

# A New Era of Globalisation: Competition over Security, Technology and Carbon

In recent years, the global economy has been confronted with a succession of major shocks. The COVID-19 pandemic exposed the vulnerabilities embedded in global supply chains. These vulnerabilities were further intensified by trade and technology competition between the United States and China, the energy crisis that followed Russia's invasion of Ukraine, and growing logistics risks around critical transit routes such as the Red Sea and the Strait of Hormuz. Tariffs, sanctions, export controls, industrial subsidies and investment restrictions are no longer being used merely as temporary crisis measures; they are increasingly becoming permanent instruments of economic policy.

These developments indicate that global trade and investment are now being shaped by a new set of criteria. While international production networks remain in place, cost efficiency is increasingly being assessed alongside security, political alignment, continuity of supply, technological control and carbon performance. Technology competition, access to critical raw materials, energy security and decarbonisation policies have therefore become interconnected elements of the same geoeconomic transformation.

In my 2023 article, *From Globalisation to Reindustrialisation: Regionalisation and the Restructuring of Trade*, I argued that globalisation was not coming to an end, but was instead being reshaped around resilience, regionalisation, reindustrialisation and the green transition. Since then, the growing importance of security concerns, technological competition and decarbonisation-oriented industrial policies has given this transformation a more pronounced geoeconomic character.

This article examines how global trade and production networks are being reconfigured, the economic forces driving trade conflicts and geopolitical tensions, and what this new era means for governments and businesses.

## **From Efficiency to Security: The Rise of Strategic Dependencies**

Globalisation has historically been shaped largely by cost, efficiency, specialisation and economies of scale. However, this cost- and efficiency-driven model has also created dependence on a limited number of countries and producers for the supply of certain critical products, technologies and raw materials. The pandemic, the energy crisis and growing geopolitical tensions have demonstrated that a system capable of delivering high levels of efficiency can also contain significant vulnerabilities.

Although cost and efficiency remain important, decision-making is increasingly influenced by the nature of critical dependencies, the availability of alternatives and the potential economic impact of supply disruptions. Greater attention is now being paid to how essential a particular input is to production, whether there is excessive dependence on a single country or supplier, how quickly an alternative source can be developed, and whether technological or financial infrastructure can be used as an instrument of political pressure. As a result, trade, technology, energy and financial policies are increasingly becoming integral components of national security strategies.

At the centre of this approach are strategic bottlenecks capable of disrupting production or broader economic activity. A high market share alone does not automatically create geoeconomic power. Geoeconomic advantage arises not merely from market dominance, but from control over an element that is essential to the continuation of production and for which others cannot develop viable alternatives within a short period of time. Semiconductors, critical minerals, energy inputs, payment infrastructure and specialised processing capacity are particularly important in this respect. Concentrated control in these areas can transform economic interdependence into political influence and bargaining power.

However, rising geopolitical and economic risks do not require countries or companies to withdraw from global production and trade networks. A more practical approach is to identify the critical dependencies capable of bringing production to a halt and to develop alternative suppliers, technologies, logistics routes or financial channels in these areas. The objective of the new era is therefore not to eliminate dependencies altogether, but to make strategic dependencies more manageable.

# **Trade Wars: Strategic Competition, Industrial Policy and Social Pressure**

Explaining trade wars solely through political tensions between countries risks overlooking the economic and strategic forces driving this transformation. Three main dynamics lie behind the hardening of trade policy.

## **1. Strategic and Technological Competition**

Governments are increasingly considering not only whether trade generates economic gains for their own countries, but also the extent to which it strengthens the technological, industrial and strategic capabilities of their rivals. As a result, an economic relationship that benefits both sides may still be restricted if it is perceived to increase the other party's relative power to a greater extent. Controls on semiconductors, artificial intelligence, advanced manufacturing technologies and critical minerals are among the most visible examples of this approach.

