The Geoeconomic Determinants of Reglobalization

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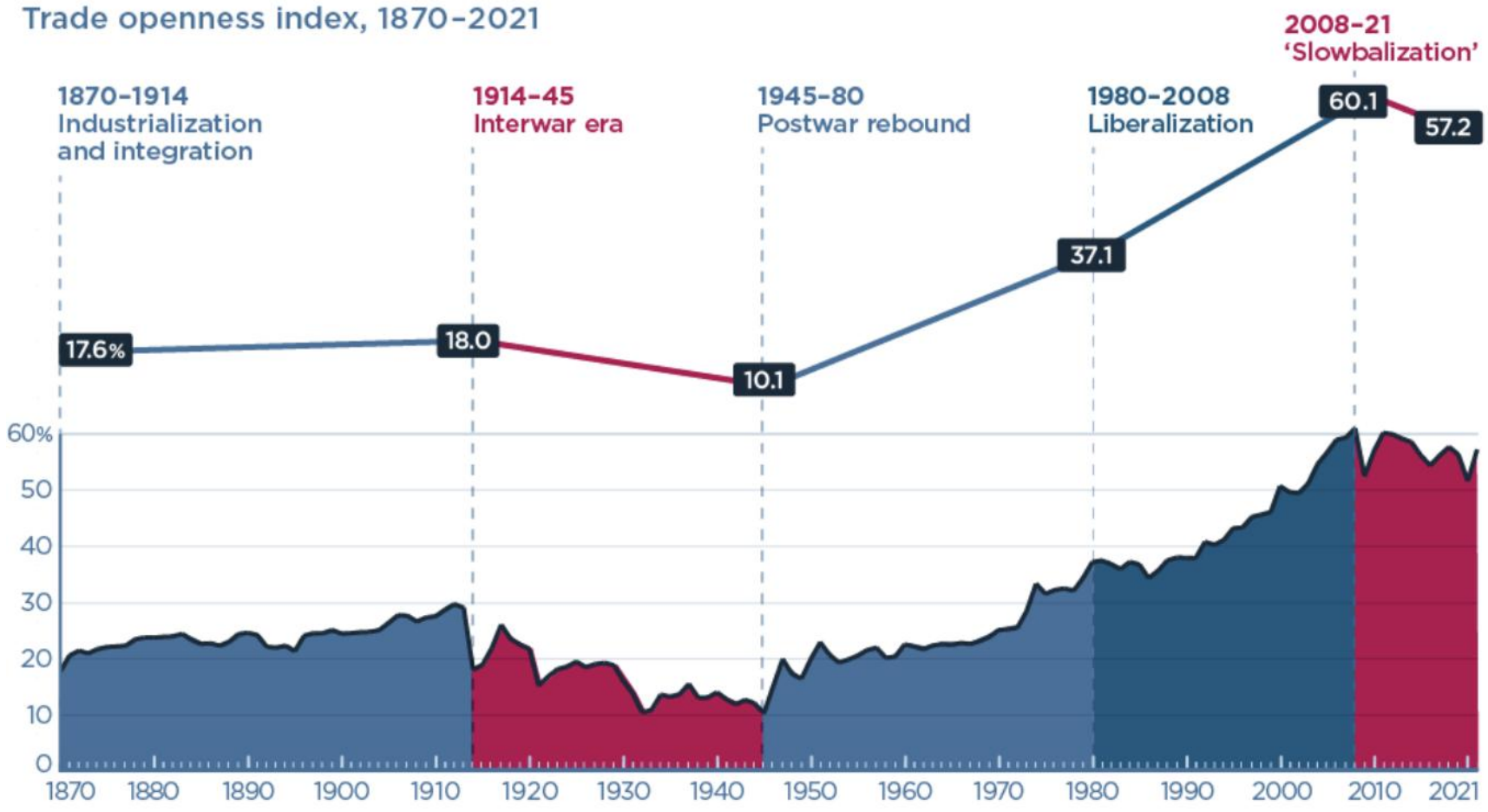
Two Centuries of Globalization and "Deglobalization"



