Dr. M.-J. Fischer

Goodbye, Global!

Geopolitical Fragmentation of the Former Globalization Trend

and Its Implications for Germany's Mid-Sized Industrial Sector

- Strategic Analysis of Geopolitical Fragmentation and Its Implications for German SMEs -

White Paper

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Context and Core Thesis

The defining development of the present is not the abrupt end of globalization, but its transition from an efficiency-driven order to one driven by security and resilience. In the decades after the turn of the millennium, the international division of labor was organized primarily around cost, location, and scale advantages; according to the OECD, global value chains accounted for roughly 70% of international trade, and UNCTAD identified the production activities of multinational enterprises early on as a structural force shaping a very large share of world trade. At the same time, digitalization dramatically deepened global interconnectedness; according to the ITU, roughly 74% of the world's population was already online in 2025.[1]

The 2020s, however, have not simply reversed this model; they have recoded it. The WTO, OECD, and European Parliament consistently describe the present not as complete deglobalization, but as "rewiring"—a geopolitically driven reconfiguration of supply chains, technologies, markets, and financing flows. The decisive difference from the earlier phase is that companies and governments no longer focus only on efficiency and just-in-time systems, but also on redundancy, political reliability, sanctions exposure, access to energy, and strategic control over critical inputs.[2]

[1] See https://www.oecd.org/en/topics/global-value-and-supply-chains.html
[2] See https://yamaraja.work/english/res_e/publications_e/gvcreport2025_e.htm

From the Globalization Boom to Fragmented Reglobalization

The globalization surge of the 1990s and 2000s was based on declining trade costs, the opening of major economies, logistical standardization, and digital coordination. The World Bank notes that global value chains shape nearly half of all global trade flows; at the same time, it shows that the expansion of these chains has slowed significantly since the 2008 financial crisis. The global trade-to-GDP ratio has also remained high over the long term, but it now falls short of a purely linear continuation of the early hyperglobalization narrative. For the world as a whole, the figure was approximately 57% of global GDP in 2024.[3]

One point is important: fragmentation is real, but it is selective. OECD analyses explicitly warn against equating resilience with across-the-board relocation or autarky. Aggressive relocalization would reduce trade and GDP without automatically increasing stability; economic robustness is more likely to result from diversification, transparency, and better risk management than from simply bringing every stage of production home. For precisely this reason, more recent official reports tend to describe a regionalized, politicized, and more strongly safeguarded form of globalization rather than its complete disappearance.[4]

Pandemic, Climate, War, and Energy as Accelerators of Fragmentation

The COVID-19 pandemic was the first major stress test of this decade. It exposed not only the vulnerability of tightly synchronized supply chains, but also shortcomings in international coordination. WHO-related reviews and the independent pandemic panel concluded that the global response was too slow and lacked political leadership; WHO initiatives in 2025 therefore explicitly emphasized the need for stronger cooperation, faster response mechanisms, and more equitable distribution during crises. At the same time, the OECD and ECB document that the pandemic greatly intensified the debate over global value-chain risks, inventory levels, and reshoring.[5]

The international record on climate protection is similarly sobering. In its Emissions Gap Report 2025, UNEP states that the new climate pledges available to date modestly improve the temperature trajectory, but that the world is still clearly heading toward a dangerous escalation of climate risks. This means that, in the case of two genuinely global problems—the pandemic and climate change—the hope for consistently effective

[3] See https://wits.worldbank.org/gvc/global-value-chains.html
[4] See https://www.oecd.org/en/topics/global-value-and-supply-chains.html
[5] See https://www.bmj.com/content/373/bmj.n1234

multilateral action has so far not been fulfilled. Fragmentation is therefore not only a security phenomenon, but also a governance phenomenon.[6]

Since Russia's attack on Ukraine, this development has become particularly acute in Europe. For Germany, the energy dimension was central. The Federal Network Agency reports that 52% of German gas imports came from Russia in 2021; in 2022, that share fell to 22%, while Norway became the largest supplier. At the same time, Europe's LNG supply was shifted heavily toward the global market and, in particular, U.S. deliveries: the U.S. Energy Information Administration reported that the United States was once again Europe's largest LNG supplier in 2023, accounting for nearly half of European LNG imports. This transition increased geopolitical security against Russian pipeline coercion, but it also made Europe more dependent on LNG infrastructure, global spot prices, and maritime bottlenecks.[7]

