eISSN: 2229-3213 pISSN: 2229-3205
The Journal of Applied Science and Social Science
Volume 16,Issue 03 March, 2026

THE GREAT RUPTURE: REDEFINING GLOBAL TRADE AND THE RISE OF THE TWO-SPEED ECONOMY

Rahmatullayev Shamshodbek Ma'ruf o'g'li

3rd Year Student, Faculty of International Economy and Management

University of World Economy and Diplomacy

shamshodrahmatullaev7@gmail.com

Abstract

The global economy in 2026 is characterized by a "Great Rupture," transitioning from the efficiency-driven model of hyper-globalization toward a fragmented landscape of economic sovereignty and resilience. This article examines three critical forces reshaping the international order: the shift from "Just-in-Time" to "Just-in-Case" supply chains, the emergence of a "Two-Speed Economy" driven by uneven Artificial Intelligence (AI) adoption, and the fiscal complexities of the "Green Transition Trap." While advanced economies leverage technology to offset trade barriers, emerging markets face a "Second Great Divergence" as traditional export-led growth models' falter. By analyzing current IMF and WTO data, this study highlights how the weaponization of interdependence and critical mineral chokepoints contribute to a projected global growth rate of 2.6%–3.3%. Ultimately, the article argues that navigating this "Fragmented Frontier" requires a new framework of economic diplomacy that balances national security with the collective demands of technological and environmental sustainability.

Keywords

Gated Globalization, Friend-shoring, Two-Speed Economy, Green Transition Trap, Economic Sovereignty, and Critical Mineral Chokepoints.

The Great Rupture – Redefining the Global Economic Order

The decade leading into 2026 has been defined by what economists increasingly term the "Great Rupture." For nearly thirty years following the end of the Cold War, the world economy operated under the "Washington Consensus"—a belief that hyper-globalization, unfettered free trade, and deep supply chain integration were the primary drivers of universal prosperity. However, the period between 2016 and 2026 has systematically dismantled these assumptions, replacing the pursuit of comparative advantage with a new, more fragmented doctrine of economic sovereignty.

The Collapse of the Efficiency Paradigm

Historically, the global production model was built on the "Just-in-Time" (JIT) philosophy, prioritizing cost-efficiency and lean inventories. This model relied on a stable geopolitical climate where goods could move across borders with minimal friction. The rupture began with the populist shifts of 2016, which signaled a growing domestic dissatisfaction with the distributive effects of globalization. This was exponentially accelerated by the COVID-19 pandemic and subsequent large-scale geopolitical conflicts, which exposed the lethal vulnerabilities of concentrated supply chains.

The fundamental shift we are witnessing is the transition from efficiency-seeking to resilienceseeking. Nations are no longer content with sourcing the cheapest components if those components are subject to "geopolitical chokepoints." This has birthed the era of "Friend-shoring" and "Near-shoring," where trade is increasingly dictated by diplomatic alignment rather than market prices. As of early 2026, the IMF notes that the share of "inter-bloc" trade—trade between politically aligned nations—has risen by over 12% compared to 2019 levels.

The Weaponization of Interdependence

Perhaps the most debateful aspect of the current economic climate is the weaponization of trade. In the previous decade, economic interdependence was viewed as a deterrent to conflict—the "Golden Arches Theory" suggested that countries with deeply integrated economies would not go to war. Today, that interdependence is viewed as a liability. Governments have pivoted toward aggressive industrial policies, utilizing strategic tariffs on "future-critical" industries like semiconductors and electric vehicles (EVs), alongside massive state-led subsidies to artificially stimulate domestic manufacturing.

A Fragmented Global Growth Path

This shift is not without cost. While some advanced economies leverage high-tech domestic manufacturing to sustain a 2.5% to 2.8% growth rate, developing nations—which previously relied on the "export-led growth" model—now find themselves locked out of traditional markets. The result is a global economy that is no longer a singular, interconnected machine but a series of competing "Economic Islands." This fragmentation creates a massive debate: Are we entering a more stable era of local self-reliance, or are we sleepwalking into a high-inflation, low-innovation future where the benefits of global specialization are lost?

The Two-Speed Economy – The AI Revolution and the Second Great Divergence

As the world economy navigates the mid-2020s, a profound structural transformation is taking place, driven by the rapid maturation of Artificial Intelligence (AI). This technological leap is not merely an incremental improvement in software; it is a General Purpose Technology (GPT) comparable to the steam engine or electricity. However, unlike previous industrial revolutions that took decades to diffuse, the AI revolution is unfolding with "breakneck speed," creating what economists now call a "Two-Speed Economy." On one track, AI-leading nations and sectors are experiencing a productivity "miracle," while on the other, traditional industries and late-adopters face stagnating growth and structural obsolescence.