Source: PIIE

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April 02 – Liberation Day

Reciprocal Tariffs

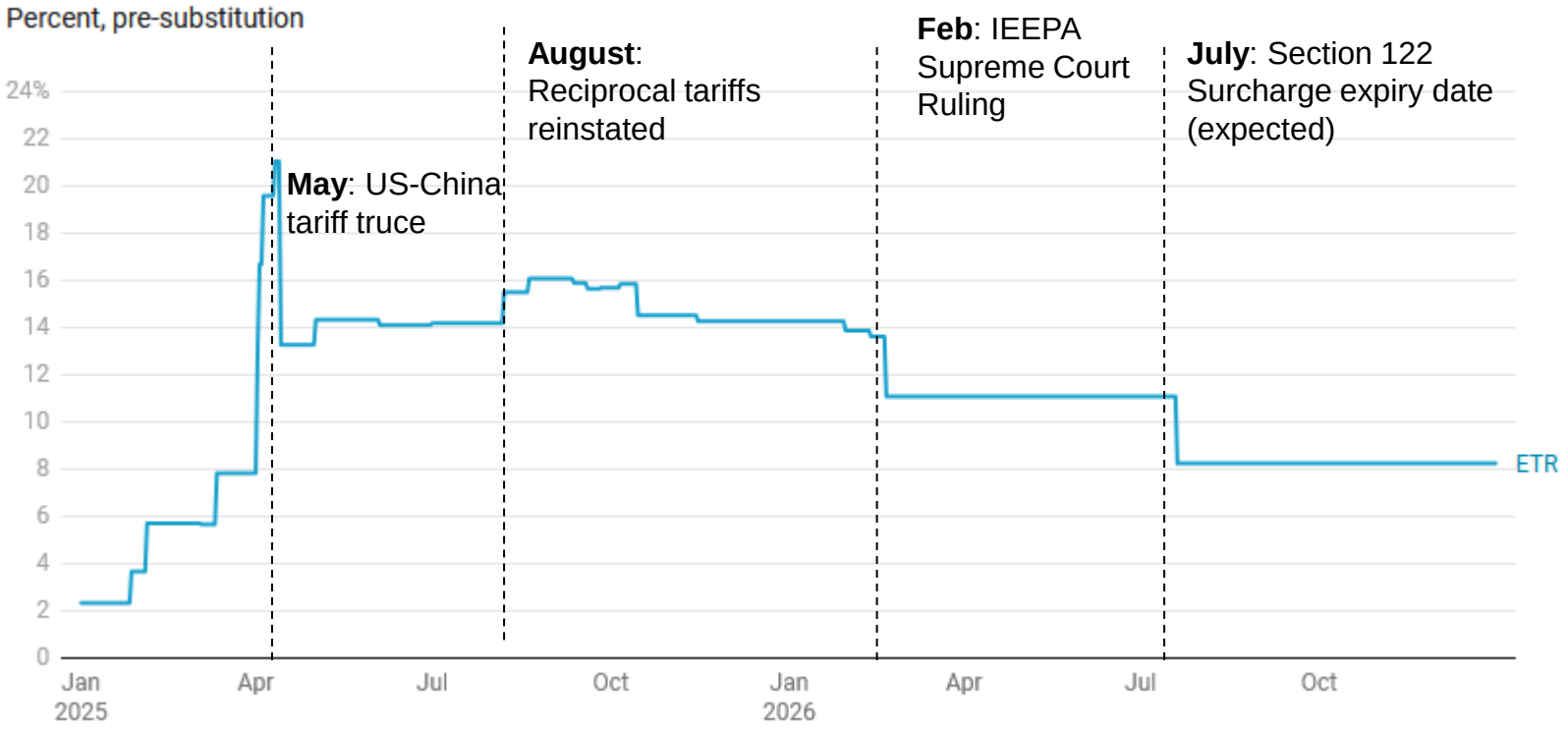
Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d`Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

US Tariff Rates (Updated Apr, 2026)

Figure 2. Daily Effective Tariff Rate



Source: The Budget Lab Analysis • Created with Datawrapper

Source: Yale Budget Lab

Reglobalization

- Question: Has China's role in global trade weakened after recent geopolitical and supply-chain shocks, or have the trade links been reorganized under geopolitical pressure?
- The central problem with the deglobalization narrative is that it treats reduced direct trade exposure from the world's two largest economies, China and the US, as equivalent to a collapse of global integration.

Key channels of reglobalization:

- Diversification: trade spreading across more partners.
- Relayering / Re-export: China-linked trade reaching final markets through third countries.
- Selective reconfiguration: trade changes direction, composition, and form

