



To BCG's network around the world,

I'm Nikolaus Lang, senior partner at BCG and leader of our Global Advantage practice. This week, I'm stepping in for Rich to share my thoughts with you about the [state of global trade](#). It's a landscape that started shifting in the mid-2010s, has been struck hard by the pandemic—and will never look the same again.

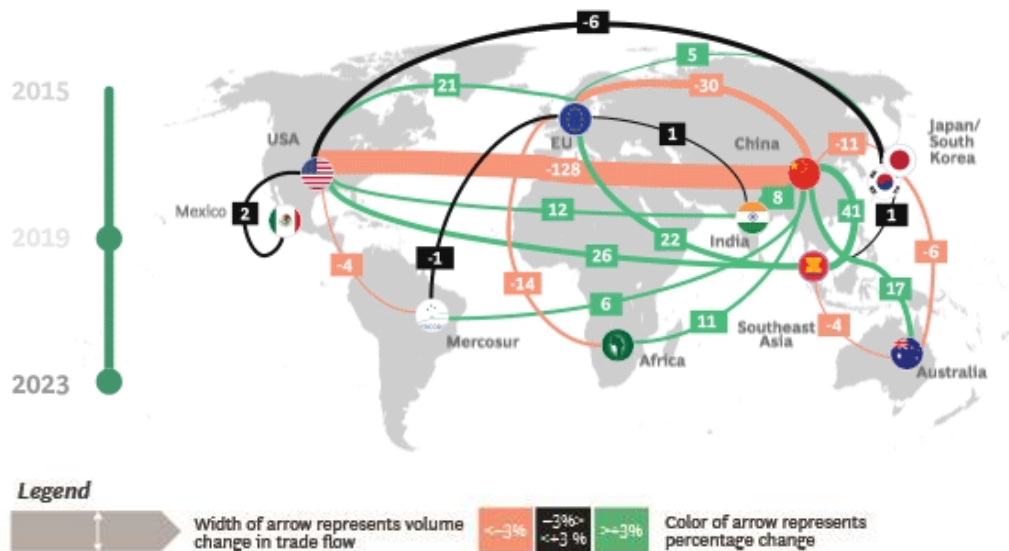
Since the Bretton Woods Conference in 1944 and the end of World War II, large parts of the global economy profited from sustained growth, fueled by international cooperation and increasingly liberalized global trade. Since the mid-2010s, geopolitical shifts such as Brexit and frictions between the US and both China and the EU have threatened the spirit of global free trade.

In addition to these geopolitical shifts, COVID-19 has triggered two other negative effects on global trade. First, the pandemic quickly led to falling demand and a global recession, which historically causes significant declines in trade. Second, national and regional lockdowns, controls on shipments arriving at ports, and export bans on some medical and agricultural products disrupted existing supply chains.

According to our simulations, the combination of geopolitical shifts, economic recession, and new supply chain structures is likely to lead to a short-term decline in global trade of 20% to 30%, with full recovery unlikely before 2023. The numbers are stark. According to our baseline economic scenarios, two-way trade between the US and China will have shrunk by

about \$128 billion in 2023, or around 15%, from 2019 levels, and EU trade with China by about \$30 billion. At the same time, ASEAN, India, and North Africa are likely to benefit from these shifts.

[The graphic below](#) shows the change in volume of traded goods, represented in billions of dollars, in major corridors from 2015 through 2023.



So, while trade might return to absolute 2019 levels in 2023, international trade routes will be changed forever.

Business leaders must act now to adapt to this emerging new reality. It's time to reassess global manufacturing networks, supply chain structures, and supplier panels. While it is a complex road ahead, I am confident that companies that build deep resilience into their [supply chains](#) and take a fresh, holistic view of the future of global trade will thrive in the post-COVID world. See below for some of BCG's latest thinking on this topic.

My best wishes for navigating this new reality of global trade.

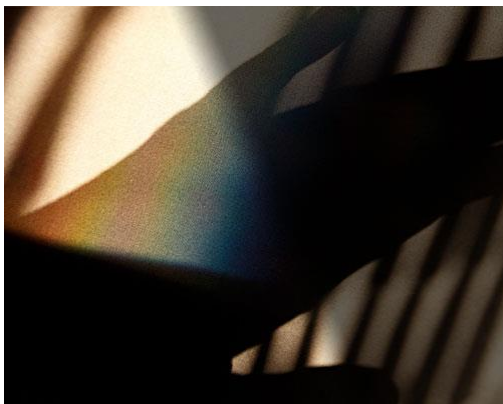


Nikolaus Lang
Managing Director and Senior Partner



Redrawing the Map of Global Trade

Even when the global economy fully recovers, the international trade landscape will look dramatically different in the years ahead than it did before the pandemic.



Designing Resilience into
Global Supply Chains



Globalization Isn't Declining—
It's Transforming

To address flaws exposed by the pandemic, companies should accelerate efforts to revamp their worldwide manufacturing and sourcing networks—even if that means extra cost.

Today's headlines suggest that globalization is on the decline, but BCG's Arindam Bhattacharya argues in this TED@BCG talk that it's not going extinct—it's evolving.

