

The Geopolitical Friction Tax

Why interdependence became a weapon, and who collects the rent when it is used.

A free excerpt from **The Chokepoint Thesis**, a research report and 28-asset tracker published by PIGENAI LLC. Six pages. No charge. Nothing here is investment advice.

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Baseline edition - data as of 18-20 September 2024. Market data snapshot: 18-20 September 2024 (historical baseline).

1. The illusion that globalization flattened the world

For three decades, one idea organized both foreign policy and portfolio construction: that economic integration diffuses power. Tie enough countries together through trade and nobody can afford to fight, the reasoning went, and capital will flow to whichever jurisdiction produces most cheaply. Supply chains were stretched until they were as long as arithmetic allowed. Inventory was held as close to zero as the software could manage. Redundancy was treated as waste.

The record suggests something close to the opposite happened. Integration did not spread power evenly. It funneled the world's essential flows through a very small number of hubs: a handful of currencies that settle cross-border trade, a handful of firms that make the machines advanced chips cannot be built without, a handful of insurers that decide which cargo is allowed to sail. Those hubs are chokepoints. Since roughly 2010, governments have learned, campaign by campaign, that they can be operated as instruments of statecraft, imposing costs on a rival without firing anything.

Edward Fishman's *Chokepoints: American Power in the Age of Economic Warfare* is the clearest account of how that capability was built, written by someone who helped build it at the State Department. This research takes his map of the gates and asks a question he does not set out to answer: when a gate is closed, whose revenue goes up?

Most commentary on economic statecraft studies the party being squeezed. This studies the party that owns the gate.

2. Three gates: money, machines, and the sea

The architecture of modern economic coercion rests on three structural chokepoints. Each is worth understanding on its own terms, because each produces a different kind of beneficiary.

The financial gate

Because the dollar is the dominant reserve and trade currency, a foreign bank that wants to settle a dollar transaction needs access to a correspondent account inside the United States. That single technical fact gives the Treasury practical jurisdiction over a remarkable share of cross-border commerce. Secondary sanctions do not punish domestic firms; they present foreign institutions with a choice between one customer and the entire dollar system, and the arithmetic of that choice is never close. Interbank messaging works the same way: disconnecting a targeted economy from the network that carries payment instructions paralyzes its ability to trade even where trade remains legal.

The technology gate

Advanced semiconductors are the narrowest industrial bottleneck in modern history. A leading-edge logic chip cannot be produced without extreme ultraviolet lithography, which one company in the

world sells. It cannot be designed without electronic design automation software, which two companies effectively supply. It cannot be yielded at volume without process control and metrology tools concentrated in a few more. Export control rules extend that leverage across borders by reaching any foreign-made item produced with covered US-origin tools or software, which is most of what matters.

The maritime gate

Nearly all seaborne cargo moves under protection and indemnity cover written in a small cluster of allied maritime jurisdictions. When the G7 wanted to constrain a producer's oil revenue without removing its barrels from the market and spiking global prices, it did not impose an embargo. It made Western insurance and shipping services conditional on the sale price. The gate was insurance, not the ocean.

3. The friction tax, and who pays it

Every time one of these gates is used, the global economy gets less efficient on purpose. Fabs are duplicated in three geographies instead of built once where yields are highest. Crude sails around a continent to reach a refinery on the other side of the world, and diesel sails back. Compliance departments trace beneficial ownership through six layers of shell companies before approving a payment that used to clear automatically. Each of these is a real cost, borne by someone.

Who bears it is the useful question. Broadly, it falls on firms whose business model assumed cheap, single-sourced, frictionless inputs and who lack the pricing power to pass the cost forward: consumer multinationals, contract manufacturers, downstream assemblers, importers. A broad market index is heavily weighted toward exactly those firms, which is why simply owning the index is not a hedge against this regime. It is an unhedged position in the party paying the tax.

