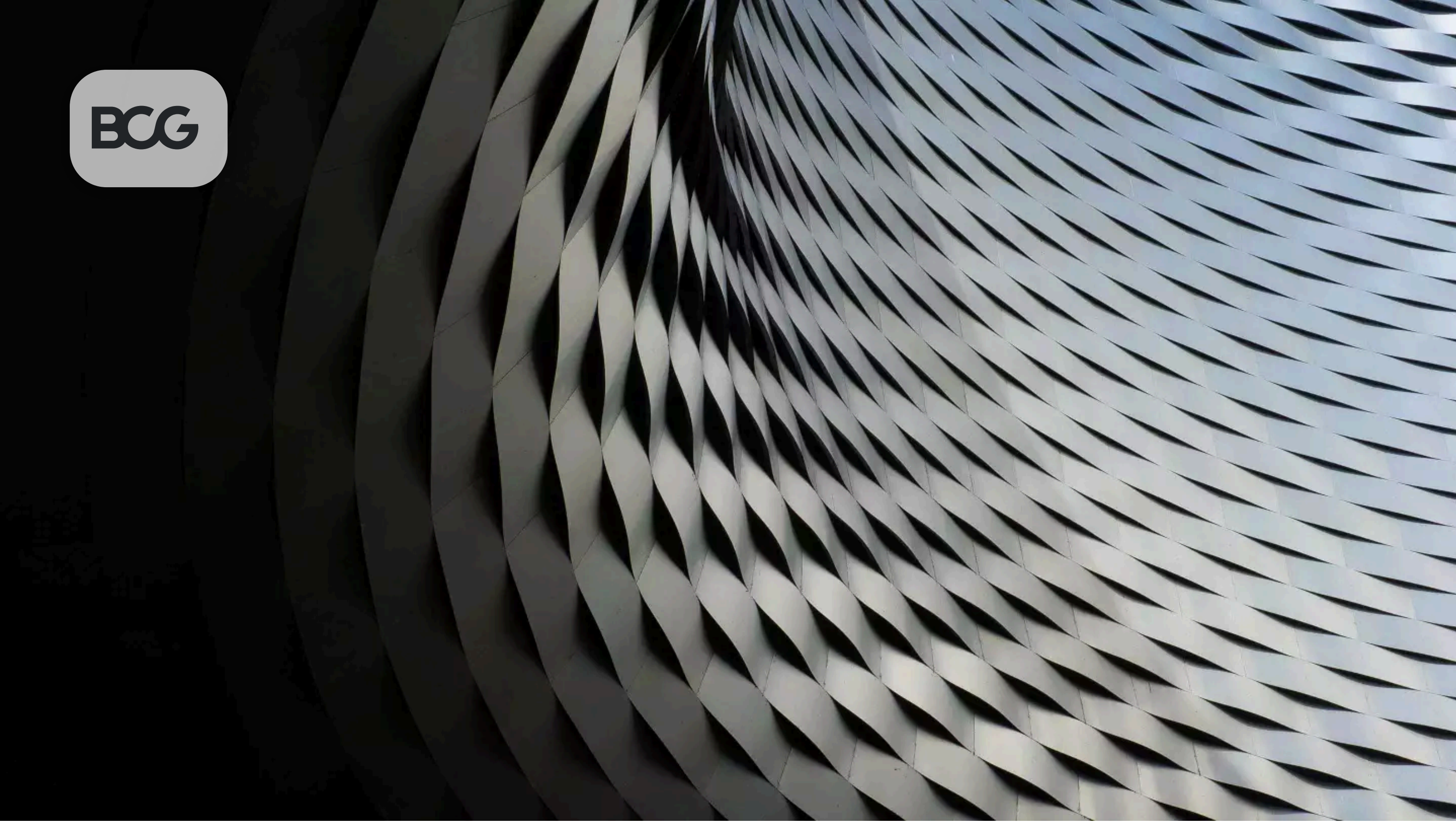

RISK MANAGEMENT AND COMPLIANCE

The Global Trade Shift That Could Blindside CEOs

The CEO Brief

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Over the past year, CEOs and their senior leadership teams have become far more adept at navigating shifting tariff regimes on traded goods. But there's an emerging blind spot on many CEO radars: restrictions on cross-border services.

The potential impact on businesses is immense. The value of cross-border services will expand at double the rate of global goods in the coming years, according to BCG projections, reaching $11.7 trillion by 2032.

Such growth—and the increased exposure to geopolitical disruption that comes with it—isn't limited to service-intensive sectors like finance, tourism, streaming media, and technology. Across goods-producing industries, CEOs are embedding more digital and data-driven services into their business models to differentiate offerings, build high-margin revenue streams, and innovate more efficiently.

