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Towards a Secure World

Who Wins When Globalization Retreats? A Look at the Countries Quietly Benefiting from Fragmentation

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Source: Getty Images

Introduction

For more than three decades, since the Cold War era, globalization was treated as an unstoppable force. The collapse of the Soviet Union, the expansion of global supply chains, the rise of free trade agreements, and the digital revolution created a world increasingly characterized by economic integration. Yet that world is now being quietly dismantled, not through any single dramatic rupture, but through a thousand smaller fractures. The 2008 global financial crisis

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exposed vulnerabilities in interconnected markets. Trade tensions between the United States and China, the COVID-19 pandemic's brutal exposure of supply chain vulnerabilities, Russia's invasion of Ukraine, and the resurgence of economic nationalism have collectively produced "geoeconomic fragmentation." Protectionism, industrial policy, sanctions, export controls, and "friend-shoring" have increasingly replaced the liberal trade orthodoxy of previous decades. Many analysts describe this trend as deglobalization. However, the current reality is, globalization isn't collapsing completely yet, rather it is reconfiguring. According to the IMF, the number of trade restrictions imposed annually worldwide increased from about 1,000 in 2019 to more than 3,000 in 2023.[2] This represents a structural shift in how the world organizes production, investment, and commerce. Although trade volumes remain substantial and investment continues to flow across borders, the geography of economic opportunity has changed. Geopolitical rivalries are reshaping trade patterns. And in the middle of all these, certain countries are emerging as unexpected beneficiaries of fragmentation. Rather than being caught between major powers, some middle-sized and strategically positioned states are exploiting geopolitical competition to attract investment, strengthen manufacturing sectors, and expand diplomatic influence. Understanding who benefits from fragmentation provides insight into the emerging contours of the international order.

The Rise of the Connector States

Connector states are countries that that maintain economic relations with competing geopolitical blocs while avoiding excessive alignment with any side. One of the most significant developments in the contemporary global economy is the emergence of these connector states. As the tension between USA & China intensify, multinational cooperation are seeking alternative production hubs to reduce risk. Many firms are adopting a "China Plus One" strategy, maintaining operations in China while expanding manufacturing elsewhere. Instead of producing everything in China, companies keep part of their manufacturing base there while expanding operations to another

[2] O'Hanley, Ronald P. 2025. "5 Transformational Trends Shaping Global Finance." World Economic Forum. January 6, 2025. https://www.weforum.org/stories/2025/01/5-transformational-trends-shaping-global-finance/.

country, often in Vietnam, India, Thailand, or Mexico.[3] This strategy helps businesses spread production risk, balance costs, and strengthen supply chain resilience. This trend has created opportunities for countries capable of serving as bridges between competing major powers. Connector states has diversified trade relationships, they maintain strategic neutrality and they mostly have stable political environments which helps them in many ways. Their success shows how global fragmentation can create economic leverage.