The Productivity Miracle vs. The Bubble Debate

The central debate in 2026 revolves around whether the current AI surge is a sustainable economic engine or a massive capital investment bubble. On the optimistic side, organizations like Goldman Sachs and McKinsey point to data showing that AI can automate or augment tasks representing up to $4.5 trillion in annual value in the US alone. In high-exposure sectors—such as software development, legal services, and financial accounting—productivity gains for junior-level tasks have been recorded between 21% and 67%.

Conversely, skeptics argue that the "value gap"—the distance between the trillions spent on Nvidia chips and data centers versus the actual realized profits for the average firm—remains dangerously wide. There is a "problematic" concentration of gains: while 52% of large firms in the OECD have integrated AI by 2026, only 17% of small businesses have done the same. This creates a "winner-take-most" dynamic that threatens to hollow out the middle market.

The Second Great Divergence: North vs. South

The most significant "actual" problem of the AI era is its impact on global inequality. Historically, developing nations grew by utilizing a "labor-cost advantage" to become global manufacturing or service hubs. AI disrupts this model through "premature de-industrialization." If a robot or an AI agent in a high-income country can perform clerical, administrative, or assembly tasks cheaper than a human in a developing country, the traditional ladder of economic development is broken.

The World Bank's World Development Report 2026 warns of a "Second Great Divergence." Advanced economies (AEs) are better prepared due to robust digital infrastructure and high "AI preparedness" scores. Meanwhile, emerging market economies (EMEs) risk "disruption without dividend." In these regions, the jobs most vulnerable to AI automation—such as entry-level data entry or call center work—are often the "high-quality" formal jobs that previously provided a path to the middle class. Without rapid investment in digital literacy and infrastructure, the gap between the "AI-rich" and "AI-poor" nations may become permanent.

Labor Market Volatility: Displacement vs. Creation

Finally, the debate over jobs remains a flashpoint. By 2026, approximately 300 million jobs globally are exposed to some level of AI automation. While AI is creating new specialized roles in "prompt engineering," "AI ethics," and data center management, these roles often require highly specific skills that displaced clerical or manual workers do not possess. This creates a "skills mismatch" that places immense pressure on national education systems and social safety nets, making the AI revolution as much a political challenge as an economic one.

The Green Transition "Trap" – Balancing Decarbonization and Growth

As the world economy enters 2026, the "Green Transition" has moved from a theoretical environmental necessity to a massive, \$2.3 trillion annual economic reality. While this shift promises a future of sustainable energy, it has simultaneously created a complex "Green Transition Trap." This trap represents the growing tension between the urgent need to decarbonize and the immediate economic risks of job displacement, high capital costs, and new geopolitical dependencies on critical minerals.

The Investment Paradox and Fiscal Strain

In 2025, global investment in the energy transition reached a record \$2.3 trillion, with clean energy spending now consistently outpacing fossil fuel investment. However, this progress is unevenly distributed. For advanced economies, the transition is often framed as a "new industrial revolution" that spurs innovation and domestic manufacturing. In contrast, many developing and emerging market economies (EMEs) are facing a fiscal "trap."

To meet the 1.5°C Paris Agreement goals, EMEs require an estimated \$2 trillion annually in external financing by 2030—a five-fold increase from 2025 levels. Without affordable access to capital, these nations risk being caught in a cycle of high energy prices and rising debt, potentially stalling their economic development in the name of climate mitigation. This has led to a fierce global debate: should the "Green Transition" be funded by the wealthy nations that

eISSN: 2229-3213 pISSN: 2229-3205
The Journal of Applied Science and Social Science
Volume 16,Issue 03 March, 2026

historically caused the most emissions, or is every nation equally responsible for its own carbon-neutral path?

The Critical Mineral Chokepoint

A new and "problematic" dimension of the world economy in 2026 is the concentration of supply chains for the energy transition. Just as oil defined the geopolitics of the 20th century, critical minerals like lithium, cobalt, and rare earth elements define the 21st.

According to the International Energy Agency (IEA), the refining of nearly 19 out of 20 strategic energy minerals is currently dominated by a single market player. This high concentration creates a "security-of-supply" risk that mirrors the oil shocks of the 1970s. Nations are now racing to diversify these chains through "Strategic Partnerships," often leading to higher costs as they prioritize security over the cheapest available source. This "Green Protectionism" adds an inflationary layer to the global economy, as the cost of building solar panels and electric vehicle batteries remains sensitive to these geopolitical chokepoints.

