ACCA

The outlook for global trade.

Perspectives from business leaders

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Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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Introduction.

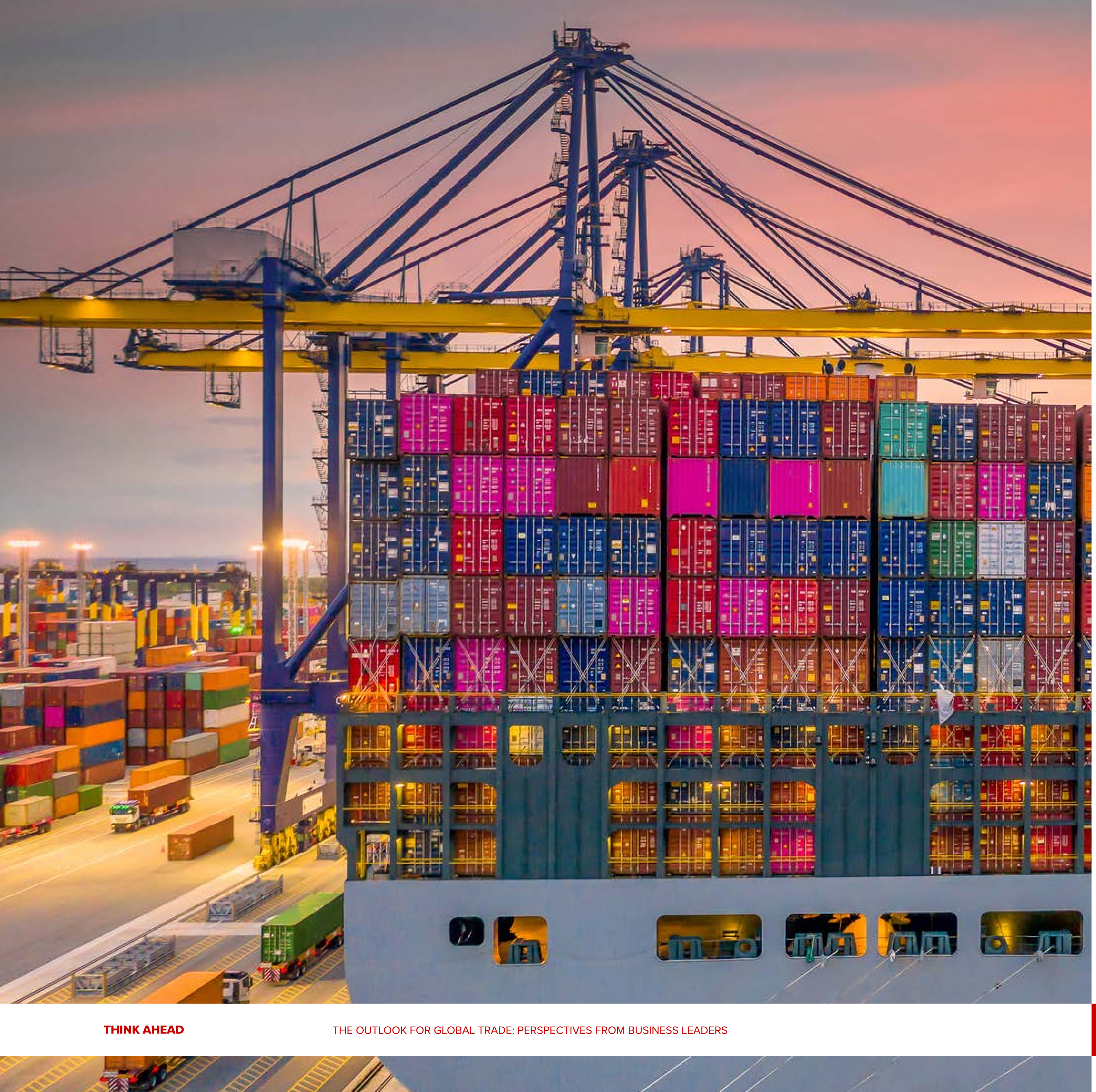
2025 has been a monumental year for international trade and the global economy, with the US raising its import tariffs to their highest level since the 1930s. The key focus of this publication is to provide early insights from business leaders and finance professionals on how they view the prospects for global trade and are currently grappling with the major disruptions. We hope it will help you and your stakeholders understand and navigate the many risks and opportunities in the global economy over coming quarters and years.

In Section 1, we provide an overview of the changes in the global trading system since the Global Financial Crisis, with a particular focus on the major changes in US trade policy in 2025, and discuss the impacts of the latter on the global economy.

In Section 2, we discuss the results of our survey of accountants and business leaders on the 'Future of Global Trade'.

In Section 3, we include detailed interviews with business leaders, finance professionals and policy experts from different parts of the world, in which they discuss their views on the prospects for global trade, and how their organisations (or organisations in their region) are currently being impacted by the disruptions, and what organisations and policymakers can do to mitigate the impacts.

Contents.



Executive summary.

2025 has witnessed monumental changes in US trade policy, with the country raising its import tariffs to their highest level since the 1930s. US trade policy uncertainty soared to record levels in April, although it has eased somewhat amid the various tariff pauses and the agreement of trade deals with a number of partners. Significant uncertainty remains, however, not least regarding the legality of a major plank of President Trump's tariff policy.

The global economy has generally proved more resilient than expected despite the aggressive tariff hikes, likely reflecting the lack of retaliation from most countries, frontloading of exports to the US ahead of tariff increases, and a slower than expected impact on US inflation. That said, the risk remains of some slowing in the global economy over coming quarters, and global growth in 2025 and 2026 is set to be meaningfully below the average of recent decades. Looking further out, a less open and more fragmented global economy would likely lead to slower productivity growth, higher prices, and slower global gross domestic product (GDP) growth.

We surveyed accountants and business leaders from across the globe on the 'Future of Global Trade'. Unsurprisingly, there was significant concern about current developments, with 85% of respondents concerned about the impacts of tariffs and changes in global trade on their organisation (**see Figure 2.1**). But businesses generally appear relatively sanguine about the future. Among our survey respondents, 28% expect their organisations to increase their amount of global trade 'significantly' in the next three to five years, and the same proportion expect this trade to 'increase somewhat', while 18% and 5% respectively expect it to decrease 'somewhat' and 'significantly'. C-suite executives were even more positive about the future, with 38% and 29% of respondents respectively expecting their firms' amount of global trade to increase 'significantly' and 'somewhat' (**see Figure 2.2**).

'Geopolitical tensions', 'international or civil conflicts/wars' and 'protectionist policies in advanced economies' were viewed as the top three risks or barriers for global trade over the coming years. Firmly in first place among the top three opportunities, cited by half of all respondents, was 'use technology (eg artificial intelligence (AI)) to help facilitate global trade'. This likely reflects various factors, such as the use of digitalisation to increase sales and the use of AI and other technologies to improve efficiency – both of trade-related processes and of firms more generally. In second and third place were 'diversifying production, investment, or location of suppliers' and 'gain access to new technologies' (see **Figures 2.3 and 2.4**).

The major changes in US trade policy could have profound impacts on future global trade patterns and flows. A majority of organisations surveyed have already moved the location of some of their production, investment or suppliers in recent years, and a majority say they are likely to do so in the next few years (see **Figures 2.5 and 2.6**). With the pandemic and Russia's invasion of Ukraine focusing significant attention on supply chain diversification and resilience, almost half the surveyed organisations have moved their 'production, investment, or location of suppliers in recent years...' via either onshoring, nearshoring or friendshoring, and a similar proportion plan to do so in coming years.

A less open and more fragmented global trading system would generally be expected to result in higher prices for consumers and businesses, and the survey results don't refute this. Businesses suggest that changes in global trade have already pushed up their costs over recent years, perhaps reflecting supply chain disruptions after the pandemic and Russia's invasion of Ukraine. Moreover, around 35% of respondents report that their organisations' costs are likely to increase by more than 10% owing to changes in global trade in the coming years, while 46% expect them to increase by up to 10%. Only 11% expect them to stay the same, while just 6% expect them to decrease (see **Figures 2.8 and 2.9**).

Business leaders are overwhelmingly positive about the benefits of an open global trading system for their organisation. Among survey respondents, 38% and 41% respectively 'strongly agree' or 'agree' that an open global trading system is positive for their organisation, while just 4% and 3% 'strongly disagree' or 'disagree'. Responses from C-suite executives are even more favourable (see **Figure 2.12**). Meanwhile, 83% of respondents at multinationals either 'strongly agree' or 'agree', although the number is 60% for respondents from firms with operations in only one country.

'Unsurprisingly, there was significant concern about current developments with global trade, but businesses generally appear relatively sanguine about the future.'

We also interviewed business leaders, finance professionals and policy experts from across the globe. While they were not expecting an outright fall in global trade, rising protectionism and geopolitical tensions were clearly seen as important headwinds for its future growth, with developing economies likely to be disproportionately disadvantaged. Rising tariffs were not viewed as the only friction in international trade, with sanctions also cited as a key issue. Despite the challenges, the increased use of technology was highlighted as an opportunity for businesses, with one interviewee suggesting that the need to restructure supply chains may accelerate its adoption. Meanwhile, amid the disruptions to global trade, interviewees cited the need for the geographical diversification of export markets, increased intra-regional trade, the broadening of supplier bases, and a focus on optimising business products and operations.

ACCA will continue to advocate global trading conditions that are as friction-free as possible. As a global professional accountancy body with a vibrant community of more than a quarter of a million members across 180 countries, we believe that cooperation and partnership across borders is the best way to achieve prosperity for all. A stable approach to global trade is vital for growth and for developing sustainable economies. Businesses need certainty and stability to thrive and invest, while an unstable economic environment creates challenges for business and society. Volatility in the global economy can also create unintended and unwanted consequences if other issues such as sustainability – both environmental and social – move down the agenda.

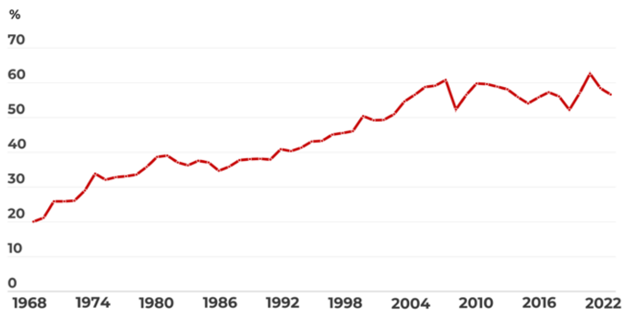
Section 1: Recent developments with global trade.

In 2023, the International Monetary Fund (IMF) warned that after decades of increasing global integration, the world was facing the risk of fragmentation, coining the term ‘geoeconomic fragmentation’: a policy-driven reversal of global economic integration, which it suggested ‘encompasses reversals along any and all of the different channels whereby countries engage with each other economically, including through trade, capital flows, the movement of workers across national boundaries, international payments…’ (Aiyar et al. 2023).

