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The Potential Effects of De-risking from China on Global Economic Growth and Trade Patterns

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Abstract

This study explores the potential effects of de-risking from China on global economic growth and trade patterns, shedding light on the main drivers behind this trend and its macroeconomic implications. By analyzing the challenges and opportunities associated with diversifying supply chains away from China, this research provides valuable insights for policymakers, businesses, and stakeholders. The study identifies key factors driving de-risking, including bureaucratic restrictions, global economic shifts, customer demands, the COVID-19 pandemic, geopolitical stability, and national security concerns. While there are logistical, financial, regulatory, operational, and strategic challenges, there are also opportunities for improving economic growth, competitiveness, resilience, sustainability, innovation, and social development. The findings contribute to a better understanding of the complexities of supply chain diversification and its impacts on the global economy. Future research could explore the long-term impacts of de-risking on global trade dynamics and investigate the role of digital technologies and innovation in shaping new supply chain strategies.

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1. Introduction

There has been a growing trend of multinational corporations and countries looking to diversify their supply chains away from China in recent years. This trend has been driven by various factors, including the COVID-19 pandemic, rising labor costs, trade tensions, geopolitical uncertainties, market dynamics and consumer preferences, regulatory environment, and policy changes, and the need to protect intellectual property (IP) rights (Goncharova et al., 2023; Basu & Ray, 2021; William, 2024). The "China-plus-one" strategy, which involves moving part of the supply chain to other Asian countries, has been identified as a potential approach for corporations looking to reduce their dependence on China (Basu & Ray, 2021). He (2019) highlights the positive impact of trade liberalization on the environment, which may incentivize companies to relocate production to countries with less stringent environmental regulations. Cao et al. (2020) discuss the Chinese government's support for the remanufacturing industry, which could increase production costs and supply chain disruptions for foreign companies. Wang and Liu (2019) underscore the role of foreign direct investment and environmental regulation in influencing pollution levels, suggesting that stricter regulations may prompt companies to move operations to less regulated areas.

The implications of de-risking from China are multifaceted. Byers and Ferry (2019) and Ren and Wang (2022) highlight the potential economic benefits for the US, including increased GDP and employment and a reorientation of supply chains. However, Wyne (2020) and Tsui et al. (2020) caution that this move could have significant geopolitical and strategic consequences, with the US potentially losing its baseline of strategic stability and China seeking alternative development paths. Furthermore, scholars highlighted China's de-risking efforts' environmental and economic implications. Zhao et al. (2019) and Kang et al. (2019) underscore the need for improved extraction and waste management techniques to minimize environmental impacts. Tsui et al. (2020) suggest that China's de-risking from the global economy, particularly in the face of the US-China rivalry, may lead to a shift towards self-reliance. Qu et al. (2019) discuss the global implications of China's foreign waste ban, noting potential challenges for recycling industries in developed countries and the risk of developing countries becoming "pollution havens."

Previous research on de-risking from China has primarily focused on this trend's economic, geopolitical, and environmental implications. However, there are limitations to existing studies, such as a comprehensive analysis of the main drivers of de-risking from China, the potential macroeconomic effects of decreased economic engagement, and the opportunities and challenges for countries and businesses seeking to diversify their supply chains. Therefore, this study addresses these gaps in the literature by providing a more nuanced understanding of the potential effects of de-risking from China on global economic growth and trade patterns. The research questions that guide this study are:

What are the main drivers of de-risking from China among multinational corporations and countries?

How could decreased economic engagement with China impact global economic growth and trade patterns?

What are the potential challenges and opportunities for countries and businesses seeking to diversify their supply chains away from China?

The research objectives of this study are to identify the key factors driving de-risking from China, analyze the potential macroeconomic effects of decreased economic engagement with China, and assess the opportunities and challenges associated with diversifying supply chains away from China. This research is significant as it comprehensively analyzes the potential effects of de-risking from China on global economic growth and trade patterns. By identifying the main drivers of this trend and examining its macroeconomic implications, this study aims to inform policymakers, businesses, and stakeholders about the opportunities and challenges associated with diversifying supply chains away from China.

