

Strategic Navigation of Global Trade Barriers in Fragmented Markets

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Abstract

The international trading system is experiencing its most disruptive reconfiguration since the period following World War II when liberalization policies were established. The aggregate volume of import restrictions currently accounts for about 12% of global imports, almost triple the volume of trade barriers erected in 2019, due to geopolitical competition, economic nationalisms, and systemic assessments of supply chains. This paper explores the critical strategic considerations confronting multinationals operating in a fragmented global trade environment. Relying on data from the World Trade Organization, International Monetary Fund, and Organisation for Economic Co-operation and Development up until early 2025, this analysis reveals four key strategies — supply chain regionalism, regulatory differentiation, trade agreement arbitrage, and digital trade intelligence — which are contextualized within a decision framework for practitioners.

Introduction: The Architecture of Fracture

By 2019, the WTO members had put in place some 1,000 new trade-restrictive measures. This has grown by 2023 to almost triple the number to about 3,000 trade-restricting measures according to the International Monetary Fund (IMF). This has occurred not because of any temporary weather system in the geopolitical realm but due to a structural reconfiguration in the international trade structure [1]. The international trade system put in place after the war at the Bretton Woods conference is under intense strain, not only economic but also technological and political in nature.

There are three major shifts that have been driving this transformation. Firstly, great power strategic rivalry, especially between the US and China, has led to securitisation of international trade, turning trade instruments such as tariffs and export control into geopolitical tools. Secondly, the coronavirus pandemic highlighted the vulnerability of globally hyper-efficient and geographically concentrated value chain, resulting in reassessing strategic autonomy. Finally, the revival

of industrial nationalism has gained traction among advanced economies such as America's CHIPS and Science Act, EU Green Deal Industrial Plan and others in India, Japan, and South Korea, amongst others, have deliberately turned towards managed trade.

Indeed, for multinational companies (MNCs), the task is daunting. Optimising across a complex patchwork of overlapping regulatory systems, fluctuating tariff structures, and political market access rules requires a fundamentally different type of trade strategy. In this paper, we explore the various elements of contemporary trade fragmentation, provide concrete examples of the phenomenon, and develop an actionable framework for strategic navigation.

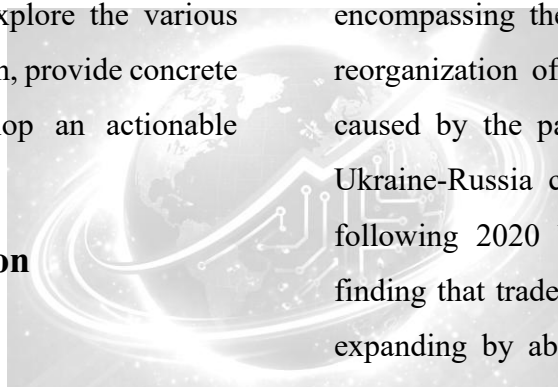
The Anatomy of Trade Fragmentation

Increasing Restrictions

It is useful to refer to the WTO's Trade Monitoring Reports for a detailed timeline on how the wave of restrictions has

evolved over time. By October 2024, the cumulative stock of import restrictions imposed amounts to USD 2,942 billion, accounting for 11.8% of world imports. Most importantly, according to the WTO Director-General Okonjo-Iweala, "there is little meaningful roll-back of existing trade restrictions," indicating that the cumulative stockpile is an additive structure, rather than cyclical in nature [2][3].

As shown in figure 1 below, there has been a continuous increase in the cumulative stockpile of restrictions since 2015, encompassing the trade war between the US and China, the reorganization of trade in the UK post-Brexit, the disruption caused by the pandemic on supply chains, and the ongoing Ukraine-Russia conflict. The sharp increase in the stockpile following 2020 bears significance, corroborating the IMF's finding that trade among geopolitically aligned blocs has been expanding by about five percentage points less compared to trade within the bloc since 2022 [1].



