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The Fragmentation of Globalization: Is Regionalism the Future of International Cooperation?

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Introduction

For the last few decades, globalization has connected countries more closely than ever before through business, investments, trade, technology, energy and economic cooperation. The basic idea was simple: greater economic interdependence would create shared interests and encourage cooperation. But this model has now come under question. The COVID-19 pandemic exposed weaknesses in global supply chains, the Russia-Ukraine war disrupted energy and food markets, and growing tensions between the United States and China have made trade and technology part of strategic competition. Subsequently, countries are becoming more careful regarding their interdependence on each other and more strategic about their relationship with one another. This, however, does not mean the end of globalization. Global trade remains strong, and countries are still deeply connected. But, the nature of that connection is changing as the economic relationships are increasingly being influenced by political and security concerns. The United States and China, for example, increasingly view areas such as semiconductors, advanced technology and supply chains through a national-security lens. Research by the International Monetary Fund (IMF) shows that geopolitical tensions are increasingly affecting trade patterns, particularly in strategically important sectors[2]. Simultaneously, the World Trade Organization (WTO) finds that geopolitical

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[2] Hakobyan, Shushanik, Sergii Meleshchuk, and Robert Zymek. 2026. "Divided We Fall: Differential Exposure to Geopolitical Fragmentation in Trade." August 10, 2026. https://onlinelibrary.wiley.com/doi/10.1111/caje.70078.

distance has started to affect trade, although there is still no clear evidence that world trade has completely divided into regional blocs[3].

A space for regionalism has been created through this changing environment. States are increasingly looking toward neighboring states and trusted partners to build reliable markets, supply chains and economic networks. Regional arrangements such as the European Union (EU), ASEAN, the Regional Comprehensive Economic Partnership (RCEP) and the African Continental Free Trade Area (AfCFTA) have therefore become more important. Regional cooperation has the potential to provide countries with greater economic security while reducing excessive dependence on distant powers.

The key point, however, is that globalization is unlikely to be completely replaced by regionalism. Instead, the world may be moving towards "regionalized globalization"- a system where countries remain globally connected but increasingly organize their most important economic and strategic relationships through regions and trusted partners.

Source: Artificial Intelligence

[3] Blanga-Gubbay, Michael, and Stela Rubínová. 2024. "Is the Global Economy Fragmenting?" World Trade Organization. October 11, 2024. https://www.wto.org/english/res_e/reser_e/ersd202310_e.htm.

Gaining Momentum of Regionalism

Behind the growing importance of regionalism, one of the predominant reasons is the changing meaning and pattern of economic security. During the rise of globalization, companies often spread production across many countries because it turned out to be cost-efficient. The primary goal was efficiency. But recent crises have shown that supply chains with high efficiency automatically does not mean less vulnerability. The COVID-19 pandemic obstructed production and transportation around the world. The Russia-Ukraine war created major disruptions in energy and commodity markets. These experiences have influenced states and governments to consider more about resilience and security.

As a result, countries are now implementing ideas such as "de-risking," "friend-shoring" and supply-chain diversification. Instead of completely severing economic ties with other countries, governments are emphasizing on reducing dependence on suppliers or markets that could become unreliable during a crisis[4]. The IMF notes that moving production entirely back home or only to politically friendly countries could be costly, showing the difficult balance between economic efficiency and national security.

Regionalism is winsome because it can generate opportunity for both cooperation and greater control. Countries located within the same region are generally closer to one another which makes trade, transportation and infrastructure connections easier and more efficient. They may also hold mutual monetary interests and subsisted political relationships. The European Union is the strongest example of effective regionalism as its single market connects around 450 million people and allows the free movement of goods, services, capital and people[5]. The "regionalization of business cycles" is particularly pronounced in regions like North America, Europe, and Asia, where intra-regional trade and financial flows have surged. In these hubs, regional factors now account for a significant share of output fluctuations- reaching as high as 40% in Europe- compared

[4] Rasul, Golam. 2026. "Global Fragmentation Is Rewiring Asia's Economic Future." Centre for Governance Studies. May 6, 2026. https://cgs-bd.com/article/28853/Global-Fragmentation-is-Rewiring-Asia%E2%80%99s-Economic-Future.