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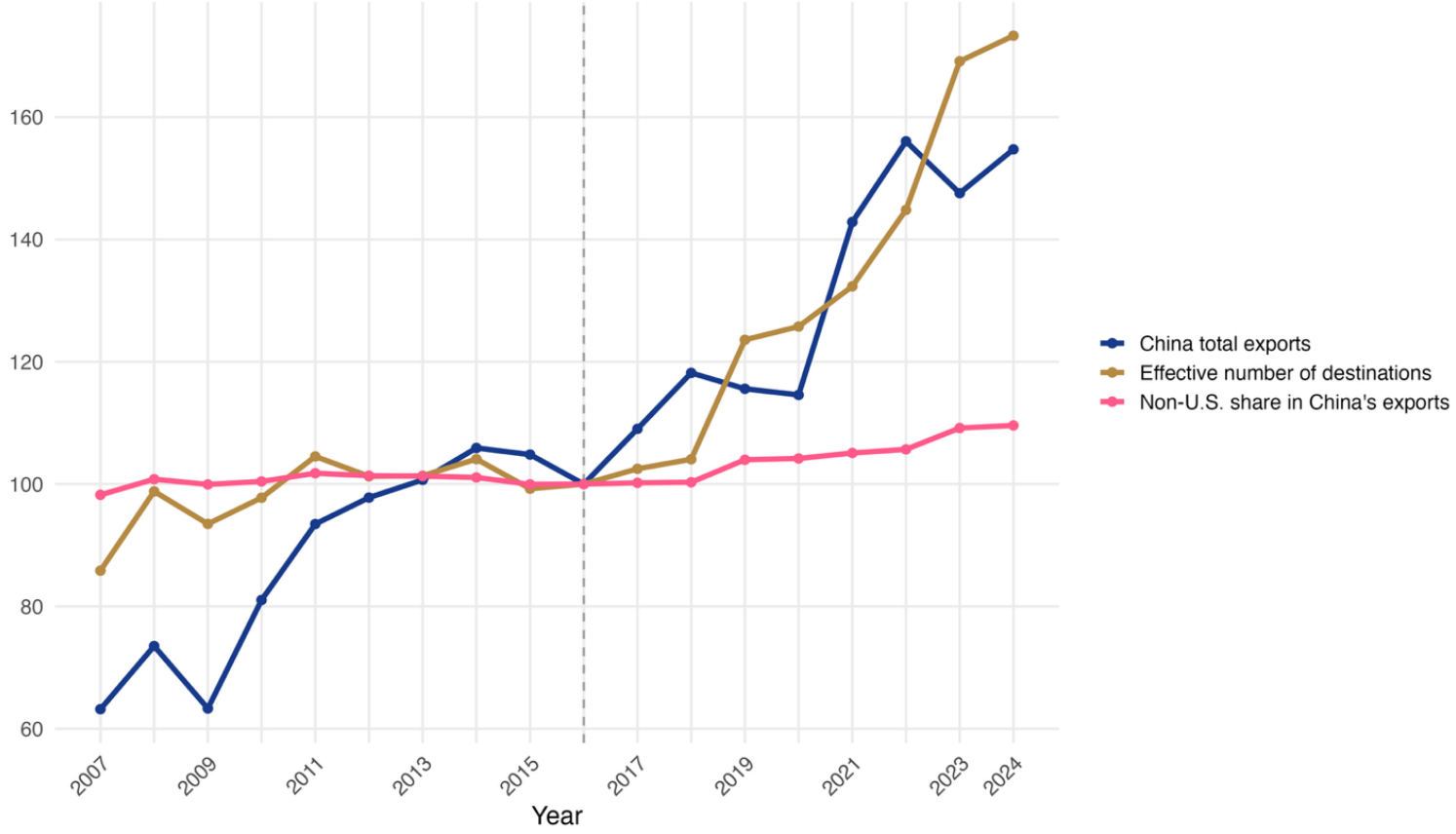