Vietnam: Manufacturing Frontier of New Era

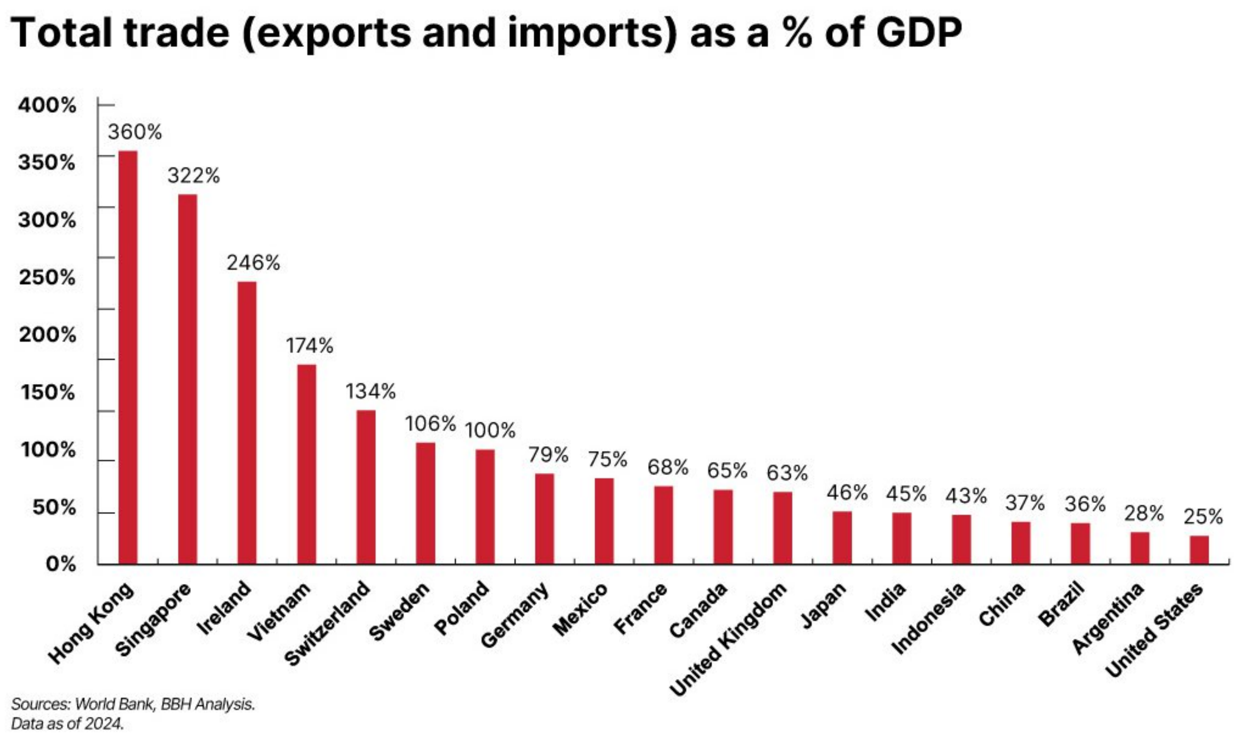
Vietnam is among the most prominent beneficiaries of global economic fragmentation. As mentioned earlier, the country's integration into global supply chains has accelerated under the "China Plus One" strategy. Vietnam's combination of competitive labor costs, improving infrastructure, extensive trade agreements, and political stability made it an attractive destination. Technology giants, electronics manufacturers, and textile producers increasingly shifted portions of their operations to Vietnamese industrial zones. Vietnam has benefited from supply chain diversification, with its manufacturing output growing at 8 to 10 percent annually as companies diversify away from China.[4]

Vietnam has become a global hub for electronics, benefiting both from China's supply chains and Western market demand. Major technology and manufacturing companies, including Samsung Electronics, Apple Inc. suppliers, and Intel Corporation, have expanded operations in Vietnam, transforming the country into a major exporter of electronics, machinery, and consumer goods. Vietnam benefits from growing trade with the United States while preserving extensive economic ties with China. This balanced approach allows Hanoi to attract investment from companies seeking geographic diversification without complete decoupling from Chinese supply networks. The "China+1" strategy, favoring nations like Vietnam, Malaysia, or Mexico, aims to build resilience against future disruptions, even if it entails higher costs. Vietnam's success is not

[3] Furuseth, Hans, and Kim Alvarstein. 2025. "How 'China plus One' Became a Global Manufacturing Lifeline." Torg. November 7, 2025. https://usetorg.com/blog/china-plus-one.

[4] Harriman, Brown Brothers. 2026. "The Great Fracturing: From Globalization to Regionalization." Brown Brothers Harriman. January 22, 2026. https://www.bbh.com/us/en/insights/capital-partners-insights/the-great-fracturing-from-globalization-to-regionalization.html.

accidental. It reflects decades of government investment in infrastructure, export-oriented industrial policy, and strategic diplomatic balancing. In this fragmented world situation, Vietnam has mastered the art of maintaining strategic ambiguity in form of economic capital.



