

Trade in Transition

How to Prepare for a Patchwork World Order

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By Aparna Bharadwaj, Dominic DeSapio, Marc Gilbert, Nikolaus Lang,
Kasey Maggard, Michael McAdoo, Morten Seja, and Peter Ullrich



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Introduction

After a year of big trade policy shifts, global business leaders are left with a dilemma. Despite the prospect of continued uncertainty over tariffs and other policies, at some point they must move beyond tactical maneuvers, like stocking more inventory, and take important structural decisions.

But when and where?

The best way to plan in an unpredictable context is to think in terms of scenarios. BCG has built four for global trade. (See [“Trade Scenarios for 2034.”](#)) Under current trends, we see low momentum toward the two extreme scenarios—a spiral of retaliatory trade actions and growing trade conflict and a return to the open trade regime of previous decades. Within the more moderate scenarios, the momentum is behind a “multi-nodal trade patchwork” scenario, in which trade flows gravitate toward four main nodes employing distinct approaches. Those nodes would be the US, China, and two informal groupings of economies we call the “Plurilateralists” and “BRICS+ (excluding China).”

Trade Scenarios for 2034



It's impossible to predict what the global landscape will look like a decade from now. But BCG has identified four possible scenarios. (See **Exhibit 1**.)

On one extreme, the new era could evolve into one defined by *self-sufficiency*, as isolationism and protectionism escalate, leading to a collapse of the trade system as we've known it. On the other end of the spectrum, the world could gravitate toward the old status quo of *rules-based trade*, where tariffs stabilize, tensions ease, and rules generally hold. A more plausible scenario is that the world

could divide into *regional strongholds* as nations in the Americas, Europe, and Asia-Pacific strengthen preferential trade ties among them.

We see the greatest momentum toward a *multi-nodal trade patchwork*. In this scenario, trade in goods would flow between four main nodes—the US, China, the “Plurilateralists,” and “BRICS+ (excluding China)” —each setting rules and engaging with the rest of the world to suit their national and collective interests. The rest of the world would navigate between the four main nodes.

EXHIBIT 1

Four Potential Scenarios for the Future of Trade



2034 Momentum Trade Scenario

Source: BCG analysis.

Under the trade patchwork scenario, the US and China would continue to play by their own rules. China, however, would attach a higher importance to trade as a growth engine. The Plurilateralists are a diverse group spanning five continents that includes advanced economies, such as the EU, Canada, and Japan; middle income economies such as Mexico and Peru; and developing economies like Vietnam that are all adhering to deep trade agreements. The BRICS+ grouping consists of emerging markets that see trade as a growth driver but want to retain more sovereignty over the terms of trade than the Plurilateralists.¹ (The nations in each node are explained on page 6.)

For the past five years, BCG has been modeling changes in bilateral trade flows of goods ten years out based on new developments. Given current circumstances, this year we modeled world trade over the coming decade under the trade patchwork scenario. (See “**About Our Research**.”)

Some highlights:

- Overall global trade would remain remarkably resilient, expanding by around 2.5% annually slightly above global GDP. But the routes many goods travel would change.
- The Plurilateralists group as a whole is projected to see above-average trade growth among themselves and most of the **Global South** through 2034.
- China’s goods trade would increase more than 40% faster than the US, but slower than the global average. China would deepen ties with the Global South, including the other BRICS+ nations.
- While US trade in **services** would remain robust, its share of global goods trade would decline as it focuses on narrowing its trade deficit and increasing domestic production; its trade is projected to grow by only around 1.5% annually.

A patchwork world trade order would have major implications for companies and governments.

How a Trade Patchwork Scenario Is Gaining Momentum

The world free-trade system began fragmenting well before the US changed its tariff policies in 2025—and appears unlikely to return to its old form. Economic nationalism and **statecraft** have gained force around the world as governments double down on self-reliance and national security. By our analysis, industrial policy measures motivated by national and economic security have increased more than sixfold since 2022.

Nations increasingly are deploying policy tools such as subsidies, technology controls, and investment screening in sectors that are **mission critical** for industry and their militaries, such as semiconductors, metals, and rare-earth elements. The World Trade Organization’s (WTO) role in resolving disputes has been weakened. Struggling attempts at trade liberalization among all WTO members have given way to targeted, rules-based deals among smaller coalitions, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is attracting such new members as the UK.

The pace of change, moreover, has accelerated. Rather than acting after months or years of consultation, deliberation, and negotiation, the US, for example, has often announced and swiftly implemented tariff increases, export controls, and other policies. In 2025, the US raised its average applied tariff rate by six-fold, to 16%, impacting virtually every trading partner and product category. Due to the complexity of global supply chains and desires for policy certainty, however, it can take a long time for such shifts to alter international commerce.