The paper is organized as follows: The next section discusses the key factors driving de-risking from China. The following section presents the study's methodology. The subsequent sections focus on the potential macroeconomic effects of decreased economic engagement with China and the challenges and opportunities associated with diversifying supply chains away from China. Finally, the paper concludes with a summary of key findings, recommendations, and future research avenues.

2. Discussing the drivers of de-risking from China

The drivers behind the de-risking of supply chains from China are complex and multifaceted, encompassing a wide range of factors from bureaucratic restrictions to global economic shifts. This section delves into the key drivers identified in previous research, shedding light on the motivations behind the diversification of supply chains away from China.

Previous research endeavors have identified several key drivers behind multinational corporations and countries diversifying their supply chains away from China. These include the challenges of operating in China, such as bureaucratic restrictions and an underdeveloped infrastructure (Jiang, 2002). Additionally, the desire to gain a competitive edge and maintain market share in the face of global economic shifts and customer demands is a crucial driver (Boncori & Boncori, 2013). Zeng et al. (2023) further highlight the role of local sourcing embeddedness and manufacturing relocation in shaping firm attitudes toward the US-China trade war. Moreover, Jordaan et al. (2020) underscore the importance of backward linkages from multinational corporation affiliates to local suppliers in driving productivity spillovers in developing and emerging economies. Lytvynenko and Shtogrin (2021) emphasize the impact of the COVID-19 pandemic, geopolitical stability, and national security on investment strategies, with a shift towards diversification, regionalization, and replication. The COVID-19 pandemic has accelerated this trend, with predictions of firms relocating production away from China (Abraham et al., 2020). The U.S.-China rivalry and the need to prevent China from gaining political leverage are also driving the restructuring of supply chains (Kumar, 2021). Vietnam has emerged as a key beneficiary of the supply chain shift from China, with its efficient and cost-effective supply chains (Deshmukh, 2021). However, the deep integration of China into the global economy and its innovation potential may complicate and slow down this process (Abraham et al., 2020). Furthermore, while there is a push for diversification, there is also a preference for selective enhancement of economic ties with China (Nagy & Nguyen, 2021).

In conclusion, the drivers of de-risking from China are varied and interconnected, reflecting a shifting global landscape and evolving economic priorities. While challenges such as bureaucratic restrictions and underdeveloped infrastructure play a role, the desire to gain a competitive edge and respond to customer demands drives multinational corporations and countries to diversify their supply chains. The COVID-19 pandemic, geopolitical stability, and national security concerns further accelerate this trend, with implications for global economic growth and trade patterns.

3. Methodology

This review aims to analyze the potential effects of de-risking from China on global economic growth and trade patterns by synthesizing existing literature on this topic. The methodology involved conducting a systematic literature search to identify relevant studies, reports, and articles that shed light on the drivers, implications, challenges, and opportunities associated with diversifying supply chains away from China.

The literature search used academic databases, such as Web of Science, Scopus, Google Scholar, and ResearchGate, to identify peer-reviewed articles, research papers, and reports published in journals and other reputable sources. Keywords used in the search include "de-risking from China," "Decoupling from China", "supply chain diversification," "global economic growth," "trade patterns," and related terms. The search was limited to articles published in English between 2013 and 2024 to focus on recent developments and trends. Only one article was from 2002.

The selected articles were reviewed, and relevant information was extracted to identify key themes, trends, and findings related to the potential effects of de-risking from China on global economic growth and trade patterns. The analysis focused on synthesizing the main drivers behind this trend, the macroeconomic implications of decreasing economic engagement with China, and the challenges and opportunities associated with diversifying supply chains away from China.

The findings from the selected articles were synthesized and organized into sections addressing the study's main research questions and objectives. The main conclusions and recommendations were drawn based on the insights provided by the reviewed literature.