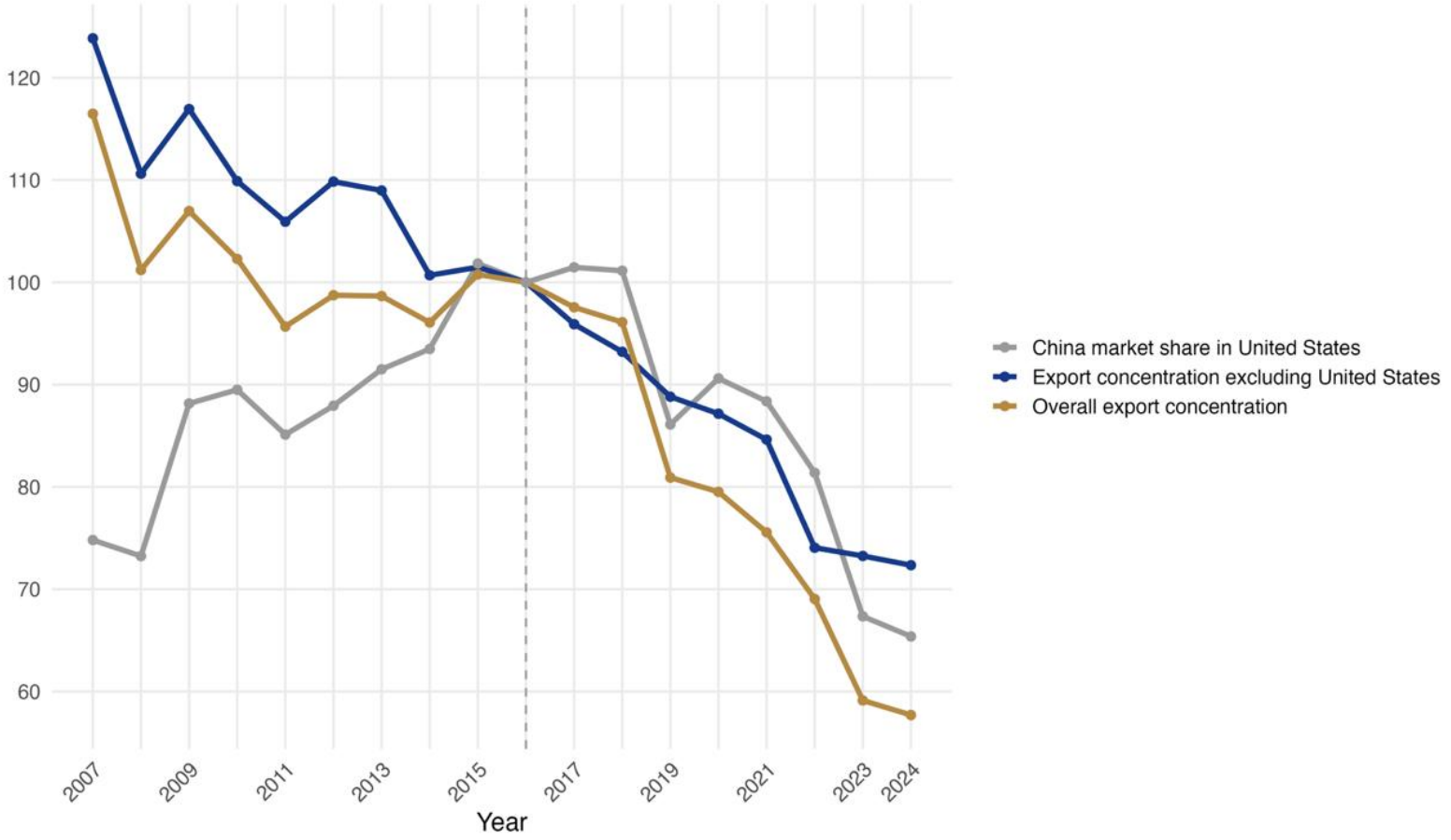
China's Export Network Did Not Collapse