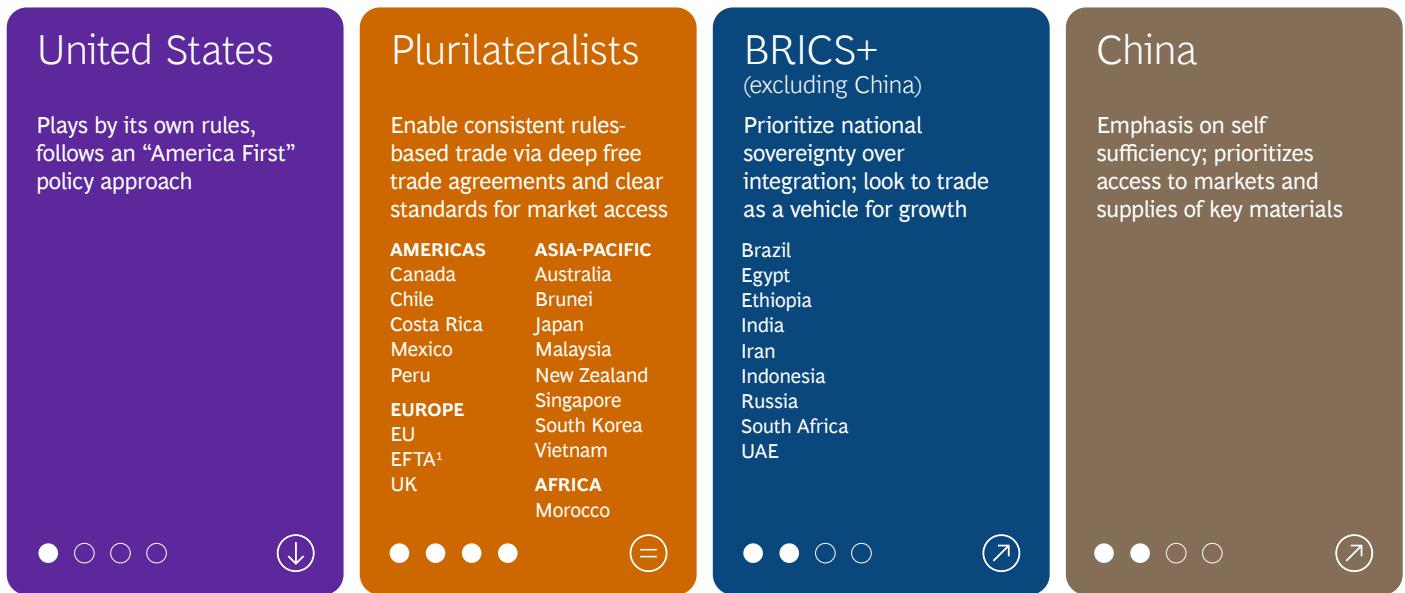
One reason overall global trade is projected to continue growing faster than global GDP through the next decade despite higher US tariffs is that the US in 2024 accounted for only 16.5% of global goods imports.² And so far, at least, the US tariff hikes have not triggered widespread retaliatory tariffs. Perhaps more importantly, other nations have remained committed to their trade agreements and have not withdrawn from the Most Favored Nation principle and the WTO, whose rules still govern more than 70% of world trade.

As of now, though, momentum is on the side of our trade patchwork scenario. (See **Exhibit 2**.)

1. Although China is a member of BRICS+, for this analysis we define it as a separate node.
2. This share excludes trade within the EU from total global imports.

EXHIBIT 2

Four Nodes Would Anchor Global Trade in a Patchwork Scenario



Source: BCG analysis.

¹EFTA = European Free Trade Association members Iceland, Liechtenstein, Norway, and Switzerland.

- The US.** The US has adopted an “America First” strategy. The US is also using industrial policy intervention in an effort to boost domestic production while it regulates imports and exports on its own terms on a transactional, country-by-country basis. Tariffs are only the **tip of the iceberg**. The US is also using a range of other policy tools, such as technology controls, investment screening, and local content rules, to advance economic security and other strategic objectives.

- China.** The government emphasizes self-sufficiency by supporting domestic industries while placing a high priority on maintaining access to foreign markets for its own imports of raw materials and exports of final goods. This focus is partly driven by China’s decelerating domestic growth and industrial overcapacity. China remains committed to some multilateral trade agreements. It is one of 15 Asia-Pacific nations belonging to the Regional Comprehensive Economic Partnership, for example. But China selectively participates in global rules and norms based on national priorities.

- The Plurilateralists.** This diverse set of both advanced and emerging economies remain committed to rules-based trade. While they do not constitute a formal bloc, each belongs to one or more plurilateral trade agreements (those among at least three nations). It includes all EU members; the four European countries belonging to the European Free Trade Association; the

original 11 CPTPP members (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) and the UK; South Korea; plus smaller free-trading economies such as Costa Rica and Morocco. These economies agreed to sacrifice some of their national agendas to cooperate through multilateral institutions. Vietnam, for example, agreed to implement improvements in labor standards to gain access to the CPTPP as a developing economy.

- BRICS+ excluding China.** This grouping includes original BRICS members Brazil, Russia, India, and South Africa and nations that joined later, such as Egypt, Ethiopia, Indonesia, Iran, and the United Arab Emirates. We exclude China because of its own dominant global position. **BRICS+ countries** have been working to collaborate with each other on trade, which they see as a driver of growth. But their approach to trade differs, with some negotiating deals with other groupings and some not. And BRICS+ nations typically prioritize sovereignty and retaining policy flexibility rather than entering deeper integration frameworks.