India: Strategic Autonomy as an Economic Asset

India's strategy differs from Vietnam's. Rather than positioning itself solely as an alternative manufacturing hub, New Delhi has used strategic autonomy to maximize opportunities across competing geopolitical camps. India has embraced 'Atmanirbharta' (self-reliance) as a guiding policy framework to build domestic capacity in critical goods and technologies, reduce over-dependence on foreign suppliers, and enhance economic resilience. This approach, articulated by Prime Minister Narendra Modi in 2020, is aimed at strengthening India's role in global value chains.[5]

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[5] ET Manufacturing. 2026. "In a Fragmenting World, India Backs Rules-Based Global Economic System, Says Shaktikanta Das." ETManufacturing.in. ET Bureau. January 10, 2026. https://manufacturing.economictimes.indiatimes.com/news/industry/in-a-fragmenting-world-india-backs-rules-

The country's large domestic market, expanding digital economy, skilled workforce, and government incentives have attracted growing foreign investment. Technology companies seeking alternatives to China have increased investments in Indian manufacturing, particularly in electronics and semiconductor-related sectors. India's foreign direct investment reached $70 billion in FY 2023-24.[6] Prime Minister Modi's "Make in India" initiative, combined with Production-Linked Incentive (PLI) schemes across sectors from semiconductors to pharmaceuticals, is explicitly designed to capture the investment flows unleashed by fragmentation. Furthermore, India's refusal to fully align with Western sanctions regimes following the Russia-Ukraine conflict enabled it to secure discounted Russian energy imports, providing economic advantages during periods of global inflation. This demonstrated how strategic flexibility can translate into tangible economic benefits.

Mexico: The Nearshoring Revolution

No country has benefited more visibly from the fragmentation of U.S.–China trade than Mexico. Its proximity to the United States, its membership in the United States–Mexico–Canada Agreement (USMCA), its vast industrial base, and its deep pool of manufacturing labor have conspired to make it the default destination for American companies anxious to reduce their dependence on Chinese production. Mexico's nearshoring boom has been remarkable: foreign direct investment surged to a record of $39 billion in 2024, with manufacturing investment more than doubling from 2020 levels.[7] According to Bank of America Global Research, since 2018, China has lost 7.7 percentage points of its share of U.S. imports to Vietnam (+2.1 percentage

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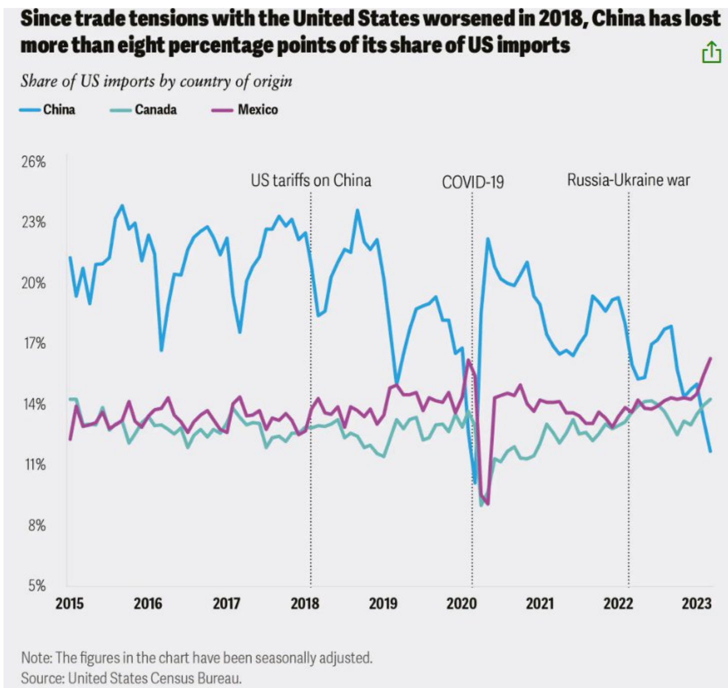
[6] The Economic Times. 2024. "India's FDI Steady at $70.9 Billion in FY24, Inflows More than Doubled in the Construction Sector," June 5, 2024. https://economictimes.indiatimes.com/industry/services/property-/-cstruction/indias-fdi-steady-at-70-9-billion-in-fy24-inflows-more-than-doubled-in-the-construction-sector/articleshow/110733686.cms?from=mdr.
[7] Harriman, Brown Brothers. 2026. "The Great Fracturing: From Globalization to Regionalization." Brown Brothers Harriman. January 22, 2026. https://www.bbh.com/us/en/insights/capital-partners-insights/the-great-fracturing-from-globalization-to-regionalization.html.