The current crisis in the Middle East demonstrates that this new order is by no means stable. The World Bank and IMF explicitly link the 2026 war in the Middle East to higher energy prices, greater inflation, rising financing costs, and weaker growth; the World Bank therefore lowered its 2026 global growth forecast to 2.5% and warned of considerably worse scenarios if energy disruptions persist. The situation remains volatile: in mid-June 2026, news agencies reported progress in negotiations aimed at stabilizing the situation and reopening the Strait of Hormuz, while the diplomatic landscape remained fluid. For a fragmented world, that is precisely the point: security shocks are once again being priced into the global economy.[8]

Comparing the United States, China, and Germany

For a sound country comparison, it is methodologically important not to place federal or central-government budgets side by side without adjustment. A more comparable measure is total general-government expenditure relative to GDP; comparing central budgets alone would distort federal structures and social insurance systems. For GDP, I use nominal IMF figures for 2026; for the government expenditure ratio, I use the latest reasonably comparable actual figure, from 2024.[9]

The scale is clear: according to IMF data, nominal GDP in 2026 is approximately $32.38 trillion in the United States, $20.85 trillion in China, and $5.45 trillion in Germany; the global economy as a whole totals $126.3 trillion. This corresponds to shares of global

[6] See https://www.unep.org/resources/emissions-gap-report-2025

[7] See https://www.bundesnetzagentur.de/SharedDocs/Pressemitteilungen/EN/2023/20230105_RueckblickGas2022.html

[8] See https://www.worldbank.org/en/news/press-release/2026/06/11/global-economic-prospects-june-2026-press-release

[9] See https://www.imf.org/en/data

GDP of roughly 25.6% for the United States, 16.5% for China, and 4.3% for Germany. Together, the three countries generate approximately 46.5% of global economic output.[10]

The following comparative figures condense the structural characteristics of the three economies:

Country	Nominal GDP 2026	Share of World GDP	Government Expenditure 2024	Trade-to-GDP Ratio 2024
United States	$32.38 trillion	25.6%	37.92%	25%
China	$20.85 trillion	16.5%	31.99%	37%
Germany	$5.45 trillion	4.3%	49.43%	79%

Sources for the table: IMF World Economic Outlook and IMF DataMapper for GDP and government expenditure; World Bank for the trade-to-GDP ratio.[11]

These figures reveal the central geopolitical finding. The United States is by far the largest economy and, at the same time, the least dependent on foreign trade of the three. This makes it more resilient to external trade shocks in a fragmented world. Fiscally, however, the country is under considerable pressure: according to CBO projections, net interest expense is already the third-largest item in the federal budget in 2026, behind Social Security and Medicare. China is significantly more trade-dependent than the United States, but less so than Germany; at the same time, Beijing can act more strategically through industrial and financial policy. IMF data show a government expenditure ratio of just under 32% for 2024. Germany is the structurally most vulnerable case in this three-country group: high dependence on foreign trade, a high government expenditure ratio, and comparatively limited absolute scale coincide.[12]

The architecture of the welfare state further underscores these differences. According to the Federal Ministry of Labor and Social Affairs, Germany's social budget totaled approximately €1.345 trillion in 2024; social benefits amounted to 31.2% of GDP. For the United States, the OECD reports public social spending of 22.7% of GDP in 2022; in addition, the United States has substantially larger private, but heavily regulated, social arrangements than Europe. Direct comparability is more difficult for China because the methodology and boundaries differ; Chinese fiscal reporting recorded expenditures of nearly 9.93 trillion yuan by nationwide social insurance funds in 2023, while an IMF study emphasizes that low public social spending—particularly in rural areas and under hukou restrictions—is a central reason for high household savings and weak consumption dynamics. The overall direction is nevertheless clear: Germany bears the highest social burden relative to GDP, the United States has the highest absolute spending at the federal