We group nations outside these four nodes into the “Rest of World” category. Most are Global South economies in Asia, Africa, the Middle East, and Latin America that seek strategic neutrality. These free agents, however, will become increasingly important in the future, both as markets and suppliers of goods and services.

While a patchwork world trade system would have profound implications for global companies, they can achieve greater resilience without sacrificing growth.



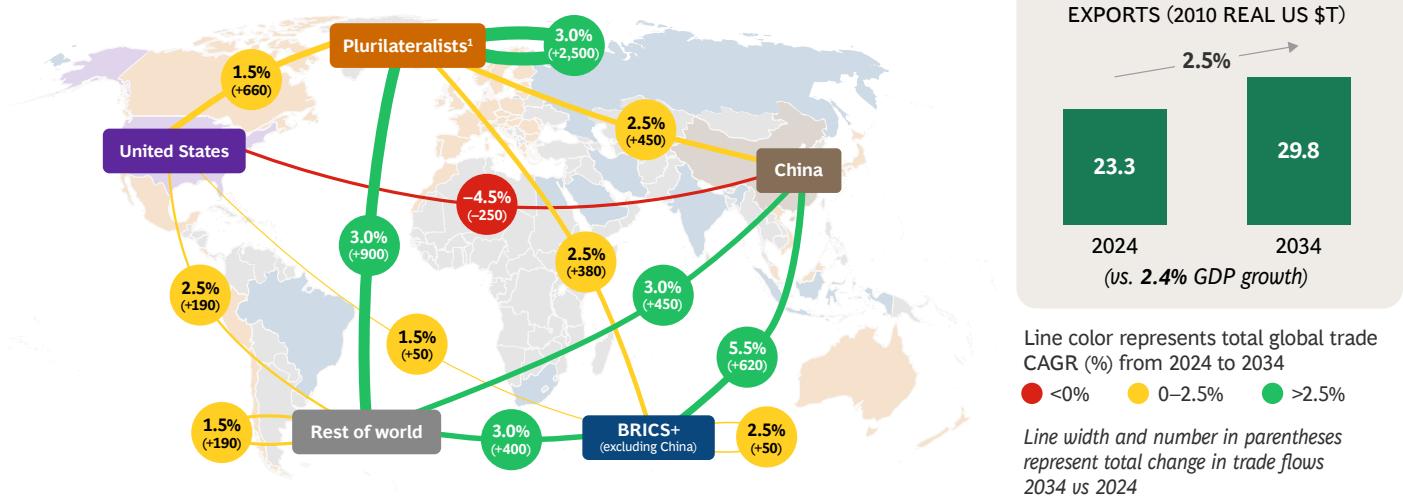
Future Trade Patterns Under a Patchwork Scenario

Looking at the world in terms of our four nodes provides a very different picture of how trade could unfold over the next decade. Total trade of goods will grow a bit faster than global GDP, expanding from around \$23 trillion annually in 2024 to nearly \$30 trillion in 2034. Although the pace will be slower than what we predicted before 2025's tariff changes, trade will be more resilient in most lanes than many had expected given the mounting frictions. But the trade lanes those goods travel in will be dramatically reshaped.

We looked at what this global trade map could look like in ten years in a trade patchwork scenario. In the six slides that follow, the green lines represent above-average growth, yellow indicates below-average to average growth, and red indicates decline.

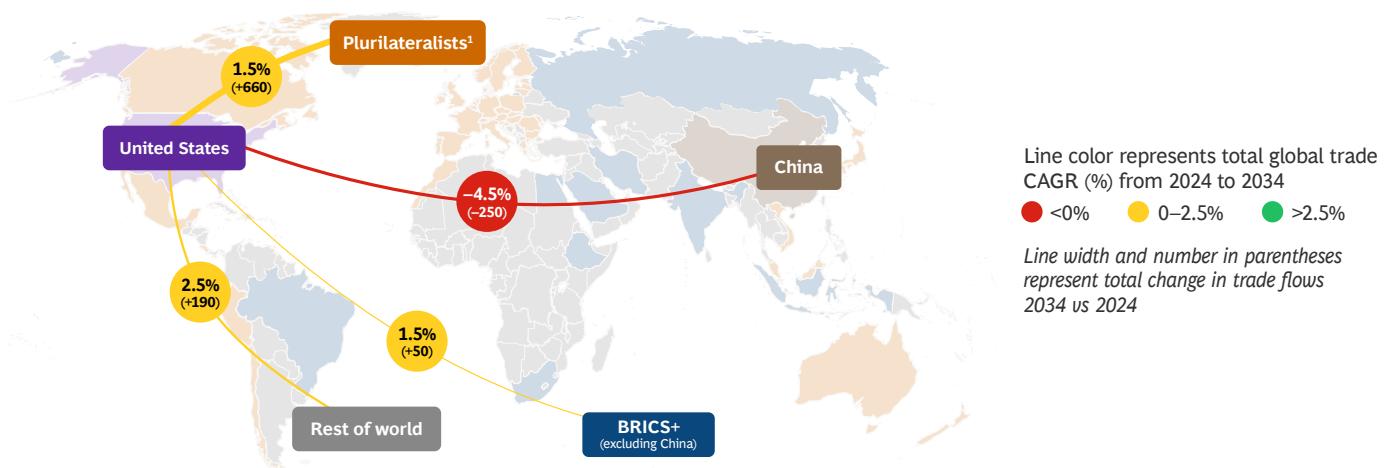
How Trade Flows Could Look in 2034 in a Patchwork Scenario