The rapid pace of globalisation ended with the Global Financial Crisis

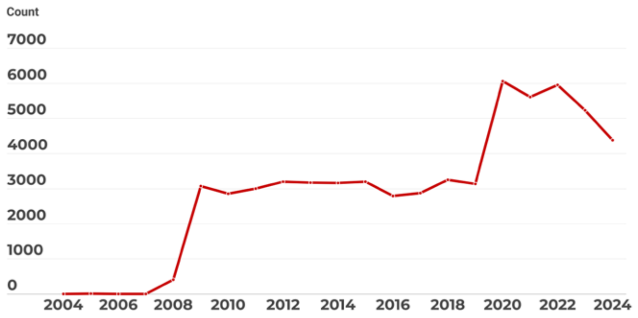
The period of rapid globalisation ended with the Global Financial Crisis of 2008–9 (see **Figure 1.1**), with the world subsequently switching to a period often referred to as ‘Slowbalisation’, where global trade as a share of global GDP has largely flatlined. This is owing to developments in goods trade, whereas trade in services has increased by around 1.5 percentage points (pp) of global GDP since 2008.

Fig 1.1: Global trade as a percentage of GDP



Source: World Bank Group, World Development Indicators

Fig 1.2: Harmful trade policy interventions



Source: Global Trade Alert (2025)

Global trade relations deteriorated significantly during the first Trump administration amid its trade war with China, as well as some restrictive US measures against other countries. The Biden administration largely continued with the Trump-era trade policies, and enacted blocks on the export of key technological products to China, while its signature programmes such as The Inflation Reduction Act contained provisions that favoured production domestically. There has been a large fall in the share of US imports coming from China over recent years,[1] with a rise in the share coming from Mexico and other countries in Asia.

The US was not the only country implementing more restrictive trade policies: others have as well, including important economies such as the European Union and China. According to Global Trade Alert (2025), the number of harmful global trade measures has increased sharply in recent years (see **Figure 1.2**), with a particular spike since the global pandemic. Indeed, since the pandemic and Russia's invasion of Ukraine, governments have significantly intensified their focus on ensuring the resilience and diversification of supply chains, particularly in areas deemed critical for economic and national security. There is already some evidence that global trade and investment have been beginning to split along geopolitical lines since the war in Ukraine (see Gopinath et al. 2025).

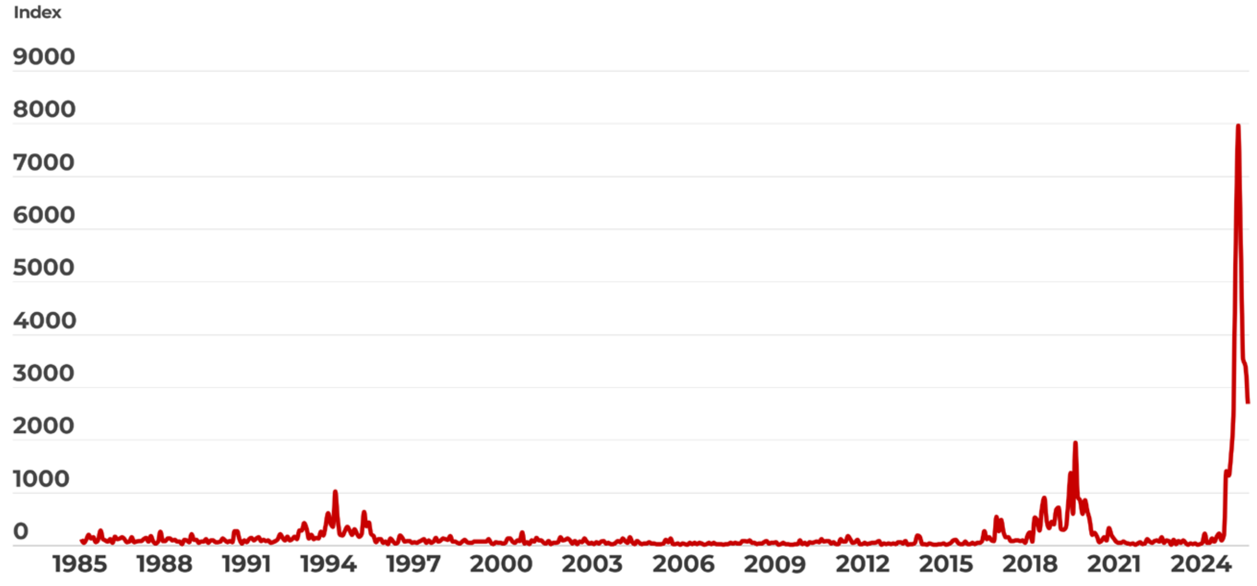
2025 has witnessed monumental changes in US trade policy

US trade policy uncertainty soared to record levels in April 2025 (see **Figure 1.3**) after President Trump announced much larger than expected 'reciprocal'

> **There is clearly a risk that President Trump could ratchet up tariffs again if he believes that trading partners are not meeting their commitments.**

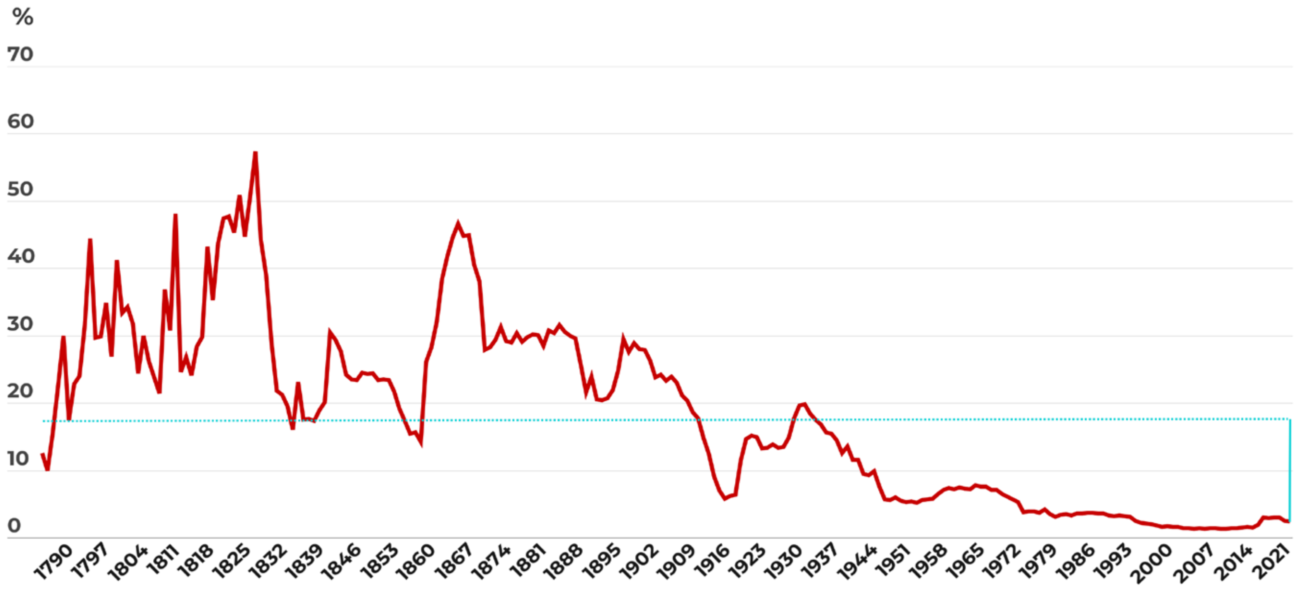
[1] According to Freund et al. (2025), China's share of total US imports fell from 22% in 2017 to 14% in 2023, although they suggest that the 8pp decline is reduced to 6pp if account is made of the rerouting of Chinese exports through countries with lower US tariffs and of the increased use by Chinese exporters of the de minimis exemption, which up until recently allowed small packages valued at less than US$800 to be imported duty free into the US. The de minimis exemption was ended by the second Trump administration in August 2025.

Fig 1.3: US trade policy uncertainty index*



*Reflects the frequency of articles in US newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy
Source: *Measuring Economic Policy Uncertainty* by Scott Baker, Nicholas Bloom and Steven J.Davis at www.PolicyUncertainty.com.

Fig 1.4: US average effective tariff rate



Source: The Budget Lab at Yale (2025)

tariffs[2] on most trading partners, in addition to sector-specific tariffs on products such as steel, aluminium and cars. Uncertainty subsequently eased from its peak as the administration enacted pauses on the implementation of the 'reciprocal' tariffs, while it negotiated trade deals with different countries, and it has struck agreements with a number of partners, eg the UK, Japan, South Korea, Vietnam, the EU. These deals – which contravened World Trade Organization (WTO) rules – have typically resulted in countries experiencing much higher US import tariffs than previously, despite sharply lowering their own tariffs on US exports and making commitments to significantly increase investment in the US, and/or, to step up purchases of its goods.[3]

Significant uncertainty, however, still remains. The first comes from the implementation of the trade deals, which were struck in record time and in which most of the details are still being worked out. There is clearly a risk that President Trump could ratchet up tariffs again if he believes that trading partners are not meeting their commitments. Second, new sectoral tariffs look likely in areas such as pharmaceuticals and semiconductors (Bade and Tita 2025). Third, the US has still not reached agreements with its three largest country trading partners, Mexico, Canada and China, with 90-day tariff pauses on Mexico and China set to expire in November.[4] Lastly, and perhaps most importantly, on the legal front, a US federal appeals court ruled on 29 August that President Trump's 'reciprocal' tariffs on countries were illegal (not the sectoral tariffs, which were implemented under a different legal authority). They are being allowed to remain in place for now, with the US Supreme Court set to hear the case in November (Radnofsky et al. 2025, Gottlieb 2025).

The monumental shift in the trade policy of the world's largest economy is evident by the surge in the US's average effective tariff rate, from just 2.4% in 2024 to around 17% at the present time – the highest rate since the 1930s (see **Figure 1.4**). In addition to the increases in the various tariff rates, the Trump administration has also enacted additional tariffs to prevent the rerouting

[2] For a primer on import tariffs, see Lyon (2025).
[3] For useful summaries of the tariff rates imposed on different countries and sectors, see Deng and An-Pham (2025) and Bloomberg (2025).
[4] Exports from Canada and Mexico to the US that comply with the United States-Mexico-Canada free trade agreement are tariff free.

‘Over the medium to longer-term, a more fragmented, less rules-based global trading system is likely to lead to slower productivity growth’

or transhipment of exports through certain countries to the US, and has abolished the de minimis exemption which previously allowed small packages valued at less than US$800 to be imported into the US duty free (Fung 2025; Curtis 2025).

