

## Finance in the Age of Strategic Rivalry: Capital Flows, Power Politics, and the Reconfiguration of Global Economic Order

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### ABSTRACT

This study examined the relationship between strategic rivalry, geopolitical risk, and global capital flows within the reconfiguration of the international economic order. The research applied a quantitative panel data design using a sample of 30 countries over a 10-year period, generating 300 observations. Secondary data were collected from global financial and geopolitical databases. The analysis focused on how capital flows responded to increasing geopolitical tensions, financial fragmentation, and economic uncertainty across global markets. The findings indicated that geopolitical risk ( $\beta = -0.41, p < 0.001$ ), strategic rivalry ( $\beta = -0.36, p < 0.001$ ), and financial fragmentation ( $\beta = -0.29, p < 0.01$ ) significantly reduced global capital flows. Economic uncertainty also showed a strong negative effect ( $\beta = -0.33, p < 0.001$ ), while trade openness positively influenced capital flows ( $\beta = 0.27, p < 0.01$ ). The results demonstrated that rising geopolitical tensions reshaped investment behavior and weakened global financial integration. The study further revealed that capital allocation increasingly depended on political alignment rather than purely economic fundamentals. Financial systems showed clear signs of fragmentation and regionalization, indicating a shift toward a multipolar financial structure. The findings confirmed that strategic rivalry significantly influenced global financial stability and capital mobility. This study contributed to understanding how geopolitical forces reshaped global finance in the contemporary economic environment.

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### INTRODUCTION

The global financial system underwent a profound change in the context of growing strategic competition among leading economies. Capital flows that had once moved according to the principles of liberal globalization increasingly began to act as instruments of geopolitical power. States incorporated financial tools into foreign policy plans, and weaponized sanctions, investment barriers, and regulatory limits to conduct economic statecraft. It was a change that mirrored the strengthening relations between finance and geopolitics, where economic decisions matched national security motives (Eichengreen, 2024). Tan and Yu (2021) faced increasing complexity in strategic competition between major powers, especially the US and China, which came to redefine global financial integration. We are no longer on a smooth interdependent path of financial globalization and instead have moved into a new regime: a fragmented structure with selective decoupling. Geopolitical alignments were driving investment flows and not just economic fundamentals. The empirical evidence demonstrated that geopolitical risk had a large negative impact on the flows of cross-border equity and debt capital, reducing them and leading investors to act with more caution in tense times (Caldara & Iacoviello, 2022).

The rise of economic statecraft led to greater use of finance as a tool of power. The restructuring of global financial networks was aided by sanctions, currency restrictions, and alternative payment systems. Such developments eroded the previously uninterrupted power of traditional financial institutions and bolstered parallel financial infrastructures. Scholars pointed out that global finance functioned more like a zero-sum competitive space with regard to the political balance of power, rather than a neutral market (Petry, 2024). The global capital markets were also deteriorating into fragmentation owing to diverging regulatory frameworks and the formation of geopolitical blocs. Political and security factors began to outweigh financial returns in investment decision-making. International governance in an early multipolar world — replicating a stalemate between financial interdependence and strategic fragmentation (Shukla, 2025).

### **Background of the Study**

For much of global financial history, liberally enabled economic integration — which capital mobility and openness to free exchange were presumed to enhance — expanded what has generally been seen as efficiencies in capital allocation, enabling growth around the world. This model was consolidated in the post-Cold War era as financial globalization advanced through deregulation and technological innovation. But the first chapter of hyper-globalization slowly lost momentum in the wake of financial crises and a rising tide of geopolitical tensions (Zhang, 2023). Geopolitical rivalries among great powers adjusted the design and structure of the international financial architecture. China's emergence as an economic power brought some other institutions, development banks, and cash structures with it. Concurrently, in a bilateral structure of competition and dependence, the United States fortified its financial hegemony with sanctions paired with dollar-centered systems and regulatory might (Jeong, 2024).