[10] https://www.imf.org/external/datamapper/NGDPD%40WEO/OEMDC/ADVEC/ WEOWORLD/CHN/USA
[11] Ibid.
[12] See https://budget.house.gov/imo/media/doc/cbo_baseline_february_2026.pdf

level, and China maintains a substantially thinner and more investment-oriented social safety net.[13]

Germany in the Fragmented Global Economy

The new environment is particularly challenging for Germany because its previous model of success rested on three conditions: open global markets, relatively predictable energy supplies, and a strongly export-oriented industrial base. The World Bank reports a trade-to-GDP ratio of 79% for Germany in 2024, compared with 25% for the United States and 37% for China. This does not mean that Germany globalized “incorrectly”; it does mean, however, that geopolitical friction has a stronger impact on Germany than on much larger or more domestically oriented economies.[14]

The energy and cost issue adds another layer. Destatis shows that the value per terajoule of imported natural gas for Germany more than tripled, from €7,212.70/TJ in 2021 to €23,919.69/TJ in 2022; even in 2024, values remained well above pre-crisis levels. Moving away from Russian gas was rational from a security-policy perspective, but economically costly. In a heavily industrialized, export-oriented economy, simultaneously increasing the cost of energy, intermediate inputs, and financing initially erodes price competitiveness—even if parts of the shock may later recede.[15]

There is also a fiscal trade-off. The IMF Fiscal Monitor of April 2026 describes public budgets worldwide as being simultaneously strained by social needs, defense, strategic autonomy, and higher interest burdens. For Germany, this does not automatically mean that education, infrastructure, or climate investments must be cut; it does mean that the financing available for them is becoming tighter and more politically contested. In a fragmented world, this constraint is not a peripheral issue, but the core of the problem: geoeconomic security costs money, and that money competes with the welfare state, the transformation of the economy, and infrastructure modernization. This is not speculation, but a plausible fiscal conclusion from the documented spending and interest pressures.[16]

For precisely that reason, the conclusion for Germany is not “less openness,” but openness organized differently. The OECD and other international institutions clearly warn against confusing resilience with blanket isolation. There is a strong case for a four-part German strategy: first, broader diversification of energy and intermediate-input sourcing; second, faster domestic infrastructure development and permitting capacity; third, a stronger technological position in fields in which Europe is not merely a market, but also a producer; and fourth, a welfare state that creates less conflict among incentives, the

[13] See https://www.bmas.de/DE/Service/Publikationen/Broschueren/a230-25-sozialbudget-2024.html
[14] See https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=DE
[15] See https://www.destatis.de/EN/Themes/Economy/Foreign-Trade/Tables/natural-gas-yearly.html
[16] See https://www.imf.org/en/publications/fm/issues/2026/04/15/fiscal-monitor-april-2026

skilled-labor base, and investment capacity. The alternative would be to respond to an ever-growing number of risks with an ever-growing number of ad hoc government interventions—an approach that would be difficult to sustain fiscally over the long term.[17]

Conclusion and Limits of the Analysis

The robust overall picture is this: the world is not moving out of globalization, but into a fragmented form of globalization. The pandemic, failures in climate governance, Russia's war, trade conflicts, and the new energy and security crises of 2026 have shifted the balance—away from maximum efficiency and toward redundancy, bloc formation, strategic industrial policy, and politically conditioned interdependence. UNCTAD now describes trade-policy uncertainty itself as a central source of global instability; the OECD and World Bank view additional trade barriers and geopolitical uncertainty as tangible constraints on growth.[18]

In the three-country comparison, the strategic core of the situation is clear. Because of its size and lower dependence on trade, the United States can absorb fragmentation relatively more easily. Despite tensions, China remains deeply integrated into the global economy, but can respond through state-coordinated reallocation, industrial policy, and expansion of its domestic market. Germany, by contrast, faces the greatest pressure to adapt because it benefited especially from open international specialization, inexpensive energy, and predictable rules—and because its high government and social-spending ratios limit fiscal flexibility. The geopolitical phase of fragmentation is therefore not temporary noise surrounding globalization for Germany, but a structural challenge to its economic model.[19]

