Strategic Focus: Navigating Supply Chain Risk Amid Geopolitical Decoupling

Geopolitical risks have escalated dramatically in the last three years, particularly decoupling between major economies and organizations. As decoupling is happening faster, and in more ways than many anticipated, it is inducing a myriad of operational risks for firms with supply chains extending overseas. This report examines the drivers of decoupling and the strategies to overcome its effects on supply chains. Moreover, it looks to the emergence of supplier intelligence frameworks, real-time intelligence feeds and process intelligence software as potential solutions.

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**Organizations mentioned**

AstraZeneca, CIPS, Deloitte, GAN Integrity, NVIDIA, OneTrust, Pfizer, Taiwan Semiconductor Manufacturing Company (TSMC), Volvo, World Economic Forum (WEF), WuXi AppTec.

# Geopolitical decoupling is a growing and multifaceted problem

As Donald Trump’s second administration commits to a policy of geopolitical and economic decoupling – whereby major economies leverage geopolitical pressures to intentionally reduce economic interdependence – firms with complex, interconnected supply lines must strategize quickly if they are to protect their operations against rapid shifts in the global market. Decoupling is increasingly in evidence across geopolitical networks, with a notable example that of the US from China. A fundamental rethinking of resilience and diversification will be necessary to navigate the immense changes happening at the core of this system. This report explores the emerging risks that firms with supply chains across geographies affected by the processes of decoupling are likely to encounter, and provides core strategies to build resilience.

## Firms must build supply chain risk strategies around the drivers of geopolitical decoupling

The recent wave of tariffs engulfing the global economy has reignited concerns about geopolitical risk, causing wide re-evaluations of supply chain strategies by chief risk officers (CROs) and supply chain leaders alike. In a [CIPS pulse survey](https://www.cips.org/knowledge-and-insight/trumps-tariff-turmoil), 63% of respondents listed ‘geopolitical uncertainty’ as the primary risk facing their firms in the next year – the highest figure ever recorded by the organization. As the problem of decoupling grows into a double-edged sword for western firms struggling between rising operational costs and changing market access, CROs must work the underlying drivers of decoupling into revised mitigation strategies to maintain a resilient and adaptive supply chain. Without incorporating these drivers, strategies will be reactive rather than proactive (see **Figure 1**). Organizations should therefore consider that:

* **Supply chains are now inseparable from ideas about national security.**

As large economies increase supply chain isolation via localized sourcing, CROs and supply chain leaders will face growing disruptions. For example, Beijing’s recent purge on foreign parts across many of its supply lines – referred to domestically as a ‘dual circulation strategy’ – has seen [more than 24 major firms based in mainland China race towards self-sufficiency](https://www.ft.com/content/8e018bd6-17ae-4ac9-b43b-c625a65c2651) since the start of the 2025 trade war. While domestic production efforts have existed since the end of the Cold War, the overarching change in the last five years is that economic efficiency is no longer the single, primary factor driving the push for domestic sourcing. Rather – as decoupling continues to diffuse global power balances and fracture the logic of interdependence – domestic sourcing has begun to move under the umbrella of national security. To account for strategic, security-driven shifts in host-state behaviour, economic forecasting must be fused with geopolitical horizon-scanning.

* **Data sovereignty is a powerful new frontier of supply chain risk.**

Management of digital data has come to reflect the governance structures of both national and supranational entities – and has, in turn, become a new factor in geopolitical competition. As cases of decoupling increase, firms must take into consideration heightened data localization laws when formulating their supply chain management strategies. For example, [China’s 2021 Personal Information Protection Law (PIPL)](https://iapp.org/news/a/analyzing-chinas-pipl-and-how-it-compares-to-the-eus-gdpr/) places varying restrictions on the processing and cross-border transfer of personal data outside mainland China. These increasingly restricted data flows are not unique to China: Deloitte notes that the number of countries implementing data localization laws has jumped to 62 [as of 2023](https://www.deloitte.com/cn/en/services/consulting-risk/perspectives/cross-border-data-flow-regulations.html?utm_source=chatgpt.com). Firms with globally diffused supply networks must not only heighten internal awareness of jurisdiction-specific compliance, but implement integrated data management systems to avoid supply chain delays and financial penalties.