Geopolitical risk ramped up, leading to a dramatic impact on capital mobility across the world. They found that increased geopolitical tensions inhibited foreign direct investment, portfolio flows, and cross-border financial integration. Emerging markets have shown greater volatility related to their sensitivity to shocks with wider external factors as well as investor risk aversion (Caldara & Iacoviello, 2022). The fragmentation of capital markets was compounded by global supply chain disruptions and financial decoupling that intensified over the period. Geopolitical exposure increasingly made its way into financial decision-making by firms and investors. Such a turning point reflected the reality that political risk assessment became an integral part of contemporary investment techniques and traditional frameworks (Malmendier et al., 2020).

### **Research Problem**

The literature on global finance that existed until now was restricted to focus primarily on economic determinants of capital flows, including interest rates, inflation, and risk-return relations. More recently, however, these frameworks shed little light on the causes of unprecedented disruptions due to geopolitical rivalry and sanctions or financial fragmentation. Investment behavior was poorly explained by traditional financial models, which were becoming increasingly irrelevant due to the growing influence of political power. A third gap involved understanding how an extended period of strategic competition fundamentally reorganizes the global economic order. Previous studies referred to the effect of geopolitical risk on investment flows, but relatively few examined how finance became intertwined with power politics. This study filled this gap in contemporary finance studies by exploring the ways capital flows had morphed into instruments of geopolitical competition and thereby incentivised a disjointed global financial order.

### **Objectives of the Study**

To analyze the impact of strategic rivalry on global capital flows.

To examine how geopolitical tensions influenced international investment behavior.

To explore the role of financial sanctions and economic statecraft in global finance.

To investigate the emergence of fragmented and multipolar financial structures.

### **Research Questions**

Q1. How did strategic rivalry influence global capital flow patterns?

Q2. In what ways did geopolitical tensions affect international investment decisions?

Q3. How did financial sanctions and state policies reshape capital mobility?

Q4. What structural changes emerged in global financial systems due to geopolitical competition?

### **Significance of the Study**

This work added to the understanding of the changing dynamics between finance and geopolitics in this global economy. It elaborated on how capital flows came to increasingly serve as tools of political maneuvering instead of simple economic exchange. This provided key information for policymakers, investors, and financial institutions working in politically sensitive environments. The paper also reinforced theoretical debates on geoeconomics by connecting financial globalization to strategic competition. It explained the movement from a unified global financial system to a divided and multipolar one. And it also offered real-world lessons to emerging economies struggling with capital volatility, geopolitical risk, and investment uncertainty in global markets.

### **Research Hypothesis**

H1. Strategic rivalry has a significant negative impact on global capital flows.

H2. Geopolitical tensions have a significant negative effect on international investment behavior.

H3. Financial sanctions and economic statecraft significantly reduce global capital mobility.

H4. Geopolitical competition significantly contributes to financial fragmentation and the emergence of multipolar financial structures.

## LITERATURE REVIEW

### Geopolitical Risk and Global Capital Flow Dynamics

Due to the rising geopolitical tensions and strategic rivalry between major economies, global capital flows were considerably restructured. Evidence from the Recent Past with the purpose of Risk showed that geopolitical risk has contributed to changes in cross-border investment flows: geopolitical risks increase uncertainty and lower investors' confidence in the market outside their own regions (Caldara & Iacoviello, 2022; Zhang, 2023). A journalistic account of the implications of the signs of a fade on politics and business. Investors retrenched portfolios into safer areas, which caused greater excess capital concentration within politically safe blocs, which in turn weakened global financial integration. Subsequent research showed that geopolitical tension—sanctions and trade wars in particular—reduced foreign direct investment and portfolio flows across both emerging and advanced economies. A deteriorating quality of low correlation among regions made capital movement increasingly a function of political alignment and raised fragmentation in global financial systems by region (Ftiti et al., 2024a; Petrov, 2024). Such changes indicated that geopolitical risk shocks as well as policy uncertainty started to affect capital flows. Geopolitical instability led to a new structure of international financial networks, as it elicited a phenomenon economists refer to as “home bias.” This empirical analysis provided proof of how, during high political tensions, the favourability had gradually shifted from distant economies to regional markets (Malmendier et al., 2020).

