



THE GEOPOLITICAL ALPHA THESIS

Why Fragmentation Rewards Structure Over Hope

PILLAR I: CONNECTOR COUNTRY DEPENDENCIES

Touch Stone Publishers

73% Blind Spot

Trade Route Exposure

73% of global trade routes pass through connector countries — largely unmonitored.

Executive Awareness

Only 18% of C-suite executives have formally mapped this exposure in their supply chains.

The Cost of the Gap

That 55-point gap is precisely where \$200M–\$440M disruptions originate.



The Decoupling Myth



What Boards Celebrated

U.S.-China bilateral trade **declined 45%** since 2018. Leadership declared de-risking a success.

What Actually Happened

Total trade volume declined only **7%**. The remainder was re-routed through Vietnam, Mexico, India, Thailand, and Poland.

- ❑ You didn't eliminate China exposure — you added **opacity**.

Understanding Tier 1, 2 & 3 Exposure

1

Direct Adversarial

Typically monitored by boards.
Example: Direct procurement sourced from China.

2

Connector >50% Adversarial Inputs

Systematically missed. Example:
Malaysia solar panels with 78%
China-origin inputs.

3

Vulnerable Connector

Almost never monitored. Countries
structurally dependent on adversarial
trade flows.

Standard board-level audits address Tier 1. Tiers 2 and 3 remain the critical blind spot.

CASE STUDY

The \$850M Disruption

The Assumption

U.S. importer sourced solar panels from Malaysia — believing China risk had been eliminated.

The Reality

78% of Malaysian solar panel inputs originated in China — a Tier 2 dependency left unmapped.

The Result

U.S. Department of Commerce anti-circumvention investigation imposed **retroactive tariffs** — disrupting **\$850M** in procurement overnight.



Where Are Your Tier 2 Dependencies?

The Malaysia case is not an anomaly. The same structural pattern repeats across critical industries.



Pharmaceutical APIs

India sources **70%** of precursor chemicals from China.



EV Batteries

Mexico sources **85%** of lithium processing from China.



Solar Panels

Southeast Asia sources **78%** of polysilicon from China.



Semiconductors

Vietnamese firms disrupted by China's gallium/germanium export restrictions — **\$180M+** in losses.

Quantifying Your Exposure

Two proprietary metrics define the Connector Country Dependency Management (CCDM) framework:

Total Connector Country Exposure (TCCE)

$$\text{TCCE} = \sum (\text{Annual Procurement} \times \text{\% Adversarial Inputs} \times \text{Criticality Score})$$

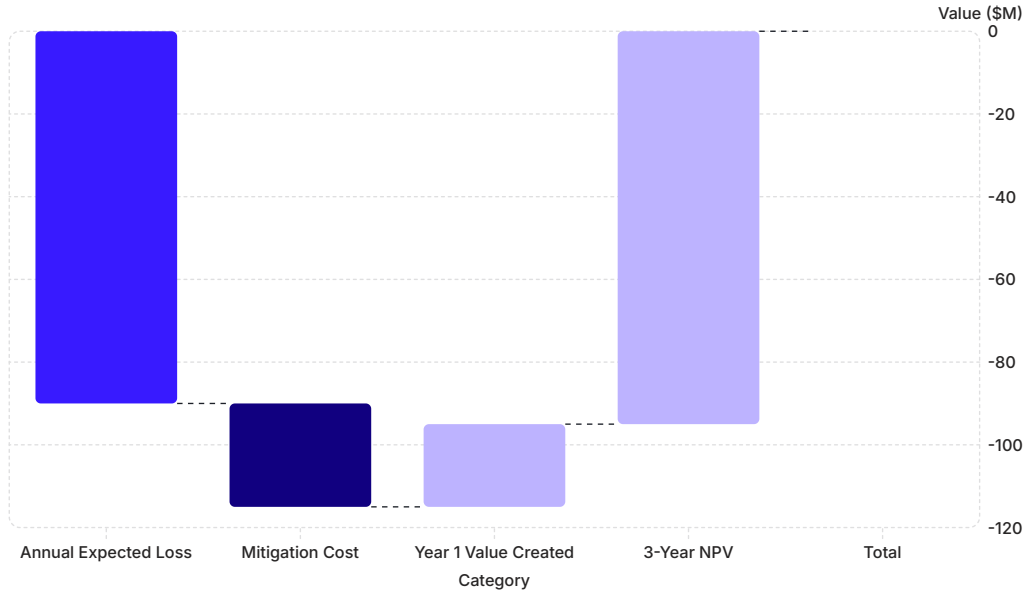
Quantifies the dollar-weighted risk embedded in connector country procurement relationships.

Geopolitical Resilience Scorecard (GRS)

$$\text{GRS} = 100 - [(\text{T1} \times 1.0) + (\text{T2} \times 0.6) + (\text{T3} \times 0.3)]$$

- ❑ **GRS below 60** signals high organizational vulnerability to connector country disruption.

\$95M+ Value Creation Over 3 Years



The Economics of Action

Without action: \$90M annual expected loss based on \$1.5B TCCE at 15% disruption probability.

Mitigation cost: \$25M across supplier diversification, dual-sourcing, and inventory buffers.

Year 1 Net Value

\$20M

3-Year NPV

\$95M+

ROI

400-1,600%

The Caremark Question

→ The Doctrine

Delaware's *Caremark* standard requires boards to implement information systems capable of identifying material risk before it crystallizes.

→ The Gap

Standard Tier 1 supplier audits **systematically miss** Tier 2 and Tier 3 connector dependencies — creating documented board-level exposure.

→ The Solution

CCDM frameworks satisfy *Caremark* obligations while protecting both **enterprise value** and **individual director liability**.



Which Category Is Your Organization In?

Organizations That Map First

Identify connector dependencies proactively. Prevent \$200M–\$440M disruptions that unprepared competitors absorb.

Organizations That Discover During Enforcement

Tier 2 exposure surfaces only when regulators act — triggering retroactive penalties, procurement collapse, and board liability.

Can your board quantify connector dependencies before regulatory enforcement materializes?

Read the full analysis: touchstonepublishers.com/the-geopolitical-alpha-thesis

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