Impact on global growth has been less than feared, but downside risks remain

The negative impact on the global economy from the increase in tariffs has been less than generally expected, with global growth largely holding up in the first half of 2025. This relative resilience likely reflects several factors: the lack of retaliation by most US trading partners, which has meant that the world has thus far avoided a 1930s-style tit-for-tat trade war; frontloading of exports to the US ahead of tariff increases; the general support to sentiment from the tariff pauses and trade deals that the US has agreed; and the rather modest rise in US inflation as a result of tariffs (although signs are emerging that it is beginning to come through more meaningfully). This backdrop, less negative than feared, has, along with other factors, helped the US stock market rebound to record highs, which has further supported the global situation and financial markets. The sharp decline in the value of the US dollar has also been supportive for emerging economies.[5]

Nevertheless, the risks remain on the downside, and some slowing in global growth looks likely over coming quarters. Indeed, tariff-driven inflation looks set to increase in the US, which could weigh on consumer spending and the labour market in the world’s largest economy. Moreover, in addition to likely sluggish US growth, and the unwinding of the boost from the frontloading of exports ahead of tariff increases, the global economy will have to continue to grapple with elevated uncertainty and the negative impact of tariffs on business sentiment and activity. Overall, in both 2025 and 2026, global growth is likely to be lacklustre and materially slower than the average in the two decades before the pandemic.

Increased protectionism and fragmentation would be damaging for the global economy over the medium-to-longer term

Over the medium to longer-term, a more fragmented, less rules-based global trading system would likely lead to slower productivity growth, higher prices and slower growth in the global economy, as trade and investment flow less freely to exploit comparative advantages in different economies. In such a world, it may be much harder for other developing economies to follow in the path of many Asian countries, which used exports as a springboard for industrialisation, rapid economic growth and massive improvements in living standards. Indeed, as Aiyar et al. (2023) note, ‘For several decades, international trade has been a catalyst for catch-up in incomes across countries, a reduction in global poverty, and higher standards of living’.

Huge uncertainty about where the global trading system is ultimately heading; we provide early reflections from the corporate sector.

Clearly, there remains huge uncertainty about how recent US policy changes will change global trade flows and patterns over coming years, and over what

[5] After revising its January 2025 global growth forecasts of 3.3% for both 2025 and 2026 lower to 2.8% and 3% respectively in April, in July the IMF revised its forecasts slightly higher to 3% and 3.1% respectively, see IMF (2025).

could be the new endpoint for the international trade system and global economy. As Baldwin (2025) notes '...Where will all this land? Trump's tariffs unleashed powerful economic forces that are reshaping trade patterns worldwide. How these ultimately redraw the world trade map will depend on how governments, firms, and institutions respond'. He is cautious about the prospects for a major turnaround in US trade policy, noting that 'trade hesitancy/hostility is the mainstream view on both sides of the aisle in Washington...' and suggests that 'The global trading system must now adapt, finding new forms of collective leadership... ...Ultimately, the [global trading] system's survival depends on policymakers worldwide stepping forward to maintain and evolve the rules-based global order'.

The focus of the rest of this publication is on providing some early reflections from business leaders on how they see developments with trade over coming years and how they are currently grappling with, and responding to, the various disruptions. Section 2 includes the results of a survey of accountants and business leaders from around the globe, while Section 3 includes detailed interviews with business leaders, finance professionals and policy experts from different parts of the world.

We intend to do further research and analysis on global trade in the future, including more in-depth analysis on the services sector, on how changes in technology could impact global trade, and of the likely impact of the various trade deals, as more concrete details become available.

ACCA will continue to advocate global trading conditions that are as friction-free as possible and a sustainable future that works for all people everywhere.

As a global professional accountancy body with a vibrant community of more than a quarter of a million members across 180 countries, we believe that cooperation and partnership across borders is the best way to achieve prosperity for all. A stable approach to global trade is vital for growth and for developing sustainable economies. Businesses need certainty and stability to thrive and invest, while an unstable economic environment creates challenges for business and society. The current uncertainty is inevitably harming businesses and people's livelihoods. Developing economies and small and medium-sized enterprises (SMEs) are particularly exposed to the impacts. Volatility in the global economy can also create unintended and unwanted consequences if other issues such as sustainability – both environmental and social – move down the agenda.

In this highly uncertain, changing and complex world, we believe finance and accounting capabilities are vital to sustainable economies and organisations, and that accountancy as a profession is a force for good. ACCA's three global policy priorities reflect the change we want to see and serve as a clear call to action for governments and policy makers around the world.

BRIDGE THE ACCOUNTANCY SKILLS GAP

Build accountancy capacity so that businesses, the public sector and economies have access to skills and expertise to thrive.

Call to action for policy makers:

- Widen access to the accountancy profession through inclusive educational, vocational and workplace policies that allow anyone to develop the accountancy skills needed.
- Develop and grow the accountancy profession across all sectors, championing sustainability and technology skills to ensure the profession meets market needs.

DRIVE SUSTAINABLE BUSINESS

Drive policies, regulations and standards that deliver prosperous, ethical, sustainable organisations and economies.

Call to action to policy makers;

- Drive the adoption of policies and regulations related to sustainable practices and ethical decision-making which reinforce corporate responsibility and enable the transition to net zero while fostering diverse and inclusive workforces.
- Drive the adoption of international standards which draw on global best practice, enable harmonisation across jurisdictions, facilitate international trade and maintain accountability and trust.

CHAMPION THE PROFESSIONAL ACCOUNTANT

Champion a refreshed understanding of the vital contribution of professional accountants in a changed world.

Call to action to policy makers

- Champion and draw on the insights of professional accountants to influence policy linked to audit, tax, public sector reform and easing the SME regulatory burden, as well as sustainability and technology risks and opportunities.
- Champion the role of professional accountants in creating and delivering value in the public interest – from entrepreneurship to organisations of all sizes and sectors – through their ethical, sustainable and innovative contribution to business and society.

Section 2: Survey results on the 'Future of Global Trade'.

With the future of the global trading system potentially at a major crossroads at the present time, we surveyed accountants and business leaders from across the world about their current views on global trade and its future prospects. The survey included 631 respondents from over 50 countries,[1] with chief executive officers (CEOs) and chief financial officers (CFOs)/finance directors accounting for almost 40% of responses, and C-suite executives[2] as a whole representing 56% of responses. By country, the largest number of responses came from the UK, mainland China and Nigeria at 262, 84 and 51 respectively. Almost three-quarters of responses relate to multinational companies.

[1] We spoke to 631 people, but the majority of questions were related to those who answered the survey from the perspective of their own role within an organisation or through providing services for external clients/stakeholders, and who confirmed that global trade is relevant/applicable to them. Most questions featured in this chapter had over 500 responses.

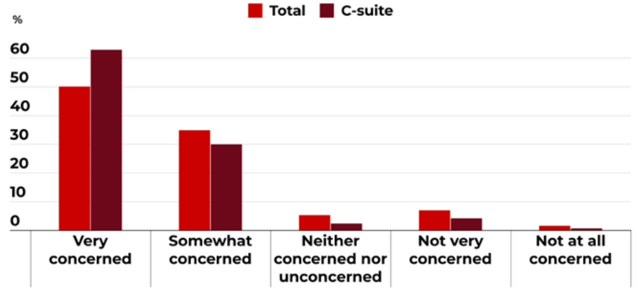
[2] CEOs, CFOs/finance directors, other C-level executives and Board members/non-executive directors.

Business leaders are unsurprisingly concerned about developments in global trade, but generally appear relatively sanguine about the future

Half of all survey respondents were ‘very concerned’ about the impacts of tariffs and changes in global trade on their organisation, clients or stakeholders,[3] with 35% being ‘somewhat concerned’. Only around 8% were either ‘not very concerned’ or ‘not at all concerned’. Concerns were even greater among C-suite executives, with almost two-thirds ‘very concerned’ and 30% ‘somewhat concerned’ (see **Figure 2.1**). Concerns were particularly elevated at multinationals, with 89% of respondents either ‘very concerned’ or ‘somewhat concerned’, compared to 68% for respondents where operations are based in one country only.[4]

Fig 2.1: Concerns about the impact of tariffs

To what extent are you concerned/unconcerned about the impact of tariffs and changes in global trade on your organisation/on your client(s)/stakeholders(s)?*



*The responses ‘Don’t know’ and ‘Not applicable’ are excluded.

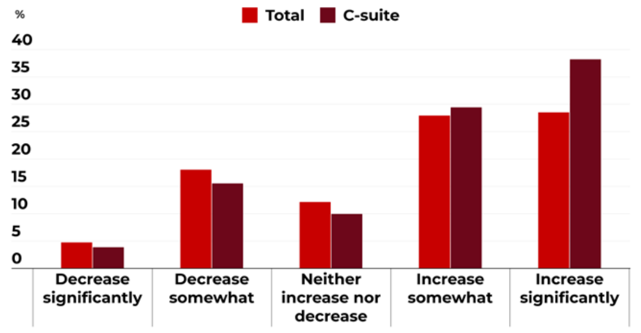
Despite the unsurprising concerns evident among business leaders, they appear relatively sanguine on the prospects for their firms’ engagement in global trade over the medium term. Among survey respondents, 28% expect their organisations to increase their amount of global trade ‘significantly’ in the next three to five years, and the same proportion expect it to ‘increase somewhat’. By contrast, almost 20% of respondents expect it to ‘decrease somewhat’, although only 5% expect it to ‘decrease significantly’. C-suite executives are more upbeat than the survey panel as a whole, with almost 40% expecting their organisation to ‘increase significantly’ their amount of global trade in the next three to five years, while around 30% expect it to ‘increase somewhat’. Just 4% expect it to ‘decrease significantly’, while 15% expect it to ‘decrease somewhat’ (see **Figure 2.2**). Meanwhile, of those reporting on multinationals, 34% expect their organisation to ‘increase significantly’ its amount of global trade in the next three to five years, while 30% expect this to ‘increase somewhat’. Just 3% expect it to ‘decrease significantly’.

Some notable differences are evident at the industry level. Just 11% of respondents in ‘information technology/ communications’ (IT/Comms) expect their firms’ amount of global trade to decrease over the next three to five years, compared with over 40% for those in ‘manufacturing/ engineering’, while 85% of the former expect it to increase, versus 43% for the latter.[5] The differences are probably because global protectionist measures currently focus primarily on the goods sector rather than services, as well as the many opportunities offered to ‘IT/Comms’ firms amid rapid changes in technology and digitalisation of economies across the world.

[3] Hereafter, the latter two groups are included in the terms ‘organisation’ or ‘firm’.
[4] The results for multinationals and organisations where operations are based in one country only are not included in the charts in this section.
[5] The results for ‘IT/Comms’ and ‘manufacturing/engineering’ are not included in the charts in this section.