[5] European Commission. 2023. "Single Market." *Single-Market-Economy. Ec. Europa. Eu.* https://single-market-economy.ec.europa.eu/single-market_en.

to a global factor that has seen its influence dwindle[6]. This gives European countries economic opportunities that would be much harder to achieve individually.

Regional cooperation can also strengthen the position of smaller and middle-sized countries. Individually, these countries may have limited influence when dealing with major powers. Acting through a regional organization gives them a stronger collective voice. ASEAN is a good example. Southeast Asian countries have sought to maintain regional cooperation while avoiding complete dependence on either China or the United States. ASEAN's emphasis on regional integration and "ASEAN centrality" provides its members with greater diplomatic space.

This trend can also be seen by the growth of regional trade agreements. According to WTO research, the share of global imports involving partners covered by regional trade agreements increased from 37 percent in 2010 to 52 percent in 2022. However, this definitely does not indicate the transfiguration of global trade into purely regional ones because much trade still takes place under global WTO rules.

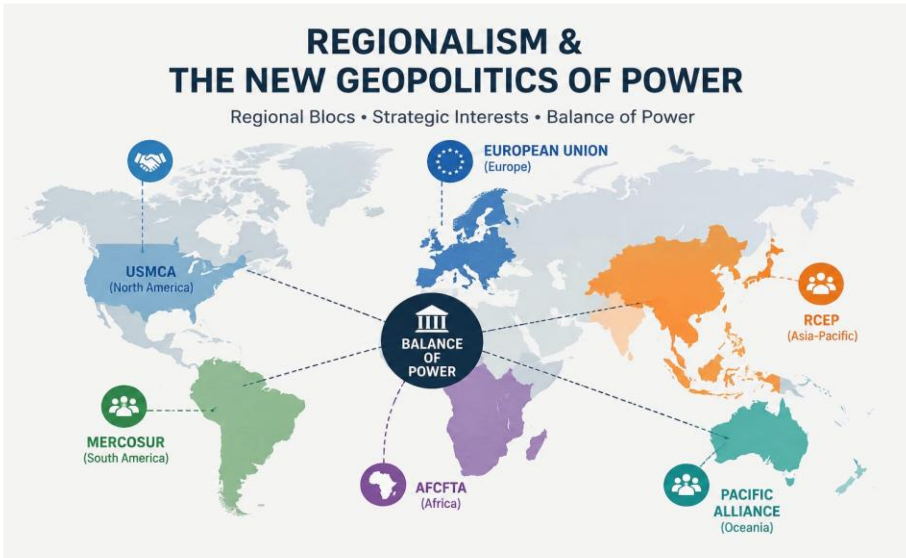
Therefore, regionalism is gaining importance because it offers a practical middle path. States do not have to choose between complete globalization and complete self-dependence. They can remain connected to the world while constructing stronger economic and strategic relationships within their own regions.

Regionalism and the New Geopolitics of Power

Regionalism is no longer only about reducing trade barriers. It is increasingly connected with geopolitics and the distribution of power. Regional organizations can help countries strengthen their economies, reduce dependence on major powers and create more room for strategic decision-making. In this sense, regional cooperation can act as a strategic buffer in an increasingly competitive world. The preference for regionalism is also driven by the urgent need to prioritize resilience over pure market efficiency. The traditional model, optimized solely for cost-minimization, became a liability when distant chokepoints failed. Regionalization offers a "buffer", allowing for more stable, predictable trade within geographically close groups.

[6] Hideaki, HIRATA, Ayhan KOSE, and Christopher OTROK. 2013. "Regionalization vs. Globalization." January 2013. https://www.rieti.go.jp/jp/publications/dp/13e004.pdf.

Furthermore, the proliferation of Regional Trade Agreements (RTAs)- which grew from just five in 1985 to hundreds today- has made intra-regional trade more profitable and transparent through reduced tariffs and shared product standards[7].