4. Potential effect of de-risking from China on global Economic growth and trade patterns

Following Goncharova et al. (2023), Hufbauer (2023), and Opusunju et al., 2020), the concept of "de-risking from China" has gained momentum due to several factors, including geopolitical tensions. Additionally, concerns over supply chain vulnerabilities exposed by events like the COVID-19 pandemic, Trump's trade war tariffs in 2018, and global economic dynamics boosted its development. There have been forecasts that the two interwoven economies of the United States and China are on the verge of a significant "decoupling" due to their rapidly worsening economic conflict. According to Huang and Kirkegaard (2020), trade restrictions, export and investment restrictions, and concerns about national security are expected to be the driving forces behind these projections. China, however, has become a major force in world trade and economy thanks to its fast industrialization, integration into the global economy, and economic growth. Over the past few decades, its place in the global economy has experienced a spectacular transition that has profoundly impacted geopolitical connections, economic growth patterns, and the dynamics of international trade.

China has maintained remarkable economic growth over the past few decades, transforming itself from an agrarian economy to the world's second-largest economy. Since implementing economic reforms in the late 1970s, China has experienced rapid industrialization and urbanization, driving its economic expansion. According to recent data, China's GDP has continued to grow steadily, albeit slightly slower in recent years compared to the double-digit growth rates in the early 2000s (World Bank, 2021). Its GDP has grown at an average annual rate of around 9.5% since the late 1970s (World Bank, 2021). Similarly, according to (IMF, 2022), China's economic size, as measured by its Gross Domestic Product (GDP), has expanded significantly over the years. It has become the world's second-largest economy, trailing only behind the United States. Recent estimates place China's GDP at trillions of dollars, reflecting its substantial contribution to global economic output as indicated by the annual gross domestic product (GDP) report by the World Bank (2023) with a US$14 billion difference between 2021 and 2022 (the lowest increase since 2014), de-risking away from China is envisaged to may cause some impact on the global economic growth and trade patterns. It could involve diversifying supply chains, relocating production facilities, or reducing financial investments in Chinese assets.

4.1. ***Supply chain diversification and disruption***

De-risking could lead to a rise in sourcing from other countries, particularly Southeast Asia, South Asia, or Latin America. As a result, these countries' manufacturing industries and trade volumes might grow. However, China and many international supply chains are closely linked. Opusunju et al. (2020) opined that China and its trading allies have suffered trade losses due to global issues arising from trade interruption, particularly during the COVID-19 epidemic. Trading has significantly suffered worldwide. It is because economic activity has been put on hold globally. According to the Congressional Research Service (2021), some nations and businesses may use de-risking strategies that involve diversifying their supply chains away from China to lessen their reliance on a single supplier, which could result in higher manufacturing costs and longer lead times. Another tactic businesses can employ to reduce the risks associated with intricate and protracted supply chains is reshoring or nearshoring production closer to their primary markets. It could be advantageous for countries close to essential consumer markets, like Mexico for the US or Eastern European nations for the EU.

4.2. ***Impact on Chinese economy***

As international businesses cut back on their investments and sourcing from China, China's de-risking policy may hinder the nation's economic expansion. Obikaeze et al. (2023) posited that trade significantly impacts the global political system and plays a vital part. It implies that there is a connection between international politics and trade. In the framework of global political economy, trade continues to be the most talked about and influential phenomenon, among other ideas. Hufbauer (2023) speculated that beginning with President Trump's trade war tariffs in 2018, the United States and its allies embarked on a decoupling course with China. In 2019, China's two-way merchandise trade with the United States as a percent of its global merchandise trade was 12.4%; by 2022, the percentage had marginally declined to 12.0%. Pressure to enact measures to enhance the business climate and ease geopolitical tensions may also result from this. Decreased foreign investment and demand for Chinese exports may cause the economy to expand more slowly, requiring structural changes to boost local innovation and consumption. The Chinese government must implement measures to increase the nation's appeal for international investment and creativity, but the country remains a vital market and manufacturing base (Hufbauer, 2023).