Fig 2.2: Respondents’ views on the future of global trade

To what extent do you see your organisation/your client(s)/stakeholder(s) increasing or decreasing their amount of global trade in the next three to five years?*



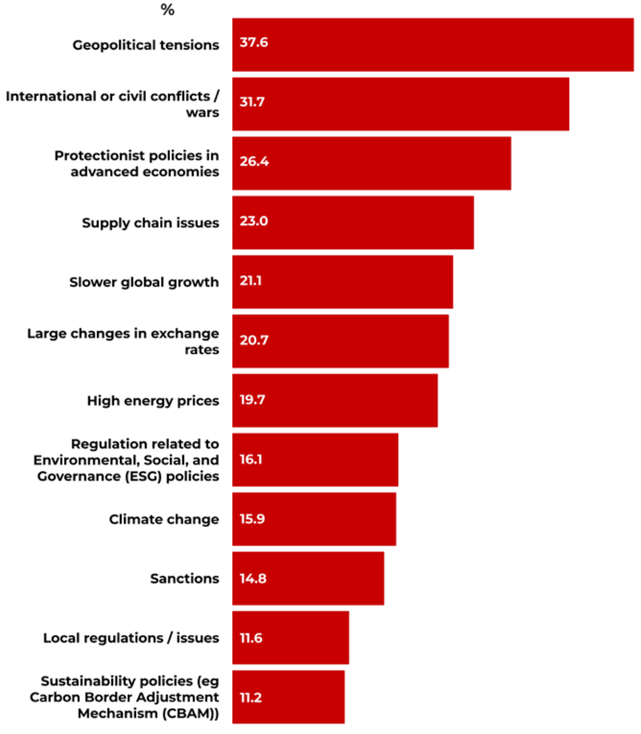
*The responses ‘Don’t know’ and ‘Not applicable’ are excluded.

Geopolitics is seen as the main risk for global trade, while the use of technology is the top opportunity

We asked respondents to select the top three risks or barriers for global trade over the coming years. The top two risks, cited by 38% and 32% of respondents respectively, were ‘Geopolitical tensions’ and ‘International or civil conflicts/wars’ (see **Figure 2.3**). This chimes with the results of our quarterly ACCA/ IMA global risk survey, where, for the first time since the survey began in Q4 2022, ‘International and geopolitical instability’ was the top ranked risk priority in Q2 2025 (ACCA 2025). The pre-eminence of geopolitical risks is likely owing to the conflicts in Europe and the Middle East, ongoing superpower rivalry, and the record number of armed conflicts around the world in 2024 (Davies et al. 2025).

Fig 2.3: Respondents’ perceptions of the top three risks or barriers to global trade

Now, thinking in general, what do you feel are the top three risks or barriers for global trade over the coming years?*



*Top twelve selected risks highlighted for presentational purposes.

Meanwhile, in third and fourth place respectively, cited by 26% and 23% of respondents, were ‘Protectionist policies in advanced economies’ and ‘Supply chain issues’, while around 20% cited ‘Slower global growth’, ‘Large changes in exchange rates’ and ‘High energy prices’. ‘Regulation related to ESG [environmental,

‘I’ve seen firsthand how recent tariffs and shifts in global trade policy are directly affecting our clients.’

social and governance] policies’, ‘Climate change’ and ‘Sustainability policies’ were somewhat less prominent, but were still cited as a top three risk by 16%, 16% and 11% respectively.

We also asked business leaders for their opinions on the top three opportunities for global trade over the next few years. Firmly in first place, cited by half of all respondents, was ‘Use technology (eg artificial intelligence (AI)) to help facilitate global trade’ (see **Figure 2.4**). This likely reflects various factors, such as the use of digitalisation to increase sales (see ITC 2025) and the use of AI and other technologies to improve efficiency – both of trade-related processes and of firms more generally.[6] Perhaps unsurprisingly, 59% of respondents in the ‘IT/Comms’ industry chose this as the top opportunity, although the proportion that did so in ‘manufacturing/engineering’ was also high at 39% (it was in joint second place with ‘gain access to new technologies’).

In second place overall, was ‘diversifying production, investment, or location of suppliers’, which was cited by 37% of respondents (this was ranked first by respondents in ‘manufacturing/engineering’) and in third place, chosen by 31% of respondents, was ‘gain access to new technologies’. ‘Enter fast growing markets’, ‘enter new markets’ and ‘new free trade agreements’ were in fourth, fifth and sixth place respectively, cited by between 22% and 24% of respondents.

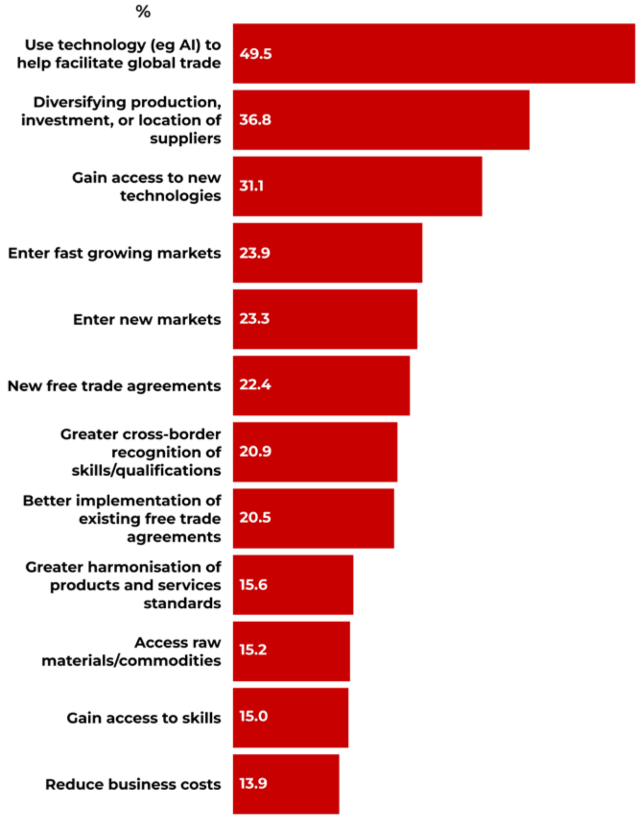
Responses to the open-ended question, ***‘Is there anything you’d like to add about how tariffs and changes in the global trade environment are impacting your organisation or client(s)/ stakeholder(s)? This can be now and/or in the future.’***, were overwhelmingly negative, with many respondents mentioning the higher costs, strained supply chains and uncertainty. Selected responses included:[7]

UK-based C-suite executive in the IT/Comms industry: *‘I’ve seen firsthand how recent tariffs and shifts in global trade policy are directly affecting our clients, now many are facing rising costs, supply chain delays, and the need to rethink sourcing strategies… We’re working closely with each client to adapt, whether by exploring alternative suppliers, improving supply chain visibility, or developing more resilient strategies to stay competitive in this uncertain environment’*.

An ACCA member in the ‘manufacturing/engineering’ industry in Malaysia: *‘US tariffs have led to other countries implementing their own tariffs or other trade barriers to protect domestic industries. This has significantly reduced our opportunity to build market*

Fig 2.4: Respondents’ perceptions of the top three opportunities for global trade

Still thinking in general, what do you think are the top three opportunitues for global trade over the coming years?*



*Responses ‘Other, please specify’, ‘Don’t know’, and ‘None of the above’ are excluded.

[6] For example, according to the WTO (2018), ‘Certain AI applications can benefit trade in goods, for example by optimizing route planning and enabling autonomous driving, reducing logistics costs through cargo and shipment tracking, using smart robots to optimize storage and inventory, and integrating 3D printing in order to reduce the need for transport and logistics services’, and ‘Basic electronic systems reduce the time spent on customs compliance while Blockchain and AI promise further reductions’. The report also notes that ‘Services sectors are at the centre of the recent technological revolution, as technological advances have enabled a growing array of services to be purchased online and supplied digitally across borders’.

[7] These have been lightly edited for clarity and house style.

share in exports. Ensuring high product quality with reasonable pricing is essential for business continuity'.

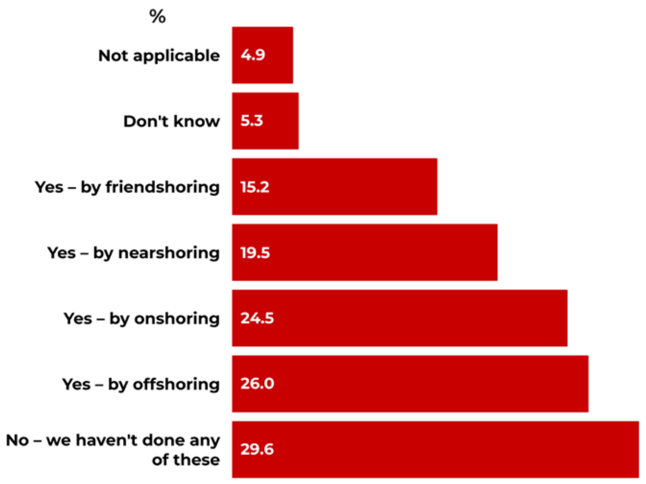
An ACCA member at an accountancy firm in Vietnam: *'The tariffs and changes in the global trade environment require emerging countries to enhance their productivity, to find alternative sources of materials, and to find new markets in the long term. In the short term, they will encounter difficulties of lower growth and lower export sales'.*

The majority of organisations have moved some of their operations or the location of suppliers in recent years, and a majority look set to do so in the future

Among our respondents, 60% report that their organisations have moved their 'production, investment, or location of suppliers in recent years...' via the processes of friendshoring,[8] nearshoring,[9] onshoring[10] or offshoring,[11] while 30% say they have not. Offshoring was the single most popular process, with 26% of respondents engaging in it, although onshoring, nearshoring and friendshoring were not far behind at 24%, 20% and 15% respectively (see **Figure 2.5**) – likely reflecting the impact of rising geopolitical tensions and the intensified focus on supply chain diversification and resilience in the aftermath of the global pandemic and Russia's invasion of Ukraine. Indeed, 45% of all respondents reported engaging in onshoring, nearshoring or friendshoring.

Fig 2.5: Respondents' experiences of moving locations of activity

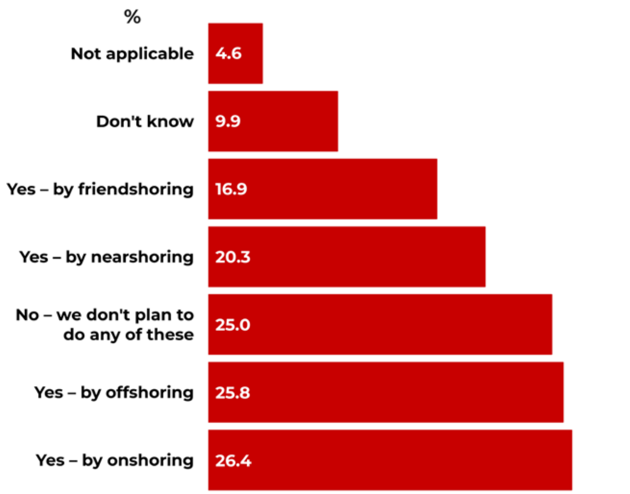
Has your organisation/have your client(s)/stakeholder(s) moved their production, investment, or location of suppliers in recent years, using any of the below processes?