Source: Artificial Intelligence

In practice, the new geopolitics of power is defined by the emergence of three massive trading blocs: the European, North American, and Asian regions, which together account for nearly 90% of all global trade. These regions have moved away from broad multilateralism toward "minilateralism"- small groups sharing specific geopolitical and economic agendas. For instance, while the European Union has deepened its common market, Asia has strengthened ties through the Regional Comprehensive Economic Partnership (RCEP), and North America operates under the United States-Mexico-Canada Agreement (USMCA)[8].

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[7] Hideaki, HIRATA, Ayhan KOSE, and Christopher OTROK. 2013. "Regionalization vs. Globalization." January 2013. https://www.rieti.go.jp/jp/publications/dp/13e004.pdf.

[8] Larsen, Cecilia. 2024. "Can Economic Regionalism Bring More Success than Globalisation?". Maersk.Com. July 3, 2024. https://www.maersk.com/insights/resilience/2024/07/03/exploring-regionalisation-and-globalisation-dynamics-in-2024?exit=Newsletter.

This era is characterized by a fundamental shift where supply chains follow geopolitical alignment rather than pure market logic. Critical sectors like semiconductors, batteries, and rare-earth minerals are now “securitized”, treated as strategic assets rather than simple commercial goods. This has led to the “chip war” and intensifying technological competition, where governments intervene aggressively to ensure their industrial bases sit within friendly or regional borders[9].

Perhaps, the most prominent instance is the European Union. A large common market was created by the European integration, but recent geopolitical developments have also pushed European countries to think more seriously about energy security, industrial capacity and defense. Meanwhile, financial potency is progressively being considered as part of Europe’s wider strategic security.

In Asia, Regional Comprehensive Economic Partnership (RCEP) demonstrates the process through which economic regionalism is gaining significance. The agreement brings together 15 countries and covers around 30 percent of global GDP. It appends some of the world’s most crucial manufacturing and trading economies and strengthens economic ties across the Asia-Pacific. Nevertheless, its importance does not only include tariffs; stronger regional production and investment networks can also make states less pervious to disruptions from outside the region.

ASEAN can be illustrated as another example, but in a different way. Although, it is not as densely integrated as the EU, its importance can be understood partially from its ability to bring different countries together regardless their distinct political and economic interests. This becomes particularly emergent as competition between China and the United States grows in the Indo-Pacific. ASEAN provides its member states a platform for cooperation without binding them to completely choose one side.

The African Continental Free Trade Area (AfCFTA) shows that regionalism is also gaining importance outside Europe and Asia. The agreement brings together all 55 African Union members and aims to create a larger African market by reducing barriers to trade and encouraging investment within the continent. For African countries, stronger regional trade can reduce excessive dependence on external markets and increase their collective bargaining power.

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[9] Rasul, Golam. 2026. “Global Fragmentation Is Rewiring Asia’s Economic Future.” Centre for Governance Studies. May 6, 2026. https://cgs-bd.com/article/28853/Global-Fragmentation-is-Rewiring-Asia%E2%80%99s-Economic-Future.

These examples demonstrate that regionalism has other forms and meanings than only political unity. The EU has moved towards deep integration, while ASEAN focuses more on cooperation among sovereign states. Regional Comprehensive Economic Partnership (RCEP) mainly works with economic purposes, while AfCFTA combines economic integration with a broader development goal.

Yet all of them share one important feature**:** regional cooperation is increasingly connected to questions of power and security. Trade agreements, infrastructure, supply chains and investment networks can influence strategic relationships. Regional organizations can therefore help states manage competition among major powers while protecting their own interests.

However, regional blocs should not automatically be seen as closed geopolitical camps. Many countries within ASEAN and RCEP, for example, maintain relationships with both China and the United States. This suggests that regionalism can sometimes help countries avoid choosing one major power over another rather than forcing them into separate camps.

The Future: Regionalism as the Replacement of Globalization?

The growing significance of regionalism raises an important question: Will regionalism eventually replace globalization? The answer is- probably no. Regionalism has several important advantages, but it has certain limitations as well.