Important limits to the analysis nevertheless remain. First, international comparisons of social spending are only partially direct because Germany, the United States, and China draw different boundaries among government, social insurance, and private mandatory or quasi-mandatory systems. Second, I have deliberately excluded speculative attributions of motive—such as claims that individual third countries control Western policy—because sufficiently robust evidence for such assertions is not available in reliable primary sources. Third, information about the current Iran/Hormuz situation in June 2026 is highly dynamic; for this white paper, the decisive point is therefore not every day-to-day development, but the macroeconomic effect that has already been clearly documented: security shocks are once again at the center of the global economy.[20]

[17] See https://www.oecd.org/en/topics/global-value-and-supply-chains.html
[18] See https://unctad.org/publication/global-trade-update-september-2025-trade-policy-uncertainty-looms-over-global-markets
[19] See https://www.imf.org/external/datamapper/profile/USA/WEO
[20] See https://www.worldbank.org/en/news/press-release/2026/06/11/global-economic-prospects-june-2026-press-release

Fragmentation of the Globalization Trend – Implications and Measures for SMEs

For German SMEs, the relevant geopolitical development is not specified here and should therefore be read as a combined scenario: shifts in trade, new or expanded sanctions, fragmented supply chains, volatile energy and logistics costs, and rising tensions among major powers. This combination makes international value creation more difficult, increases uncertainty in globally distributed supply chains, and shortens planning cycles. At the same time, the German Chamber of Commerce and Industry (DIHK) documents that both U.S. trade policy and conflicts in the Middle East affect German companies directly through tariffs, supply chains, energy prices, and deferred investment.21

For SMEs, this creates five particularly burdensome areas of risk: first, pressure on sales and margins from tariffs, trade barriers, and volatile demand; second, procurement and production risks arising from single sourcing and transport disruptions; third, legal risks involving export controls, embargoes, and due-diligence obligations; fourth, pressure on financing and working capital; and fifth, cyber and data-security risks. BAFA emphasizes the central importance of export controls, licensing requirements, control lists, and embargoes; since 2024, the German Supply Chain Due Diligence Act has applied to companies with at least 1,000 employees, but it also affects SMEs indirectly when they supply companies that are subject to the law. In the machinery sector, VDMA points to foreign trade burdened by global uncertainty, wars, and U.S. tariff policy; in the chemicals sector, VCI emphasizes the importance of affordable energy and competitive operating conditions. At the same time, reporting related to Bitkom and the BSI indicates that companies continue to face substantial cyber risks and geopolitically driven dependencies in information technology.[22]

The situation also creates opportunities. Companies that professionalize their supply chains, establish multiple-sourcing strategies, increase the service and software share of their business, diversify markets, and strengthen their legal and IT resilience can gain market share, stabilize margins, and improve their bankability. KfW and BAFA provide relevant funding and financing instruments; the Federal Government's export credit guarantees are designed specifically for difficult foreign markets and are explicitly available to SMEs; German Chambers of Commerce Abroad (AHKs) and Germany Trade & Invest (GTAI) support companies with market analysis, partner searches, and regulatory guidance.[23]

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[21] See https://www.oecd.org/en/topics/global-value-and-supply-chains.html

[22] See https://www.bafa.de/DE/Aussenwirtschaft/Ausfuhrkontrolle/ausfuhrkontrolle_ node.html

[23] See https://www.kfw.de/inlandsfoerderung/Unternehmen/Investitionen-und-Wachstum/F%C3%B6rderprodukte/ERP-F%C3%B6rderkredit-KMU-%28365-366%29/

The practical priority for the next 90 days is not a grand strategy, but the correct sequence: make exposed revenue and critical inputs transparent, review sanctions and export-control risks, strengthen liquidity and risk protection, close digital security gaps, and in parallel begin identifying initial alternative sources and target markets. Only after that should companies make nearshoring, reshoring, or local-for-local decisions with capital-expenditure implications.[24]

Starting Point and Causal Mechanisms

The underlying scenario is unspecified, but realistic: globally distributed value creation remains important, yet it is becoming more vulnerable to disruption and more strongly shaped by politics, security, regulation, and trade barriers. The OECD explicitly describes global value and supply chains as an area in which the international dispersion of activities creates new policy and operational challenges; at the same time, DIHK and GTAI show that current conflicts and trade-policy tensions have a direct impact on German companies.