Source: Author's calculations using BACI Bilateral Trade data

A broader destination network is observe and China's global trade role has not collapsed: its export network has become more diversified across destinations while total export volume continues to increase

Destination Concentration Fell

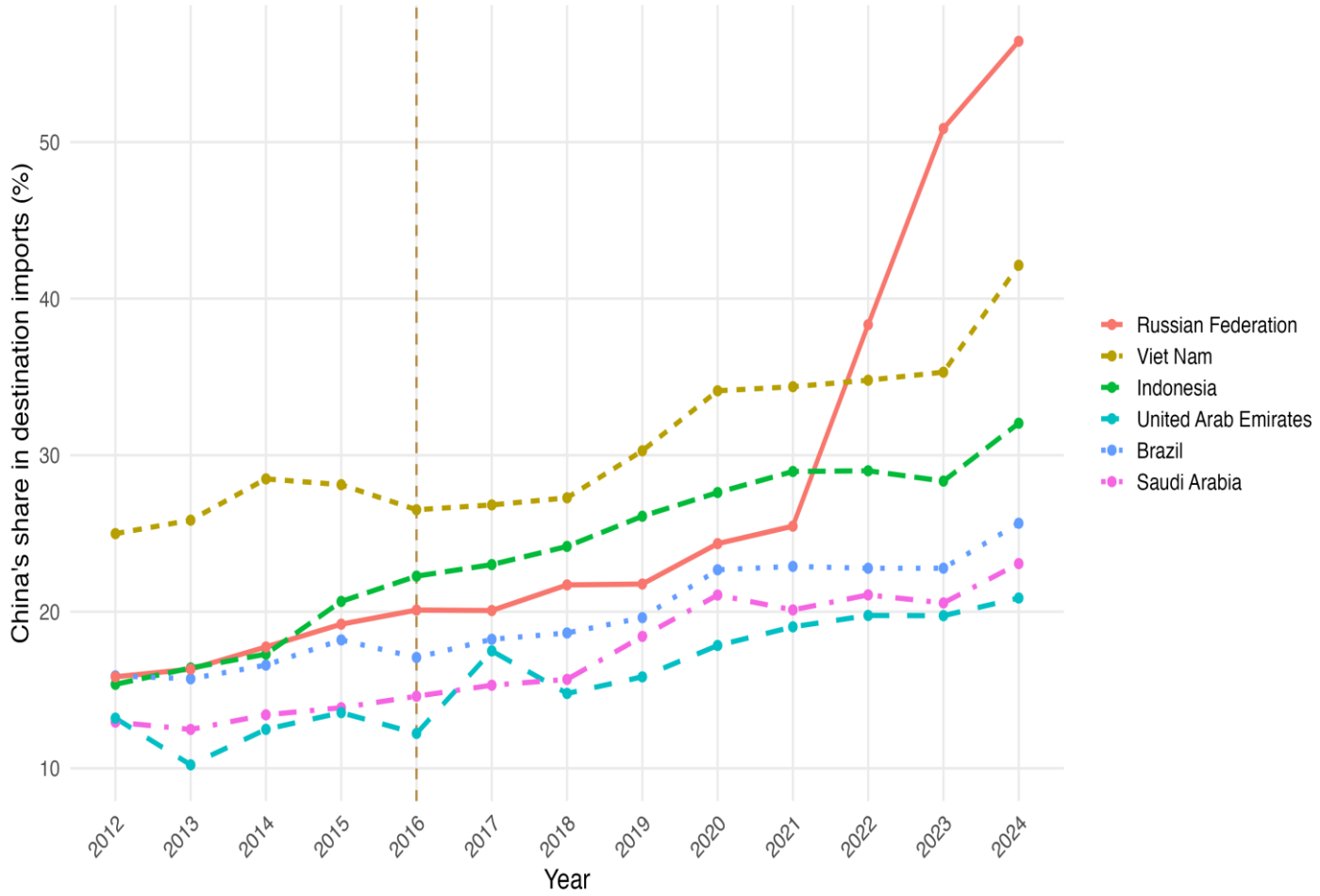


Source: Author's calculations using BACI Bilateral Trade data

The U.S. case is real and important, but it is not representative of China's entire external trade position China did not merely lose access to one of its major market; it redistributed export exposure across a wider global network

China's Import Presence Deepened Outside the U.S.

Destinations with the largest increase in import dependence on China, 2016–2024



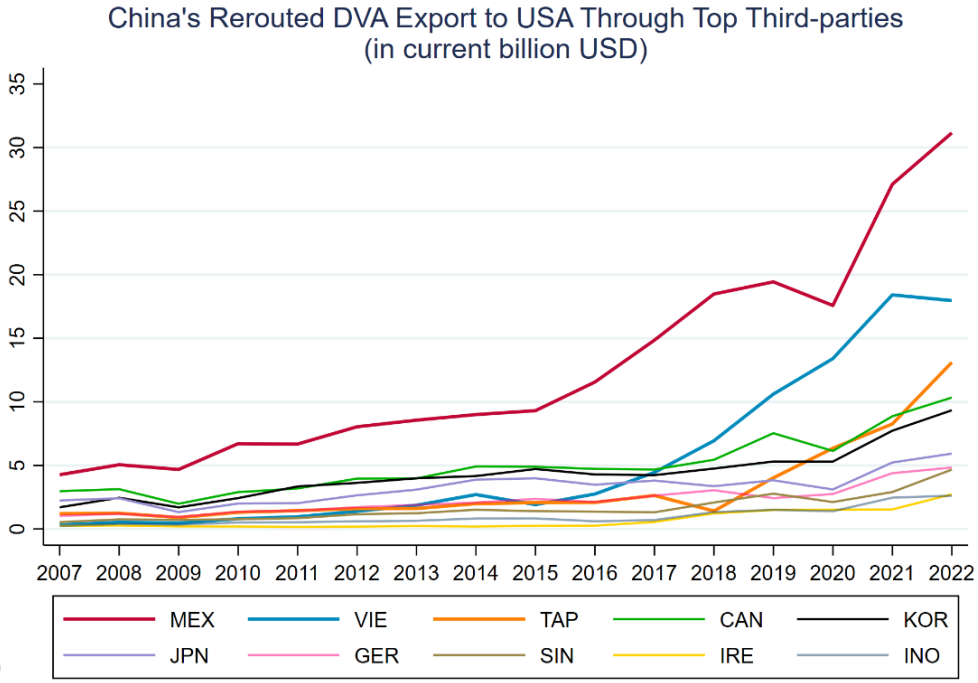
Source: Author's calculations using BACI Bilateral Trade data and International Trade Center

China's declining role in the U.S. market was partly offset by rising import dependence on China in other major destinations, including emerging distribution hubs.