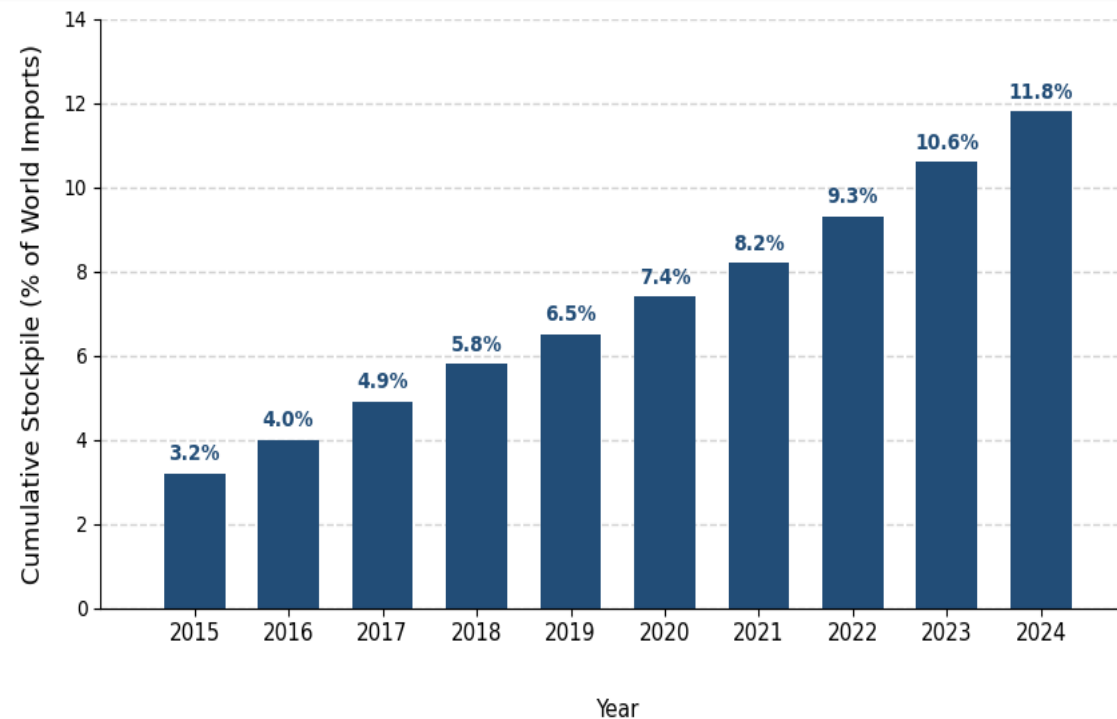


Figure 1: Cumulative stockpile of WTO-member import restrictions as a percentage of world imports, 2015–2024. source: WTO trade monitoring reports (2015–2024)

The Dual Trajectory: Restrictions and Facilitation

A closer look at the figures uncovers the paradox of the fast growth of trade-facilitating measures despite their contradictory protectionist counterparts. As shown in figure 2, the volume of goods trade subject to trade-facilitation measures expanded from USD 315 billion during the period of 2019-2020 to USD 1,440 billion in 2023-2024 – more than four times the amount – compared to the steady increase in the number of restrictions which are yet to be dismantled.

Both trends reflect what Baldwin (2022) calls the "spaghetti bowl" approach to trade regulation; whereby multilateral trade agreements selectively liberalize trade while overall restricting volumes continue to grow. The strategic consequence is that negotiating barriers to international trade has become a comparative advantage: organizations skilled in trading agreements, rules of origin, and regulatory standards can enjoy preferential access unobtainable by their competitors [5].