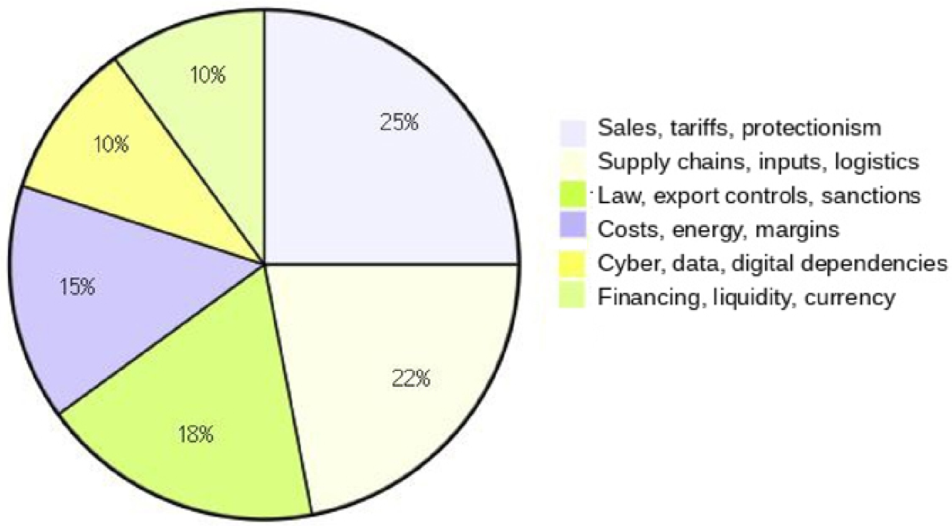
For an SME, this is crucial because SMEs generally cannot cushion geopolitical shocks through political lobbying power or extremely broad supplier and sales networks. Their vulnerability typically arises in four areas: a high share of revenue in individual countries or with a small number of major customers; critical inputs from individual regions; weakly institutionalized compliance processes; and limited buffers in liquidity, IT security, and personnel. This is precisely why the same geopolitical signals often hit SMEs harder than large corporations. This assessment follows the logic of the present white paper, which frames the current environment as a phase of fragmentation in the globalization trend.

The following chart presents an indicative, heuristic prioritization of typical geopolitically driven risk areas for export-oriented SMEs. It is not an official statistic, but a synthesis of the sources cited below and is intended to make practical corporate priorities visible. The high weighting assigned to sales, supply-chain, and compliance risks is based particularly on findings from DIHK, BAFA, VDMA, and VCI.[25]

A practical decision process should translate geopolitical signals into business terms rather than political judgments: identify exposure, conduct a legal review, evaluate operational alternatives, secure financing, and then implement. BAFA, KfW, AHK, and GTAI provide the principal public-sector reference points for this process.

[24] See https://www.bafa.de/DE/Aussenwirtschaft/Ausfuhrkontrolle/ausfuhrkontrolle_ node.html
[25] See https://www.dihk.de/de/dossiers/us-handelspolitik-140800

Indicative Risk Shares for a Typical Export-Oriented SME



Risks, Opportunities, and Implications for an SME

From a business perspective, geopolitical fragmentation almost always results in higher unit costs, longer lead times, larger safety stocks, and more volatile contribution margins within an SME. Legally, export controls, embargo screening, documentation, and supply-chain due diligence become particularly important. Operationally, companies must make their production and procurement architectures more robust; organizationally, they need clearer responsibilities among procurement, sales, legal/compliance, IT, and the CFO function.