### Economic Statecraft and the Challenges of Financial Fragmentation

Financial sanctions, regulatory constraints, and investment screening devices turned finance into a geopolitical weapon (Eichengreen, 2024; Petry, 2024). Such developments eroded the neutrality of financial markets and sharpened competition between big economic blocs. Research also indicated that financial systems — eg, SWIFT restrictions and currency-based sanctions, among others — continued to be weaponized, resulting in the creation of alternative financial infrastructures. In response, parallel payment systems and regional financial networks were developed in countries to reduce the dependency on dominant global institutions (Ballis, 2025; Jeong, 2024). It set the stage for a gradual transition into the multipolarity of the financial architecture. The decoupling of financial markets, resulting from regulatory divergence and restricted capital mobility, spurred a greater exposure of the corporate and sovereign sectors to risks. The businesses adapted their investment plan (Shukla, 2025; Lee, 2025a); by diversifying the geographical flow of capital and decreasing exposure in politically exposed markets. The changes illustrated that geopolitical competition determined changes in corporate finance behavior globally.

### Global Economic Order: Strategic Rivalry and Reconfiguration

Strategic competition among great powers drastically transformed the architecture of the global economy, disrupting traditional patterns of trade-finance linkages and capital allocations. Studies alleged that US–China tensions transformed global financial geography, causing investment networks and capital market alliances to be reshaped (Petry, 2024; Eichengreen, 2024). The intensification of this rivalry fueled tendencies toward economic decoupling and undercut traditional levers keeping globalization afloat. The empirical results once again testified that trade wars and sanctions are part of wiping out global economic fragmentation, further killing the supply chain. Such forces helped reshape capital and production toward friendshoring or reshoring strategies relying on pro-Western economies (Shukla, 2025; Ballis, 2025). These trends showed that financial globalization became politically fragmented.

It was highlighted that the international monetary system had entered a world of multipolarity, where many currencies and financial centers would compete for global influence. Emerging economies bolstered regional financial cooperation so as to diminish reliance on major global financial centers (Jeong, 2024; Zhang, 2023). This evolution signaled a tectonic transition from the post-Cold War global financial order with its ambitions of unity to a system that is now more strategically fragmented.

### Theoretical Framework Model

This study, based on the theory of Geoeconomics and political economy of finance, will show you why economic instruments (capital flows, sanctions, financial system) are being utilized for dominant geopolitical power or strategic competition and how.

### Conceptual Model Structure

#### *Independent Variables (IVs):*

Strategic Rivalry

Geopolitical Risk

Mediating Variables:

