

Navigating the Dramatic Shifts in Global Trade

Welcome to 2024!

Today, a team of BCG experts released a [report](#) about what to expect in global trade, not just for this new year but for the decade to come—and how to navigate the challenges.

The story of global trade at any given moment lives at the intersection of geopolitics and macroeconomics. It started to change dramatically 7-8 years ago, when Brexit hit the UK/EU and the US began several rounds of tariffs—actions that continue today.

Since then, the list of events has only grown: sanctions following Russia's invasion of Ukraine, legislation in the US related to clean energy (Inflation Reduction Act) and semiconductors (CHIPS Act), moves in the EU related to deforestation and a carbon border tax, among others.

To help our clients manage the uncertainty, the team behind this report built a remarkably sophisticated AI-powered trade model that creates forecasts using geopolitical and trade dynamics as well as 500 million data points that measure a thorough range of macroeconomic indicators. It offers forecasts through 2032, including the projection that global trade growth, at 2.8%, will fall behind the pace of global macroeconomic growth (3.1%), reversing a 20-year trend.

Read the report for a full overview of the findings, which detail how the strength of regional trade blocs will only continue to grow. Here are some of the projections with broad-ranging implications that really jumped out at me:

1. **Trade within North America** will be strong, a big win for Mexico in particular. US trade with its neighbors is forecast to grow by \$466 billion in the coming decade because of the US Mexico Canada Agreement and new industrial policies in the US.
2. **Ongoing trade tensions between China and the West** will have significant consequences, with 2032 trade between China and the US expected to fall by \$197 billion from 2022 levels.
3. **ASEAN is poised to be a huge beneficiary** of the emerging changes, as the region increasingly becomes critical both for China and for companies looking to decrease their dependence on China. Cumulative ASEAN trade is expected to grow by \$1.2 trillion in the next ten years.
4. **India will also benefit** as companies diversify their global footprint. The country's projected external trade will grow by \$393 billion in the next ten years, including \$180 billion with the EU and US and \$124 billion with China.
5. **Russia's trade map has been shifting** toward Brazil, China, India, and South Africa since the start of the war in Ukraine. By 2032, its trade with China and India is expected to grow by \$134 billion and \$26 billion respectively, compared with 2022, while trade with the EU will decline by \$222 billion.
6. **Climate action, especially in Europe,** will further reorder the trade map. Policies such as the European Green Deal and the Carbon Border Adjustment Mechanism will incent European companies to seek out more low-carbon energy sources and locate manufacturing closer to home.

Operating in This New Trade Environment

These projections will have major implications for most global companies. Here are four moves companies can take that will improve preparedness and competitiveness as trade patterns reshape the economy.

- **Deploy AI in the supply chain.** Invest in AI and other digital tools to improve agile decision making and adaptability, as well as risk and cybersecurity capabilities through a custom [cybersecurity roadmap](#).
- **Continue building supply chain resilience.** This can include embedding geopolitical decision-making capabilities, building buffer inventories, getting alternative suppliers at

the ready, and planning contingencies for at-risk supply inputs.

- **Be ready for price volatility and pockets of inflation.** Improve the ability to sense shifts in demand as early as possible, strengthen customer relationships and contracting flexibility, and explore new monetization models.
- **Meet the needs of customers with speed, responsiveness, and innovation.** Consider the entire customer journey and draw on the local customer's unique and real-time data to design products—an approach we call [fractal innovation](#).

The more globally integrated trade environment that enabled companies to build low-cost, highly efficient supply chains in recent decades is fast disappearing. We're facing a much more fragmented global market, characterized by a mix of smaller regional and local supply chains. By diversifying their networks and beefing up resilience, companies will be ready to adapt to the challenges to come.

Until next time,



Rich Lesser
Global Chair

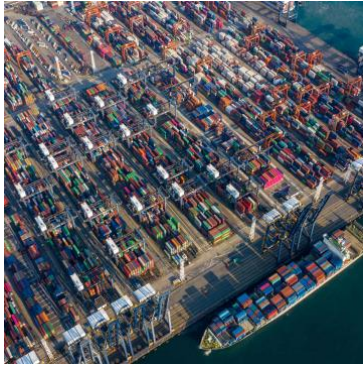
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