## **2. Industrial Policy and Domestic Production**

Competition between the United States and China is the clearest example of trade policy being used to protect domestic industrial capacity and technological leadership. The United States combines tariffs, export controls, investment screening and industrial incentives, while China represents the other side of this competition through its extensive manufacturing capacity, state support and central role in global supply chains.

Particularly in sectors such as steel, solar panels, batteries and electric vehicles, China's high production capacity and the resulting pressure on prices have led to stronger anti-dumping measures and greater use of subsidies to support domestic production in the United States and Europe. Trade policy is therefore moving beyond the regulation of imports and exports and becoming a strategic instrument for preserving industrial capacity.

## **3. Social Pressure Arising from Manufacturing and Employment Losses**

The hardening of trade policy is also being driven by the lasting losses in manufacturing and employment that globalisation has created in certain regions. While the overall benefits of globalisation have been distributed across broad sections of society, factory closures, job losses and downward pressure on wages have been concentrated in particular industrial regions and among specific groups of workers.

This has strengthened support for economic nationalism and protectionist policies, particularly in the United States and Europe. Tariffs are therefore seen not only as economic instruments directed against foreign competitors, but

also as a political response to communities that believe they have been disadvantaged by globalisation.

Nevertheless, trade wars do not necessarily mean that the global economy will divide completely into two separate blocs. Rival countries such as the United States and China may continue to cooperate in selected sectors while competing in strategic areas, particularly where both sides seek to limit mutual economic losses. The deeper problem is that the existing multilateral trading system is proving increasingly inadequate in the face of technology controls, national security exceptions and subsidy competition.

## **Value Chains Are Being Strategically Reconfigured**

While debate continues over the transformation of global trade, the available evidence does not point to a broad dismantling of production networks. Instead, supply chains are being reconfigured around risk, security and strategic priorities. To achieve this, companies and governments are placing greater emphasis on reshoring production to the home country, nearshoring it to geographically closer locations, and friendshoring it to politically trusted countries.

OECD data indicate that this restructuring is taking place within a highly integrated international production system. According to OECD data for 2022, approximately 30.4% of exports from member countries consisted of value added generated abroad. This figure confirms that production networks continue to combine intermediate goods, raw materials and services sourced from different countries, even as supply relationships are reorganised in line with strategic priorities.

Regional supply relationships are becoming stronger, while global linkages are being preserved. European economies are increasingly turning to producers within Europe for certain inputs, while Japan and South Korea are relying more heavily on suppliers in East and Southeast Asia. At the same time, they continue to source inputs from more distant markets where cost and scale advantages remain significant. Regionalisation therefore does not necessarily imply the emergence of closed trading blocs. Rather, it reflects the reorganisation of global production networks in ways intended to improve resilience.

This transformation is not occurring to the same extent across all sectors. In strategic areas such as energy, pharmaceuticals, semiconductors, defence products and critical minerals, domestic, nearby or politically trusted sources of supply are becoming more prominent. By contrast, global production relationships remain strong in textiles, apparel, electronics, electrical equipment and a wide range of intermediate goods. The world economy is therefore moving not towards broad-based deglobalisation, but towards selective restructuring centred on strategic sectors and critical dependencies.

The transformation facing companies is not limited to changing suppliers or relocating production. Identifying critical inputs, reducing single-supplier dependencies, developing alternative logistics routes, reviewing inventory policies and improving data visibility across the supply chain are also becoming essential elements of resilience. Value chain transformation therefore extends beyond geographical repositioning and requires procurement, production, investment and risk management decisions to be addressed in an integrated manner.

## **Governments Return to the Centre: From Tariffs to Investment Policy**

The transformation of global trade is once again strengthening the role of governments in the economy. Governments are no longer merely actors that set market rules or manage disputes; they are increasingly becoming direct decision-makers shaping the location of production, investment and supply chains. Tariffs, export and technology controls, subsidies, tax incentives, public procurement, local content requirements, investment screening and strategic stockpiles are now being used as components of an integrated policy framework. As investment in artificial intelligence expands, advanced chip production, high-performance computing, data centre capacity and rising electricity demand are also becoming more strategic priorities within national industrial and economic security agendas.