Overview: Risks, Opportunities, and Immediately Appropriate Responses

Area of Impact	Principal Risks	Opportunities	Practical Response
Sales and Markets	Additional U.S. tariffs, trade barriers, and political volatility make foreign sales more expensive and more complex; DIHK identifies direct effects on German companies while also describing the United States as the most important export market for German businesses.	Shift the focus toward alternative growth markets such as India or Mercosur; GTAI points to new trade and investment opportunities and market potential.	Measure revenue concentration by country and customer, introduce a traffic-light dashboard for the top ten countries, review regional sales options with AHK/GTAI, and expand price-adjustment and exchange-rate clauses.
Procurement and Supply Chain	Disruptions in energy and transport corridors, shortages of intermediate inputs, and single sourcing; DIHK explicitly describes the supply-chain and energy-price effects of current crises.	Nearshoring within the EU and Central and Eastern Europe, dual sourcing, greater planning reliability, and faster delivery capability; the OECD points to new governance requirements for globally distributed chains.	Create a Tier 1/Tier 2 supply map, classify critical parts, qualify secondary sources, build safety stock only for A-category parts, and secure alternative transport options contractually.
Legal and Compliance	BAFA emphasizes licensing requirements, control lists, embargoes, and export controls as central instruments for responding to foreign-policy and security risks; the German Supply Chain Due Diligence Act has applied since 2024 to companies with at least 1,000 employees in Germany, but it also affects supplier SMEs indirectly.	Companies that establish sound compliance structures early become preferred suppliers to major customers and reduce liability and reputational risks.	Sanctions screening, end-use and end-user checks, export classification, supplier questionnaires, an escalation path for stop-ship decisions, and documented approvals.
Finance and Risk Protection	Higher working-capital requirements, greater receivables risk, and more difficult financing for international projects.	KfW loans, Hermes export credit cover, and other federal guarantees improve bankability, market entry, and risk-bearing capacity.	Define a liquidity reserve, establish a scenario stress test, insure receivables and country risks, involve principal banks early, and review eligibility for public support on a project-by-project basis.
IT and Digital Resilience	Companies continue to report cyberattacks; at the same time, digital sovereignty, security, and supply chains are becoming more prominent issues in the digital economy.	KfW explicitly supports IT and data-security concepts, standard security software, and training; digital transparency improves early detection and response capability.	MFA, backup and recovery testing, a supplier and cloud exit plan, network segmentation, an incident-response manual, and a lightweight information security management system for SMEs.
People and Organization	Shortages of skilled labor, uncertainty surrounding travel and projects, and overload among key personnel in procurement, sales, and compliance. DIHK identifies skilled-labor security as a location issue; AHKs assist with internationalization and market access.	Cross-training, regional partner structures, more standardized processes, and digital continuing education improve the ability to act. KfW also supports training in connection with digitalization.	Establish backup coverage for key roles, create a crisis-response team, provide training in export controls, IT security, and procurement, and update travel-risk and international-assignment policies.

The central strategic lesson is this: not every geopolitical risk requires reshoring. For many SMEs, the economically preferable sequence is transparency first, followed by stronger contracts and processes, dual sourcing, digitalization, and financing security—and only then selective nearshoring or reshoring for particularly critical products, technologies, or markets. KfW, BAFA, and Hermes instruments support precisely this staged approach.

Industry Comparison and Recommended Measures

German SMEs are affected asymmetrically across industries. Machinery and export-oriented industry are particularly exposed to tariffs, long project cycles, and critical inputs; the chemicals sector faces energy and regulatory pressures; automotive suppliers face localization and platform pressures; and IT and service SMEs are more strongly exposed to cyber, data, and sovereignty issues. Part of this assessment is a reasoned inference from the current trade, energy, and digital trends described in the sources reviewed.[26]