Great Trade Reallocation

%	2018		2020		2022		2024		2025	
1	USA	19.2	USA	17.5	USA	16.2	ASEAN	16.4	ASEAN	17.6
2	EU	13.7	ASEAN	14.8	ASEAN	15.8	USA	14.7	EU	14.4
3	ASEAN	12.9	EU	14.6	EU	15.1	EU	13.9	USA	11.1
4	HKSAR	12.1	HKSAR	10.5	HKSAR	8.3	HKSAR	8.1	HKSAR	8.9
5	Japan	5.9	Japan	5.5	Japan	4.8	Japan	4.3	Japan	4.2

Source: Author's calculation using International Trade Center's export data



Source: Tang (2024)

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Great Re-export

Beneficiary Economies from U.S.-China Trade Reallocation, 2016–2024

Country	Growth in country's share of U.S. total imports (pp)	Growth in country's exports to the U.S. (%)	Growth in country's imports from China (%)
Vietnam	3.07	227.95	216.79
Mexico	2.33	72.50	85.14
Rep. of Korea	1.33	95.11	60.29
Ireland	0.72	107.20	178.55
India	0.67	87.89	104.90
Thailand	0.67	114.22	107.91
Singapore	0.45	128.78	34.17
Cambodia	0.36	304.06	243.57
Netherlands	0.26	102.95	46.72
Canada	0.25	49.97	41.55
Brazil	0.20	75.17	182.98
Turkey	0.17	116.67	83.70

Source: Author's calculation using BACI's bilateral data

What Explains the New Geography of Trade?

- **Regression Evidence: Three Tests of Trade Reconfiguration**

Regression block	Unit of observation	Dependent variable	Main question
China market-share reallocation	Destination × HS6 product level	Change in log China market share	What economic fundamentals determines China's reallocation
China geopolitical determinants	Destination × HS6 product level	Change in log China market share	Is China's reallocation geopolitically structured?
U.S. geopolitical determinants	Exporter × HS6 product level	Change in log U.S. import share	Is U.S's reallocation geopolitically structured?

- The regressions test whether post-2016 trade reallocation is shaped by both economic substitutability and geopolitical alignment.
- Year 2016 is taken as a pre-trade-war benchmark before the first Trump administration.

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Data Sources and Variable Construction

Variable group	Data source
Trade outcomes (HHI, Market share)	BACI HS07 bilateral trade data, 2007–2024
Distance	CEPII GeoDist
Trade costs / Tariffs	ESCAP–World Bank Trade Costs Dataset
Tariffs	ESCAP–World Bank Trade Costs Dataset
Financial openness	Chinn-Ito KAOPEN Dataset
Economic development	World Bank World Development Indicators, WDI
Trade agreements	Design of Trade Agreements / FTA Database
BRI status	WTO BRI Membership Dataset
Geopolitical alignment	UN General Assembly Voting Data
Sanctions	Global Sanctions Data Base
Arms transfers	SIPRI Arms Transfers Database
Upstreamness	Antràs–Chor / input-output upstreamness, Authors' calculation mapped to HS products
R&D intensity	OECD ANBERD R&D expenditure, Authors' calculations with proxy to trade value, mapped to HS products
Product concordance	HS–ISIC concordance from WITS

China Market-Share Reallocation

Dependent Variable:	Change in China's destination-product market share				
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
Variables of interest					
Initial China market share	-1.54*** (0.153)	-1.98*** (0.167)	-2.91*** (0.250)	-3.59*** (0.276)	-3.20*** (0.301)
Initial supplier concentration (HHI)		1.14*** (0.237)	0.849*** (0.237)	0.698*** (0.186)	0.796*** (0.186)
Initial share × concentration			1.80*** (0.333)	2.32*** (0.310)	1.90*** (0.351)
Controls					
ln(distance to China)				-0.155 (0.102)	
ln(trade cost)				0.074 (0.304)	
Tariff				-0.931 (1.47)	
Financial openness				0.015 (0.050)	
ln(GDP per capita)				-0.184* (0.086)	
Importer fixed effects	No	No	No	No	Yes
HS6 fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	14,572	14,572	14,572	13,055	14,549
R-squared	0.30397	0.31356	0.31579	0.33727	0.36075

China's reallocation was selective: retreat was stronger where substitution was feasible, but China remained resilient where supplier alternatives were limited.

Mechanism Split: Upstreamness vs. R&D Intensity

Dependent variable: Change in China's destination–product market share			
Variable	**2016–2024**	**2016–2020**	**2020–2024**
Variables of interest			
Initial share × supplier concentration (HHI)	1.897*** (0.351)	1.319*** (0.277)	1.551*** (0.257)
Mechanism interactions			
Initial share × Upstreamness index	-0.144 (0.098)	-0.031 (0.115)	-0.009 (0.108)
Initial share × R&D intensity	-0.274*** (0.080)	-0.013 (0.061)	-0.182** (0.054)
Fixed effects			
HS6 fixed effects	Yes	Yes	Yes
Importer fixed effects	Yes	Yes	Yes
Observations: HHI model	14,549	14,261	16,223
Observations: upstreamness model	14,397	14,109	16,050
Observations: R&D model	13,925	13,649	15,519
R-squared: HHI model	0.36075	0.29550	0.26880
R-squared: upstreamness model	0.35381	0.28865	0.26953
R-squared: R&D model	0.35871	0.29310	0.27231

China's market-share resilience remains strongest where supplier alternatives are limited, while post-2020 reallocation pressure becomes concentrated in R&D-intensive products with high initial dependence on China.