points) and, more recently, to Mexico (+2.0 percentage points).[8] Chinese manufacturers are strategically positioning themselves in Mexico to retain access to North American markets while avoiding US tariffs and escalating labor costs in China. This transition presents both opportunities and controversies, as many Mexican suppliers still depend on Chinese components vital for production. Mexico's youthful, skilled, and cost-effective workforce provides substantial advantages, though rising wages and labor constraints threaten to erode competitiveness over time.[9] The nearshoring boom enables Mexico to benefit from reduced carbon emissions through shorter transportation distances while enhancing compliance with ESG expectations imposed by US businesses. This represents a strategic advantage in an era when sustainability is increasingly prioritized in global supply chains.[10]



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[8] "Battle of the Titans: Reshoring vs. Friendshoring Reshoring Trends Are Slowing." 2025. https://institute.bankofamerica.com/content/dam/economic-insights/reshoring-vs-friendshoring.pdf.

[9] Tordjman, Karen Lellouche, Eduardo León, Michael McAdoo, Max Pulido, and François-Xavier Thiebaud. 2024. "The Shifting Dynamics of Nearshoring in Mexico." BCG Global. September 5, 2024. https://www.bcg.com/publications/2024/shifting-dynamics-of-nearshoring-in-mexico.

[10] Henrichsen, Jorge Gonzalez. 2025. "Navigating 2025: Trends and Risks Impacting Nearshoring in Mexico." Forbes. March 20, 2025. https://www.forbes.com/councils/forbesbusinesscouncil/2025/03/20/navigating-2025-trends-and-risks-impacting-nearshoring-in-mexico/.

Indonesia and the New Resource Nationalism

Indonesia's approach to its vast mineral wealth represents one of the most assertive expressions of the new resource nationalism sweeping through the developing world in the era of geoeconomic fragmentation. Indonesia sits atop the world's biggest nickel reserves; a metal essential for electric vehicle batteries and renewable energy transition. Jakarta has boldly wielded its resource might by banning exports of raw nickel ore to force global companies to invest in domestic processing. Indonesia's strategic pivot began with a 2014 ban on raw nickel ore exports, followed by renewed bans in 2020 and 2022. By 2024, Indonesia produced over 60 percent of the global supply of refined nickel, with export revenues jumping from approximately $3 billion in 2020 to around $40 billion in 2024. This is a deliberate leveraging of resource scarcity as a tool of industrial statecraft, which is designed to capture a larger share of the value chain at home rather than shipping raw materials abroad for others to refine and profit from. Scholars have adopted new terms like "green protectionism" and "green industrial policy" to describe the increasing use of nationalist interventions that states use to seize economic opportunities associated with the transition to low-carbon technologies and Indonesia has been doing so great in this phenomenon. As technological competition intensifies between major powers, control over strategic resources becomes increasingly valuable. Resource-rich countries that successfully manage industrial development may become some of the biggest winners of economic fragmentation.