Looking forward, the proportion planning to move their 'production, investment, or location of suppliers in the coming years...' via the processes of friendshoring, nearshoring, onshoring or offshoring is 61%. Onshoring and offshoring remain the favoured strategies, with 26% of all respondents reporting that they expect to engage in them, while 20% and 17% respectively expect to engage in nearshoring and friendshoring

Fig 2.6: Respondents' expectations of moving locations of activity

Does your organisation/do your client(s)/stakeholder(s) plan to move their production, investment, or location of suppliers in the coming years, using any of the below processes?

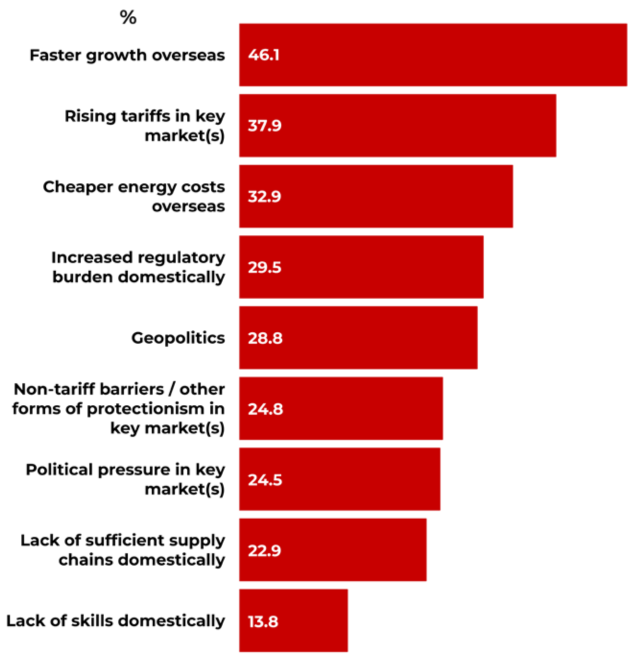


(see **Figure 2.6)**. The proportion of respondents expected to engage in onshoring, nearshoring or friendshoring was 46%.

'Faster growth overseas' was the top reason, cited by almost half of all respondents, why the location of production/investment or suppliers for firms may move in the future (see **Figure 2.7**). This was followed in second and third place respectively by 'rising tariffs in key market(s)' and 'cheaper energy costs overseas', which were cited by 38% and 33% of respondents respectively. Almost 30% of respondents cited 'increased regulatory burden domestically' and 'geopolitics', while around 25% of respondents cited 'non-tariff barriers/other forms of protectionism in key market(s)', 'political pressure in key market(s)' and 'lack of sufficient supply chains domestically'.

Fig 2.7: Top three reasons for possibly moving the location of activities

What are the top three reasons why the location of production/investment or suppliers for your organisation/ client(s)/stakeholder(s) may move in the future?*



*The responses 'Other, please specify', 'no plan to move production/ investment or suppliers' and 'None of the above' are excluded from the chart.

[8] Moving production or the location of suppliers to countries which have stronger international relations with the organisation's home country.
[9] Moving production or the location of suppliers to countries nearer to the organisation's home country.
[10] Moving production or the location of suppliers to the organisation's home country from overseas.
[11] Moving production or the location of suppliers overseas.

Rising trade barriers across the world would likely result in higher prices

A move towards a world of higher tariffs and other forms of protectionism would generally be expected to raise prices in the global economy over the medium-to-longer term, as firms' production decisions become somewhat less focused on exploiting comparative advantages across the world and seeking the most cost-efficient locations of production. Domestic firms would also face less competition from overseas. Of course, the effects could clearly differ across countries in the shorter term, amid higher inflation in a country such as the US that has significantly raised tariffs, but potentially lower inflation in countries suffering 'demand shocks' due to the imposition of higher tariffs on their exports, and perhaps also experiencing increasing competitive pressures due to the diversion of exports to them that were normally destined for the US. Over the medium-to-longer term, differences would also likely reflect the extent to which different countries have remained open to trade.

Our survey of business leaders indicates that changes in global trade have already raised their costs in recent years. Around 31% of respondents report that their organisation's costs have increased by more than 10% owing to recent changes in global trade, while 46% report that they have increased by up to 10% (see **Figure 2.8**). Just 5% and 2% respectively report that their costs have fallen by up to 10% and by more than 10%. Perhaps the major global supply chain disruptions after the pandemic and Russia's invasion of Ukraine are important factors influencing the results, eg the results of the same survey question asked before the pandemic would seem likely to have a less inflationary skew.

Fig 2.8: Respondents' experiences of changing costs

How have your organisation's/your client(s)/stakeholder(s) costs changed due to changes in global trade in recent years?

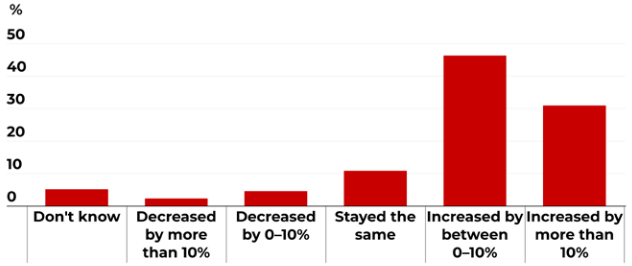


Fig 2.9: Respondents' perceptions of future cost changes

How do you expect your organisation's/client(s)/stakeholder(s) costs will likely change due to changes in global trade in the coming years?

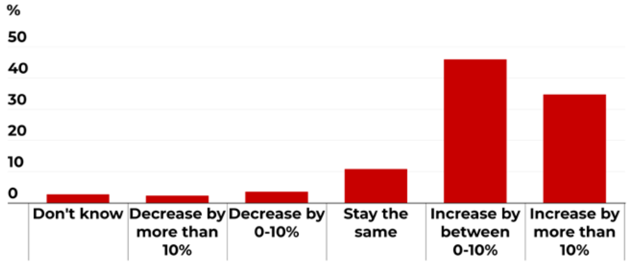
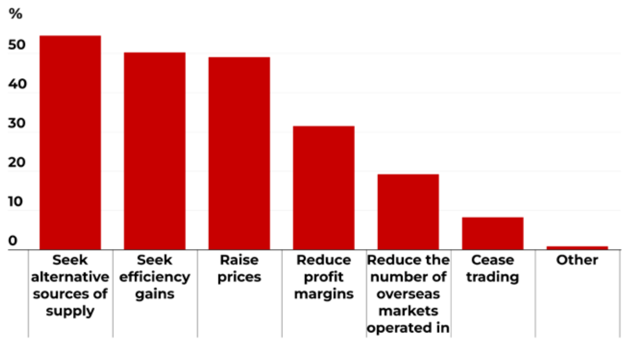


Fig 2.10: Respondents' views on possible responses to increased costs

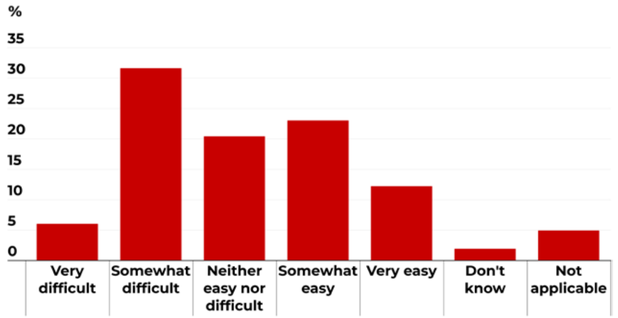
How would your organisation/your client(s)/stakeholder(s) respond to a global trade-driven increase in costs, if this occurred?*



*The responses 'I don't know' and 'None of the above' are excluded.

Fig 2.11: Respondents' perceptions of the ease of finding new suppliers

Thinking generally, how easy or not is it for your organisation/client(s)/stakeholder(s) to find alternative sources of supply?



Moreover, the survey results suggest that business leaders expect that changes in global trade will continue to push up their costs. Around 35% of respondents report that their organisation's costs are likely to increase by more than 10% owing to changes in global trade in the next few years, while 46% expect them to increase by up to 10% (see **Figure 2.9**). Only 11% expect them to stay the same, while just 6% expect them to decrease.

When asked how their organisations would respond to a global trade-driven increase in costs, 55% of respondents reported that they would 'seek alternative sources of supply', while 50% and 49% respectively suggested that they would seek 'efficiency gains' and 'raise prices' (see **Figure 2.10**). Meanwhile, over 30% suggested they would 'reduce profit margins', just under 20% reported that they 'would reduce the number of overseas markets operated in' and 8% suggested they would 'cease trading'.

Despite respondents' willingness to use new suppliers, opinions on the ease of finding new sources of supply were somewhat mixed. Only around 12% of respondents report that it is 'very easy' to find new sources of supply, while 23% say it is 'somewhat easy'. 20% suggest that it is 'neither easy nor difficult', while 32% report that it is 'somewhat difficult' and 6% report that it is 'very difficult' (see **Figure 2.11**). The task appears more challenging for those in 'manufacturing/engineering', with 13% and 39% respectively reporting that it is 'very difficult' and 'somewhat difficult' and 30% reporting that it is 'neither easy nor difficult'. Just 9% and 4% respectively report that it is 'somewhat easy' and 'very easy'.

Fig 2.12: Respondents' perceptions of the value of open global trade

To what extent do you agree or disagree that an open global trading system is positive for your organisation/ your client(s)/stakeholder(s)?

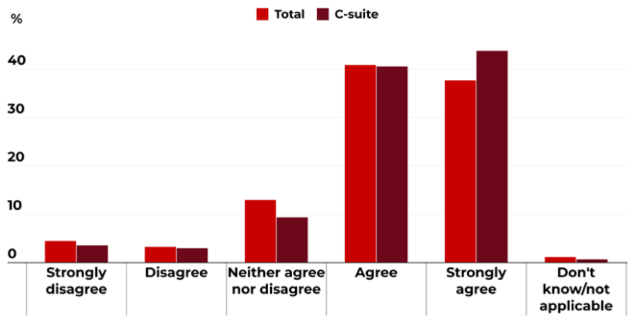
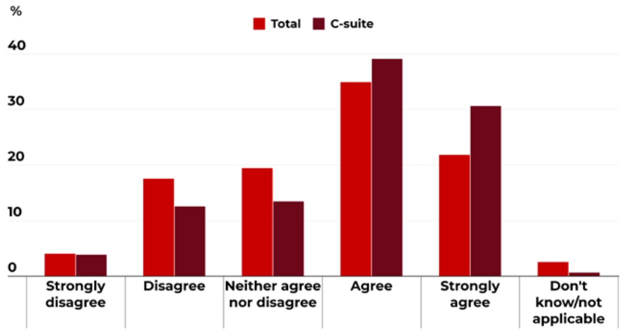


Fig 2.13: Respondents' perceptions of their ability to influence national trade policy

And in general, to what extent do you agree or disagree that businesses in your country have sufficient input into your country's trade policy?



