

# 5 Correlated Trade and Geopolitics Driving a Fractured World Order

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## 5.1 Introduction

In the 2020s, public discourse, international relations scholarship, and global policymakers have all noted that geopolitical rivalries are worsening global fragmentation. The friend-shoring, de-risking, and decoupling emerging from US-China geopolitical rivalry have caused trade barriers to increase everywhere. From 2019 to 2022—coincident with the COVID-19 pandemic that also exacerbated geopolitical tensions—international trade restrictions rose three-fold (Georgieva, 2023). From this, a considerable loss in global well-being is possible; indeed, fragmentation over the long term could reduce global gross domestic product (GDP) by up to 7% (USD7.4 trillion), equivalent to the combined GDPs of France and Germany and more than three times the size of the entire sub-Saharan African economy (Georgieva, 2023).

A leading international relations scholar, Joseph Nye, noted of US decoupling that ‘it would be foolish to think [that] we can separate our economy completely from China without enormous costs’ (Nye, 2021). These enormous costs can be viewed as the price of fragmentation, but when the price is sufficiently high, rational agents will not undertake actions that incur those costs. Accordingly, International Monetary Fund (IMF) Managing Director Kristalina Georgieva wrote a 2023 *Foreign Affairs* article entitled, ‘The Price of Fragmentation’ (Georgieva, 2023). IMF Deputy Managing Director Gita Gopinath used the same reasoning to argue that if geopolitical-driven fragmentation produces individual gains, when set against real costs, those gains are illusory. Individual gains from fragmentation are, at best, only relative in that ‘even those who benefit from fragmentation could be left with a larger slice of a much smaller pie . . . [E]veryone could lose’ (Gopinath, 2024).

This chapter investigates the relationship between geopolitics and economics as forces jointly driving world order. Have geopolitics and economics always driven world order in opposite directions, one splintering and the other coalescing? How accurate is the IMF (and indeed conventional) belief that geopolitical rivalries are fragmenting the world, but economics holds the global economy—and thus world order—together? This chapter argues that conventional wisdom is at odds with the global experience of the last 5 decades. The last 50 years can be divided