The biggest advantage is greater resilience. Regional supply chains can make it easier for countries to reduce dependence on distant suppliers and respond to disruptions. Regional markets can also provide greater economic opportunities for smaller countries. The EU's single market is a noticeable instance of how regional integration can create economic opportunities that individual countries might struggle to achieve on their own. RCEP similarly strengthens economic links across a major production region, while AfCFTA aims to increase trade within Africa.

Regionalism can also provide states with strategic flexibility[10]. Smaller and less powerful countries often prefer to avoid being too dependent on a single major power. Regional cooperation allows

[10] Rasul, Golam. 2026. "Global Fragmentation Is Rewiring Asia's Economic Future." Centre for Governance Studies. May 6, 2026. https://cgs-bd.com/article/28853/Global-Fragmentation-is-Rewiring-Asia%E2%80%99s-Economic-Future.

them to diversify their economic and political relationships that ultimately gives these countries greater bargaining power when dealing with great powers and larger economies.

However, along with the advantages, regionalism has also some grave limitations. The first danger is that regional cooperation can be easily changed and perceived as geopolitical division. If states commence to trade mainly and exclusively with political allies, economic cooperation can become another tool of strategic competition. The International Monetary Fund (IMF) has warned that deeper geopolitical fragmentation has the capacity to reduce global trade and economic output, which may put particularly serious and uneven consequences on developing countries.

Another problem is that many of the major challenges today cannot be solved within one region. Climate change does not stop at borders. Neither do pandemics, financial crises or disruptions to major international shipping routes. Regional cooperation can be helpful to manage these problems, but it cannot entirely replace global cooperation.

In addition, an important fact is that the world economy cannot simply be broken into separate regional blocs. World Trade Organization (WTO) research shows that even though regional trade agreements have become more common, most world trade still takes place under the broader multilateral trading system. IMF research also suggests that economic fragmentation remains concentrated in particular areas rather than representing a complete breakdown of global economic integration.

Therefore, it will be more appropriate to consider these changes as regionalized globalization rather than de-globalization[11]. Countries are not necessarily withdrawing from the global economy. Instead, they are trying to make globalization safer and more manageable by building stronger relationships with nearby and trusted partners.

Therefore, the future may contain several layers. Indeed, regional organizations may have the capability to manage many monetary and strategic issues; and cross-regional alliances may connect different parts of the world. At the same time, global institutions such as the UN, WTO, IMF and World Bank will remain necessary for problems that cannot be solved by individual regions.

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[11] Legge, Stefan, and Piotr Lukaszuk. 2021. "Regionalization vs Globalization: What Is the Future Direction of Trade?" World Economic Forum. July 15, 2021. https://www.weforum.org/stories/trade-and-investment/regionalization-globalization-future-direction-trade/.

Regionalism is no unmixed blessing or curse. The problem begins when states choose the creation of rigid and competing regional blocs. If regions remain connected to one another, regionalism can make globalization more resilient and efficient. Nevertheless, if they become exclusive economic and political camps, regionalism can propagate more division and hostility.

Conclusion

The fragmentation of globalization does not necessarily mean that interdependence in international political arena is disappearing. Instead, the way countries utilize and deal with that interdependence is transforming. Once, the key driving factors behind economic decisions used to be cost and efficiency; whereas, now, the key roles are played by national security, geopolitical rivalry and the need for resilience.

This has given regionalism a new importance. The EU, ASEAN, RCEP and AfCFTA show that countries are increasingly using regional cooperation to strengthen markets, supply chains and their collective position in world politics. For smaller and middle powers in particular, regional organizations can provide greater bargaining power and reduce excessive dependence on major powers.

Yet globalization cannot be completely substituted by regionalism. The global economy remains deeply interlaced, and many challenges, like- climate change, pandemics and financial instability- require collaboration beyond regional ties and boundaries. A world divided into completely separate regional blocs would also create new economic costs and increase geopolitical tension.

Therefore, de-globalization is not the ideal future, but regionalized globalization, perhaps, is. Not only states will increasingly rely on regional institutions and trusted partners for strategically important relationships, but also, they will continue to trade, invest and interact globally. If regional cooperation remains open and connected with other regions, it can strengthen international cooperation. If it turns into competing geopolitical blocs, it may deepen the very fragmentation that the world is trying to manage.