ESTIMATED CHANGE IN TRADE OF GOODS, (2034 VS. 2024, REAL 2010 US \$B)



The US Remains a Major Trade Economy but Loses Relative Importance

ESTIMATED CHANGE IN TRADE OF GOODS, (2034 VS. 2024, REAL 2010 US \$B)



Sources: S&P Global Trade Analytics Suite; BCG analysis.

¹Plurilateralists include members of the EU, the European Free Trade Association, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Costa Rica, Morocco, and South Korea. Intra-plurilateralist trade excludes intra-EU trade.

The US's share in the value of global trade of goods is projected to decline as it maintains its America First focus, which favors domestic production over imports. Higher tariffs and other barriers would be big reasons: The share of US imports covered by tariffs has grown from 13% to 61% since January 2025. Slower growth in trade does not necessarily mean slower GDP growth if there is a boost in consumption and domestic production. Two-way trade growth with the non-China BRICS+ nations, with whom US tariffs average 27.5% at the time of this writing, is projected to grow by only 1.5% annually—as would US trade with the Plurilateralists.

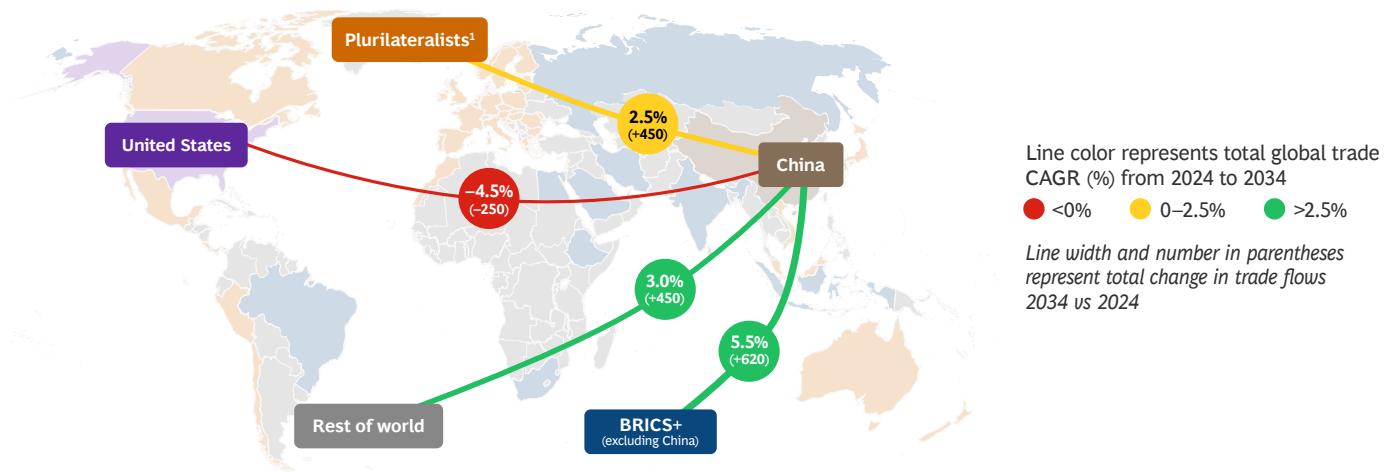
We project that China's trade growth would continue to rise as it surpasses the US as a trade partner with the Global

South. Our model projects a particularly strong 5.5% CAGR over the next decade with other BRICS+ nations and 3% CAGR with the rest of the world. China's trade growth with the Global South would be driven by its increasing need for energy, foods, and industrial inputs as well as new markets for its finished goods.

We forecast that the Plurilateralist group will see above-average trade growth in many lanes. These economies could deepen relationships among themselves, with 3% CAGR through the coming decade, due to their shared commitment to norms and as they continue to lower trade barriers and seek to diversify away from the US and China. Trade with BRICS+ economies will see 2.5% CAGR for the coming decade and 3% CAGR with the rest of the world.