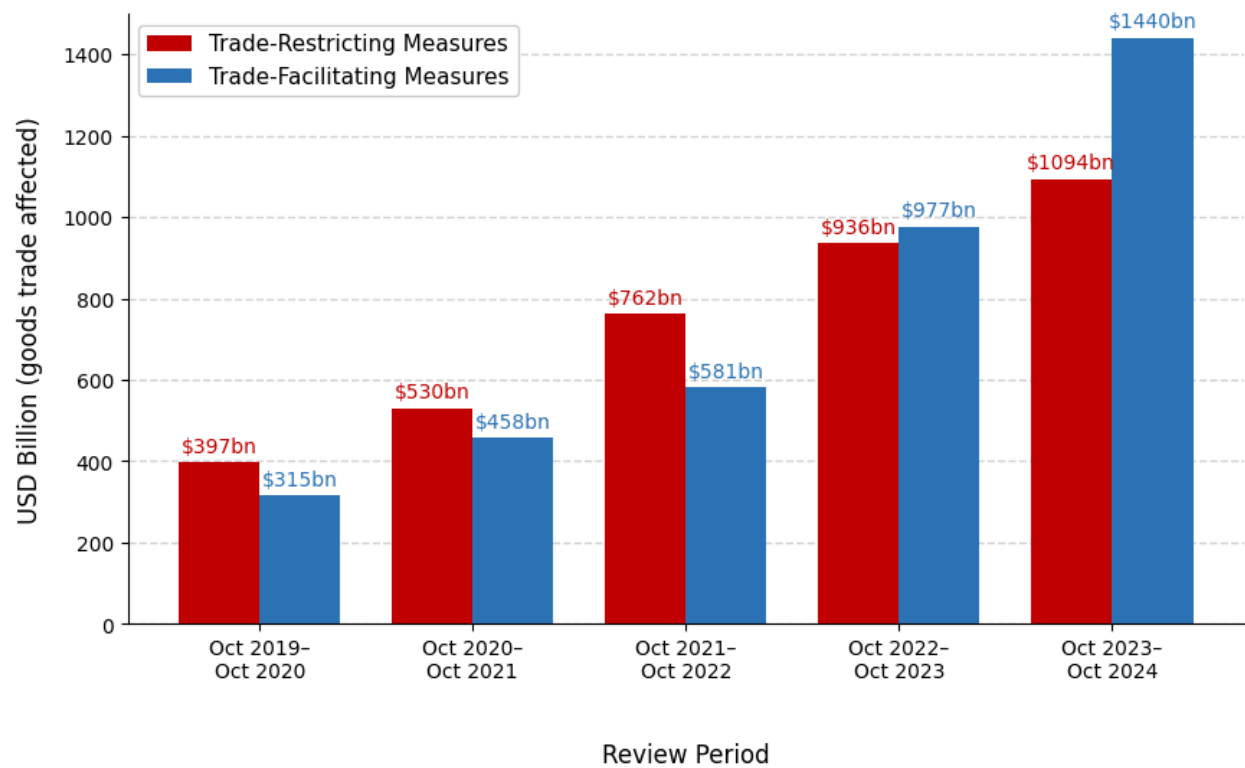


Figure 2: Trade-restricting vs. trade-facilitating measures among WTO members, 2019–2024 (USD billion).

Source: WTO trade monitoring reports (2019–2024)

Geopolitical Bloc Formation and Friend-Shoring

Apart from aggregates, there is also a new geographic structure emerging in the realm of trade. According to the IMF, goods trading between the US-aligned and China-aligned countries has slowed down by almost 5 percentage points from the previous five years (Q2 2022–Q3 2023) (ARC Group, 2025). The creation of such a bloc is not limited only to the US and China. Nonaligned countries have also seen a lower rate of their

trade by about 3.8% (WTO, 2023), implying that globalization is being gradually replaced by fragmentation.

Regarding the policy vocabulary, the concept of "friend-shoring" has gained popularity among politicians as well. It refers to the restructuring of supply chains in the direction of friendly states. This notion has already been officially included into the foreign policy statements of several states. In essence, friend-shoring puts MNEs under pressure, however, offers certain opportunities.