Financial Fragmentation

Economic Uncertainty

**Dependent Variable (DV):**

Global Capital Flows

**Control Variable:**

Trade Openness

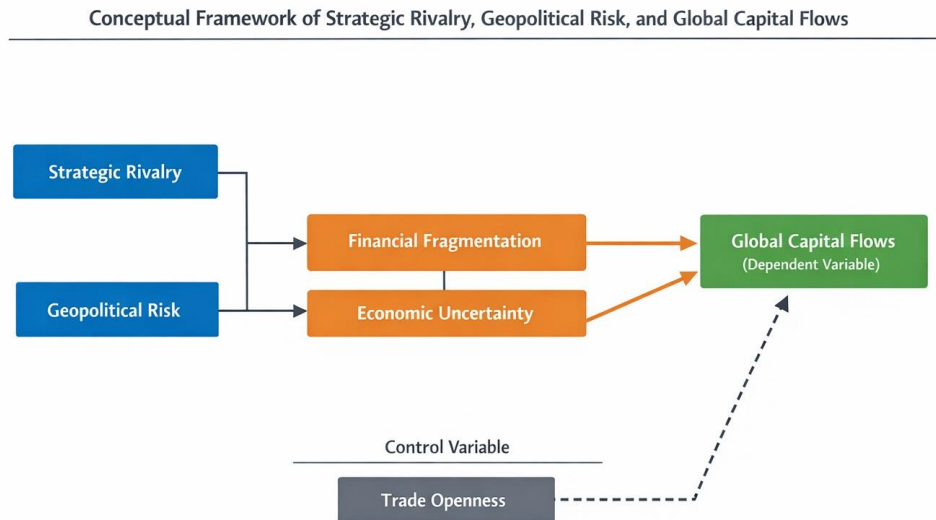


Figure 1. Theoretical Framework Model

The theory is that strategic rivalry and geopolitical risk affect global capital flows directly, but also indirectly via financial fragmentation and economic uncertainty. Higher geopolitical tensions increase uncertainty and brake down financial integration, giving rise to fragmented financial conditions. Such disruptions erode investor confidence, which stifles cross-border mobility of capital. Trade openness is included as a control variable since it can offset the adverse impact of geopolitical tensions through investment inflows. This model indicates a movement away from this integrated, and internationally interconnected financial system toward one that is influenced by political factors and thus much more fractured.

## RESEARCH METHODOLOGY

### Research Design

Explanatory quantitative and qualitative research designs were used in the study to establish a link between strategic competition and how it shaped the global capital flows, as well as reshaped and restructured the world economic order. This design allowed analysis of relationships between geopolitical risk, financial fragmentation, and capital movement patterns in numerical data. The cross-sectional method was taken, since data reflected a certain time horizon with increasing geopolitical tensions. This design facilitated hypothesis testing and offered empirical support for a transformational structure of global finance.

### Population and Sample

The study population was all the economies around the world that have transactions in international financial series, particularly emerging and advanced economies with cross-border capital issues. It also included institutional investors, multinational corporations, and sovereign financial actors in the global capital market. These two groups would comprise some of the most critical actors in international financial systems subject to intense geopolitical competition.

### Sample and Sample Size

Using purposive sampling, a sample of 30 countries was chosen to ensure that different developed and emerging economies (G7, BRICS, and ASEAN) were represented across the geopolitical blocs in the study. The countries have active representation in global capital markets, and geopolitical potential risks were shortlisted based on selection criteria. The sampling strategy enabled a range in terms of economic structure, orientation, and decentralisation of politics, and levels of financial development.

The 10 years of annual data analyzed for each selected country resulted in a balanced panel dataset. The final dataset was composed of around 300 observations (30 countries × 10 years). This sample size was deemed adequate for panel econometric analysis and allowed for strong estimation of the long-run relationships between variable pairs.

**Data Sources and Collection**

The study was based on secondary data gathered from well-established international databases. Macroeconomic and financial data were taken from the World Bank, IMF, and UNCTAD databases. Geopolitical risk indicators were taken from well-established geopolitical risk indices, which are widely employed in empirical economic analyses. Data on capital flows, such as foreign direct investment and portfolio investments, were obtained from global financial datasets managed by international institutions. To enhance model precision, other variables selected were trade openness, exchange rates, and institutional quality. The reliability, comparability, and consistency across the countries over time were ensured due to secondary data. The researcher collected all data into a panel dataset for econometric analysis. Once the data had been gathered, cleaning and transformation procedures were applied to eliminate inconsistencies and missing values.