The tax is collected by a different and much smaller group. A firm belongs to it when three things are true at once. Its product is mandatory rather than chosen. Its position is protected by physics, statute or network effect rather than by brand or marketing. And its revenue rises as friction rises, instead of falling. We call these tollbooths. The licensed edition maps twenty-eight of them across seven pillars.

The three shown below are representative. Their chokepoint and moat are described here in full; the screening figures, conviction tier and sleeve assignment are reserved for the licensed edition.

4. Three tollbooths, described in full

ASML Holding N.V.

NASDAQ: ASML

Pillar 1 — Technology monopolies

The gate

ASML is the only supplier in the world of extreme ultraviolet lithography systems. There is no second vendor, and the barrier is not patent thickets but four decades of accumulated precision engineering across a supply chain the company partly owns. Below roughly the 7-nanometre node, an advanced logic or memory fab cannot exist without these machines, at a reported two hundred to three hundred and fifty million dollars apiece.

Why it collects

The public subsidy programmes now rebuilding semiconductor capacity in the United States, Europe and Japan are, from ASML's seat, demand guarantees. The foundries carry the construction risk, the yield risk and the demand risk. Every one of them, whichever ultimately wins share, places the same order with the same company. Redundancy is expensive for the party buying it and wonderful for the party selling the one input that cannot be duplicated.

Canadian Pacific Kansas City

NYSE: CP

Pillar 2 — Connector infrastructure

The gate

CPKC operates the only single-line railway connecting industrial Mexico, the American interior and Canada. A competitor cannot answer this by buying equipment. It would have to assemble a continuous right of way across two international borders, which is not a capital allocation decision but a century of accumulated property and political consent.

Why it collects

Manufacturing leaving China under tariff and export-control pressure has not mostly returned to high-cost domestic plants. It has moved to northern Mexico, where it can qualify under regional trade rules and still reach American customers overnight. Every boxcar of that relocated production needs to cross the border. The railway is paid per car, is indifferent to which brand is inside it, and benefits from a reshuffling of manufacturing geography that it did not have to finance.

Frontline plc

NYSE: FRO

Pillar 5 — Logistics dislocation

The gate

Frontline operates a modern fleet of large crude tankers. The chokepoint here is not a monopoly but a physical constraint: the world's compliant tanker capacity is roughly fixed in the short run, because a new vessel takes years to build, and rerouted trade consumes that capacity faster than embargoed trade would.

Why it collects

Sanctions on energy rarely stop barrels from moving. They change the map. Crude that used to make a short trip into Europe now makes a long one to Asia, while Europe imports replacement barrels from further away. The same volume of oil occupies far more ship-days, and day rates for compliant operators rise accordingly. This is the most cyclical pillar in the framework and the one where the exit discipline matters most, which is why the licensed edition pairs it with an explicit trailing-stop protocol.

5. What the licensed edition adds

This teaser covers the argument. The licensed Chokepoint Thesis suite covers the execution.

- **The dossier.** The regulatory mechanics behind each gate, the seven pillars, and the investment case for all twenty-eight assets written to the standard of the three profiles above.
- **The tracker.** A three-tab workbook: a screening matrix of twenty-eight assets with valuation, growth, multi-horizon return, yield, margin and conviction fields; a core-satellite allocation model with position sizing at three account sizes; and a risk and catalyst watchlist.
- **The implementation guide.** Order execution, drift bands, rebalancing cadence per sleeve, trailing-stop discipline for the cyclical holdings, and tax considerations.

One caution, stated plainly, because it is the most important idea in the thesis. Using a chokepoint teaches the target to build around it. Alternative clearing rails get funded. Domestic tool programmes get subsidized. Shadow fleets and unrated insurers appear. Leverage decays, and a tollbooth is a wonderful asset right up until someone finishes the bypass. So the question is never only who owns the gate. It is how long the gate will matter, and what would tell you early that it is starting not to. Every pillar in the licensed edition carries its own early-warning signals and the hedge that answers them.

Read the full thesis and see the suite at pigenai.com/chokepoint-thesis

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