4.3. ***Regional trade agreements***

As countries seek to increase their economic ties with non-traditional trading partners, de-risking may expedite the formation of regional trade agreements. Two regional blocs that could become more significant in the dynamics of global trade are the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Association of Southeast Asian Nations (ASEAN) (Kettunen, 2023). A study by McKinsey & Company suggests that Southeast Asian countries could benefit from supply chain diversification away from China, leading to increased trade within the region (McKinsey & Company, 2020). Regionalization of commerce has resulted from companies looking for alternative sourcing sites closer to their primary markets. The significance of regional trade agreements and economic blocs is increasing as countries aim to strengthen economic ties within their borders and reduce dependence on external suppliers.

4.4. Global economic growth

There could be a mixed effect overall on the growth of the global economy. In the long run, de-risking from China may strengthen the global economy by decreasing systemic risks associated with over-reliance on a single nation and diversifying supply chains, even though it may cause short-term disruptions. However, the speed and scope of de-risking initiatives and the quality of the development of substitute supply chains will determine how much of these benefits materialize. The International Monetary Fund (IMF, 2020) suggests that a gradual transition from China to a more diversified global supply chain could support long-term economic growth.

4.5. Geopolitical shifts

Changes in the geopolitical landscape and power structures may occur, and new diplomatic and economic alliances might be formed by nations looking to wean themselves off of or leaning towards China by fortifying their relationships with other partners or China itself (Bequelin, 2023; Blinken, 2022). It may heighten geopolitical tensions between China and other nations employing similar tactics. It can result in trade restrictions or tariffs as retaliation, further upsetting international trade patterns. Numerous businesses have had to reevaluate their exposure to Chinese markets and supply chains due to geopolitical concerns between China and other major countries, most notably the US. A desire to lessen reliance on China has arisen from worries about intellectual property theft, coerced technological transfer, and geopolitical tensions (International Perspective, 2023). Companies are now much more motivated by the taxes and trade restrictions imposed by different nations to explore alternatives to mitigate the impact of trade disputes and protect their interests.

4.6. Financial markets and investments

De-risking from China includes investments and financial markets in addition to supply linkages. Diversifying their portfolios away from Chinese assets allows investors to lower their exposure to market volatility, currency changes, and regulatory concerns. As investors want more security and higher returns, they are becoming more interested in alternative investment locations, including emerging markets in Asia and Latin America. However, foreign direct investment (FDI) plans take time to execute, according to Hufbauer (2023), and foreign direct investment into China was US$503 billion in the pre-Trump trade war period of 2014–2017 and US$645 billion in the post–Trump period of 2019–2022. Therefore, despite the pandemic (which interrupted the Chinese economy less than other countries), inward Chinese FDI surged following the Trump trade war.

4.7. Environmental and social considerations

De-risking from China also presents an opportunity for companies to address environmental and social concerns associated with manufacturing in China, such as pollution, labor rights, and ethical sourcing practices. According to the FDA (2011), China has fewer environmental rules governing the purchase, use, and disposal of hazardous chemicals, lowering these companies' direct expenses. Companies may use de-risking tactics to give preference to suppliers who follow better social and environmental norms. Betti and Hong (2020) highlight the importance of sustainable supply chain management in addressing environmental challenges. Similarly, the International Labour Organization (2020) highlights how vital ethical corporate practices are to advancing fair labor standards and sustainable development. It could entail ensuring workers' rights are upheld throughout the supply chain and providing safe working conditions and salaries.