Geopolitical Determinants of China's Export Reallocation: HHI

Dependent Variable:	Change in China's destination-product market share					
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Variables of interest						
Initial China market share	-3.63*** (0.265)	-3.58*** (0.275)	-3.59*** (0.271)	-3.50*** (0.243)	-3.44*** (0.262)	-3.198*** (0.3009)
Initial supplier concentration (HHI)	0.687*** (0.197)	0.714*** (0.190)	0.749*** (0.191)	0.742*** (0.179)	0.731*** (0.178)	0.796*** (0.808)
Initial share × concentration	2.32*** (0.302)	2.30*** (0.315)	2.25*** (0.315)	2.17*** (0.293)	2.16*** (0.299)	1.897*** (0.3508)
Geopolitical controls						
FTA with China	0.136 (0.122)		0.183. (0.107)	0.114 (0.103)	0.164 (0.102)	
BRI member	0.116 (0.108)		0.103 (0.111)	0.260* (0.112)	0.269* (0.131)	
ASEAN-China FTA	-0.343 (0.207)		-0.374. (0.206)	-0.567** (0.201)	-0.544** (0.163)	
FTA with U.S.		-0.017 (0.074)	-0.073 (0.070)	-0.098 (0.059)	-0.093 (0.085)	
Relative alignment with China vs. U.S.				0.150*** (0.042)	0.166*** (0.046)	
U.S. trade sanction exposure					0.269* (0.104)	
China trade sanction exposure					0.150 (0.129)	
Any arms transfers from China					-0.108 (0.106)	
Any arms transfers from U.S.					-0.181. (0.103)	
Fixed effects and sample						
General controls	Yes	Yes	Yes	Yes	Yes	Yes
HS6 fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Importer fixed effects	No	No	No	No	No	Yes
Observations	13,055	13,055	13,055	13,055	13,055	14,549
R-squared	0.33880	0.33729	0.33897	0.34628	0.35022	0.36075

Binary Variable, higher values → mean relatively closer alignment with China than with the U.S

China's reallocation favor politically more compatible destinations.

Geopolitical Determinants of China's Export Reallocation: Upstreamness vs. R&D Intensity

Dependent Variable:	Change in China's destination-product market share			
Variable	(1) Upstreamness	(2) R&D intensity	(3) Upstreamness	(4) R&D intensity
Variables of interest				
Initial China market share	-1.96*** (0.176)	-1.94*** (0.175)	-1.839*** (0.185)	-1.665*** (0.2916)
Initial share × upstreamness index	-0.158 (0.101)		-0.0511 (0.092)	
Initial share × R&D intensity		-0.256** (0.084)		-0.179* (0.106)
Geopolitical controls				
FTA with China	0.177. (0.100)	0.187. (0.099)		
BRI member	0.249* (0.124)	0.267* (0.119)		
ASEAN-China FTA	-0.531** (0.167)	-0.526** (0.159)		
FTA with U.S.	-0.034 (0.096)	-0.039 (0.093)		
Relative alignment with China vs. U.S.	0.169*** (0.042)	0.170*** (0.043)		
U.S. trade sanction exposure	0.235* (0.091)	0.221* (0.095)		
China trade sanction exposure	0.288* (0.131)	0.249* (0.126)		
Any arms transfers from China	-0.081 (0.103)	-0.081 (0.097)		
Any arms transfers from U.S.	-0.226* (0.097)	-0.221* (0.098)		
Fixed effects				
General controls	Yes	Yes	Yes	Yes
HS6 fixed effects	Yes	Yes	Yes	Yes
Importer fixed effects	No	No	Yes	Yes
Observations	12,927	12,517	13,356	11,872
R-squared	0.34285	0.34581	0.35327	0.35571

politically closer destinations still remain more favorable to China's market-share resilience