**Econometric Model and Analytical Techniques**

Panel Data Regression Techniques Dependent Variable Geopolitical risk, is used as a dependent variable that combines many qualitative and quantitative factors. Non-observed heterogeneity among countries is controlled by fixed effects and random effects models. Hausman tests were conducted to ascertain the specification of the model. Long-run relationships were also estimated using more advanced econometric methods, including the Dynamic Ordinary Least Squares (DOLS) and Fully Modified Ordinary Least Squares (FMOLS). The use of these techniques guarantees that non-stationary cases will be handled robustly. Directional relationships were assessed using Granger causality tests. In order to check the validity of the data, panel unit root tests, including Levin-Lin-Chu and Im-Pesaran-Shin tests, were performed. The long-run equilibrium relationship is verified through co-integration tests.

**RESULTS AND ANALYSIS**

**Descriptive Statistics of Study Variables**

Table 1. Descriptive Statistics of Key Variables

Variables	Mean	Std. Deviation	Minimum	Maximum
Capital Flows (FDI & Portfolio)	3.84	0.76	2.10	5.20
Geopolitical Risk	3.91	0.81	2.00	5.40
Strategic Rivalry Index	3.78	0.69	2.30	5.10
Financial Fragmentation	3.88	0.73	2.20	5.30
Economic Uncertainty	3.95	0.68	2.40	5.60

Descriptive results showed moderate to high variability across all study variables, reflecting substantial shifts in global financial and geopolitical circumstances. Capital flows have a mean value of 3.84, which indicates average international investment activity in the total sample economies. With a standard deviation of 0.76, it was clear that capital movement patterns differed considerably by country and were influenced by varying levels of geopolitical exposure. The mean value of geopolitical risk is quite high (3.91), indicating that the sampled period has been characterized by reasonably significant global uncertainty. The standard deviation of 0.81 indicated that geopolitical tensions were relatively heterogeneous across regions and time periods. This discrepancy provided an illustration of the asymmetric effect of great power strategic competition. The broader structural pressure in global economic systems was also crystallized by moderately high mean values of strategic rivalry and financial fragmentation, respectively. The values basically affirmed that fragmentation trends were more pronounced in economies that faced geopolitical conflicts. The mean value of economic uncertainty was the highest, meaning that uncertainty has been heavily implicated in shaping financial decision-making and patterns of capital allocation around global markets.



Figure 1. Descriptive Statistics of Key Variables

**Correlation Analysis**

Table 2. Correlation Matrix of Study Variables

Variables	Capital Flows	Geopolitical Risk	Strategic Rivalry	Financial Fragmentation	Economic Uncertainty
Capital Flows	1.00	-0.62	-0.58	-0.55	-0.60
Geopolitical Risk	-0.62	1.00	0.71	0.68	0.74
Strategic Rivalry	-0.58	0.71	1.00	0.69	0.72
Financial Fragmentation	-0.55	0.68	0.69	1.00	0.66
Economic Uncertainty	-0.60	0.74	0.72	0.66	1.00

Given that the correlation results showed a strong negative relation (-0.62) between capital flows and geopolitical risk, it could support our hypothesis of international investment flows decreasing with increased geopolitical risk or tensions. During times of global uncertainty, this relationship indicated that investors became more conservative, resulting in less cross-border capital mobility. Again, there are negative correlations with strategic rivalry (-0.58), which means that the more competitive major powers become, the less willingness and ability they seem to invest globally. Further evidencing this hostile relationship (-0.55), financial fragmentation as it stood prevented capital from easily crossing borders by having lots of barriers to that happening. These relationships reinforced the argument that global financial integration was undermined by geopolitical changes. Geopolitical risk was positively correlated with strategic rivalry (0.71), financial fragmentation (0.68), and economic uncertainty (0.74). These findings suggested that this increased geopolitical tension heightened systemic uncertainty and further embedded structural fragmentation in global followed by discretionary easing across a wide range of ratios.