4.8. ***Consumer impacts***

Customers may notice product availability, price, and quality changes, contingent on how healthy businesses handle the shift away from China. Short-term supply chain interruptions may cause shortages or price hikes for specific products like electronics and pharmaceuticals. Bolle (2024) argues that intensifying the trade conflict and imposing sanctions on drugs and other medical supplies from China would harm US consumers and impede the advancement of America's esteemed medical research, which is essential for developing the pharmaceutical innovations of the future. It would jeopardize pharmaceutical companies' ability to combat pandemics in the coming years and improve China. Thus, China's de-risking reflects a broader shift in the global economic landscape caused by technological advancements, geopolitical unrest, and weak supply chains.

Reducing reliance on China has advantages and disadvantages, but it also opens doors for global supply chains and investments to become more resilient, diverse, and innovative. Careful preparation, teamwork, and adaptability to changing geopolitical and economic realities are necessary for de-risking techniques to be effective (Baldwin & Lopez-Gonzalez, 2015; Bown & Crowley, 2013; World Economic Forum, 2020). In sum, de-risking from China has the potential to impact global economic growth and trade patterns in various ways. Supply chain diversification, regional trade agreements, shifts in financial markets and investments, environmental and social considerations, and consumer impacts are just a few areas this trend could influence. While there may be short-term disruptions, in the long run, de-risking from China could strengthen the global economy by reducing risks associated with over-reliance on a single nation and promoting innovation and diversification. Careful planning and adaptability will be crucial in navigating these changes effectively.

5. Challenges for countries and businesses diversifying supply chains away from China

For nations and companies, de-risking supply chains to diversify them away from China poses several difficulties. These obstacles need careful preparation and implementation and cross several financial, strategic, legal, and logistical areas.

5.1. ***Logistical challenges***

Inadequate infrastructure in nations where alternative sourcing is used might make it difficult to ensure effective logistical operations. The Congressional Research Service (2021) notes that diversifying away from China could increase production costs and supply chain disruptions, particularly in the short term. Deductively, purchasing items from different suppliers situated further away from consumer markets may result in longer lead times.

5.2. ***Financial challenges***

Lardy and Huang (2023) posit that the US and Chinese economies are closely interconnected, but their ties are eroding. The trading relationship between the US and China is decoupling even as bilateral trade reached historic highs in 2022. The US and China are losing interest in each market due to growing tensions between Washington and Beijing. Other countries that source from China may need help to match its cost benefits due to differences in infrastructure, workforce, and regulations. Carefully weighing cost structures, labor productivity, efficiency, and regulatory compliance are all critical factors when comparing business sourcing options.

*5.3. **Currency/Denomination challenge***

Most of the world's foreign currency debt is denominated in the US, and many of China's largest trading partners, such as Hong Kong and Saudi Arabia, continue to operate on a de facto dollar standard. Also, not all Chinese cross-border transactions use SWIFT. About 20% of transactions handled through China's own CIPS system do not use SWIFT, according to ANZ's China research team. Secondly, the global cross-border payments market, valued at around US$170 trillion annually, is roughly eight times the size of global merchandise exports, which amount to US$22 trillion. Paterson (2023) reports that as China is now the world's second-largest economy, the largest trading nation, and the largest trade partner to 120 countries, it is inevitable that the renminbi (RMB) will play a more significant role in the international economy. Nonetheless, China's capital markets continue to be undeveloped, with restricted foreign participation in addition to regulation. China has yet to demonstrate a desire to run current account deficits to become a net provider of RMB to the globe; instead, it has chosen to lend RMB to other central banks through swap agreements. Foreign issuances denominated in RMB are still quite limited.

*5.4. **Regulatory challenges***

Regarding trade agreements and tariffs, China's labor, infrastructure, and regulatory environment cost benefits could not apply to alternative sourcing nations. When evaluating sourcing choices, businesses must compare cost structures carefully and consider labor productivity, efficiency, and regulatory compliance. Restrictions on importing and exporting specific commodities and technologies from the United States were imposed on 665 Chinese firms listed as US entities in March 2023. In September 2023, China retaliated by releasing its list of unreliable entities. Only two US aerospace and defense businesses are now blocked from doing business or investing in China (Lardy & Huang, 2023). Protecting intellectual property rights is also a concern when sourcing from new suppliers, especially in countries with weaker IP enforcement mechanisms.