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U.S. Import Mechanism

Dependent Variable: Change in exporters' U.S. import product-market share			
Variable	**2016–2024**	**2016–2020**	**2020–2024**
Mechanism interactions: supplier concentration			
Initial exporter share × supplier concentration (HHI)	3.991*** (0.694)	2.763*** (0.572)	2.726*** (0.533)
Mechanism interactions: upstreamness			
Initial exporter share × Upstreamness	-0.104 (0.146)	-0.026 (0.103)	-0.129 (0.077)
Mechanism interactions: R&D intensity			
Initial exporter share × R&D intensity	-0.201 (0.155)	-0.275** (0.104)	0.167 (0.088)
Controls and fixed effects			
HS6 fixed effects	Yes	Yes	Yes
Exporter fixed effects	Yes	Yes	Yes
Observations: HHI model	88,276	88,361	93,076
Observations: upstreamness model	87,531	87,632	92,350
Observations: R&D model	84,171	84,290	88,593
R-squared: HHI model	0.08802	0.06969	0.06114
R-squared: upstreamness model	0.08747	0.06918	0.06047
R-squared: R&D model	0.08867	0.07009	0.06049

The U.S.'s import-market reallocation is driven mainly by supplier concentration rather than upstreamness or R&D intensity, with exporters gaining more resilience in concentrated product markets where substitution is harder.

Geopolitical Determinants of U.S.' Import Reallocation: Upstreamness vs. R&D intensity

Dependent Variable:	Change in exporters' U.S. import product-market share					
Variable	(1) Upstreamness	(2) R&D intensity	(3) Both interactions	(4) Upstreamness	(5) R&D intensity	(6) Both interactions
Variables of interest						
Initial exporter share in U.S. product market	-1.568*** (0.553)	-1.642*** (0.517)	-1.646*** (0.520)	-1.85*** (0.531)	-1.95*** (0.517)	-1.94*** (0.548)
Initial exporter share × supplier concentration	2.157*** (0.650)	2.306*** (0.620)	2.316*** (0.628)	2.23*** (0.681)	2.32** (0.713)	2.30*** (0.696)
Initial exporter share × Upstreamness	0.008 (0.088)		0.052 (0.109)	-0.071 (0.085)		-0.055 (0.089)
Initial exporter share × R&D intensity		-0.103 (0.110)	-0.120 (0.119)		-0.142 (0.075)	-0.135 (0.073)
Geopolitical controls						
FTA with China	-0.099 (0.101)	-0.084 (0.096)	-0.084 (0.096)			
BRI member	0.294** (0.126)	0.316** (0.124)	0.317** (0.124)			
FTA with U.S.	0.008 (0.215)	-0.020 (0.211)	-0.019 (0.211)			
Relative alignment with China vs. U.S.	0.035 (0.039)	0.035 (0.040)	0.035 (0.040)			
U.S. trade sanction exposure	-0.224 (0.152)	-0.222 (0.147)	-0.224 (0.146)			
Fixed effects and sample						
HS2 fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Exporter fixed effects				Yes	Yes	Yes
General controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	17,083	15,895	15,895	32,358	31,186	31,186
R-squared	0.01665	0.01778	0.01800	0.10972	0.10706	0.10706

Increased reliance on third countries that remain economically connected to China (re-export);

U.S. sourcing shifted away from China directly, but the new suppliers are not necessarily outside China-linked trade networks.

From Decoupling to Relayering: China's Role Persists Through Third Countries

Product	Partner	China Δ U.S. import share (pp)	Partner Δ U.S. import share (pp)	China exports to partner Volume ($ mn), start year 2016	China exports to partner Volume ($ mn), end year 2024
Semiconductor devices	Vietnam	-19.91	22.44	272.48	1,034.60
Telecom / transmission apparatus	Vietnam	-17.40	20.57	273.68	511.51
Audio equipment	Vietnam	-31.22	38.31	541.89	1,466.03
Furniture	Vietnam	-26.81	17.90	46.62	536.86
Footwear	Vietnam	-23.18	17.35	22.05	170.24
Trailers / transport equipment	Mexico	-18.44	13.10	68.88	288.61
Fork-lift trucks / industrial machinery	Mexico	-3.88	12.60	24.8	366.98
Storage devices	Rep. of Korea	-7.28	11.79	194.49	485.86

In several products where China lost most U.S. import share, third-country partners gained U.S. share while simultaneously increasing their imports from China → direct substitution away from China reflect supply-chain relayering

Conclusion

Evidence	Main finding	Interpretation
Descriptive patterns	• China's U.S. import share declined • China's export network became more diversified and gained increased import dependence.	Direct U.S. - China decoupling does not imply a backlash against globalization.
Regression results	Reallocation are shaped by • initial exposure, • supplier concentration, • product R&D intensity and upstreamness, together with geopolitical alignment.	Reallocation is selective: substitution is easier where alternatives exist and politically conditioned where strategic ties matter.
Bridge evidence	• Under US China decoupling, partner economies gained U.S. share while increasing imports from China.	U.S. diversification often relayers China exposure through third-country supply chains.

The post-2016 trade adjustment is not a broad retreat from globalization. It is a selective reorganization of trade links across markets, products, and political relationships.