Business leaders are overwhelmingly positive about the benefits of an open global trading system for their organisation

Among our respondents, 38% and 41% respectively 'strongly agree' or 'agree' that an open global trading system is positive for their organisation, while just 4% and 3% 'strongly disagree' or 'disagree'. Responses from C-suite executives are even more favourable (see **Figure 2.12**). Meanwhile, 83% of respondents at multinationals either 'strongly agree' or 'agree', although this number is lower, at 60%, for respondents from firms with operations in only one country. By industry, 89% of respondents in 'IT/ Comms' either 'strongly agree' or 'agree', but the number is lower, at 67%, for those in 'manufacturing/ engineering'.

Almost 60% of respondents agree that businesses in their country have sufficient input into the country's trade policy (rising to 70% for C-suite respondents), although around 20% 'neither agree nor disagree', and over 20% disagree (see **Figure 2.13**). There is some notable divergence between those responding on behalf of multinationals and those on behalf of companies with operations in just one country. Of the former, 62% agree that businesses in their country have sufficient input into the country's trade policy, compared with just 35% for the latter.

The most common responses to the open-ended question, ***'What else, if anything, could policymakers do in the country where you work, to make it easier to engage in global trade?'***, included reducing tariffs (including some mentions of non-tariff barriers), negotiating new free trade agreements, streamlining customs processes and procedures (including through the use of technology), improved trade infrastructure (including digital), lower taxes, and reduced red tape. Selected responses included:[12]

A UK CEO in the IT/Comms industry: *'I have a strong feeling that policymakers could make global trade more accessible by streamlining customs procedures, investing in modern digital infrastructures for cross-border transactions. Expanding free trade agreements and reducing tariffs on high-demand goods would also encourage international partnerships and make local businesses more competitive'.*

An ACCA member in the public sector in Trinidad & Tobago: *'New trade agreements, preferably within the Latin American region and with Canada...'.*

Two CEOs in the financial services industry in Nigeria: *'By using technology to reduce congestion and enhance efficiency at border checkpoints' and 'Promote economic partnerships with neighbouring countries to boost international trade'.*

An ACCA member in the public sector in the UAE: *'Anticipate further disruptions and plan ahead to reduce disruptions to the supply of essential raw materials'.*

[12] They have been lightly edited for clarity and house style.

Section 3: Interviews on global trade with business leaders, finance professionals and policy experts[1]

In this section, we include detailed interviews of business leaders, finance professionals and policy experts from different parts of the world, in which they discuss their views on the prospects for global trade, and how their organisations (or organisations in their region) are currently being impacted by the disruptions, and what organisations and policymakers can do to mitigate the impacts.

[1] The views expressed in these interviews are the personal views of the interviewees and do not necessarily reflect the views of the company they represent or ACCA. We are incredibly grateful to the interviewees for providing their time and expertise for the interviews.

Interview 1: Andrew Elsby-Smith

FCCA, Group Finance Director & Vice President International Operations at Amtico International, a designer, manufacturer and distributor of luxury vinyl flooring.

https://www.amtico.com/

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact the region and country in which you are based?
Two major factors look set to continue disrupting global trade: i) geopolitics – amid heightened tensions in parts of the world and the changing foreign policies of the US; and ii) rising global protectionism and changes in US trade policy, which is causing other countries to think about their own attitudes and policies towards free trade. These issues are going to weaken the prospects for global trade over the next few years and are likely to result in slow growth globally. The UK won't be immune from this, and we have our own structural issues which make our global trade prospects more challenging. In the medium to long term, demographics is an additional factor likely to negatively impact global trade, amid ageing and declining populations around much of the world.

How will this impact your organisation?
We are a US-owned business, with factories in the UK and the US, and offices in a number of countries around the globe. Our biggest challenge comes from rising US trade restrictions, which will potentially force Asian exporters to seek new markets for their products in the UK, Europe and other parts of Asia, putting downward pressure on prices in the markets where we operate. Geopolitical tensions provide additional challenges, given the complications caused by various sanctions and dealing with different countries. A shift to more isolationist policies globally also adds to the complexities of doing business around the world, given all the different rules and regulations across countries.

What is your organisation doing, or what can it do, to try and mitigate the fallout from the disruptions in global trade?
We've got to get on the front foot and double down on the things that make us different and special, so we can chart our own course. There are four pillars to what we are trying to do. First, differentiating our product offering largely through design. Second, maintaining high service standards, by being as close as possible to the end user, and having fast lead times for orders and fast resolution of any problems. Third, selecting the customer segments we operate in – focusing on customers interested in high levels of design and who are perhaps less budget conscious – and also on the growing global middle class, where there are huge potential prospects in markets such as India. Fourth, geographic diversification. Developing nations are important to us in the medium term. The UK is our biggest market, but we operate in about 70 countries. We observe that the use of our product mirrors the development of an economy – as gross domestic product (GDP) per capita grows the sales of our product category tends to grow in parallel. Hence, it's making sure that we're in the right place at the right time. Africa is likely to become an important market for us in the future.

Finally, we operate a hybrid manufacturing and sourcing strategy. To maintain resilience, it is important to understand the economics behind this, as well as fully understanding our cost structure, so we know what would need to change if future supply chain disruptions force us to begin making some products that we currently outsource. As part of supply chain resilience, we are also continuing to broaden our supplier base. Overall, it is just trying to find that happy medium between resilience and good economics.

Interview 2: Irina Fan

Director of Research, Hong Kong Trade Development Council (HKTDC)

https://aboutus.hktdc.com/en/

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact the region in which you are based?
At present, there are significant concerns as to whether the US will be able to establish new agreements with many of its trading partners. Beyond that, there are lingering uncertainties as to whether the shift in US trade policy will represent a major challenge for global trade over the coming years, as well as having a likely long-term impact.

Recalibration of global supply chains: "US for US", "China for China": Previously, when reviewing the management of their global supply chains, many businesses favoured China+1 or China+N strategies. Now, though, given the changes in US trade policy, companies with global businesses are considering focussing on production in the US for the US market [US for US] and in China for the China market [China for China].

Many companies are also looking deeper into *Hong Kong SAR of China's advantages as a global supply chain service centre /managing hub*, largely on account of its status as a free trade port with privileged access to the mainland China market. For instance, parts and components from all over the world are imported duty-free to Hong Kong SAR. Then, once assembled from these inputs, a semi-finished or finished product can be exported duty-free to mainland China. This makes Hong Kong SAR hugely attractive to any globally focused company that is targeting selling into the mainland China market. Given the relatively high costs of operating in Hong Kong SAR, though, this is only really viable with high value-added content. In fact, currently, almost three-quarters of the city's trade relates to high value-added electronics products.

How will Hong Kong SAR exporters be impacted?
In order to answer this, it's worth revisiting how Hong Kong SAR exporters responded to the high US tariffs imposed on mainland China-originated goods during Trump's first presidency.

Engaging new markets: Between 2017 (the year before the Trump administration first imposed tariffs on mainland China) and 2024, Hong Kong SAR's exports to the US declined by more than 10%. The city's total exports, however, grew by 17%, largely on account of its successful engagement with several new markets – most notably with regard to the sharp uptick in exports to the Association of Southeast Asian Nations (ASEAN)

bloc, Mexico and the Middle East. As a consequence, Hong Kong SAR's dependence on the US market is now very low, with related exports accounting for only 6.5% of the city's total 2024 export figure.

Diversifying sourcing: In addition, Hong Kong SAR traders have also diversified their sourcing of goods to reduce their exposure to the high US tariffs imposed on mainland China-originated goods. Currently, only about half of exports originate from mainland China, compared with 84% in 2017, with the other half sourced from a wide variety of different countries.

Ultimately, given its low dependence on the US market, diversified sourcing, and engagement with new markets, Hong Kong SAR exporters may well prove more resilient to the higher level of US tariffs than many of their international counterparts.

Shifting of investment flows towards new markets: This changing trade pattern also has important implications for investment flows. Hong Kong SAR's foreign direct investment (FDI) to the ASEAN bloc (a core Belt and Road Initiative (BRI) market), for instance, has increased rapidly. In 2023, Hong Kong SAR was ASEAN's fourth-largest source of FDI, up from seventh place in 2017. The fact that one city – Hong Kong SAR – accounted for a 6.4% share of ASEAN's 2023 FDI (nearly matching mainland China's 7.5%) underscores its strength as a global investment hub.

Interview 2: Irina Fan (cont.)

It also aligns with the growing practice among *mainland China companies to leverage the Hong Kong SAR platform to facilitate their international expansion plans*. Accordingly, in several of the key individual ASEAN markets, Hong Kong SAR's ranking exceeds even that of mainland China. In the case of Malaysia, for example, Hong Kong SAR contributed 42.9% of the country's total FDI in 2023. This was more than quadruple mainland China's 10.1% share, with much of it sourced from the Hong Kong SAR subsidiaries of mainland China companies.

It is a trend that is, almost certainly, set to continue. Indeed, a recent *HKTDC Research* survey shows that mainland China companies are setting an ever-higher priority on international expansion, with the countries along the routes of the BRI (including the ASEAN bloc) particular targets. Reassuringly for Hong Kong SAR, in 2024, 77% of such expansion-minded mainland China businesses indicated a preference for sourcing related financial and professional services support from the city, as well as for setting up Hong Kong SAR subsidiaries, in order to bolster their 'going out' programmes.

What are Hong Kong SAR exporters doing (and what else can they do) to mitigate the fallout from any global trade disruptions?
Essentially, they can and will continue to engage with new export markets. This will see many focusing on the countries participating in the BRI, including the ASEAN bloc, the Middle East, Central Asia and Latin America.

At the same time, they will look at how best to restructure their supply chains given the emerging preference for US production for the US market [US for US] and Chinese production for the China market [China for China]. In the case of Hong Kong SAR, it will remain a key platform, one that serves mainland China as well as the rest of the world.

It is also important to bear in mind that the high *Trump 2.0 tariffs affect not just mainland China, but the whole world*. As a result, we can anticipate a distinct shift in global trade and investment flows. Notably, the more restrictive US international trade and investment policies are driving companies with global operations to rethink both their supply chain and international business strategies.

Indeed, of late, following in the wake of many local and mainland China companies, a significant number of overseas companies (including the local subsidiaries of companies headquartered in Europe, Japan and the US) have l*ooked to leverage the Hong Kong SAR platform in order to better serve both mainland China and the US*, the world's two largest markets.

With the US's drastic policy change diverting international trade from its shores to other parts of the world, Hong Kong SAR is better placed than ever to capitalise on the many currently emerging opportunities.

Interview 3: Soo Hoo Khoon Yean

FCCA, Managing Partner at PwC Malaysia and the Territory Senior Partner of the PwC Malaysia-Vietnam firm, and Chairman of PwC's South East Asia Consulting practice

www.PwC Malaysia.com

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact the region and country in which you are based?
Globalisation seems to be on a declining trend, as countries increasingly adopt more nationalistic policies. While the US continues to play an important role in global trade, its move toward a more protectionist stance raises concerns. In response, other countries are likely to seek greater trade diversification by strengthening economic ties with multiple partners, reducing their dependence on any single trading partner. For example, the British Malaysian Chamber of Commerce is discussing the possibility of resurrecting the old trading arrangements between Britain and the Commonwealth countries as an alternative.