*5.5. **Operational challenges***

As China has become the new industrial hub, Woodcock (2019) observed that while the US remains a global leader in drug development and discovery, it is no longer at the forefront of drug production, with China producing 13% of the world's active pharmaceutical ingredients (APIs) as of 2019. Furthermore, businesses must implement strict quality control procedures, supplier audits, and performance monitoring systems to preserve product integrity and customer happiness. Similarly, Bumpas and Betsch (2019) reported that China has lower electricity, coal, and water costs. Chinese firms are also embedded in a network of raw materials and intermediary suppliers, so they have lower shipping and transaction costs for raw materials. They also face fewer environmental regulations regarding buying, handling, and disposing of toxic chemicals, leading to lower direct costs for these firms.

*5.6. **Strategic challenges***

Supply chain diversification from China entails handling a complex web of risks, such as labor disputes, natural disasters, geopolitical tensions, and market volatility. It can expose companies to geopolitical risks related to sourcing from politically unstable regions or nations with erratic regulatory frameworks. The World Economic Forum (2020) highlights geopolitical risks as a critical consideration for businesses diversifying their supply. Companies must develop robust risk management strategies, scenario planning frameworks, and contingency plans to anticipate and mitigate potential disruptions. Aligning supply chain diversification efforts with broader business objectives and market dynamics is crucial for long-term success.

In summary, as countries and businesses seek to diversify their supply chains away from China, they will encounter various challenges across logistical, financial, currency/denomination, regulatory, operational, and strategic dimensions. Addressing these challenges will require careful planning, risk management strategies, and a deep understanding of the evolving global economic landscape.

6. Opportunities for countries and businesses diversifying supply chains away from China

The de-risking achieved by diversifying supply chains away from China has numerous benefits for both nations and companies. These opportunities can help improve competitiveness, resilience, and sustainability. They cover economic, strategic, technological, and environmental aspects. By taking advantage of these opportunities, nations and companies can improve global trade relations, encourage resilient and innovative supply chain management, and promote inclusive and sustainable economic growth. Cooperation, innovation, and strategic foresight are necessary to fully realize the benefits of supply chain diversification outside China.

*6.1. **Economic opportunities***

Supply chain diversification gives nations and companies access to new markets and consumer segments. Companies can increase their consumer base and revenue streams by sourcing from several nations and customizing their products to meet local preferences and legal needs. According to ET2C (2023), Vela (2023), and Gurbuz et al. (2023), this expanded market access helps companies diversify their customer base and reduce dependence on a single market. By tapping into different markets, businesses can increase sales and revenue growth. Similarly, building new production facilities and establishing supplier networks in alternative sourcing countries create opportunities for investment, job creation, and economic development. It can stimulate growth in local economies and contribute to poverty reduction and social inclusion. According to Gurbuz et al. (2023), developing mitigation strategies for supply chain risk has become a key priority for many companies after the COVID-19 outbreak.

*6.2. **Strategic opportunities***

Diversifying supply chains reduces dependency on a single country or region, mitigating risks associated with geopolitical tensions, trade disputes, and natural disasters. Companies can increase flexibility and responsiveness to market dynamics and disruptions by spreading production across multiple locations. A GPS and World Bank report states that diversifying the supply chain helps mitigate dependency risks by spreading them across multiple suppliers and locations. It gives more resilience and flexibility in dealing with disruptions, partnering with nations that provide alternative sourcing, strengthening relationships and alliances, and bolstering diplomatic ties and geopolitical clout. Countries that diversify their supply chains might use trade agreements, incentives for investment, and diplomatic channels to draw in foreign capital and transfer knowledge (Ikwue et al.,2023).

