BCG

Weekly Brief

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Services Are the Quiet Revolution Reshaping Global Trade

With the turbulence over tariffs in recent months, most of the discussion has been about physical goods—automotive, agricultural products, high-tech components, consumer goods—and their sprawling supply chains. But the new dividing lines of the trade landscape are frequently drawn around another piece of the story.

Trade in services—which includes business services; IT and digital; financial services; IP licensing; travel, tourism, and logistics; and sectors such as media, health, construction, and cultural services—is often overlooked in the headlines.

In most economies, services account for anywhere from 40% to 70% of GDP, and they represent about half of global employment—even higher in developed markets. On the international trade side, the US leads, with close to $3 trillion in annual services exports, while countries such as India, Ireland, and the UK have become global hubs. What was once seen as “soft” or secondary to goods has quietly become a central pillar of the global economy.

Cross-border trade in services has doubled in the past 15 years and is now growing nearly twice as fast as trade in goods. Services already account for almost half of global trade value when the indirect value embedded in goods is included. And unlike physical products, services often move instantly, invisibly, and across borders with fewer traditional constraints.

Getting Ahead of the Disruption

Digital services are contributing to most of the growth in services overall, and that growth is creating friction points. Governments are tightening rules on data privacy, investment screening, digital platforms, and professional standards. AI is contributing to the challenges, although it may also be a force in overcoming them.

Services are highly exposed to non-tariff trade measures: data localization requirements, export controls, targeted platform bans, and digital-service tax. Digitally delivered services, such as cloud, SaaS, and enterprise software, are no longer treated as neutral commercial platforms. They're seen as strategic infrastructure, sitting at the crossroads of national security, economic competitiveness, and technological sovereignty.

The EU and US diverge in their approaches to digital regulation; China is carving out its own frameworks. Countries are treating cross-border services—whether cloud computing, streaming, or financial advice—not just as economic exchanges but as strategic assets. Services have become more than just economic drivers; they're now viewed as carriers of influence, data, and power.

Instead of tariffs and quotas, restrictions on data flows, licensing requirements, and "digital sovereignty" rules are gaining currency. These can fragment global markets just as effectively as tariffs do. Leaders must adapt for efficiency and scale—as well as for geopolitical unknowns. Here's how leaders can increase resilience and get ahead of the trade services disruption:

- **Sense.** Detect and anticipate disruption—track emerging regulation, map data dependencies, and monitor digital service exposure. Build early-warning systems to track policy shifts and model disruption scenarios. And engage with policymakers to ensure industry voices are heard.
- **Adapt.** Localize fast by rewiring infrastructure, contracts, and compliance models to align with diverging rules. Integrate flexibility into delivery systems across regions without losing control of cost or quality.
- **Thrive.** Turn friction into edge. Use compliance as a differentiator, automate early, and scale faster in markets where others stall.

- **Transform.** Rethink your operating model. Design for a world where achieving scale requires a modular, sovereign, and agile approach.

AI plays a central role in the growth of digital services, which are structured around workflows, decisions, and interactions. These are all areas where large language models and agentic AI can drive step-change improvements in efficiency, personalization, and scale. Unlike in goods, there's no physical bottleneck, meaning AI can be deployed faster, updated continuously, and scaled across borders—within regional regulations.

AI can also help companies localize delivery, automate compliance, and reduce dependency on tight labor pools. But as AI scales, so does dependence on data centers, energy, and IT infrastructure. Resilience strategies must account for how AI is used—and where and under what constraints it runs.

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The opportunity is just as large as the risk. The next decades will be defined by the invisible flows of knowledge, data, and expertise. Leaders who recognize this shift—and act on it—will be better positioned to navigate the next wave of global change.

Until next time,

Rich

Rich Lesser
Global Chair

Further Insights

Services Are the New Fault Lines in Global Trade

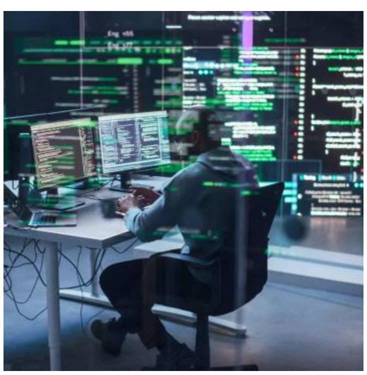
Geopolitics and a growing focus on digital sovereignty are fragmenting the global market for digital services—raising costs and adding complexity for providers and customers.

NAVIGATE TRADE SHIFTS NOW

International Trade Consulting

The rapidly evolving and increasingly complex international trade environment presents great risks. BCG's international trade consulting experts can identify opportunity.

EXPAND YOUR GLOBAL REACH



What's in Your Tariff Response Toolkit?

Companies need the latest digital and AI tools to manage a fast-changing trade environment.

BUILD YOUR TARIFF TOOLKIT