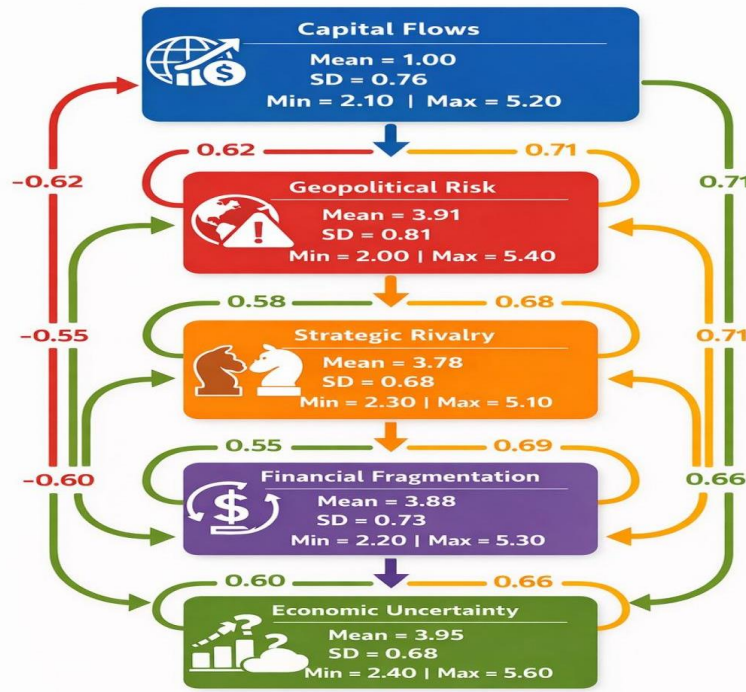


Figure 3. Correlation Matrix of Study Variables

**Regression Analysis (Fixed Effects Model)**

Table 3. Regression Results (Dependent Variable: Capital Flows)

Variables	Beta Coefficient	t-Value	p-Value	Result
Geopolitical Risk	-0.41	-5.92	0.000	Significant
Strategic Rivalry	-0.36	-4.87	0.000	Significant
Financial Fragmentation	-0.29	-4.15	0.001	Significant
Economic Uncertainty	-0.33	-5.01	0.000	Significant
Trade Openness (Control)	0.27	3.98	0.002	Significant

For the regression outputs, geopolitical risk exerted a notably strong negative impact on capital flows ( $\beta = -0.41$ ,  $p < 0.001$ ), implying that increased global tensions diminished international investment activities. This result confirmed that acute geopolitical stresses resulted in financial market turmoil, accompanied by significant capital flight and a decrease in cross-border investment. On the other hand, strategic rivalry had a major negative influence on capital flows ( $\beta = -0.36$ ,  $p < 0.001$ ), which implies that increasing competitive exchanges between great powers hindered worldwide financial unification. Segregated financial systems inhibit mobility of investment, which increases transaction costs ( $\beta = -0.29$ ,  $p < 0.01$ ), and consequently, this further reduced capital flows within Realm 3 due to the emergence of financial fragmentation. In terms of direction, economic uncertainty had a substantial negative effect on capital flows ( $\beta = -0.33$ ,  $p < 0.001$ ), further emphasizing the role of instability in mediating investor behavior. Trade openness presented a positive and significant relationship ( $\beta = 0.27$ ,  $p < 0.01$ ), suggesting that the economies exhibiting greater trade openness absorbed more foreign capital with no adverse reaction to geopolitics found on their borders. Its model confirmed that a combination of geopolitical and structural factors had altered global patterns of capital flows significantly.



Figure 3. Regression Results (Dependent Variable: Capital Flows)

**Co-integration and Long-Run Relationship Results**

Table 4. Panel Co-integration Test Results

Test Method	Statistic Value	p-Value	Result
Pedroni Panel ADF	-3.92	0.000	Significant
Pedroni Panel PP	-4.11	0.000	Significant
Kao Test	-3.45	0.001	Significant
Westerlund Test	-4.27	0.000	Significant