Industry	Typical Geopolitical Exposure	Relevant Opportunities	Recommended Core Measures	Priority
Industry in General	Higher costs for intermediate inputs, energy, and transportation; additional regulatory burdens from export controls, customer compliance requirements, and reporting obligations.	More modular production, greater energy efficiency, and stronger sourcing from within or near the EU. BAFA and KfW support energy and efficiency measures.	ABC classification of critical parts, streamlining of modules and variants, an energy- and material-efficiency program, and a spare-parts and safety-stock strategy.	Very High
Machinery and Equipment	VDMA identifies the United States as the most important foreign market; major opportunities there are accompanied by tariffs and trade barriers, while global uncertainty, wars, and U.S. tariff policy are also weighing on machinery exports.	Expand service, retrofit, software, spare-parts, and local engineering capabilities; make greater use of alternative target markets.	Local-for-local service, regional parts hubs, secured export financing, contract models covering project cancellations and force majeure, and AHK-supported business development.	Very High
Automotive Suppliers	High vulnerability due to cross-border supply structures, tariffs, industrial-policy requirements, and concentration among OEM customers; this is a plausible inference from the industry's strong transatlantic and global integration.	Regionalize production stages, specialize in safety-critical or hard-to-substitute components, and increase software and aftermarket shares.	Reduce dependence on individual customers and platforms, establish dual-region sourcing, localize tooling and components, and actively reshape the product portfolio.	Very High
Chemicals	VCI calls for relief in energy supply and points to competitiveness, the EU Emissions Trading System, and the need for a secure and affordable energy supply.	Decarbonization, energy efficiency, new materials, and stronger research, development, and technology-transfer capabilities.	A long-term energy and raw-material strategy, process optimization, energy and environmental funding, and compliance with export-control and chemical-safety requirements.	Very High
IT and Services	Cyberattacks, data and supply-chain risks, and dependence on non-European IT services; Bitkom has placed security and digital sovereignty prominently on the agenda.	Strong demand for security, compliance, cloud-migration, data, and AI services; KfW supports IT security and digital business models.	Develop an IT and data-security concept, diversify providers, expand customer offerings in compliance and cyber resilience, and build managed services.	High
Export-Oriented SMEs	Concentration by country and customer, payment-default, tariff, and financing shocks. Hermes export credit cover addresses difficult markets in particular; AHK and GTAI provide practical market and regulatory information.	New markets through AHK/GTAI, improved creditworthiness through risk protection, and faster market decisions based on reliable data.	Actively manage the country portfolio, involve Hermes and the principal bank early, tighten payment terms, and prepare market entry systematically through AHK/GTAI.	Very High

[26] See https://www.vdma.org/

The strategic direction differs by industry: machinery companies should strengthen local service and project management; automotive suppliers need to reduce dependence on individual platforms and customers; chemicals companies must prioritize energy and regulatory resilience; and IT and service SMEs should turn geopolitical uncertainty into an offering in security, compliance, and data governance.

Implementation Plan

The following steps are designed as a practical 18-month plan. The costs are rough benchmarks for a typical SME with approximately 50 to 500 employees; they vary considerably by industry, degree of internationalization, and existing systems environment.

Priority	Measure	Time Horizon	Responsible	Typical Cost Range	Target State
A	Geopolitical exposure scan covering revenue, customers, countries, critical inputs, and single-source parts	2–4 weeks	CEO, CFO, Procurement, Sales	€5,000–€20,000	Transparency regarding top risks
A	Rapid review of sanctions, export-control, and LkSG supplier requirements	2–6 weeks	Legal/Compliance, Export Control, Procurement	€5,000–€25,000	No blind spots regarding legal risks
A	Liquidity and working-capital stress test; discussions with the principal bank regarding credit lines, bank guarantees, and hedging	2–6 weeks	CFO, Treasury, Principal Bank	€5,000–€15,000 plus bank fees	Buffer against market and procurement shocks
A	Cybersecurity baseline: MFA, backups, recovery testing, administrator hardening, and supplier/cloud review	1–3 months	Head of IT/CISO, Executive Management	€20,000–€120,000	Reduced risk of business interruption
B	Supplier mapping through Tier 2 for critical parts; secondary source and alternative route for each A-category part	1–4 months	Procurement, COO, Quality	€15,000–€80,000	Robust multiple-sourcing strategy
B	Contract and pricing review: Incoterms, price-adjustment clauses, currency provisions, and force-majeure rules	1–3 months	Sales, Procurement, Legal, CFO	€5,000–€30,000	Contract architecture aligned with risk
B	Market-diversification pilot with AHK/GTAI/IHK in one or two new target markets	2–6 months	Sales, Business Development	€10,000–€60,000	Lower country and customer concentration
B	ERP/data project for supplier and risk transparency	3–9 months	COO, IT, Procurement	€40,000–€250,000	Improved real-time control
C	Nearshoring pilot for critical components or assembly cells	4–12 months	COO, Procurement, CFO	€50,000–€250,000	Shorter routes and lower disruption risk
C	Reshoring or local-for-local production only for strategic products with a positive business case	9–18 months	CEO, COO, CFO, Strategy	€250,000–€2,000,000+	Structural resilience rather than symbolic policy
C	HR program: cross-training, backup arrangements, and training in export controls, procure-	2–9 months	HR, Business Functions	€5,000–€40,000	More resilient key roles