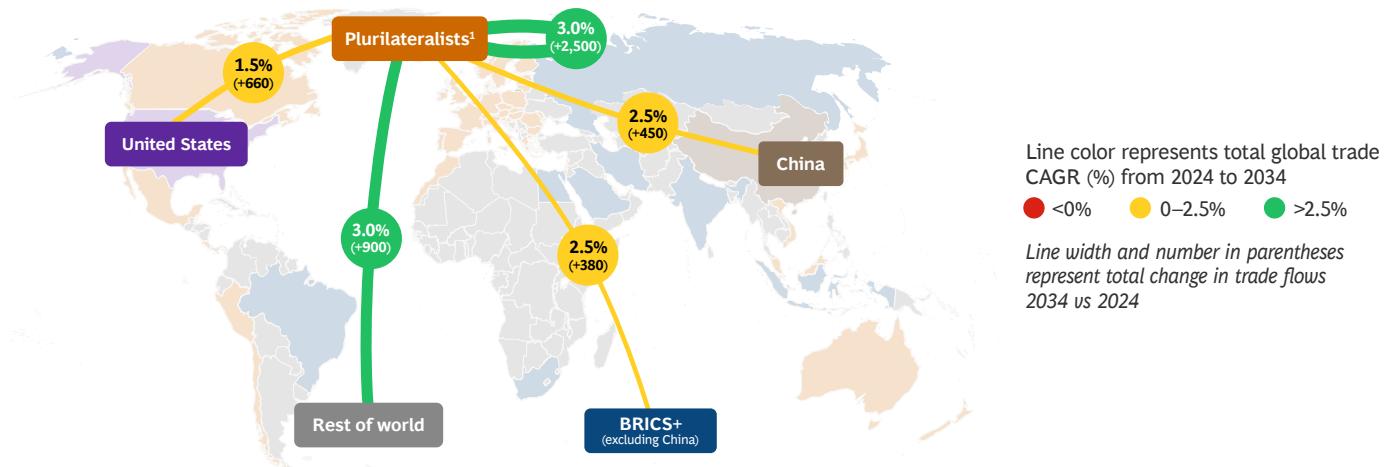
China's Growth Is Focused on the Global South

ESTIMATED CHANGE IN TRADE OF GOODS, (2034 VS. 2024, REAL 2010 US \$B)



Plurilateralists Deepen Engagement Among Themselves

ESTIMATED CHANGE IN TRADE OF GOODS, (2034 VS. 2024, REAL 2010 US \$B)

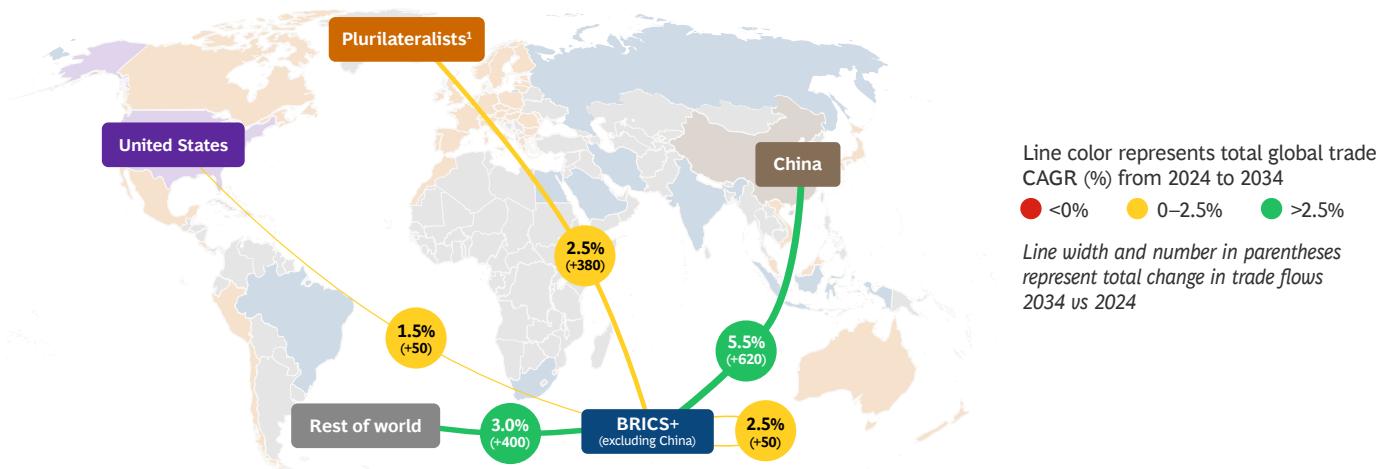


Sources: S&P Global Trade Analytics Suite; BCG analysis.

¹Plurilateralists include members of the EU, the European Free Trade Association, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Costa Rica, Morocco, and South Korea. Intra-plurilateralist trade excludes intra-EU trade.