Strategic Approaches: From Complying to Capabilities

Regionalization and the Nearshoring Trend

At the moment, the trend towards regionalization emerges for the global supply chain amid geopolitical fragmentation and resilience needs. According to the data of QIMA, as much as 57% of global companies have applied to nearshoring strategy in 2023, illustrated by the fact that Mexico becomes the largest trading country of the USA, and the procurement of Europe expands into the Mediterranean region, with a 27% growth of trade audits in Turkey. However, the nearshoring initiative currently encounters significant impediments, including the energy grid restrictions in Mexico and the shortage of skilled labor force in the US [4]. In addition, manufacturing investments that have surged almost two times to USD 799.2 billion during 2021–2023 continue to rely on public industrial strategies such as the CHIPS Act and Inflation Reduction Act. Therefore, it is advised by experts to adopt a regionalization strategy based on risk stratification rather than a universal nearshoring strategy, focusing on regionalizing critical high-risk product lines and continuing to source globally for low-risk commodities.

Trade-Agreement Arbitrage

As multilateral trade liberalization becomes less of an option and more of a reality, MNEs are relying on their ability to exploit

Preferential Trade Agreements (PTAs) through a process known as agreement arbitrage. In this strategy, MNEs carefully design their production processes and sourcing activities in such a way as to gain maximum access to the preferential tariff treatment, a critical tool as 7 new regional trade agreements came into force in 2024. But it is not easy to navigate through this maze; there have been 18,000 new trade discrimination measures instituted since 2020, and technical regulations now affect two-thirds of global trade. Three key competencies needed to exploit this arbitrage opportunity include: rules-of-origin engineering, regulatory mapping and legal entity design.

Digital Trade Intelligence and Real-Time Monitoring

Uncertainty related to tariffs and barriers in international business has become more than just a short-term obstacle; rather, it has become part and parcel of international business practices. Despite all of these uncertainties, according to McKinsey's survey conducted in 2025, business organizations seem to be making short-term tactical arrangements in response to these uncertainties, where 45 percent of businesses have opted for stockpiling in response to tariff issues, while spending on big data supply chains has reduced from 47 percent to 25 percent. However, a company that opts to capitalize on artificial intelligence and invests in such systems will gain an edge over its competitors due to the fact that by using the concept of supply chain twins in digital form, businesses can prepare for regulatory

policies in advance, as already done by organizations like Procter & Gamble.