Governments aim to retain strategic production capacity within national borders, attract new investment to their own markets and restrict rival economies' access to critical technologies. Incentives for semiconductors, batteries, electric vehicles, renewable energy technologies and critical minerals are having a particularly significant influence on investment decisions. The direction of investment is therefore no longer determined by labour costs alone, but by a broader combination of public support, energy security, technological infrastructure, political stability and market access.

In some strategic sectors, government intervention is moving beyond incentives and regulation to include direct public shareholdings and ownership. The state is therefore exerting a more direct influence over where investment takes place, how technology circulates and how supply chains are structured.

The expansion of Chinese electric vehicle, battery and clean technology companies into new manufacturing investments outside China is an important example of this transformation. These investments demonstrate how production networks are being repositioned across new geographies in response to incentives, market access and geopolitical conditions.

## **Decarbonisation: From Climate Objective to Geoeconomic Competition**

Decarbonisation matters not only in terms of renewable energy, electrification and clean technology investment, but also for energy security, industrial capacity and strategic dependencies. For countries that are highly dependent on energy imports, the expansion of renewable energy is seen not only as a means of reducing carbon emissions, but also as a way to strengthen resilience against fossil fuel price volatility and disruptions along critical energy routes.

However, while this transition reduces certain existing dependencies, it also creates new ones. As electrification and renewable energy investment expand, critical minerals ranging from lithium to rare earth elements are becoming increasingly important across production chains. The principal risk associated with critical minerals lies less in the geographical distribution of reserves than in the concentration of processing and refining capacity in a limited number of centres. China's strong position in critical mineral processing and clean technology supply chains makes it difficult for other countries to develop alternative production capacity in the short term. The fact that new mining and processing capacity can take many years to establish further complicates efforts to reduce these dependencies.

Decarbonisation policies are also changing the rules of trade. While carbon pricing and the Carbon Border Adjustment Mechanism are already affecting trade flows and cost structures, recycled content requirements, digital product passports and traceability obligations are increasingly becoming criteria for market access and supplier selection. In their investment and procurement decisions, companies now consider not only price and quality, but also the carbon intensity of production, the source of the energy used and the verifiability of product data.

The climate transition is therefore moving beyond the boundaries of environmental policy and becoming part of a wider competition over energy, technology, raw materials, data and industrial capacity. In the emerging global order, low-carbon production is no longer merely an environmental choice; it is becoming a strategic capability that shapes competitiveness, investment decisions and economic resilience.

## Conclusion and Assessment

The global economy is moving away from a structure driven primarily by cost and efficiency towards a new geoeconomic order in which security, technology, supply chain resilience and carbon performance are becoming jointly decisive. This transformation is reshaping government economic policies while directly influencing corporate decisions on investment, production, financing and procurement.

In this new era, economic security does not mean withdrawing from the global economy. The priority is to identify the critical dependencies that could disrupt production and economic activity, build alternative capacity and reduce vulnerabilities to manageable levels. The success of this approach, however, depends on establishing a sustainable balance between economic security and global integration. Otherwise, policies intended to strengthen resilience may lead to higher costs, efficiency losses, subsidy competition and persistent protectionism.

The sources of competitive advantage are also changing. Cost advantages and global scale remain important, but under current competitive conditions they are no longer sufficient on their own to deliver lasting superiority. Success in global competition will increasingly depend on the ability to develop technology, secure flows of energy and raw materials, verify product data and reduce the carbon intensity of production.

The winners in the period ahead will therefore not be those that turn away from the global economy, but those that correctly determine which dependencies should be maintained, which should be diversified and where domestic or regional capacity should be developed. In this new era, where competition over security, technology and carbon is becoming increasingly interconnected, lasting advantage will come not simply from producing at lower cost, but from building a more resilient, more innovative and lower-carbon model of value creation.

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