'Geopolitics presents a significant challenge for South East Asia amid the intensifying rivalry between superpowers.'

Meanwhile, the current multilateral approach towards global trade may pivot towards greater trading within regions – such as an expansion of trade across South East Asia for example.

Geopolitics presents a significant challenge for South East Asia amid the intensifying rivalry between superpowers. Many observers highlight sanctions as a key risk for countries trading with the US, for example, the restrictions imposed on the transhipment of semiconductors to China. Similarly, Vietnam faces the challenge of ensuring domestically produced components constitute the majority of its finished goods to avoid higher tariffs on the transhipment of exports to the US. Given its geographical proximity, China remains a major trading partner for many countries in the region, making it crucial for these countries to maintain a neutral stance in geopolitical matters.

How will this impact your organisation and what is your organisation doing, or what can it do, to try and mitigate the fallout from the disruptions in global trade?
As we operate a professional services firm, recent disruptions in global trade have not had a major direct impact on our business, since the focus has been on goods and not services, although that may only be a question of time.

However, we are seeing an impact on our clients' businesses. Corporates are exploring ways to reinvent their manufacturing processes in response to the need for supply chain restructuring. This challenge could accelerate the adoption of new technologies. For example, firms could be increasingly incentivised to leverage digitisation and artificial intelligence to boost efficiency and competitiveness, helping to offset rising costs from higher import tariffs.

Meanwhile, Singaporean firms should consider making use of the Johor-Singapore Special Economic Zone (JS-SEZ), moving production to benefit from the lower labour costs and greater availability of land in Malaysia. That said, moving production is not straightforward. Malaysian workers will need upskilling in order to make greater use of technology, and this can't happen overnight. Hence, increased talent mobility across the JS-SEZ is important, to allow the training of new workers.

What would your advice be to corporate leaders at the present time in this very uncertain world?
The issues that we face today are unprecedented. Corporate leaders must be bold enough to try new things, bearing in mind that what worked in the last

five years may not work in the future or even now. They also need to think of the longer term. One of the biggest challenges for corporate leaders today is that we tend to focus on a two-year time horizon, but if we want to reinvent the business this is not sufficient, because short-term decisions will come at the expense of a long-term strategy. In today's world, CEOs must think about the outcomes of decisions beyond their tenures and build for a business of tomorrow.

Interview 4: Pranav Kumar[1]

Vice-President, International Trade Policy and Compliance, Reliance Industries Ltd.

www.ril.com

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact the region and country in which you are based?

There are three major issues likely to have an impact on the global trade environment going forward. First, with the World Trade Organisation (WTO) no longer functioning, we are operating in a world where global trade governance is largely missing. Hence, bilateralism is likely to prevail, and countries cannot expect multilateralism to come to their rescue. This is a dangerous trend, given the large power imbalances between countries, which is likely to damage the trade prospects of many developing economies, which lack negotiating power. Second is the geopolitical turbulence that looks unlikely to calm down in the near future amid the Russia-Ukraine war and uncertainty about developments in the Middle East. Third is protectionism, given the anti-globalisation rhetoric emanating from the western world, the previous champions and beneficiaries of the open global trading system. This is a setback for many developing countries, which would like to use an open, liberal trading system to drive development.

India is one of the fastest growing global economies and has performed well on the trade front since the pandemic, consistently achieving around US$450bn of annual merchandise exports, almost all-time record services exports, and quite a healthy inflow of foreign direct investment. But we have set very ambitious targets, including achieving US$1tn of both goods and services trade by 2030, and becoming a developed nation by 2047. While we have enacted many policy initiatives and reforms in recent years, these targets will be challenging to achieve in an environment less conducive to global trade. Meanwhile, export restrictions enacted by certain countries on items such as critical minerals and capital goods are adding to the disruptions in the global trading environment.

How will this impact your organisation and what is your organisation doing, or what can it do, to try and mitigate the fallout from the disruptions in global trade?

We are living in a globalised era where the interdependency among nations is high. Hence, any disruption in the supply of products in critical areas where India is import-dependent, such as crude oil, new energy, critical minerals, capital goods, would be problematic, not only for our organisation, but for many Indian companies. We will try to adjust our business strategy accordingly, including diversifying our sources of supply as best we can. This is not a straightforward

problem to deal with, though, given the global nature of the issues, and it will also likely need to be addressed by the government.

Do you have any other thoughts you would like to share on Indian trade policy?

There has been an increased focus of Indian trade policy on our traditional markets of the US and Europe, rather than on our competitors in the Far East. We lost some trade preferences with the US after it ended India's designation as a beneficiary developing country under the Generalized System of Preferences (GSP) programme. Hence, new free trade agreements could restore some of these preferences. We have recently struck a deal with the UK, and negotiations with the US, a very critical export market, continue. But even if a deal with the US is achieved, India will still likely face higher tariffs on most of our products than was the case before GSP ended. Hence, we'll have to see how trade is affected. More broadly, India should continue to enact measures that help increase its integration into global value chains, as well as ensuring that a greater proportion of value-addition in production happens in India.

[1] The views expressed in these interviews are the personal views of the interviewees and do not necessarily reflect the views of the company they represent or ACCA. We are incredibly grateful to the interviewees for providing their time and expertise for the interviews.

Interview 5: Hillary Onami and Viola Sawere

This is a summary of a joint interview with Hillary Onami and Viola Sawere, reflecting the perspective of the African Continental Free Trade Area (AfCFTA) Expert Group of the Pan African Federation of Accountants (PAFA). Hillary is the Director of Public Policy and Research at the Institute of Certified Public Accountants of Kenya (ICPAK), and Viola is Project Team Leader at GOPA Worldwide Consultants.

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact the region and country in which you are based?
Africa is a net importer of finished goods, hence, any further disruptions to global supply chains due to conflicts and geopolitical tensions will continue to dampen prospects for trade in the region. The same is true if the world continues to move towards more restrictive trade policies, of which the US is currently at the forefront. Slower external trade flows could also result in less trade-related aid. Overall, global trade is still set to grow over coming years, but these major global issues will have a negative impact. Against such an external backdrop, while African countries will continue to explore global opportunities, they will need to look at how they can increase trade with each other, and this is likely to fuel a rise in intra-regional trade within the continent.

What can policymakers in the region do to help African exporters?
It will be important to focus on, and prioritise, policies that can further boost intra-Africa trade. Countries in the African Continental Free Trade Area (AfCFTA) have agreed to reduce tariffs for certain products, especially the ones that are non-sensitive. But removal of non-tariff barriers is key, because there are a lot of challenges due to countries having different product standards. There are also infrastructure-related and logistical challenges to the interconnectivity of countries, eg difficulties in sharing information on consignments between customs authorities. In addition, African countries need to prioritise increasing their share in global value chains, not just producing the raw materials, and they need to see where they have the capacity to work closer together, rather than relying on global supply chains.

Countries in the region also need to focus on improving the standards of the goods they produce. Agriculture is an important sector, where better infrastructure such as improved storage facilities would reduce post-harvest produce loss. Also, improvements in agricultural equipment and pesticides, and methods of production, would help farmers commercialise their output more effectively, helping them to export more to global markets while also satisfying intra-regional demand (some countries on the continent still face hunger). The agriculture sector is just one particular example, but the same would apply in other production sectors.

In the services sector, more efforts are now focusing on what we call modern services (as against traditional sectors such as tourism and transport), for instance, getting sectors such as insurance to support the agriculture sector and allowing intra-regional policies to be sold in countries where there's no domestic capacity, and looking at how high-tech services (including artificial intelligence-based solutions) can support businesses better. There are current negotiations on liberalising the continent's services market, but also more emphasis and focus is being given to supporting the infrastructure needed to enable services to be provided across countries, and the innovation in skills that is required, as well as mutual recognition agreements to allow the movement of skilled professionals. Also, African governments need to scale up the implementation of technical and vocational training programmes, which are key in boosting the integration of low and semi-skilled professionals into the labour market and closing job-skills mismatches among the youth (who constitute more than 70% of both the African population and the small-scale cross-border traders on the continent).

Interview 6: Sanjay Rughani

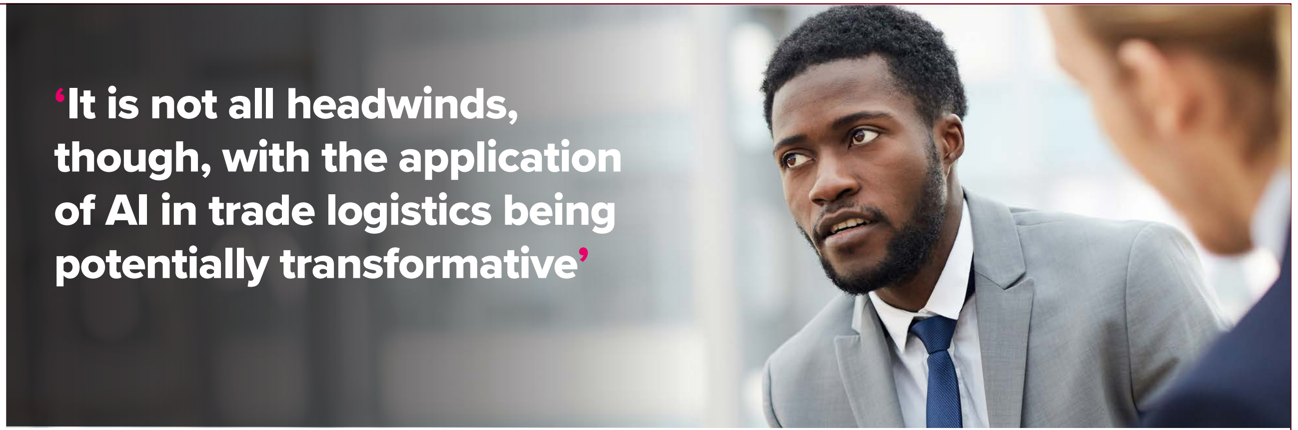
FCCA, CEO and Managing Director of Standard Chartered Bank Uganda and Director at TradeMark Africa.

www.sc.com/ug

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact the region and country in which you are based?
Global trade is going through a structural transformation, with the traditional 'just- in-time' supply chain model giving way to a 'just-in-case' model, and amid the geographical diversification of supply chains, as business leaders consider China+1 strategies, with countries in Asia and parts of Africa benefiting. Moreover, we are seeing an unmistakable trend toward geo-economic fragmentation amid rising protectionism and geopolitical realignment. It is not all headwinds, though, with the application of artificial intelligence (AI) in trade logistics being potentially transformative. Overall, global trade will continue to grow, although digital trade will continue to expand much more quickly than traditional goods trade. There will also continue to be growth in green value chains and environmental, social and governance (ESG) aligned supply chains.