The Human Cost: Displacement and the "Skills Gap"

The final element of the trap is the labor market shift. While the renewable energy sector reached 16.6 million jobs globally in 2024, the growth rate of "green jobs" has begun to slow, increasing by only 2.3% annually as of early 2026. Simultaneously, the "brown" sectors (coal, oil, and traditional automotive manufacturing) are shedding jobs at an accelerating rate.

The debate here is one of "Just Transition." Millions of workers in legacy industries lack the specific technical skills required for the high-tech green economy. This "skills mismatch" is not just an economic hurdle; it is a source of political instability. If the benefits of the green economy are not felt by those losing their livelihoods in traditional sectors, the "Great Rupture" mentioned in Section 1 could deepen, leading to further trade barriers and social unrest.

Conclusion: Navigating the Fragmented Frontier

As we look toward the remainder of the 2020s, the global economy has moved irrevocably beyond the era of seamless integration. The "Great Rupture" described in the preceding sections is not a temporary disruption, but a fundamental redesign of how nations produce, trade, and compete. The transition from a singular, efficiency-driven global market to a series of resilient, yet fragmented "Economic Islands" represents the most significant shift in international political economy since the end of the Second World War.

The Synthesis of Three Disruptions

The three pillars of this change—the death of hyper-globalization, the AI-driven "Two-Speed" divergence, and the Green Transition "Trap"—are deeply interconnected.

Security vs. Innovation: The drive for economic sovereignty (Section 1) is forcing nations to internalize the AI revolution (Section 2), leading to a "subsidy race" that excludes developing nations.

Climate vs. Cost: The Green Transition (Section 3) requires global cooperation, yet it is being hampered by the very protectionism and mineral "chokepoints" that now define modern trade.

The debate is no longer about whether the world economy is changing, but about who will survive the transition. For advanced economies, the challenge is managing the internal social friction caused by AI displacement and the high cost of green energy. For emerging markets, the challenge is existential: finding a new path to prosperity in a world where cheap labor is no longer a guaranteed ticket to the global supply chain.

Looking Ahead

By 2026, the global growth rate has stabilized at a modest 2.6%, but this figure masks a world of extreme variance. The "winners" of this new era will be the nations that can successfully balance technological adoption with social stability. As the "Washington Consensus" fades into history, it is replaced by a more cautious, "Just-in-Case" economy. Success in this fragmented frontier will require a new kind of economic diplomacy—one that recognizes that while the world is no longer one market, it still shares one climate and one integrated technological future.

References:

1. BloombergNEF (BNEF) (2026) Energy Transition Investment Trends 2026. New York: Bloomberg Finance L.P.
2. Brookings Institution (2026) The New Geopolitics of the Global Economy. Washington, D.C.: Brookings Press.
3. Council on Foreign Relations (CFR) (2026) The End of the Global Order as We Knew It. Available at: https://www.cfr.org (Accessed: 31 March 2026).
4. European Bank for Reconstruction and Development (EBRD) (2026) Green Economy Transition Strategy 2026-30. London: EBRD.
5. Foreign Affairs (2025) 'The End of the Globalization Era?', Foreign Affairs Journal, 104(2), pp. 45-62.
6. Goldman Sachs Research (2026) The AI Revolution and the Global Labor Market. New York: Goldman Sachs Group, Inc.
7. International Energy Agency (IEA) (2025) World Energy Outlook 2025/2026. Paris: IEA Publications.
8. International Labour Organization (ILO) (2025) Generative AI and the Global Labour Market: Disruption or Dividend? Geneva: ILO.
9. International Monetary Fund (IMF) (2024) World Economic Outlook: Navigating a Fragmented World. Washington, D.C.: International Monetary Fund.
10. International Monetary Fund (IMF) (2026) The Macroeconomics of the Green Transition, Working Paper 2026/046. Washington, D.C.: International Monetary Fund.
11. International Renewable Energy Agency (IRENA) (2026) Renewable Jobs Annual Review 2026. Abu Dhabi: IRENA.
12. OECD (2025) Economic Outlook: Tackling the Cost of Resilience. Paris: OECD Publishing.
13. OECD (2026) AI Use by Individuals Surges Across the OECD. Paris: OECD Publishing.
14. Peterson Institute for International Economics (PIIE) (2025) The Impact of Industrial Policy and Friend-shoring on Global Trade. Washington, D.C.: PIIE.
15. The Economist Intelligence Unit (EIU) (2026) Global Outlook 2026: The Age of Protectionism. London: EIU.
16. United Nations Conference on Trade and Development (UNCTAD) (2026) Trade and Development Report 2026. Geneva: United Nations.