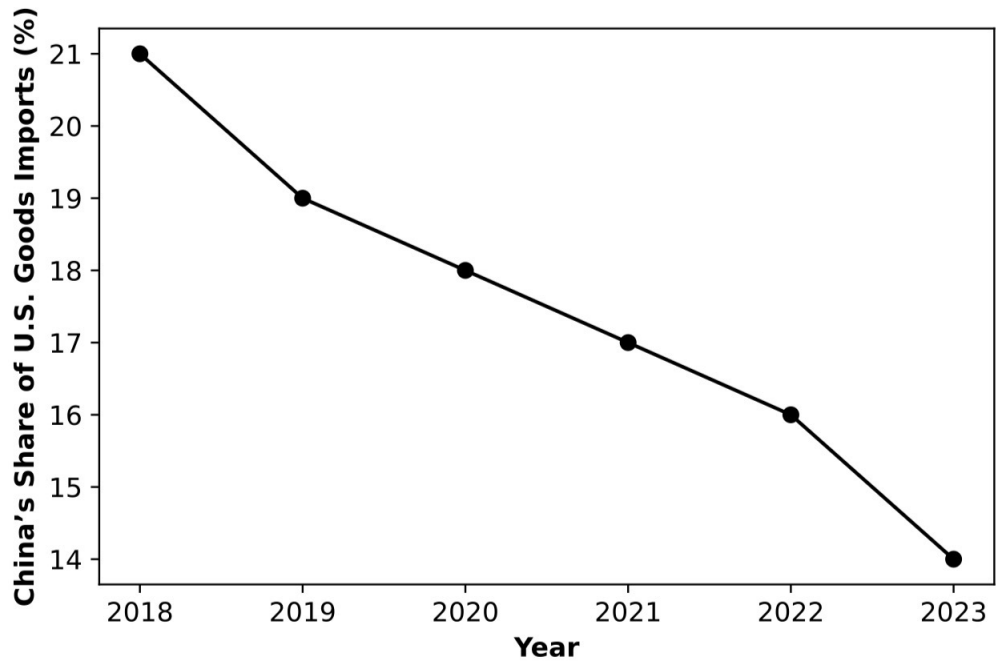


Figure 1. Decline of China's Share in U.S. Goods Imports (2018–2023)

Source: based on trade statistics referenced in [2; 10].

As illustrated in Figure 1, China's share in U.S. goods imports declined steadily over the five-year period. While the absolute volume of trade did not collapse, the relative contraction of concentrated exposure indicates strategic diversification rather than systemic disengagement. This pattern supports the interpretation of restructured interdependence rather than de-globalization. Importantly, this adjustment reflects the structural tension between economic integration and national policy autonomy identified in the globalization trilemma framework [1], as states recalibrate openness under geopolitical and domestic constraints.

Systemic Risks and Counter-Argument

An alternative interpretation suggests that these trends represent the early stage of systemic fragmentation. Rising export controls, subsidy competition, and regulatory divergence may reduce efficiency gains associated with comparative advantage and increase long-term inflationary pressures [4; 10].

However, the persistence of high trade volumes, continued multilateral fiscal coordination [9], and ongoing institutional activity within the WTO framework [2] suggest structural adaptation rather than terminal disintegration.

The evidence therefore supports a differentiated integration model rather than full de-globalization.

Conclusions

The analysis undertaken in this study indicates that current changes in the global economic system reflect a structural adjustment of globalization rather than its erosion. These developments are associated with intensified geopolitical rivalry, technological competition, and the growing use of economic instruments for strategic purposes.

Developments in tariff policy clearly illustrate this shift. Trade measures are no longer applied primarily to advance generalized liberalization or cost efficiency. Instead, they are increasingly targeted at sectors considered strategically sensitive, aiming to reduce critical dependencies and strengthen domestic production capacity. Such measures alter the direction and composition of trade flows without eliminating cross-border exchange, contributing to the gradual reorientation of global supply chains observed in recent years.

A comparable shift can be observed in fiscal and industrial policy. Governments have expanded the use of public investment, targeted subsidies, and tax incentives to support technological development and secure strategic industries. This evolution marks a departure from the earlier minimal-state paradigm and underscores the renewed emphasis on resilience and long-term positioning. At the same time, intensified fiscal competition raises coordination challenges, particularly in relation to subsidy races and tax base pressures, which have stimulated efforts toward partial international regulatory alignment.

Adjustments in global value chains further demonstrate the changing logic of integration. Processes such as reshoring, nearshoring, and friend-shoring indicate a move away from pure cost optimization toward diversification and risk management. Trade statistics suggest redistribution rather than contraction of global exchange, confirming that interdependence persists within a modified institutional context.

Strategic alliances increasingly shape the architecture of contemporary economic governance. Cooperation among politically aligned partners facilitates regulatory coordination, investment screening, and technological standard-setting. Rather than replacing multilateral institutions, these arrangements contribute to a

layered governance structure in which global, regional, and alliance-based mechanisms operate simultaneously.

Taken together, these developments point to the emergence of a model of regulated interdependence. Economic efficiency remains significant but no longer serves as the sole benchmark for policy evaluation. Considerations of resilience, technological security, and strategic autonomy have become integral components of economic decision-making.

The durability of this evolving configuration depends on preserving a workable balance between security-oriented intervention and systemic openness. Excessive fragmentation could weaken productivity growth and reduce long-term welfare gains, whereas insufficient coordination may heighten exposure to external shocks. The trajectory of the world economy will therefore hinge on the capacity of states to manage strategic competition within institutional frameworks that limit destabilizing effects while sustaining the core advantages of international economic cooperation.

Directions for further development of this research agenda include expanding the empirical base of geo-economic indicators (trade restrictiveness, industrial subsidies, investment screening, and supply-chain concentration) and testing the proposed framework across additional country cases and sectoral regimes.

From a policy perspective, future work should focus on identifying institutional designs that preserve the efficiency benefits of openness while improving resilience—particularly through transparent coordination mechanisms, proportional strategic screening, and rules for managing subsidy competition and tax-base erosion.

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