Weekly Brief

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Navigating the New Dynamics of Global Trade

The global trade landscape, once defined by an ambitious free trade agenda, is now being shaped by geopolitics, shifting alliance patterns, and national ambitions for economic security—that is, the ability to develop a country's economy while minimizing risks.

While global trade is expected to grow by 2.9% annually over the next decade, trade routes and relationships will fundamentally realign, according to our annual trade report. Major changes in US trade policy under the incoming administration could increase the magnitude of these shifts.

The Rise of the Global South. Nations across Africa, Latin America, and parts of Asia—the Global South—will increasingly trade among themselves, in addition to trading with the Global North. This will create dynamic new trade routes and help these markets move beyond exporting primarily natural resources to exporting manufactured goods.

China's Pivot. While its trade with the West overall is expected to decline, China is strengthening its ties with the Global South, especially members of the expanded BRICS+ alliance and the Association of Southeast Asian Nations (ASEAN).

Southeast Asia's Growth. ASEAN nations are becoming critical hubs for industrial value chains, especially in sectors such as electronics and light manufacturing. Companies adopting China+ strategies are finding ASEAN locations essential for mitigating risks and maintaining competitive supply chains.

India's Trade Ignition. India is emerging as a key driver of global trade growth, driven by favorable government industrial and trade policies, a large low-cost workforce, and rapidly improving infrastructure.

The EU's Focus on Competitiveness. Facing energy price concerns and geopolitical tensions, the EU is strengthening trade ties with the US, India, and key emerging markets in Latin America and Africa. The EU's recent efforts to bolster green energy transitions and nearshore manufacturing to North Africa exemplify its evolving trade strategy.

A Stronghold in North America. The US pivot away from China has triggered reshoring, nearshoring, and other shifts. These trends, combined with the preferential market access provided by the United States-Mexico-Canada Agreement (USMCA), have strengthened the North American trade bloc. However, potential changes in US policy, including the upcoming renegotiation of the USMCA and potential tariffs and retaliatory measures, may significantly alter both the magnitude and direction of this trend.

We no longer live in a free-market, free-trade world but rather an increasingly multipolar world of rising regional powers and shifting alliances.

As a business leader, understanding your starting point to make no-regret moves is critical.

- If you are a global manufacturer, evaluate diversification, nearshoring, and other strategies to make your supply chain more resilient.
- Even if you do not anticipate changing your supply chain, understand the true landed cost of manufactured goods—including all expenses beyond production costs—and your supply chain's exposure to geopolitical risk to evaluate pressures on cost and pricing.
- If you are not a manufacturer, you still need to pay attention to these dynamics, as they can have significant second- and

third-order effects, including upstream and downstream steps in goods and services value chains.

Global trade is in transition. By anticipating and adapting to emerging geopolitical forces, companies can find new sources of competitive advantage.

Until next time,

Christoph Schweizer
Chief Executive Officer

Further Insights

Great Powers, Geopolitics, and the Future of Trade

New BCG research forecasts dramatic changes in world trade flows in the coming decade as national alliances, rivalries, and aspirations rewire the global economy.

ANTICIPATE THE FUTURE

Five Ways Leaders Can Adapt to Shifting Geopolitics

What will the world look like in 2030? BCG's Nikolaus S. Lang predicts the evolution of a multipolar world, with multiple emerging coalitions of countries acting in new ways to achieve their goals.

LEAD THROUGH UNCERTAINTY

An Evolving BRICS and the Shifting World Order

As more big emerging markets join the BRICS+ nations, the grouping could give the Global South a greater voice in world affairs and challenge the domination of existing institutions.

PREPARE FOR A SHIFT IN POWER