* **National development goals risk distorting supply line dynamics.**

As supply line rerouting intensifies, industrial policy will become more and more tied to national development objectives. [India’s Production Linked Incentive scheme (PLI)](https://www.investindia.gov.in/team-india-blogs/pli-scheme-game-changer-indias-manufacturing-sector) encourages domestic sourcing across pharmaceutical, electronic and automotive supply lines through tax breaks and subsidies. In the context of decoupling, this is an economically defensive measure – [imports decreased across the electronic and pharmaceutical sectors,](https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=153454&ModuleId=3) alongside an [overall drop of 26% in 2020, its first year](https://www.researchgate.net/publication/349199160_Role_Of_Atmanirbhar_Bharat_In_Revitalisation_Of_Supply_Chain_In_India). However, these policies often make market access contingent on closer alignments with national goals; supply-demand dynamics can be distorted when production shifts are based on political convenience rather than operational efficiency. To mitigate this complexity, firms must implement scenario-based supply chain monitoring to both anticipate supplier relocations and understand their potential impact on market dynamics.

**Figure 1.**

## Geopolitical decoupling will cause hidden risks to emerge, hitting outdated mitigation strategies the hardest

Volatile tariffs and politicized regulatory shifts are disrupting legacy risk systems that are built on assumptions of relatively frictionless trade and predictable governance patterns. For organizations using legacy systems, the impacts of geopolitical decoupling will be characterized by a myriad of smaller, less visible risks that quietly accumulate over time and degrade operational capacities (see **Figure 2**). To identify and understand emerging vulnerabilities quickly, firms must incorporate broader data-driven analytics into mitigation strategies. Organizations of all sizes should keep in mind that:

* **Decoupling is not ‘one size’.**

Geopolitical decoupling conceals a spectrum of disruptions. Regulatory decoupling entails a growing divergence in environmental regulations and data protection laws, but technological decoupling has a greater chance of impacting organizations that rely on access to a globally integrated hardware ecosystem. For example, the US decision in 2022 to ban exports of advanced semiconductor technology to mainland China forced NVIDIA to design a new A800 chip to retain market access in the country; Chinese manufacturers had to unexpectedly extend compatibility testing timelines and renegotiate pricing contracts with suppliers to reflect any performance changes. The operations of most firms are not ready to break from globally integrated systems at the rate that decoupling is accelerating, making process intelligence tools invaluable.

* **Restrictions on movement of components and people will hinder R&D and innovation**.

As politically motivated travel restrictions increase, organizations relying on globally distributed innovation centres as a core part of their supply chain, such as bioengineering, pharmaceutical and AI development firms, must update their strategies for talent and research mobility. With Sino-US decoupling accelerating tariffs and restricting the flow of researchers, the Chinese biotechnology firm WuXi AppTec – which provides critical R&D and ingredients to AstraZeneca and Pfizer – has stockpiled US-made reagents and is considering plans to shift some clinical testing to the US. As this mitigation strategy prioritizes operational continuity for international clients, there is a risk of costs increasing for western partners. To counter talent and component flow disruptions, organizations should draw from multinational talent pools by deepening collaboration with R&D hubs across more diverse regions.