Priority	Measure	Time Horizon	Responsible	Typical Cost Range	Target State
	ment, cyber, and crisis communications				

Public-sector instruments should be considered from the outset: BAFA can support consulting, efficiency, and supply-chain initiatives; KfW can finance investment, working capital, digitalization, and innovation; and the Federal Government's export credit guarantees improve risk protection in politically and economically more difficult markets.

Relevant Funding Programs and Points of Contact

Program or Organization	Suitable For	Practical Benefit for SMEs
BAFA Business Consulting	The "Promotion of Business Consulting for SMEs" program is intended to strengthen competitiveness, performance, and adaptability; it provides a nonrepayable grant.	Highly suitable for risk analysis, organizational development, supply-chain strategy, compliance, and internationalization projects.
BAFA EEW	BAFA supports energy and resource efficiency in business; modules covering energy-management software, process optimization, and transformation plans are particularly relevant.	Mitigates energy and cost shocks and improves site resilience—especially in industry and chemicals.
BAFA Export Controls / Supply Chains	BAFA consolidates information on export controls, embargoes, guidance tools, LkSG FAQs, risk analysis, and collaboration within the supply chain.	A mandatory reference point for sanctions management, export approvals, and customer and supplier requirements.
KfW ERP Promotional Loan for SMEs	For investments, working capital, software, personnel costs, and even marketing and consulting; up to €25 million, with terms of up to 20 years, and KfW can assume 50% of the credit risk.	Supports inventory buildup, supplier changes, localization steps, and general resilience financing.
KfW ERP Promotional Loan for Digitalization	Supports digitalization measures, including IT and data-security concepts, digital business models, and training; a grant of up to €200,000 may be available.	Suitable for cyber resilience, supply-chain transparency, and the expansion of digital sales and service.
KfW ERP Promotional Loan for Innovation	Supports innovation projects, including research, development, and AI-related initiatives; up to €25 million, with grants available for more ambitious projects.	Useful for product adaptation, technological differentiation, and local-for-local products.
Federal Export Credit Guarantees	Specifically available to SMEs as well; protection against nonpayment, difficult markets, financing packages, and project business.	Particularly important for export-oriented SMEs facing political or economic country risk.
DIHK / IHK / AHK	AHKs are present at more than 150 locations in over 90 countries and assist with market questions, supply chains, regulatory requirements, partner searches, and business development.	Accessible support for diversification, partner searches, and market entry.

Program or Organization	Suitable For	Practical Benefit for SMEs
GTAI	Germany's federal foreign-trade agency; free support through market analyses, economic data, and practical guidance covering more than 150 countries, as well as a funding navigator for growth markets.	Highly valuable for market prioritization, country comparisons, and procurement and expansion decisions.
VDMA / VCI / Bitkom	Industry associations provide regulatory, market-related, and technical guidance—for example, on tariff policy, energy, cybersecurity, and industry conditions.	Particularly useful for industry-specific benchmarks, networks, and early-warning signals.

Open Questions and Limitations

This white paper deliberately uses an unspecified composite scenario of geopolitical fragmentation. As a result, the recommendations are robust, but they are not tailored to a single event. If the report is later narrowed to a specific trigger—such as new U.S. tariffs, tighter Russia or Iran sanctions, escalation in the Indo-Pacific, or a new raw-materials conflict—priorities, country focus, and the portfolio of measures should be refined accordingly.

Some funding and legal details change relatively frequently. SMEs should therefore verify the current program and legal status before implementing individual projects, particularly with respect to KfW terms, eligibility for Hermes cover, sanctions regimes, and supply-chain requirements. The public institutions named here are the appropriate first points of contact.

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