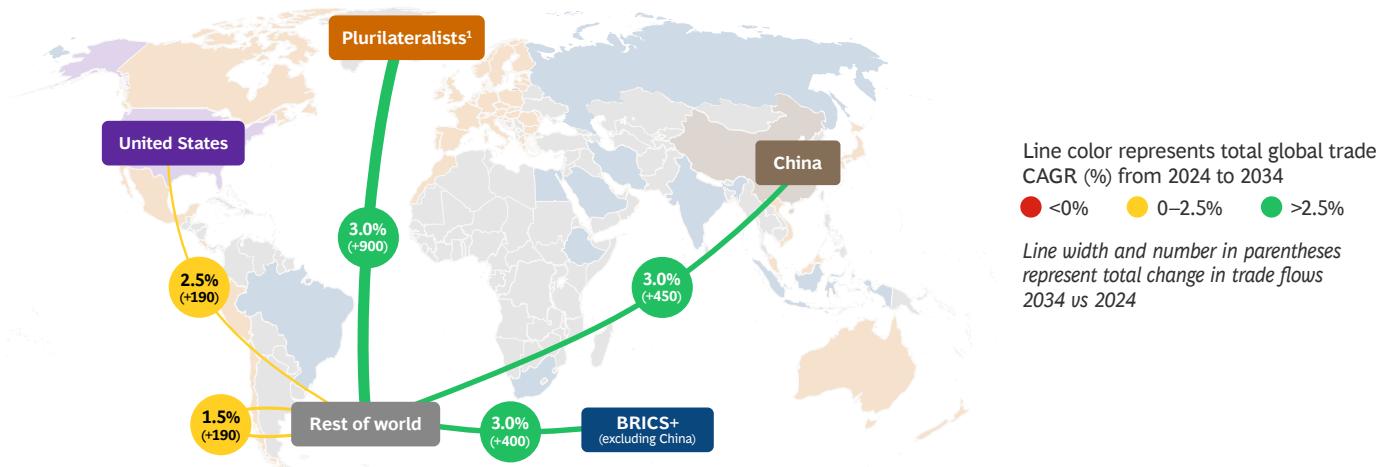
BRICS+ (Excluding China) Deepen South-South Trade

ESTIMATED CHANGE IN TRADE OF GOODS, (2034 VS. 2024, REAL 2010 US \$B)



Rest of World Grows in Importance While Seeking Strategic Neutrality

ESTIMATED CHANGE IN TRADE OF GOODS, (2034 VS. 2024, REAL 2010 US \$B)



Sources: S&P Global Trade Analytics Suite; BCG analysis.

¹Plurilateralists include members of the EU, the European Free Trade Association, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Costa Rica, Morocco, and South Korea. Intra-plurilateralist trade excludes intra-EU trade.

The nations in the BRICS+ (excluding China) node would deepen their trade relationships with the Global South as well as with China. They would also see 3% CAGR with the rest of the world and average trade growth among themselves.

Developments over the next few years, of course, could significantly alter our trade patchwork scenario. For example, negotiations on reviewing the US-Mexico-Canada Agreement are expected to conclude in 2026. The result could determine whether the US becomes more isolationist or committed to integration with its North American neighbors, which would support an alternative scenario of alignment into stronger regional strongholds.

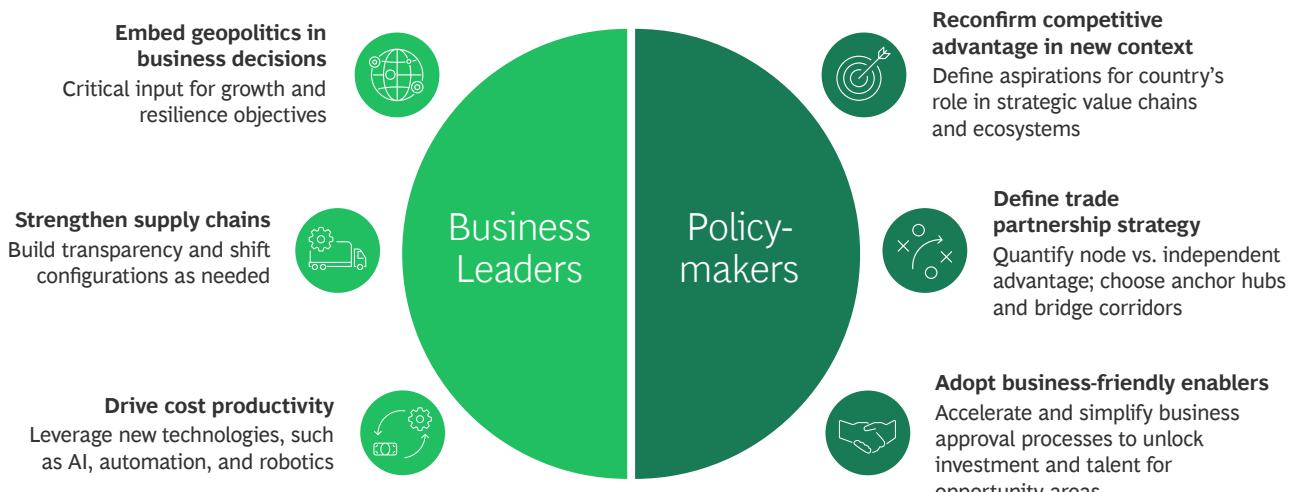
What's more, there could be greater reverberations in the years ahead as other nations come to terms with the dramatic change of course by the US, including its *de facto* withdrawal from the foundational Most Favored Nation principle of the WTO. China's trade with the Global South, while growing, could encounter future challenges if its trading partners erect barriers to address imbalances. Most Plurilateralist nations, for example, have expressed an intent to further diversify their trade away from both the US and China, often quite explicitly.

The Implications of a Shifting World Order

A patchwork world trade system under the scenario we have outlined above would have profound implications for global companies. With the right strategies and capabilities, however, they can achieve greater resilience without sacrificing growth. Business and government leaders can factor the following themes into decision making. (See **Exhibit 3**.)

EXHIBIT 3

Winning Moves for Thriving in a Global Trade Patchwork



Source: BCG analysis.