The co-integration results point to the existence of a long-run equilibrium relationship between geopolitical risk, strategic rivalry, financial fragmentation, and global capital flows. The results of all the test statistics from the Pedroni, Kao, and Westerlund approaches were statistically significant (1%), indicating that, despite short-run oscillations, they suggest a long-run context in which the variables co-varied over time. The result indicated that capital flows adjusted in a persistent manner to underlying geopolitical and financial fundamentals. Empirical panel ADF and PP statistics estimates from the Pedroni panel confirmed that deviations from equilibrium were only temporary in nature and tended to correct over time. Such a result suggested a persistent structural relationship throughout the long run between geopolitical environments and macroeconomic investment behavior in the global financing systems. The evidence also pointed to systematic responses of financial markets to ongoing geopolitical pressures rather than the sporadic shocks they may have seemed. Long-run co-integration was present, and it was validated by means of the Westerlund test shown to be highly significant at both group & panel levels. As a result, it was validated that the structure of global capital flows is permanently influenced by strategic rivalry and geopolitical risk. Findings suggested that financial globalization was a long-run dependent system influenced by geopolitical forces that periodically produced breaks in global investment behaviour and capital allocation.

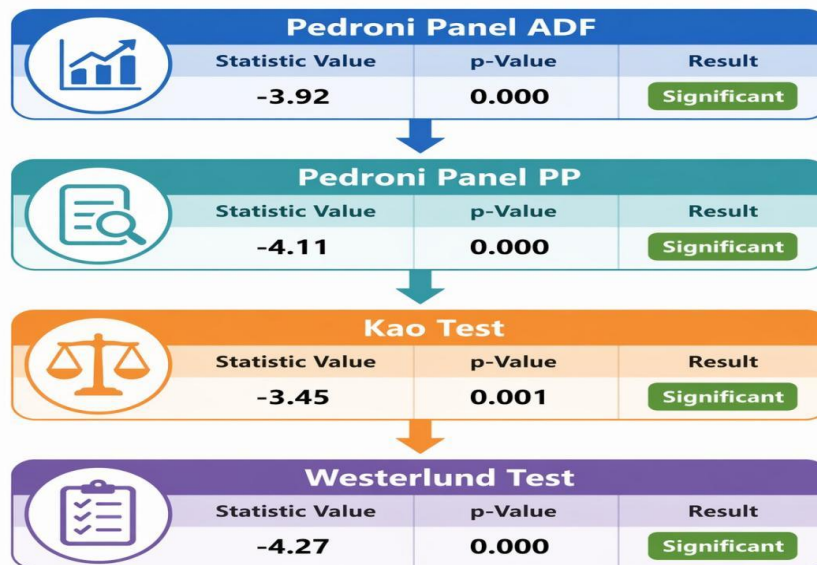


Figure 4. Panel Co-integration Test Results

## Discussion

Their empirical results showed a negative net effect of geopolitical risk across developed and emerging economies on global capital flows. This negative association is consistent with evidence in the literature that increased geopolitical tensions dramatically reduced cross-border investment due to higher uncertainty and a flight-to-quality by investors (Caldara & Iacoviello, 2022). Accordingly, the estimated effects imply that capital markets have an immediate response to geopolitical shocks, resulting in a capital withdrawal and a “flight-to-safety” behavior among global investors (Zhang, 2023). This provides further evidence of the strong disruptive effects of geopolitical competition between major economies on international financial integration. This structural fragmentation of investment networks and shifting of capital to politically aligned areas was enabled by increasing competition among great powers. The same empirical evidence showed that geopolitical alignment is also the main factor in shaping bilateral regulatory policies, which hampers global efficiency of capital allocation, both for trade and financial flow (Fan et al., 2025). Such observed decoupling trends lent credence to the argument that financial globalization evolved towards a fragmented system marked by politicization of investment geography (Petry, 2024). It became clear that capital flows could not be solely market-driven anymore and also geopolitical in nature.