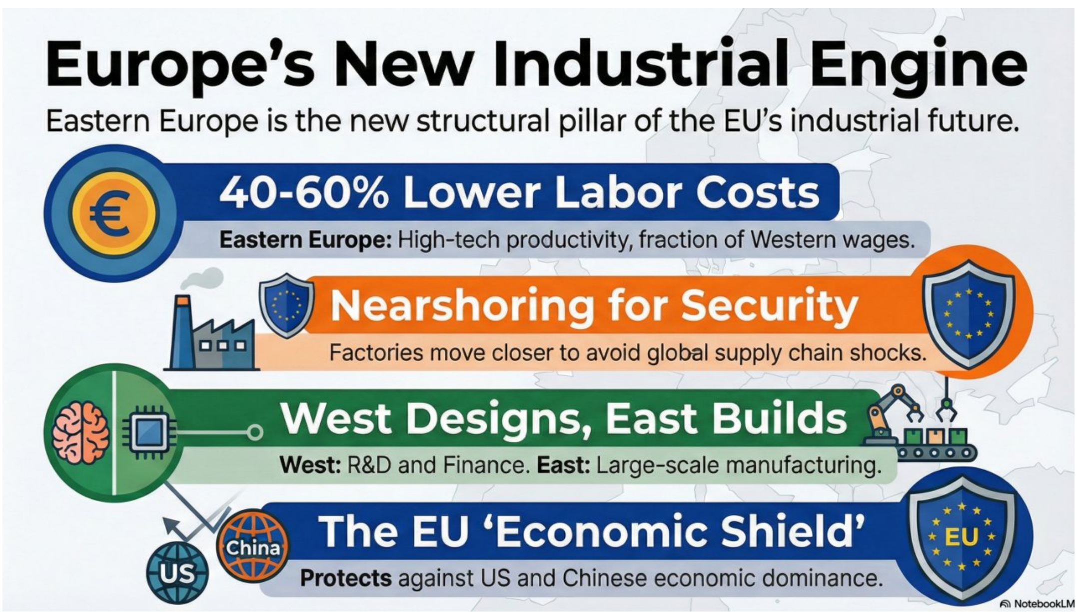
Gulf States: Profiting from Multipolar Competition

The oil-rich states of the Gulf have also benefited significantly from geopolitical fragmentation. Countries such as Saudi Arabia and United Arab Emirates have skillfully navigated an increasingly multipolar world. Unlike during the Cold War, many Gulf states no longer depend exclusively on Western security partnerships. They have expanded economic relations with China, strengthened regional diplomacy, and pursued ambitious economic diversification programs.

The UAE, in particular, has become a major financial, logistics, and commercial hub connecting Asia, Europe, and Africa. Its ability to maintain relationships with competing powers has enhanced its strategic relevance. Meanwhile, periods of geopolitical instability often increase energy prices, generating additional revenues for hydrocarbon exporters. Although long-term energy transition trends pose challenges, fragmentation has generally strengthened the bargaining position of key energy-producing states.

Central and Eastern Europe: Europe's New Factory Floor

The beneficiaries of fragmentation are not confined to Asia or the Americas. Within Europe itself, a quiet industrial revolution is underway in Central and Eastern Europe (CEE), as Western European companies reshape supply chains disrupted by the pandemic and the war in Ukraine. In 2024 alone, foreign direct investment in manufacturing across CEE jumped 28 percent, with Hungary and Poland seeing record inflows. CEE countries like Poland, Hungary, Czechia, and Romania etc. offer a unique value proposition that few other regions can match.[11]



Source: The Venture Network

According to the National Bank of Poland, foreign direct investment in Poland totaled PLN 55.7 billion (approximately €13 billion) in 2024, demonstrating strong international confidence in the Polish market. Bank Millennium forecasts Poland's GDP to grow by 3.7 percent in 2025, outpacing

[11] Lipovsky, Bohuslav. 2025. "Nearshoring Advantage: CEE as Europe's Factory Hub %." CE Interim. May 2025. https://ceinterim.com/nearshoring-advantage-cee-factory-hub/.

much of Europe and reflecting a robust, investment-driven economy.[12] The logic is straightforward: shipping goods from Asia to Northern Europe can take up to two months, with delays and rising costs caused by rerouted ships and congested ports. In contrast, goods sent from Poland to Scandinavia or Western Europe arrive in just a few days. In a world where supply chain resilience has replaced pure cost efficiency as the dominant corporate priority, proximity is power. Poland and its CEE neighbors offer a combination of relatively low labor costs, skilled workforces, EU membership, and geographic centrality that is increasingly difficult for Western European manufacturers to ignore. A 2025 European Central Bank report confirms that EU firms are reorganising their supply chains, with some EU manufacturers shifting critical input sourcing away from China to within the EU.[13]

Can Bangladesh Become a Beneficiary?