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Yet, as our more than 300 conversations with C-suite leaders over the past year have made increasingly clear, few companies have mapped their vulnerability to nontariff restrictions on cross-border services—let alone taken steps to reduce risks and turn that resilience into a growth driver.

To understand the full extent of their company's potential exposure, CEOs must first recognize the tools policymakers use to regulate the movement of services across borders. CEOs then need to take concrete actions to avoid being caught off guard by the next wave of geopolitical trade disruptions.

How Services Get Caught in Geopolitics

Despite being inherently more difficult to track and measure than physical goods, services are still highly subject to geopolitical shifts. Nontariff measures that can slow the delivery of services—or even stop it dead in its tracks—include regulations, taxes, and trade restrictions.

Often justified to advance data privacy, security, and fair competition in local markets, such measures are increasingly being harnessed by policymakers to promote protectionist economic agendas and gain leverage in trade negotiations. In recent years, governments have imposed export controls on select technical assets; suspended or banned foreign digital providers from operating on their shores; placed limits on cross-border data transfers; imposed digital services taxes (sometimes disproportionately) on overseas firms; and tightened investment screening of foreign entities, just to give a few examples.

Like tariffs, such measures can escalate costs as companies are forced to evolve from centralized single-platform models to fragmented, regionalized solutions. But nontariff restrictions on services can also deliver swifter, more severe consequences than levies on goods. A manufacturer can pay a tariff and continue operations, but a service provider may have no such option if policymakers decide to block or exclude it from their domestic market.

Four Actions to Take Now to Mitigate Geopolitical Risks to Services

The challenge before CEOs who want to boost growth and gain a greater advantage through cross-border services is to build resilience and agility into their business plans. The following four steps—based on our Anticipate, Cushion, and Transform framework—can help.

Anticipate impact by expanding your trade command center to include services. Many CEOs have already built, or are building, trade command centers to assess the impact of tariffs, develop response strategies, and monitor real-time developments for early signals of policy shifts. They must now evolve that capability to cover the fast-growing domain of services.

Expanding geopolitical foresight starts with building a clear view of nontariff restrictions that could disrupt market access, raise operating costs, compromise IT infrastructure, or limit service delivery. Think: taxes on digital services, data localization mandates, export controls, labor laws favoring domestic workers, and new regulatory frameworks.

AI can help the trade command team model plausible scenarios, quantify threats across regions, and develop tailored, proactive strategies to offset risks and gain an edge. For example, localizing or regionalizing IT infrastructure can preserve access to key markets should new restrictions arise, while building local talent pipelines can create resilience if limits on foreign workers are suddenly imposed.

Just as with goods, the team must define and track early indicators to alert them when a new wave of restrictions starts to take shape.

Cushion your profitability against cost shocks. As risks to cross-border services rise, CEOs must implement strategies that prepare their company to defend profitability and absorb cost shocks stemming from rising compliance costs, taxes, and other restrictions.

For example, automating support, delivery, and financing functions with GenAI and AI agents now can help offset increased expenses due to growing compliance burdens and rising tariffs on hardware.

Pricing models also need to be optimized for resilience. Moving away from fixed fees towards more modular, ROI-based, or outcome-driven pricing can provide greater margin protection and better align with client value. Contracts can also be structured with greater flexibility in mind. Cost-escalation clauses, shorter terms, and local compliance add-ons are effective ways of reducing risk.

Transform your global model to turn resilience into competitive advantage. When conditions are fluid, agility wins. Companies honing their geopolitical foresight for cross-border services are already streamlining their global operating models to rapidly implement new technologies and service offerings and enter new markets before their peers.

They are moving from centralized global platforms to modular infrastructure, investing in nationally controlled cloud environments and region-specific architectures, and rerouting foreign talent to regional hubs to guard against local labor restrictions. They are also restructuring delivery and supply chains to reduce exposure to high-risk markets and single-source suppliers. This is particularly relevant for hardware, data centers, and AI computer infrastructure.

Join the conversation. CEOs have a role to play in shaping the rules under which their company operates. As new trade regimes emerge, particularly those involving nontariff restrictions, business leaders should engage with policymakers to communicate the interests of their companies, shareholders, and industries.

While the trajectory of nontariff trade restrictions is often difficult to predict, an absence of clarity is no reason for silence. CEOs should remain visible and involved, contributing information, building relationships, and helping shape policies before they harden into rules. In many cases, engagement may not only contribute to the design or timing of regulations—it can also open the door to exemptions or negotiated alternatives.

As nontariff barriers increasingly influence the flow of cross-border services, CEOs must evolve their trade strategies accordingly. Navigating this shift will require expanding capabilities to anticipate nontariff policy moves, build greater flexibility in commercial models, foster more agile delivery structures, and sustain engagement with policymakers.

CEOs who act now—before rules harden and options narrow—are likely to be far better positioned to protect profitability and stay competitive.

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