

Geopolitics and the fragmentation of trade

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The international environment has become more hostile to open trade. The war in Ukraine, the rivalry between the United States and China, the use of sanctions and tariffs as instruments of foreign policy and the conflicts in the Middle East have fragmented the global economy. Governments are placing greater emphasis on the security of supply chains, on control of critical minerals and on the screening of foreign investment. The United States raised tariffs substantially in 2025, including on imports from Switzerland, which were subject to one of the highest rates among developed economies for a period.¹

For Zug's commodity traders, fragmentation is both a risk and an opportunity. The traders profit from volatility and from the disruption of established trade flows, since their business consists in bridging the gaps between supply and demand. The record profits of 2022 showed how much they can earn in a crisis. At the same time, fragmentation increases the risks of sanctions, of expropriation and of reputational damage. It forces the traders to choose sides in conflicts between the great powers. A trader based in Switzerland must comply with Swiss, European and American sanctions, whereas its competitors in Dubai, Singapore or Hong Kong may not face the same constraints. The shift of the Russian oil trade to Dubai after 2022 showed how quickly business can move when the regulatory environment changes.

For the holding companies and the headquarters of multinational groups, fragmentation raises the question of where to locate the functions that manage a global business. A group that faces growing barriers between the American, European and Chinese markets may decide to split its management into regional centres. Switzerland's position between the blocs could be an advantage, since it is neither a member of the European Union nor aligned with the United States in all matters. It could also be a disadvantage, if Switzerland is seen as insufficiently reliable by one or other

of the great powers. The experience of the Russian sanctions suggests that Switzerland will align itself with the West in major conflicts, which limits its value as a neutral platform.

1 Notes

1. Federal Department of Finance, "Reduction in US additional tariffs to enter into force retroactively", 10 December 2025, efd.admin.ch: US additional tariff of 39 per cent on Swiss imports applied from 7 August 2025, reduced to a ceiling of 15 per cent retroactively from 14 November 2025 on the basis of a joint statement of Switzerland, Liechtenstein and the United States. ↩

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