Bangladesh occupies a peculiar position in the age of geoeconomic fragmentation; it is simultaneously a potential beneficiary and a country at profound risk of being left behind. Bangladesh possesses several advantages. It has established itself as one of the world's leading garment exporters, enjoys a large labor force, and occupies a strategically important location connecting South and Southeast Asia (Bay of Bengal). Rising wages in China and supply-chain diversification efforts have increased international interest in Bangladesh as an alternative manufacturing destination. Bangladesh's economy is entangled in a dual dependency: The U.S. and the European Union remain its primary export markets, together accounting for the bulk of its $52 billion in garment exports, while China dominates the import landscape, supplying machinery, textiles, and consumer goods worth nearly $23 billion as of 2024. This asymmetry creates vulnerability, but it also means Bangladesh sits at the intersection of the trade fault lines that fragmentation is redrawing. As U.S. tariffs on Chinese goods escalate and global buyers accelerate their China+1 diversification strategies, Bangladesh's vast, established garment manufacturing base positions it as a natural absorber of redirected orders. Between April and June 2025 alone,

[12] Piela, Przemysław. 2025. "Why Nearshoring to Poland Makes Sense in 2025." Hugin Consulting. June 24, 2025. https://www.hugin-consulting.com/post/why-nearshoring-to-poland-makes-sense-in-2025.

[13] https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/779227/EPRS_BRI(2025)779227_EN.pdf

Bangladesh received over $53 million in Chinese investment, of which roughly $30 million flowed directly into textiles, with more than 20 apparel factories receiving Chinese investment as manufacturers squeezed by reciprocal U.S. tariffs began turning to Bangladesh as their next production base.[14]

However, capturing these opportunities requires addressing structural challenges. Infrastructure bottlenecks, energy shortages, regulatory inefficiencies, and limitations in logistics continue to affect competitiveness. Diversification beyond ready-made garments is also essential. Electronics, pharmaceuticals, shipbuilding, and information technology services offer potential avenues for expansion. Bangladesh's foreign policy tradition of "friendship to all, malice toward none" may prove particularly valuable in a fragmented world. By maintaining balanced relationships with multiple powers, Bangladesh can attract investment from diverse sources while avoiding excessive dependence on any single partner.

The Risks Beneath the Opportunity

While some countries benefit from fragmentation, the broader consequences remain complex. Global economic fragmentation can reduce efficiency, increase production costs, and slow economic growth. Smaller economies lacking strategic resources, geographic advantages, or political stability may struggle to adapt. For Vietnam, domestic political instability and questions about governance quality could undermine its investment climate at any time. For Mexico, rising labor costs and concerns about rule of law pose structural headwinds. For India, inadequate infrastructure and bureaucratic friction remain persistent obstacles to fully realizing its manufacturing potential. There is also the danger that fragmentation evolves into entrenched economic blocs characterized by restricted trade, competing technological standards, and declining international cooperation. Such outcomes would likely reduce overall global prosperity even if certain states continue to gain relative advantages. The benefits enjoyed by today's winners may not be permanent. Countries attracting investment due to geopolitical tensions could face sudden

[14] "Chinese Firms Turn to Bangladesh as US Tariffs Squeeze Homegrown Exporters." 2025. The Business Standard. October 24, 2025. https://www.tbsnews.net/bangladesh/chinese-firms-turn-bangladesh-us-tariffs-squeeze-homegrown-exporters-1268111.

reversals if political circumstances change. Dependence on great-power competition creates vulnerabilities alongside opportunities.

Conclusion

The countries quietly benefiting from globalization's retreat share common characteristics: they remain unaligned or strategically positioned between blocs, they have diversified their trade relationships, they prioritize supply chain resilience over pure cost efficiency, and they have strengthened domestic capacity in critical sectors. The world economy is not unraveling into isolationism. Instead, it is reorganizing along strategic and geopolitical lines. Integration continues, but it is increasingly filtered through the lens of security, resilience, and political alignment. For connector economies like Vietnam, Mexico, and Poland, the current restructuring offers unprecedented opportunities. For policymakers, the challenge is not merely to resist fragmentation but to adapt to it. The emerging international order rewards swiftness, diversification, and strategic autonomy. The question, therefore, is not whether globalization is retreating. The more important question is who is best positioned to thrive in the world that follows.