The General Figure: Understanding Fragmentation Topology

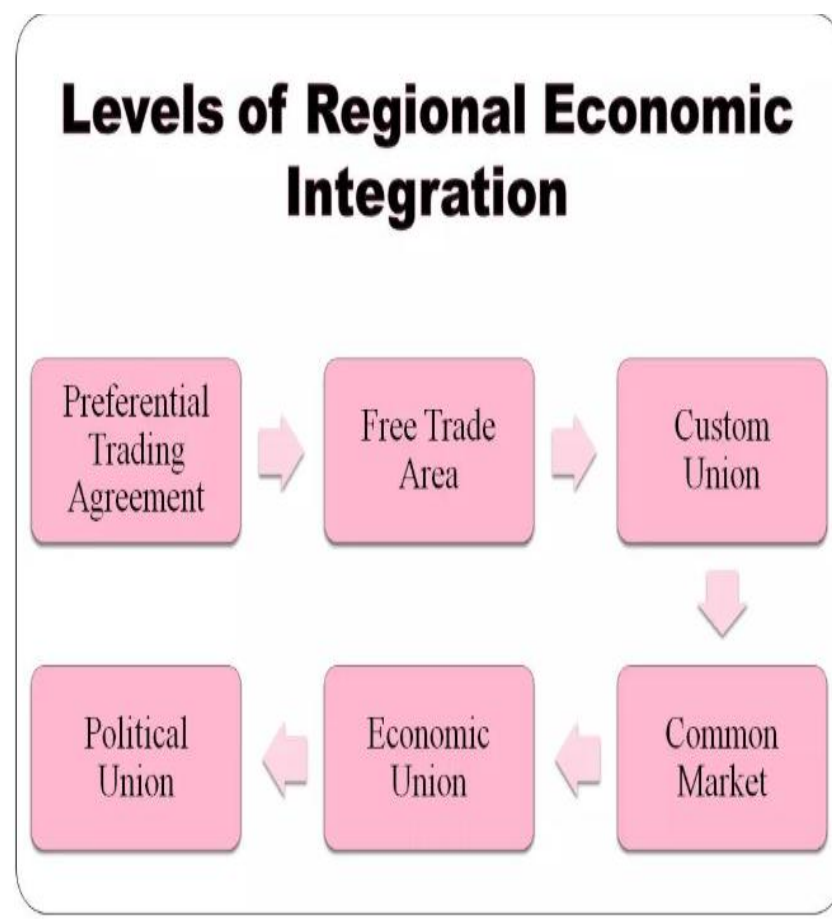


Figure 3: Level of regional economic integration

From figure 3n the dynamics outlined above, it is helpful to construct the "Fragmentation Topology," the web of dynamics that at once fragments markets while binding regional clusters

of countries together. In terms of the latter, three main centrifugal forces predominate: geopolitical bloc creation (with the US-China decoupling on technology being the most developed example); nationalistic industrial policies (including domestic content requirements and subsidies competitions); and the proliferation of sanctions and export controls (no longer limited to weapons-related technologies, but now also including advanced semiconductors, AI technology, and critical minerals).

These centrifugal forces are counteracted by centripetal forces associated with regionalisation: namely, the enlargement of RCEP throughout the Asia-Pacific; the deepening of the single market in the EU; the incremental functional realisation of the African Continental Free Trade Area (AfCFTA); and the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This results not in deglobalization, but rather in regionalizing globalization, with larger, deeper regional trading blocs separated by higher barriers between them.

For companies, this means that the strategic analysis unit has fundamentally changed. Competitive positioning has moved away from cost advantages along the global supply chain and toward multi-bloc positioning and flexibility: the capacity for sourcing, production, and distribution within each major regional bloc without being burdened by stranded assets when inter-bloc barriers change. Companies with an established

multi-regional manufacturing footprint — the legacy multinationals in automotive, pharmaceuticals, and industrial equipment — have an inherent structural advantage. Companies concentrated in one region bear disproportionate fragmentation risks.

Conclusion: From Compliance to Strategic Capability

The global trading system through early 2025 reflects a strange contradiction. The level of trade continues to be healthy, despite growth of world merchandise trade reaching 3.4% in 2024 (World Trade Organization, 2025). However, the very foundation of the international trade regime is disintegrating further. The number of restrictive trade measures has been on the rise and, by 2023, had already accumulated 3,000 measures restricting 11.8% of global imports. Geopolitical fragmentation has started to create divergent growth in intra-bloc versus inter-bloc trade flows. The strategic requirement for multinational corporations follows from this logic: the era of trade compliance as a secondary function, along with supply chain geography that was driven exclusively by cost optimization, has come to an end. Trade-barrier navigation needs to become a central strategic competency embedded into corporate decision-making processes and bolstered by digital infrastructure that can keep up with policy change. As for the four trade-barrier strategies we have highlighted, namely regionalization, agreement arbitration,

regulatory diversification, and digital trade intelligence, their exact balance in a particular company's portfolio should be decided based on sectoral exposure, geographic presence, capital structure, and geopolitical risk. What remains unavoidable is the construction of the portfolio itself: in an environment defined by market segmentation, those companies that do not actively manage their trade-barrier strategy end up absorbing fragmentation as a structural cost. Those who develop a trade-barrier navigation competency will find in this broken architecture the sources of competitive advantage.

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