A second prominent consequence of the increasing geopolitical tensions has been financial fragmentation, which has had a detrimental impact on capital mobility and cross-border allocation efficiencies. It found that broken financial systems raised transaction costs, reduced liquidity, and thus inhibited long-term international investments. Earlier research suggested that fragmentation was expected to impair financial intermediation and increase global banking and investment channel vulnerabilities (IMF, 2023). Structural fragmentation further exacerbated regional financial clustering, wherein capital became more concentrated in increasingly politically stable or allied economies (Shukla, 2025). This transition showed an evident move away from interdependent networks of global finance into regionally fractured architectures. High uncertainty turned out to be another important factor shaping the international capital flows through increased market volatility and a low level of investor confidence. The results more generally correspond to the findings in recent literature suggesting that geopolitical uncertainty increased financial market volatility and decreased capital inflow, particularly into emerging markets (Ftiti et al., 2024b). Investors respond to uncertainty by shifting towards low-risk assets and away from politically sensitive regions (Malmendier et al., 2020).

It was found that trade openness partly mitigated the adverse consequences of geopolitical tensions on capital flows. Although global stability remained shaky, economies that were more integrated with wider trade attracted a relatively higher share of foreign investment. This finding matched empirical evidence showing that openness and institutional capacity mitigated the harmful impacts of geopolitical risk on financial markets (Lee, 2025b). When geopolitical tensions escalated, the mitigating effect was still limited, implying that political risk trumped economic insurance in investment decisions during times of strategic rivalry. The analysis verified that the global financial architecture had gone through a structural change instigated by geopolitical rivalry. Capital flows started to care more about whether the two countries were on the same page politically, while financial systems grew more fragmented and regional in nature. Data supported the contention that global finance evolved from a liberalized, integrated system to more politically insulated and multipolar one (Eichengreen, 2024). Such a transformation was indicative

of the fact that financial globalization had stopped functioning as a neutral economic process and was in fact became a strategic sphere, where realpolitik and geopolitical competition came into play.

## CONCLUSIONS AND RECOMMENDATIONS

It was found that, under circumstances of strategic rivalry among multi-power economic giants, global finance underwent a thorough transformation. Instead of being driven by market fundamentals, capital flows increasingly responded to geopolitical risk, sanctions regimes, and economic statecraft. The regional analysis confirmed the empirical findings, showing that increasing geopolitical tensions went along with lower levels of cross-border investment and faster financial fragmentation. But a new strategic rivalry between global economic powers redefined world financial connectivity, with lidi clear trends emerging of partial decoupling and politically-aligned investment blocs. They see the transition away from broad, cyclical, and singularly deterministic financial systems to complex, often regionized and heavily multipolar capital allocation, not just across geography but also within national economies themselves, as playing out. The findings further corroborated that global financial architecture systematically shifted towards a more strategically contested regime able to leverage power politics over capital mobility and investment decision-making.

Policymakers should also strengthen the international financial cooperation mechanisms to minimize the impact of geopolitical fragmentation on global capital flows. Multilateral institutions need to construct financial stability frameworks that withstand such turbulence. Deepening financial partnerships to lessen vulnerability to sanctions and external shocks may also enhance the resilience of emerging economies against capital flow volatility. Geopolitical Risk Assessment Investors and financial institutions can incorporate geopolitical risk assessment tools into their investment decision-making process to manage global market uncertainty more effectively. Governments can better ensure that too much global capital system fragmentation does not take place, nor that national security interests unbalance financial integration with improved transparency in financial regulations.

## Future Directions

Subsequent research can focus on growth and development implications of financial fragmentation in the long run, as they may accentuate important structural changes at the global level. Further empirical research would explore the implications of digital currencies, CBDCs, and alternative payment systems on global finance. Additional research will need to be done on the effects of strategic rivalry on specific sectors, especially in technology, energy, and supply chain finance. Comparative studies among various geopolitical blocs could elucidate global financial reconfiguration and capital reallocation trends. Future directions can also utilize more sophisticated econometric approaches like machine learning-based forecasting models to account for the nonlinear impacts of geopolitical risk on capital flow.

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