* **Reduction of informal knowledge channels will become commonplace.**

For firms that fail to diversify their information channels, decoupling will threaten their cross-border knowledge networks across the width and depth of the supply line, ultimately increasing information asymmetry. ‘Soft links’ – where personnel such as supply chain leaders and logistics coordinators make up informal information networks by relaying developments in real time – will shrink as major economies explore self-sufficiency options (see [Verdantix Illusions Of Control: What Turmoil In Kashmir Reveals About The Anatomy Of An Information Void](https://www.verdantix.com/insights/blogs/illusions-of-control-what-turmoil-in-kashmir-reveals-about-the-anatomy-of-an-information-void)). After Russia’s invasion of Ukraine in 2022, the rapid disengagement of many western firms from Russian operations caused the contraction of informal information channels, leading to a loss of operational visibility and an uptick in misalignments across the supply line. It is therefore imperative for organizations to formalize previously informal information networks through structured digital collaboration tools that work in real time.

**Figure 2.**

## Long-term strategic overhauls must look beyond the silo

Supply chain elasticity is the ability to respond to disruptions across the supplier network while maintaining stability, predictability and supplier insight. Siloed supply chains, on the other hand, are increasingly unfit for an era of geopolitical decoupling, due to their tendency to obscure critical data when regional relations degrade. With decoupling making relations less predictable, policy less stable and operational environments more volatile, effective supply chain elasticity must:

* **Know the limits of regional pivoting.**

Operational boundaries for supply chains should beestablished to ensure elasticity does not become a risk in and of itself. Organizations thinking about redirecting supply chains must account for how the operational maturity and capacity of their suppliers may change as decoupling accelerates. For example, though Taiwan Semiconductor Manufacturing Company (TSMC) has laid out plans to open a plant in the US, labour shortages have delayed its opening until 2028. Moreover, water shortages, exacerbated by droughts, have worsened TSMC’s logistical issues amid the growing geopolitical tensions in the region. For firms with semiconductors as an integral part of their supply chain, the interplay between these risks may not be immediately obvious when preparing for a supplier shift. An approach that integrates in-depth analytics, supplier collaboration and multi-tier risk assessments is thus crucial.

* **Manage continuous supplier onboarding and readiness protocols.**

Firms should continuously audit secondary suppliers to ensure they remain operationally ready in the event they need to be onboarded. Such suppliers should be levelled and tiered against country risk profiles: this can be done as part of incorporating dynamic supplier intelligence frameworks, allowing firms to maintain pre-qualified alternative suppliers across multiple stages of the supply chain. Vendors such as GAN Integrity facilitate this process by providing continuous supplier monitoring, while mapping risk impact zones per supplier and automating the onboarding process. OneTrust also provides this service by evaluating secondary vendors based on their geographic context (see [Verdantix Smart Innovators: Third-Party Risk Management Software (TPRM)](https://www.verdantix.com/client-portal/report/smart-innovators-third-party-risk-management-software-tprm)).

* **Prioritize adaptability over policy swings.**

Some strategic recommendations in the past few years have argued that geopolitical decoupling is a lower risk to supply chains because its negative economic effects prevent it from becoming the status quo. However, this line of strategizing fails to account for the detrimental effects that geoeconomic oscillation has on firms and their data management. For example, though the World Economic Forum (WEF) notes that the rate of foreign firms exiting China [has risen by 37% since 2018](https://www.weforum.org/publications/global-risks-report-2025/in-full/global-risks-2025-a-world-of-growing-divisions-c943fe3ba0/), this figure has only emerged after a series of policy swings have forced many firms to be reactive rather than proactive about their supply chain risk management processes.

* **Maintain the duality of compliance standards.**

Firms should build parallel compliance standards into the supply chain where possible, so that access across markets can be swift. After Volvo began shifting production away from China to Belgium and transitioned to incorporate the EU’s General Data Protection Regulation (GDPR) alongside the PIPL, the firm’s ability to maintain parallel compliance standards helped create a more resilient data infrastructure system across its supply network. As partial production movement does not negate Volvo’s obligations under the PIPL, embedding both sets of standards from the outset not only strengthens trust with stakeholders, but reduces operational delays on either end on the transition. Firms must therefore shift towards an internal global data policy architecture, allowing quick transition and configuration.