Actions for Business Leaders

Embed geopolitics in business decisions. To compete successfully in a trade patchwork world, companies would need to build **geopolitical muscle** into strategic decisions and capital allocation—not only to mitigate risk but also to boost growth. Scenario planning is a key tool to combat uncertainty. These skills will enable companies to build stronger resilience and the agility to capture emerging growth opportunities, such as alternative markets for their products. Geopolitical acumen will also help companies navigate the complexities of operating in Global South markets, which requires a thoughtful, market-by-market approach.

Strengthen supply chains. In a patchwork world, companies would need to provide greater transparency into their supply chains to ensure they comply with new rules, detect geopolitical risks, and manage costs. Different, and perhaps creative, supply-chain configurations may be needed for serving customers in the US, China, Plurilateralist nations, and BRICS+ (excluding China) nations, as well as for sourcing from these destinations. Companies would also need to assess their exposure to pressures on mission-critical supply chains that will experience geopolitical pressures, such as for semiconductors and rare-earth elements.

Drive cost productivity. Higher tariffs and other trade barriers will inevitably lead to higher costs for companies and/or consumers. The art of cost resilience will therefore become a critical source of competitive advantage. Companies should pursue a multi-pronged strategy, starting with making operations as cost-efficient as possible, particularly by deploying artificial intelligence, automation, and robotics. Winners will have sophisticated trade compliance operations that are skillful at minimizing tariff exposure under different sets of rules in different markets for different products. Companies will also fine-tune their pricing strategies, striking an optimal delicate balance between absorbing higher costs and passing them along to customers and suppliers to preserve both margins and market share.

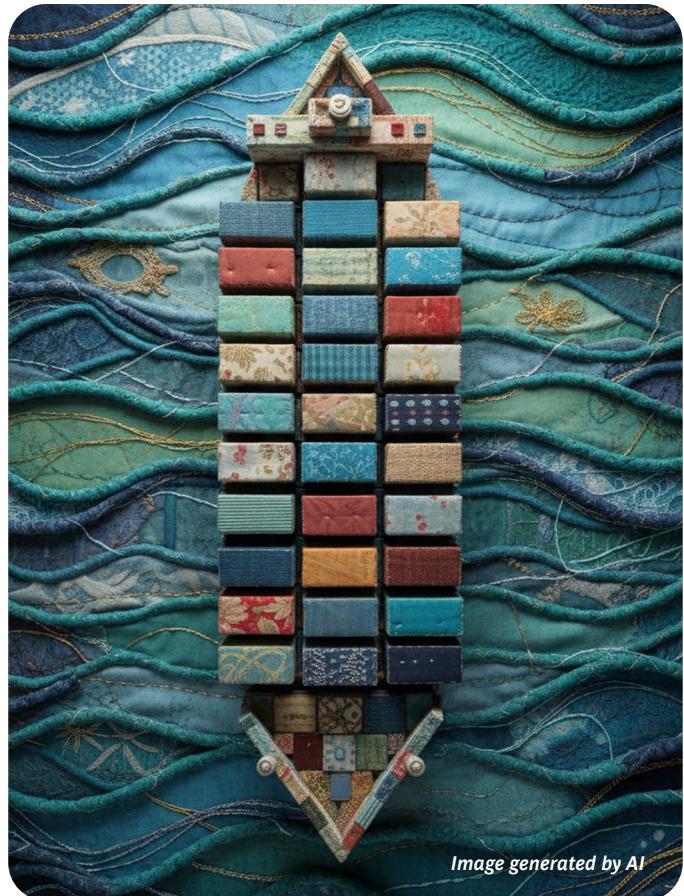
Actions for Policymakers

Reconfirm competitive advantage in the new context. Policymakers can consider reassessing areas where their nation can truly differentiate within shifting global value chains and strategic ecosystems. This means defining mission-critical ambitions—whether in advanced manufacturing, energy, digital infrastructure, or critical technologies—in consultation with key business leaders. Policymakers could then better decide which levers they want to pull to drive this priority.

Define and establish a trade partnership strategy.

Governments might evaluate the benefits and risks of aligning with major global nodes versus maintaining greater strategic independence. This may include exploring new trade agreements that align with both economic and political objectives, and identifying anchor hubs as well as trade corridors that will be core bridges in business supply chains.

Unlock business-friendly enablers. To help industries navigate fragmented trade policies and capture emerging opportunities, policymakers might streamline permitting, modernize regulations, and reduce administrative friction. A strong logistics sector can support trade objectives. Accelerating these enablers can help create the environment businesses need to invest confidently and scale up in a more complex global trade landscape.



The past year has been nothing if not disruptive for global leaders. The time for waiting to see how the trade landscape unfolds is over, however. While traditional trade lanes have grown more challenging, others are becoming more attractive. Competitive advantage will be seized by companies that can best navigate and adapt to the complex new landscape and move quickly to capture new opportunities as they arise.

About Our Research

The BCG Global Trade Model projects global trade in goods over a ten-year horizon. The 2025 edition combines structural macroeconomic drivers with scenario-based assumptions on trade policy. The model is developed by a multidisciplinary team with expertise in global trade, economics, and advanced analytics.