Africa's potential remains untapped, with intra-regional trade still very low. We are excited about the new African Continental Free Trade Area (AfCFTA), which aims to progressively liberalise tariffs and remove non-tariff barriers. Over time, this could substantially boost regional trade across the continent over the coming decade. The rapid growth in trade between Africa, Asia and the Middle East is also promising, while foreign direct investment (FDI) into Africa continues to rise. There are emerging opportunities in global outsourcing, particularly given ageing populations in Japan and Europe. In addition, many African nations may also gain a competitive advantage from more favourable US tariff rates relative to other regions. In Uganda, the economy has been strong. The country is increasingly positioned as a regional manufacturing hub, with rising exports across The East African Community. It is equally exciting to see the country embracing the digital economy, creating new avenues for inclusive growth and innovation.

How will this impact your organisation?
This is an exciting time for Standard Chartered. While we are a British bank, our strengths lie in Asia, Africa and the Middle East, which is home to around two-thirds of the world's population. Hence, I think we are in a privileged place, and our long history in many countries means we are viewed as a trusted enabler. We support many other banks around the world through our correspondent banking offering and other value solutions, which is very important



for global trade, and are constantly seeing rising demand for cross-border trade finance. Given our years of global experience, we understand the local risk mitigation models, and the compliance intelligence necessary to comply with the various sanction regimes. We are also ideally placed as an intermediary to support African exporters going into global markets, and vice versa.

What is your organisation doing, or what can it do, to try and mitigate the fallout from the disruptions in global trade?
It is all about being future ready. We are very ambitious with our ESG strategy and are growing in strength across sustainable trade and inclusive supply chains. We have committed US$300bn to sustainable finance by 2030. At the same time, we use digital as a key enabler, from digitising platforms to reduce trade friction, including the use of blockchain, to embracing AI for trade risk analytics. Looking ahead, we must also create new avenues to attract capital investment into critical sectors across Africa.

We support policy reforms and capacity building. We are proud to have supported the vision of the AfCFTA through our work on trade facilitation, regulatory dialogue, and innovation in sustainable finance. As trusted advisers, we help clients transition towards greener, more compliant trade practices, including identifying and mitigating ESG risks, such as green washing, and position their business for long-term growth. We also invest in strengthening institutional capacity across critical areas such as trade finance, ESG certification, regulatory compliance, cyber risk and correspondent banking. These efforts are central to building a more robust and inclusive financial ecosystem – one that is secure, transparent and aligned with global standards.

Interview 7: Julia Spies and Valentina Rollo

This is a summary of a joint interview with Julia Spies and Valentina Rollo of the International Trade Centre (ITC). Julia is the Chief, Trade and Market Intelligence and Valentina is the Head of Research. The ITC is the joint agency of the United Nations (UN) and World Trade Organization (WTO) supporting sustainable and inclusive trade in developing countries.

https://www.intracen.org/

What are your thoughts on the prospects for global trade over coming years, and how is this likely to impact developing countries?
The ITC projects that global trade could fall approximately US$500bn short of its potential in 2029[2], owing to ongoing trade tensions and rising protectionism. The large number of extraordinary trade measures announced by the new US administration has caused significant uncertainty and marks a trend away from a predictable rules-based multilateral trade system towards something based more on unilateral decisions or ad hoc bilateral trade deals. The uncertainty that comes with this shift disproportionately affects developing countries, which are major beneficiaries of a rules-based order, because they don't have the same negotiating power as large economies and their exports are generally less diversified and have less local value addition that could help provide resilience against economic shocks. Some developing countries are also heavily exposed to the US market. Despite this, certain developing countries may see initial gains in their terms of trade as their competitors in specific sectors may be confronted with even higher tariffs in the US market.

How will this impact micro, small and medium-sized enterprises (MSMEs)?
Only a small share of MSMEs are exporters, especially in developing countries, hence, as a group, they may be less directly exposed to global trade tensions. However, their indirect exposure through the value chain is important. Small businesses sell to large companies that are exporters and when the latter face new tariffs, they will attempt to lower the price of their inputs. Smaller suppliers tend to have little negotiating power and, in many cases, rely on one big customer, so they are forced to accept lower prices.

Moreover, some large companies may even close or move to other countries when there are changes in international trade routes. When this happens, a small business may lose its main customer, and MSMEs often don't have the contacts, information or resources to adapt. It may also become more difficult or expensive for them to purchase inputs when there are shifts in international trade and if supply chains change countries.

When international trade rules regularly change, it also becomes difficult for MSMEs to plan, hence they hesitate in investing in equipment, hiring more people, and entering new markets. During previous economic shocks, small businesses have typically suffered more than bigger companies that are able to adjust better, and the performance gaps between them grow. This, of course, has negative implications for the economy, with MSMEs typically accounting for a significant share of firms and employment in many countries. The impacts can be particularly severe in rural or fragile areas where these communities are often dependent on small firms.[3]

[2] Export potential estimates for 2029 are taken from ITC's Export Potential Map (exportpotential.intracen.org). Note that the simple partial equilibrium model used for impact estimation assumes that trade losses for countries eg in the US market, will not be compensated by gains in market share elsewhere. At the point of writing, an official notice with details on Canada's announcement from 22 August to remove retaliatory measures against the US is still pending. These would revise our estimate downwards.

[3] SME Competitiveness Outlook 2023: Small Businesses in Fragility: From Survival to Growth

[4] The ITC has built a resilience framework for MSMEs, showing what businesses can do to remain resilient during different types of disruptions, see SME Competitiveness Outlook 2021: Empowering the Green Recovery

Interview 7: Julia Spies and Valentina Rollo (cont.)

What can MSMEs do to try and mitigate the fallout from disruptions in global trade? How is the ITC helping them with this?

MSMEs need to build resilience, and it is becoming ever more important to stress this point, given the different types of disruptions that keep occurring.[4] Key in this regard are business fundamentals, on which firms need to continue working to improve over the business cycle. For example, diversification – operating in more than one market and having more than one buyer and supplier. MSMEs in general find it difficult to diversify, given the need for good information about what is happening in the market and whom they can buy from and sell to. ITC research shows how digital tools can help them with this, and our SME Competitiveness Outlook 2025 focuses on the digital transformation roadmap for SMES.[5] Of the companies that use digital technologies, 87% and 84% respectively report that they have experienced an increase in sales and a reduction in costs.

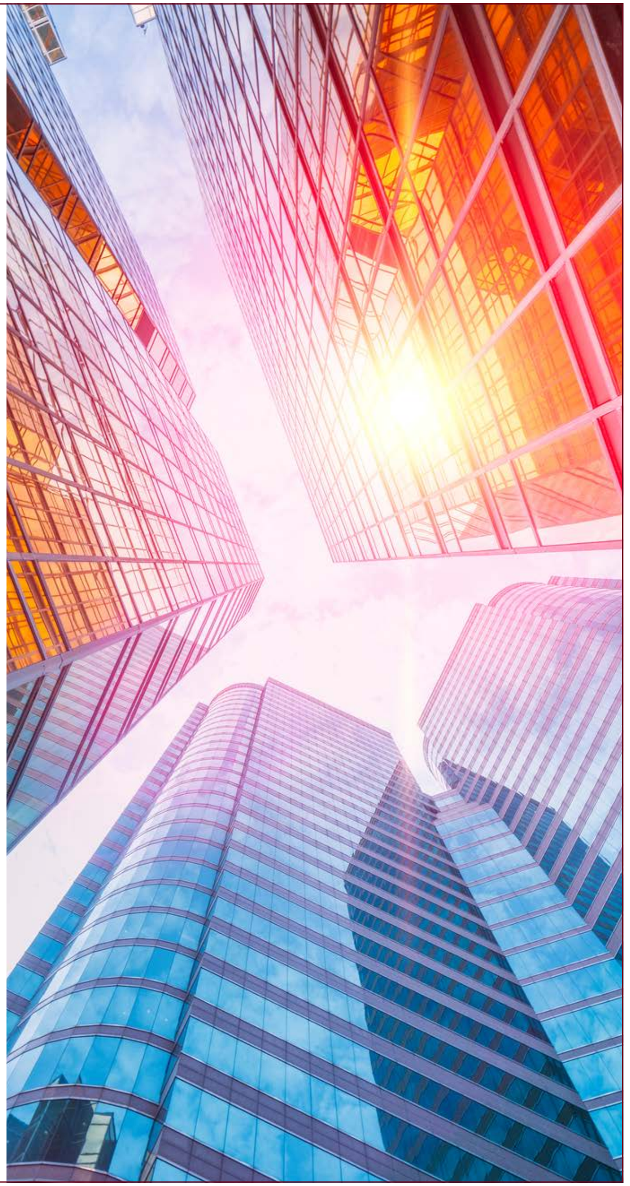
'MSMEs need to build resilience, and it is becoming ever more important to stress this point...'

Of course, MSMEs cannot do it all on their own, they need a supportive environment. First, to use the relevant digital technologies in the countries where they operate, they need an available digital infrastructure, skilled workers to use the technologies, and a supportive regulatory environment. Second, they also need assistance from business support organisations (BSOs), which can provide the required training and capacity building, which is critical when there are major disruptions such as currently with global trade. BSOs can support MSMEs with their diversification efforts; companies engaging with them report better access to necessary information.[6]

We have discussed above how trade uncertainty, inconsistency, and lack of transparency can undermine the tractability of global trade and how digital transformation can be a solution. A core mandate of the ITC is to provide MSMEs (as well as policymakers and BSOs), especially in developing countries, with free access to real-time trade intelligence. We maintain a suite of market analysis tools that provides information about tariff rates and changes, allows the monitoring of trade flows, identifies competition levels, and helps uncover new trade opportunities.[7]

Partnering with other organisations in the multilateral system, we have also designed tools specifically for MSMEs, such as The Global Trade Helpdesk, a centralised, multilingual digital platform where firms can find information about trade opportunities, market demand in different countries, tariffs, and regulatory requirements.[8] Our platforms also have information about finance providers, online marketplaces, online payment solutions and freight forwarders.

While the ITC is a strong advocate of transparency in international trade and we believe that providing information is very important in levelling the playing field, our work is not limited to this. We also work closely with developing countries to support their ambitions to move up the value chain and keep more of the value addition in their own economies. This often occurs through working at the regional level, given the significant challenges faced by countries attempting to do this on their own.[9]



[5] see SME Competitiveness Outlook 2025: A digital transformation roadmap
[6] SME Competitiveness Outlook 2020 - COVID-19: the Great Lockdown and its impact on Small Business
[7] see https://marketanalysis.intracen.org/en/home.
[8] see https://globaltradehelpdesk.org/
[9] For an example, see ITC (2022): Made by Africa - Creating Value through Integration.

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ACCA

ACCA
The Adelphi
1/11 John Adam Street
London WC2N 6AU
United Kingdom

020 7059 5000

accaglobal.com

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