*6.3. **Environmental and social opportunities***

Supply chain diversification allows for ethical sourcing and sustainable practices in company operations. Prioritizing suppliers that follow environmental, social, and governance (ESG) guidelines allows businesses to encourage resource efficiency, social welfare, and responsible production. According to Gunung Capital (2023), Villena and Gioia (2020) can aid organizations in mitigating risks, collaborating with suppliers, and promoting ethical sourcing practices. Sustainable supply chains contribute to environmental conservation, enhance social well-being, and adhere to fair labor standards. Regarding human resources, infrastructure, and regulatory framework, other sourcing nations might need help to match China's cost advantages (FDA, 2011). When evaluating sourcing choices, businesses must carefully assess cost structures and consider labor productivity, efficiency, and regulatory compliance.

*6.4. **Resilience and risk management***

According to Vela (2023) and Scholten et al. (2020), supply chain resiliency is now essential for long-term corporate growth in the rapidly changing global economy. Supply chain management resilience refers to the capacity to foresee, plan for, react to, and adjust to gradual changes and unexpected disruptions to preserve business continuity. Because supply chain disruptions and single points of failure are less common, diversifying supply chains will increase resilience. By spreading production across geographically diverse locations, companies can better withstand shocks and uncertainties, ensuring continuity of operations and customer satisfaction. Thorough risk assessment, scenario planning, and contingency planning are necessary for proactive risk management of the hazards connected with sourcing from several nations. Additionally, businesses might integrate supply chain visibility tools, supplier diversification plans, and business continuity plans to reduce risks and protect their interests. As cited in Gurtu and Johny (2021), supply chain risk management can be divided into two broad categories of approaches. Two strategies for risk management are available: the first is a comprehensive approach, and the second is a targeted solution to a particular disruption. Some examples of these disruptions include lead times, terrorism, and security. Enterprises are left vulnerable to unavoidable environmental hazards due to the absence of risk management techniques that address the root cause of disruption.

In closing, diversifying supply chains away from China presents countries and businesses with various opportunities to enhance economic growth, strategic flexibility, environmental sustainability, social responsibility, and resilience. By tapping into new markets, reducing dependency risks, promoting ethical practices, and improving risk management, nations and companies can strengthen their competitiveness and adaptability in the evolving global market. Embracing these opportunities requires collaboration, innovation, and a forward-thinking approach to supply chain management.

7. Conclusion

The trend of de-risking from China and diversifying supply chains has significant implications for the global economy and trade patterns. While the drivers and effects of this trend are complex and multifaceted, challenges and opportunities are associated with de-risking from China.

*7.1. **Theoretical contributions***

By identifying the main drivers of this trend and examining its macroeconomic implications, this study contributes to a better understanding of the potential effects of de-risking from China on global economic growth and trade patterns. The analysis of challenges and opportunities associated with diversifying supply chains away from China provides insights into the complexities of this strategy and its impacts on various stakeholders.

*7.2. **Practical implications***

The challenges for countries and businesses diversifying supply chains away from China include logistical, financial, regulatory, operational, and strategic considerations. Addressing these challenges will require careful planning, risk management strategies, and adaptability. However, there are also numerous opportunities for countries and businesses to improve economic growth, competitiveness, resilience, sustainability, innovation, and social development by diversifying supply chains away from China. By leveraging these opportunities, nations and companies can effectively navigate the complexities of supply chain diversification and build a more resilient, inclusive, and sustainable global economy.

7.3. ***Limitations and future research avenues***

Despite the insights provided in this study, some limitations should be acknowledged. The analysis is based on current data and trends and may not capture potential future developments in global trade dynamics. Future research could further explore the long-term impacts of de-risking from China on global economic growth, trade patterns, and geopolitical dynamics. Additionally, studying the implications of de-risking on specific industries, regions, and stakeholder groups could provide valuable insights for policymakers, businesses, and stakeholders. Further research could also investigate the role of digital technologies and innovation in shaping new supply chain strategies and how they can be leveraged to enhance supply chain resilience and competitiveness in a post-China diversification environment.

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Conflicts of interest

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