The global trade model framework combines historical correlations, econometric modeling, and artificial intelligence techniques to generate its output. The model draws on approximately 500 million data points covering key macroeconomic indicators including GDP, population, labor markets, consumption, exchange rates, inflation, interest rates, and GDP deflators. Inputs are sourced from governments, international financial institutions, and specialized economic data providers. Trade values are expressed in real terms, using floating exchange rates, with differentiated deflators applied to account for variation in inflation dynamics across fuel-intensive and nonfuel-intensive goods.

The current edition introduces explicit scenario-based adjustments to assess how alternative trade-policy environments could affect global trade flows between trade nodes. These scenarios are designed to illustrate sensitivities and relative impacts under different assumptions, rather than to project specific policy actions or macroeconomic outcomes. Trade policy developments are represented through assumed changes in bilateral trade costs, calibrated using historical experience and currently observable policy ranges under recent tariff actions. Under each scenario, the framework allows for reallocation of trade flows across partner countries, which reflect existing trade relationships.

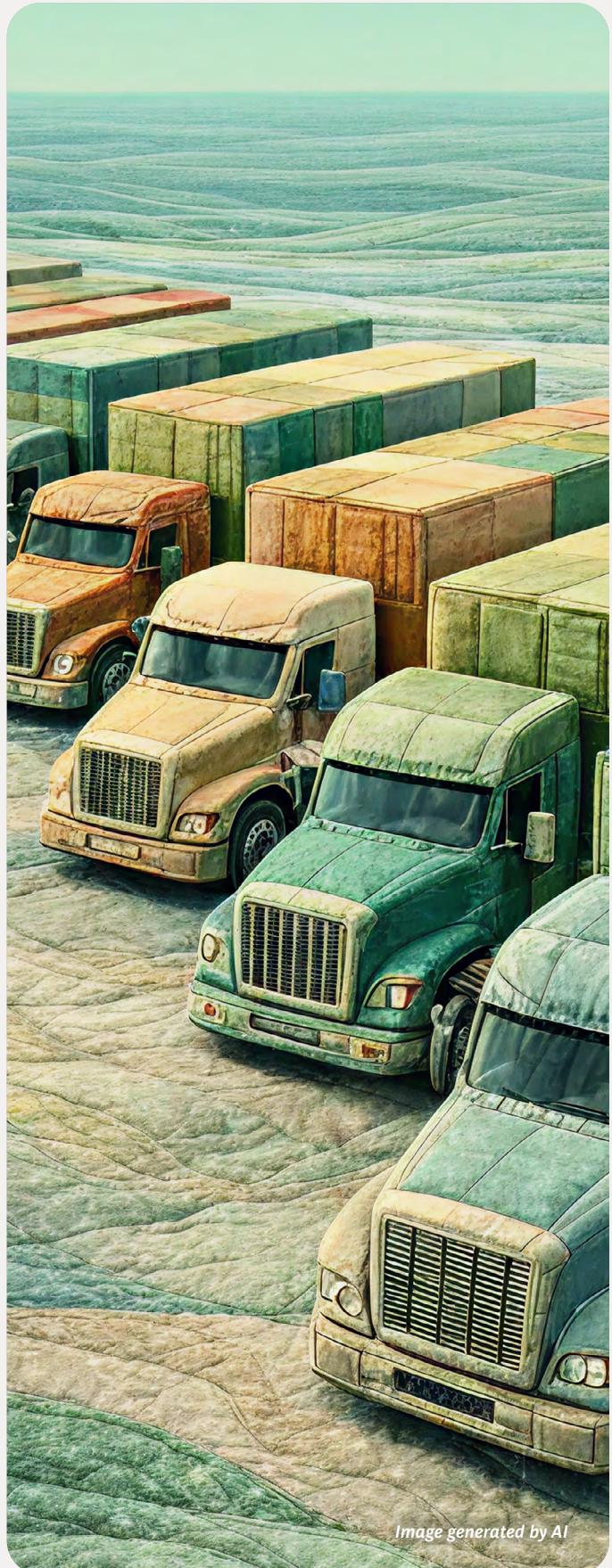


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About the Authors



Aparna Bharadwaj

Managing Director & Senior Partner;
Global Leader, Global Advantage Practice
Singapore

bharadwaj.aparna@bcg.com



Dominic DeSapio

Director, Geopolitics & Trade Impact, BCG Vantage
New York

desapio.dominic@bcg.com



Marc Gilbert

Managing Director & Senior Partner;
Global Lead, Center for Geopolitics
Toronto

gilbert.marc@bcg.com



Nikolaus Lang

Managing Director & Senior Partner; Global Leader,
BCG Henderson Institute; Global Vice Chair, Global
Advantage Practice

Munich

lang.nikolaus@bcg.com



Kasey Maggard

Center for Geopolitics Executive Director
Zurich

maggard.kasey@bcg.com



Michael McAdoo

Partner & Director, Global Trade & Investment
Montreal

mcadoo.michael@bcg.com



Morten Seja

Principal
Washington DC

seja.morten@bcg.com



Peter Ullrich

Managing Director & Partner
Munich

ullrich.peter@bcg.com

For Further Contact

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